UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2021

or

☐ **Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _________ to _________

Commission File Number 1-32375

Comstock Holding Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-1164345**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1900 Reston Metro Plaza, 10th Floor
Reston, Virginia 20190
(703) 230-1985
(Address, including zip code, and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.01 per share	CHCI	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of May 14, 2021, 8,089,457 shares of Class A common stock, par value $0.01 per share, and 220,250 shares of Class B common stock, par value $0.01 per share, of the registrant were outstanding.

COMSTOCK HOLDING COMPANIES, INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

COMSTOCK HOLDING COMPANIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,657	$ 7,032
Trade receivables, net	1,437	1,482
Trade receivables - related parties	4,922	3,598
Prepaid and other assets, net	327	242
Total current assets	13,343	12,354
Equity method investments at fair value	4,665	6,307
Fixed assets, net	242	266
Goodwill	1,702	1,702
Operating lease right-of-use assets	7,749	7,914
Intangible assets, net	19	36
TOTAL ASSETS	$ 27,720	$ 28,579
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued personnel costs	$ 961	$ 2,442
Accounts payable	692	523
Accrued liabilities	1,221	964
Short term operating lease liabilities	581	569
Short term notes payable	96	5
Total current liabilities	3,551	4,503
Long term notes payable - due to affiliates	5,500	5,500
Long term operating lease liabilities, net of current portion	7,211	7,361
TOTAL LIABILITIES	$ 16,262	$ 17,364
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Series C preferred stock $0.01 par value, 20,000,000 shares authorized, 3,440,690 issued and outstanding and liquidation preference of $17,203 at March 31, 2021 and December 31, 2020	$ 6,765	$ 6,765
Class A common stock, $0.01 par value, 59,779,750 shares authorized, 8,057,989 and 7,953,729 issued, and 7,972,419 and 7,868,159 outstanding at March 31, 2021 and December 31, 2020, respectively	81	79
Class B common stock, $0.01 par value, 220,250 shares authorized, issued and outstanding at March 31, 2021 and December 31, 2020	2	2
Additional paid-in capital	200,141	200,147
Treasury stock, at cost (85,570 shares Class A common stock)	(2,662)	(2,662)
Accumulated deficit	(192,869)	(193,116)
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	$ 11,458	$ 11,215
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 27,720	$ 28,579

The accompanying notes are an integral part of these consolidated financial statements.

COMSTOCK HOLDING COMPANIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenues		
Asset management	$ 6,840	$ 5,435
Real estate services	1,477	1,531
Total revenue	8,317	6,966
Operating expenses		
Direct costs - asset management	6,078	4,632
Direct costs - real estate services	1,087	1,216
General and administrative	694	727
Sales and marketing	158	200
Operating income	300	191
Interest expense	(58)	(164)
Other (loss) income, net	(11)	9
Income before income tax expense	231	36
Income tax expense	(2)	(1)
Gain (loss) on equity method investments carried at fair value	18	(47)
Net income (loss)	$ 247	$ (12)
Income (loss) per share		
Basic net income (loss) per share	$ 0.03	$ —
Diluted net income (loss) per share	$ 0.03	$ —
Basic weighted average shares outstanding	8,166	8,003
Diluted weighted average shares outstanding	8,977	8,003

The accompanying notes are an integral part of these consolidated financial statements.

COMSTOCK HOLDING COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Series C Preferred Stock		Class A		Class B		Additional paid-in capital	Treasury stock	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	3,441	$ 6,765	7,953	$ 79	220	$ 2	$200,147	$ (2,662)	$ (193,116)	$ 11,215
Stock compensation and issuances	—	—	143	2	—	—	182	—	—	184
Accrued liability settled through issuance of stock	—	—	1	—	—	—	7	—	—	7
Shares withheld related to net share settlement of restricted stock awards	—	—	(39)	—	—	—	(195)	—	—	(195)
Net income	—	—	—	—	—	—	—	—	247	247
Balance at March 31, 2021	3,441	$ 6,765	8,058	$ 81	220	$ 2	$200,141	$ (2,662)	$ (192,869)	$ 11,458

	Series C Preferred Stock		Class A		Class B		Additional paid-in capital	Treasury stock	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	3,441	$ 6,765	7,850	$ 78	220	$ 2	$199,372	$ (2,662)	$ (195,198)	$ 8,357
Stock compensation and issuances	—	—	52	1	—	—	212	—	—	213
Accrued liability settled through issuance of stock	—	—	11	—	—	—	20	—	—	20
Shares withheld related to net share settlement of restricted stock awards	—	—	(16)	—	—	—	(31)	—	—	(31)
Net loss	—	—	—	—	—	—	—	—	(12)	(12)
Balance at March 31, 2020	3,441	$ 6,765	7,897	$ 79	220	$ 2	$199,573	$ (2,662)	$ (195,210)	$ 8,547

The accompanying notes are an integral part of these consolidated financial statements.

COMSTOCK HOLDING COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net income (loss)	$ 247	$ (12)
Adjustment to reconcile net income (loss) to net cash used in operating activities		
Amortization of loan discount, loan commitment and deferred financing fees	—	24
Amortization and depreciation expense	49	65
Amortization of right-of-use asset	165	—
Earnings from unconsolidated joint venture, net of distributions	12	105
Stock compensation	184	213
Change in fair value of equity method investment	(18)	47
Changes in operating assets and liabilities:		
Trade receivables - related parties	(1,324)	308
Trade receivables	45	398
Accrued personnel costs	(1,481)	(2,458)
Prepaid and other assets	(97)	(239)
Accrued liabilities	264	478
Accounts payable	169	(845)
Lease liabilities	(138)	8
Net cash used in operating activities	(1,923)	$ (1,908)
Cash flows from investing activities:		
Purchase of fixed assets	(8)	(9)
Distributions from equity method investments carried at fair value	1,660	144
Net cash provided by investing activities	1,652	135
Cash flows from financing activities:		
Proceeds from notes payable	120	5,554
Payments on notes payable	(29)	(81)
Taxes paid related to net share settlement of equity awards	(195)	(31)
Net cash (used in) provided by financing activities	(104)	5,442
Net (decrease) increase in cash and cash equivalents	(375)	3,669
Cash and cash equivalents, beginning of period	7,032	3,511
Cash and cash equivalents, end of period	$ 6,657	$ 7,180
Supplemental cash flow information:		
Interest paid	$ 58	$ 143
Supplemental disclosure for non-cash investing and financing activities:		
Accrued liability settled through issuance of stock	$ 7	$ 20

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Comstock Holding Companies, Inc. and subsidiaries (“Comstock”, “CHCI” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and other applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Such financial statements do not include all of the disclosures required by GAAP for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The Company has evaluated subsequent events through the date these consolidated financial statements were issued and has included all necessary adjustments and disclosures. For further information and a discussion of our significant accounting policies, other than discussed below, refer to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Comstock Holding Companies, Inc., incorporated in 2004 as a Delaware corporation, is a multi-faceted asset management and services company primarily focused in the Washington, D.C. Metropolitan Statistical Area. In February 2021, the Company amended the entity names for several subsidiaries as part of operational efficiency enhancements initiated in the first quarter of 2021. The entity names were changed for the following Company subsidiaries: (a) CDS Asset Management, LC is now CHCI Asset Management, LC, (b) Comstock Commercial Management, LC is now CHCI Commercial Management, LC, (c) Comstock Residential Management, LC is now CHCI Residential Management, LC, (d) CDS Capital Management, L.C. is now CHCI Capital Management, LC and (e) Comstock Real Estate Services, LC is now CHCI Real Estate Services, L.C.

The Company operates through five primarily real estate focused subsidiaries – CHCI Asset Management, LC (“CAM”), CHCI Residential Management, LC, CHCI Commercial Management, LC, Park X Management, LC and Comstock Environmental Services, LLC (“CES”). References in these Consolidated Financial Statements to “Comstock,” “Company”, “we,” “our” and “us” refer to Comstock Holding Companies, Inc. together in each case with our subsidiaries unless the context suggests otherwise.

The Company’s Class A common stock is traded on the NASDAQ Capital Market under the symbol “CHCI”.

Throughout this quarterly report on Form 10-Q, amounts are in thousands, except per share data, number of stock options, number of stock awards, or as otherwise noted.

The Consolidated Balance Sheet as of December 31, 2020 was derived from the audited financial statements contained in the 2020 Form 10-K.

For the three months ended March 31, 2021 and 2020, comprehensive income (loss) equaled net income (loss); therefore, a separate statement of comprehensive income (loss) is not included in the accompanying consolidated financial statements.

Certain amounts in the prior period have been reclassified to conform to the current year presentation in connection with the classification of 'General and administrative' expenses on the consolidated statement of operations and the accompanying notes to the condensed consolidated financial statements. The reclassification had no effect on the previously reported totals (e.g. operating income, income before income tax, and net income).

Recent Developments

In April 2021, the Company was notified by the Lender that the Lender had received payment in full of the PPP Loan from the United States government, and the Company's PPP Loan had been forgiven (See Note 7 – Coronavirus Aid and Relief and Economic Security Act).

Use of Estimates

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts for the reporting periods. We base these estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. We evaluate these estimates and judgments on an ongoing basis. Actual results may differ from those estimates under different assumptions or conditions. Material estimates are utilized in the valuation of deferred tax assets, analysis of goodwill impairment, valuation of equity-based compensation, capitalization of costs, and fair value of financial instruments (including the fair value of our equity method investments).

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740, Income Tax and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 will be effective for public business entities for annual reporting periods beginning after December 15, 2020, and interim periods within those periods. The Company adopted ASU 2019-12 as of January 1, 2021. The adoption did not have a material impact on our condensed consolidated financial statements.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments", which modifies how companies recognize expected credit losses on financial instruments and other commitments to extend credit held by an entity at each reporting date. Existing GAAP requires an “incurred loss” methodology whereby companies are prohibited from recording an expected loss until it is probable that the loss has been incurred. ASU 2016-13 requires companies to use a methodology that reflects current expected credit losses (“CECL”) and requires consideration of a broad range of reasonable and supportable information to record and report credit loss estimates, even when the CECL is remote. Companies will be required to record the allowance for credit losses and deduct that amount from the basis of the asset. The guidance is effective for the Company for financial statement periods beginning after December 15, 2022, although early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and related disclosures.

We assessed other accounting pronouncements issued or effective during the three months ended March 31, 2021 and deemed they were either not applicable to us or are not anticipated to have a material effect on our consolidated financial statements. Other standards previously issued and adopted by the Company have been disclosed in previous filings.

2. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments carried at fair value

Based upon elections made at the date of investment, the Company reports the equity method investments in real estate ventures at fair value. For such investments, the Company increases or decreases the investment each reporting period by the change in the fair value and the Company reports the fair value adjustments in the Consolidated Statement of Operations in the ‘Gain (loss) on equity method investments carried at fair value’ line item. Changes in fair value of the Company's investment in Investors X (defined below) are impacted by distributions as the fair value is based on finite cash flows from the wind-down of that entity.

Investors X

The Company has elected to account for the equity method investment in Comstock Investors X, L.C. (“Investors X”), a Variable Interest Entity (“VIE”) that owns the Company’s residual homebuilding operations at fair value. Fair value is determined using a discounted cash flow model based on expected future cash flows for income and realization events of the underlying asset. Expected future cash flows includes contractually fixed revenues and expenses as well as estimates for future revenues and expenses where contracts do not currently exist. These estimates are based on prior experience as well as comparable, third party data.

As of March 31, 2021 and December 31, 2020, the fair value of the Company’s investment in Investors X is $3.5 million and $5.1 million, respectively. The Company received distributions of $1.7 million during the three months ended March 31, 2021 and recognized no gain or loss in fair value.

The Hartford

On December 30, 2019, the Company made an investment related to the purchase of a stabilized commercial office building located at 3101 Wilson Boulevard in the Clarendon area of Arlington County, Virginia (the “Hartford”). The Company owns a 2.5% equity interest in the asset at a cost of approximately $1.2 million. The Company has elected to account for the equity method investment in the Hartford at fair value. Fair value is determined using an income approach and sales comparable approach models. As of March 31, 2021 and December 31, 2020, the fair value of the Company’s investment in the Hartford was

$1.2 million. The fair value of the Company's investment in the Hartford remained at approximately $1.2 million during the three months ended March 31, 2021. The Company received no distributions during the three months ended March 31, 2021.

Fair value of equity method investments are classified as Level 3 of the fair value hierarchy. As of March 31, 2021 and December 31, 2020, the Company had equity method investments in real estate ventures at fair value of $4.7 million and $6.3 million, respectively. The table below shows the change in the Company's investments in real estate ventures reported at fair value:

Fair value of investments as of December 31, 2020	$	6,307
Distributions		(1,660)
Change in fair value		18
Fair value of investments as of March 31, 2021	$	4,665

See Note 12 – *Related Party Transactions* for additional discussion of our investments in real estate ventures at fair value.

Investments using equity method

The Company accounts for its interest in its title insurance joint venture using the equity method of accounting and adjusts the carrying value for its proportionate share of earnings, losses and distributions. The investment in the unconsolidated joint venture was $17 thousand and $29 thousand as of March 31, 2021 and December 31, 2020, respectively, and is included within 'Prepaid and other assets, net' in the accompanying Consolidated Balance Sheets.

The Company's share of loss for the three months ended March 31, 2021 and 2020 from this unconsolidated joint venture of $12 thousand and $3 thousand, respectively, is included in 'Other income (loss), net' in the accompanying Consolidated Statement of Operations. During the three months ended March 31, 2021 and 2020 the Company collected and recorded no distributions and $108 thousand, respectively, from this joint venture as a return on investment.

3. GOODWILL & INTANGIBLES

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business acquisition. Following an acquisition, we perform an analysis to value the acquired company's tangible and identifiable intangible assets and liabilities. With respect to identifiable intangible assets, we consider backlog, non-compete agreements, client relationships, trade names, patents and other assets. We amortize our intangible assets based on the period over which the contractual or economic benefits of the intangible assets are expected to be realized. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss. As of the acquisition date, goodwill consisted primarily of synergies resulting from the combination, expected expanded opportunities for growth and production, and savings in corporate overhead costs.

As of March 31, 2021 and December 31, 2020, the balance of goodwill was $1.7 million. This goodwill is reflected within our Real Estate Services segment. There were no events indicating a potential change in recoverability of goodwill during the three months ended March 31, 2021.

Intangible assets include customer relationships which have an amortization period of four years. During the three months ended March 31, 2021 and 2020, $17 thousand of intangible asset amortization was recorded in '*General and administrative'* expense on the Consolidated Statements of Operations, respectively.

4. LEASES

The determination of whether an arrangement contains a lease and the classification of a lease, if applicable, is made at lease commencement, at which time the Company also measures and recognizes an ROU asset, representing the Company's right to use the underlying asset, and a lease liability, representing the Company's obligation to make lease payments under the terms of the arrangement. For the purposes of recognizing ROU assets and lease liabilities associated with the Company's leases, the Company has elected the practical expedient to not recognize a ROU asset or lease liability for short-term leases, which are leases with a term of twelve months or less. The lease term is defined as the non-cancelable portion of the lease term plus any periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The rates implicit within the Company's leases are generally not determinable; therefore, the Company's incremental borrowing rate is used to determine the present value of lease payments. The determination of the Company's incremental borrowing rate requires judgment. The Company looks to similar corporate credit ratings and bond yields when determining the incremental borrowing rate. As of November 1, 2020, at the lease commencement of the new corporate office in Reston, VA, the Company's incremental borrowing rate was determined to be 4.25%.

The Company has operating leases for its office facilities as well as for office equipment. The Company's leases have remaining terms of less than one year to 10 years. The leases can contain various renewal and termination options. The period which is subject to an option to extend the lease is included in the lease term if it is reasonably certain that the option will be exercised. The period which is subject to an option to terminate the lease is excluded if it is reasonably certain that the option will not be exercised. Lease costs related to the Company's operating leases are generally recognized as a single ratable lease cost over the lease term. See Note 12 - Related Party Transactions for rent expense paid and recognized for the corporate office to related parties.

On August 1, 2020 the Company terminated an office lease in Conshohocken, PA which it had previously determined would be reasonably certain to continue until 2022. The Company subsequently executed a month-to-month lease agreement for the office space. The Company does not expect the new month-to-month lease to continue for more than twelve months. Since the lease is less than twelve months, the Company has elected to recognize the lease payments as lease cost on a straight-line basis over the lease term.

The Company does not have any leases which have not yet commenced as of March 31, 2021.

5. REVENUE

The Company's revenues consist primarily of

- Asset Management;
- Property Management;
- Capital Markets;
- Leasing;
- Project & Development Services; and
- Environmental Remediation

Asset Management

Asset Management primarily provides comprehensive real estate asset management services to the CDS Portfolio, representing a series of daily performance obligations delivered over time. Pricing includes a cost-plus management fee or a market-rate fee or a market-rate fee form of variable consideration. The Company earns whichever is higher. See Note 12 – Related Party Transactions.

The amount of revenue recognized is presented on a gross basis for any services provided by our employees, as we control them. This is evidenced by our obligation for their performance and our ability to direct and redirect their work, as well as negotiate the value of such services. In the instances where we do not control third-party services delivered to the client, we report revenues net of the third-party reimbursements. Consistent with the transfer of control for distinct, daily services to the customer, revenue is typically recognized at the end of each period for the fees associated with the services performed.

Property Management

Property Management provides on-site day-to-day management services for owners of office, industrial, retail, multifamily residential and various other types of properties, representing a series of daily performance obligations delivered over time. Pricing is generally in the form of a monthly management fee based upon property-level cash receipts, square footage under management or some other variable metric. Revenues from project management may also include reimbursement of payroll and related costs for personnel providing the services and subcontracted vendor costs. Project management services represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, revenue is typically recognized at the end of each period for the fees associated with the services performed.

The amount of revenue recognized is presented gross for any services provided by our employees, as we control them. This is evidenced by our obligation for their performance and our ability to direct and redirect their work, as well as negotiate the value of such services. In the instances where we do not control third-party services delivered to the client, we report revenues net of the third-party reimbursements.

Capital Markets

We offer clients commercial mortgage and structured financing services. We are compensated for our services via a fee paid upon successful commercial financing from third party lenders. The fee earned is contingent upon the funding of the loan, which represents the transfer of control for services to the customer. Therefore, we typically satisfy our performance obligation at the point in time of the funding of the loan, when there is a present right to payment.

Leasing

We provide strategic advice and execution for owners, investors, and occupiers of real estate in connection with the leasing of office, industrial and retail space. We are compensated for our services in the form of a commission. Our commission is paid upon signing of the lease by the tenant. We satisfy our performance obligation at a point in time; generally, at the time of the contractual event where there is a present right to payment.

Project & Development Services

We provide project and construction management services for owners and occupiers of real estate in connection with the management and leasing of office, industrial and retail space. The fees that we earn are typically variable based upon a percentage of project cost. We are compensated for our services in the form of management fees. Project and construction management services represent a series of performance obligations delivered over time and revenue is recognized over time.

Environmental Remediation

We provide environmental remediation services for owners of real estate. Remediation services are generally contracted and performed by Comstock Environmental. We are compensated for our services as well as for the services of subcontractors used to perform remediation services. Fees earned are generally based upon employee time spent as well as a cost-plus arrangement for subcontractors used. Generally, environmental remediation services represent a series of performance obligations delivered over time and revenue is recognized over time.

Contract Costs

Expenses, primarily employee commissions, incurred on leasing and capital markets transactions represent substantially all of our incremental costs to obtain revenue contracts. Since the amortization period is one year or less we recognize these costs as an operating expense as they are incurred.

The following table presents the Company's sales from contracts with customers disaggregated by categories which best represents how the nature, amount and timing and uncertainty of sales are affected by economic factors.

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue by customer		
Related party	$ 6,939	$ 5,484
Commercial	1,378	1,482
Total Revenue by customer	$ 8,317	$ 6,966
Revenue by contract type		
Fixed-price	$ 1,732	$ 1,888
Cost-plus	4,290	3,434
Time and Material	2,295	1,644
Total Revenue by contract type	$ 8,317	$ 6,966

For the three months ended March 31, 2021 and 2020, $8.3 million and $6.8 million, respectively, of our revenues were earned for contracts where revenue is recognized over time. For the three months ended March 31, 2021 and 2020, $9 thousand and $187 thousand, respectively, of our revenues were earned for contracts where revenue is recognized at a point in time.

6. DEBT

As of March 31, 2021, notes payable consisted of the following:

	March 31, 2021	December 31, 2020
Notes payable - due to affiliates, unsecured	5,500	5,500
Unsecured financing	96	5
Total notes payable	$ 5,596	$ 5,505

As of March 31, 2021, net maturities and/or curtailment obligations of all borrowings are as follows:

2021	$ 96
2022	—
2023	5,500
Total	$ 5,596

Unsecured financing

The Company finances its professional liability insurance policies that renew on March 1 of each year under a premium finance agreement payable within a one year term. At December 31, 2020, the balance on this loan was $5 thousand and the interest rate was 3.3%. As of March 31, 2021, the balance on this loan was $96 thousand and the interest rate was 2.4%.

Notes payable, due to affiliates – unsecured

Revolving Capital Line of Credit

On March 19, 2020, the Company entered into a Revolving Capital Line of Credit Agreement (the "Loan Documents") with CP Real Estate Services, LC (formerly known as Comstock Development Services, LC) ("CDS"), pursuant to which the Company secured a $10.0 million capital line of credit (the "Revolver"). Under the terms of the Loan Documents, the Revolver provides for an initial variable interest rate of the Wall Street Journal Prime Rate plus 1.00% per annum on advances made under the Revolver, payable monthly in arrears. The five-year term facility allows for interim draws that carry a maturity date of 12 months from the initial date of the disbursement unless a longer initial term is agreed to by CDS. On March 27, 2020, the Company borrowed $5.5 million under the Revolver. The $5.5 million borrowed has a maturity date of April 30, 2023.

Comstock Growth Fund

On October 17, 2014, the Company entered into an unsecured promissory note with Comstock Growth Fund (“CGF”) whereby CGF made a loan to the Company in the initial principal amount of $10.0 million and a maximum amount available for borrowing of up to $20.0 million with a three year term. On December 18, 2014, the loan agreement was amended and restated to provide for a maximum capacity of $25 million. On May 23, 2018, the Company entered into a Membership Interest Exchange and Subscription Agreement (the “Membership Exchange Agreement”), together with a revised promissory note agreement, in which a note (“CGF Note”) with an outstanding principal and accrued interest balance of $7.7 million was exchanged for 1,482,300 shares of the Company’s Series C Non-Convertible Preferred Stock, par value $0.01 per share and a stated liquidation value of $5.00 per share (the “Series C Preferred Stock”), issued by the Company to CDS. The Company exchanged the preferred equity for 91.5% of CDS membership interest in the CGF promissory note. Concurrently, the face amount of the CGF promissory note was reduced to $5.7 million. The CGF Note was repaid prior to maturity during the year ended December 31, 2020.

For the three months ended March 31, 2021 and 2020, the Company made interest payments for all debt facilities of $58 thousand and $143 thousand, respectively.

During the three months ended March 31, 2021, the Company did not make principal payments for the Revolver. During the three months ended March 31, 2020, the Company retired $5.7 million of outstanding borrowings for the CGF Note.

7. CORONAVIRUS AID RELIEF AND ECONOMIC SECURITY ACT

Paycheck Protection Plan Loan

In response to the COVID-19 pandemic, the Paycheck Protection Program (the “PPP”) was established under the CARES Act and administered by the U.S. Small Business Administration (“SBA”). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll, rent and utility expenses (“qualified expenses”). If the loan proceeds are fully utilized to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization during the covered period as compared to a baseline period.

In April 2020, the Company received proceeds of $1.95 million under the PPP (the "PPP Loan") provided by Mainstreet Bank (the “Lender”). Based on the term and conditions of the loan agreement, the term of the PPP loan is two years with an annual interest rate of 1% and principal and interest payments will be deferred for the first six-months of the loan term, which has been updated according to the Paycheck Protection Program Flexibility Act of 2020 (“Flexibility Act”). The Company recognized PPP funding as a contra-expense during the three months ended June 30, 2020, when qualified expenses were incurred. The Lender received notice that the PPP Loan was fully forgiven by the SBA in April 2021.

Deferral of Social Security Tax Payments

Pursuant to sections 2302(a)(1) and (a)(2) of the CARES Act, the Company has elected to defer payments of its share of Social Security tax due during the "payroll tax deferral period". The payroll tax deferral period began on August 1, 2020 and ended December 31, 2020. At March 31, 2021 the total amount of such deferral was $193 thousand and is reflected within 'Accrued personnel costs' on our consolidated balance sheet. Per the terms of the deferral program, 50% of the deferred amount is due on December 31, 2021, and the remaining 50% is due on December 31, 2022 at 0% interest.

8. COMMITMENTS AND CONTINGENCIES

Litigation

Currently, we are not subject to any material legal proceedings. From time to time, we are named as a defendant in legal actions arising from our normal business activities. Although we cannot accurately predict the amount of our liability, if any, that could arise with respect to legal actions pending against us, we do not believe it is reasonably possible that such liability will have a material adverse effect on our financial position, operating results and cash flows. We believe that we have obtained adequate insurance coverage, rights to indemnification, or where appropriate, have established appropriate reserves in connection with any such legal proceedings.

9. FAIR VALUE DISCLOSURES

The carrying amounts reported in the consolidated balance sheets for cash equivalents, accounts receivable, and accounts payable are reasonable estimates of their fair values based on their short maturities. The fair value of fixed and floating rate debt is based on unobservable market rates (Level 3 inputs). The fair value of the fixed and floating rate debt was estimated using a discounted cash flow analysis on the blended borrower rates currently available to the Company for loans with similar terms. The following table summarizes the carrying amount and the corresponding fair value of fixed and floating rate debt.

	March 31, 2021	December 31, 2020
Carrying amount	$ 5,596	$ 5,505
Fair value	$ 5,579	$ 5,485

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Investments in Real Estate Ventures at Fair Value

We report our two investments in real estate ventures at fair value. For such investments, we increase or decrease our investment each reporting period by the change in the fair value and we report these fair value adjustments in the Consolidated Statements of Operations.

For our investments in real estate ventures at fair value, we estimate the fair value using the level 3 Income Approach or a sales comparable approach to determine a fair value. Critical inputs to fair value estimates include various level 3 inputs such as valuations of the underlying real estate assets and borrowings, which incorporate investment-specific assumptions such as discount rates, capitalization rates, rental and expense growth rates, and asset-specific market borrowing rates. As of March 31, 2021 and December 31, 2020, investments in the real estate ventures at fair value were approximately $4.7 million and $6.3 million, respectively.

Non-Recurring Fair Value Measurements

The Company may also value its non-financial assets and liabilities, including items such as long-lived assets, at fair value on a non-recurring basis if it is determined that impairment has occurred. Such fair value measurements use significant unobservable inputs and are classified as Level 3.

10. RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

During the three months ended March 31, 2021, the Company issued no stock options and 165,809 restricted stock awards to employees. During the three months ended March 31, 2020, the Company issued no stock options and 630,352 restricted stock awards to employees.

Stock-based compensation expense associated with restricted stock and stock options is recognized based on the grant date fair value of the award over its vesting period. The following table reflects the statements of operations line items for stock-based compensation for the periods presented:

	Three Months Ended March 31, 2021	2020
General and administrative - real estate services	$ 31	$ 22
General and administrative - asset management	153	191
	$ 184	$ 213

Under net settlement procedures currently applicable to our outstanding restricted stock awards for employees, upon each settlement date and election by the employees, restricted stock awards are withheld to cover the required withholding tax, which is based on the value of the restricted stock award on the settlement date as determined by the closing price of our Class A common stock on the trading day immediately preceding the applicable settlement date. The remaining amounts are delivered to the recipient as shares of our Class A common stock.

As of March 31, 2021, the weighted-average remaining contractual term of unexercised stock options was 5 years. As of March 31, 2021 and December 31, 2020, there was $1.4 million and $1.1 million, respectively, of unrecognized compensation cost related to stock options and restricted stock awards.

The Company intends to issue new shares of its Class A common stock upon vesting of restricted stock grants or the exercise of stock options.

11. INCOME (LOSS) PER SHARE

The weighted average shares and share equivalents used to calculate basic and diluted (loss) income from continuing operations for the three months ended March 31, 2021 and 2020 are presented in the accompanying consolidated statements of operations. Restricted stock awards, stock options and warrants for the three months ended March 31, 2021 and 2020 are included in the diluted income (loss) per share calculation using the treasury stock method and average market prices during the periods, unless their inclusion would be anti-dilutive.

The following share equivalents have been excluded from the continuing operations dilutive share computation for the three months ended March 31, 2021 and 2020 as their inclusion would be anti-dilutive:

	Three Months Ended March 31,	
	2021	2020
Restricted stock awards	—	174
Stock options	46	255
Warrants	149	726
	195	1,155

12. RELATED PARTY TRANSACTIONS

Lease for Corporate Headquarters

The Company previously leased its corporate headquarters from an affiliate controlled and owned by our CEO and family. On November 1, 2020, the Company relocated its corporate headquarters to a new office space pursuant to a ten year lease agreement with an affiliate controlled and owned by our Chief Executive Officer and family, as landlord. Future minimum lease payments under this lease, which expires on October 31, 2030, is $9.6 million. The Company is also responsible for the pro-rata share of common area maintenance costs to the landlord.

For the three months ended March 31, 2021 and 2020, total rental payments made were $298 thousand and $142 thousand, respectively. This is reflected within 'Direct costs - asset management' as it is a reimbursable cost under the 2019 AMA.

Asset Management Agreement ("AMA")

On March 30, 2018, CAM, an entity wholly owned by the Company, entered into the AMA with CDS. The effective date of the AMA is January 2, 2018. Pursuant to the AMA, CDS has engaged CAM to manage and administer the CDS' commercial real estate portfolio and the day to-day operations of CDS and each property-owning subsidiary of CDS (the "CDS Portfolio"). Pursuant to the terms of the AMA, CAM will provide investment advisory, development and asset management services necessary to build out, stabilize and manage certain assets.

Pursuant to the AMA, CDS will pay CAM an annual cost-plus fee (the "Annual Fee") in an aggregate amount equal to the sum of (i) the employment expenses of personnel dedicated to providing services to the CDS Portfolio pursuant to the AMA, (ii) the costs and expenses of the Company related to maintaining the listing of its shares on a securities exchange and complying with regulatory and reporting obligations as a public company, and (iii) a fixed annual payment of $1,000,000.

As of March 31, 2021 and December 31, 2020, the Company had $4.9 million and $3.6 million, respectively, of receivables from related parties, primarily related to the 2019 AMA. The Company does not record an allowance for doubtful accounts due to the related party nature of the receivables.

2019 Amended Asset Management Agreement ("2019 AMA")

On April 30, 2019, CAM entered into the 2019 AMA with CDS, which amends and restates in its entirety the AMA. Pursuant to the 2019 AMA, CDS will engage CAM to manage and administer the Anchor Portfolio and the day to-day operations of CDS and each property-owning subsidiary of CDS (collectively, the "CDS Entities"). The "Anchor Portfolio" consists of a majority of the properties we currently manage.

Pursuant to the 2019 AMA, the Company provides asset management services related to the build out, lease-up and stabilization, and management of the Anchor Portfolio. CDS pays the Company and its subsidiaries annual fees equal to the greater of either (i) an aggregate amount equal to the sum of (a) an asset management fee equal to 2.5% of revenues generated by properties included in the Anchor Portfolio; (b) a construction management fee equal to 4% of all costs associated with Anchor Portfolio projects in development; (c) a property management fee equal to 1% of the Anchor Portfolio revenues, (d) an acquisition fee equal to up to 0.5% of the purchase price of acquired assets; and (f) a disposition fee equal to 0.5% of the sales price of an asset on disposition; or (ii) an aggregate amount equal to the sum of (x) the employment expenses of personnel dedicated to providing services to the Anchor Portfolio pursuant to the 2019 AMA, (y) the costs and expenses of the Company related to maintaining the public listing of its shares and complying with related regulatory and reporting obligations, and (z) a fixed annual payment of $1,000,000.

In addition to the annual payment of the greater of either the Market Rate Fee or the Cost Plus Fee (as defined in the 2019 AMA), the Company also is entitled on an annual basis to the following additional fees: (i) an incentive fee equal to 10% of the free cash flow of each of the real estate assets comprising the Anchor Portfolio after calculating a compounding preferred return of 8% on CDS invested capital; (ii) an investment origination fee equal to 1% of raised capital, (iii) a leasing fee equal to $1.00/sf for new leases and $0.50/sf for renewals; and (iv) mutually agreeable loan origination fees related to the Anchor Portfolio.

The 2019 AMA will terminate on December 31, 2027 ("Initial Term"), an extension from the original termination date of December 31, 2022, and will automatically renew for successive additional one year terms (each an "Extension Term") unless CDS delivers written notice of non-renewal of the 2019 AMA at least 180 days prior to the termination date of the Initial Term or any Extension Term. Twenty-four months after the effective date of the 2019 AMA, CDS is entitled to terminate the 2019 AMA without cause upon 180 days advance written notice to CAM. In the event of such a termination and in addition to the payment of any accrued annual fees due and payable as of the termination date under the 2019 AMA, CDS is required to pay a termination fee equal to (i) the Market Rate Fee or the Cost Plus Fee paid to CAM for the calendar year immediately preceding the termination , and (ii) a one-time payment of the Incentive Fee (as defined in the 2019 AMA) as if the CDS Portfolio were liquidated for fair market value as of the termination date; or the continued payment of the Incentive Fee as if a termination had not occurred.

Residential, Commercial and Parking Property Management Agreements

The Company entered into separate residential property management agreements with properties owned by CDS Entities under which the Company receives fees to manage and operate the properties, including tenant communications, leasing of apartment units, rent collections, building maintenance and day-to-day operations, engagement and supervision of contractors and vendors providing services for the buildings, and budget preparation and oversight.

The Company entered into separate commercial property and parking management agreements with properties owned by CDS Entities under which the Company receives fees to manage and operate the office and retail portions of the properties, including tenant communications, rent collections, building maintenance and day-to-day operations, engagement and supervision of contractors and vendors providing services for the buildings, and budget preparation and oversight.

These property management agreements are each for one year initial terms with successive, automatic one year renewal terms, unless sooner terminated. The Company generally receives base management fees under these agreements based upon a percentage of gross rental revenues for the portions of the buildings being managed in addition to reimbursement of specified expenses, including employment expenses of personnel employed by the Company in the management and operation of each property.

Construction Management Agreements

The Company has construction management agreements with properties owned by CDS Entities under which the Company receives fees to provide certain construction management and supervision services, including construction supervision and management of the buildout of certain tenant premises. The Company receives a flat construction management fee for each engagement under a work authorization based upon the construction management or supervision fee set forth in the applicable tenant's lease, which fee is generally 1% to 4% of the total costs (or total hard costs) of construction of the tenant's improvements in its premises, or as otherwise agreed to by the parties.

Business Management Agreement

On April 30, 2019, CAM entered into a Business Management Agreement (the “BMA”) with Investors X, whereby CAM will provide Investors X with asset and professional services related to the wind down of the Company’s divested homebuilding operations and the continuation of services related to the Company’s divested land development activities. The aggregate fee payable to CAM from Investors X under the Management Agreement is $937,500, payable in fifteen quarterly installments of $62,500 each.

The Hartford Investment

On December 30, 2019, the Company made an investment related to the purchase of the Hartford, a stabilized commercial office building located at 3101 Wilson Boulevard in the Clarendon area of Arlington County, Virginia. The Company’s initial investment related to the purchase of the Hartford is $1.2 million.

In conjunction with the investment, the Company entered into an operating agreement (“Original Operating Agreement”) with Comstock Partners, LC ("Partners") to form Comstock 3101 Wilson, LC (the “Hartford Owner”), to purchase the Hartford. Pursuant to the Original Operating Agreement, the Company holds a minority membership interest in the Hartford Owner and the remaining membership interests of the Hartford Owner is held by Partners, who is further the Manager of the Hartford Owner. At the closing of the acquisition of the Hartford, the Company received an acquisition fee of $500 thousand and is entitled to asset management, property management, construction management and leasing fees for its management of the Property pursuant to separate agreements between the Hartford Owner, or its affiliates, and the Company, or its affiliates. The Company is also entitled to an incentive fee related to the performance of the investment.

On February 7, 2020, the Company, Partners and DWF VI 3101 Wilson Member, LLC (“DWF”), an unaffiliated, third party, equity investor in the Hartford, entered into a limited liability company agreement (the “DWC Operating Agreement”) to form DWC 3101 Wilson Venture, LLC (“DWC”) to, among other things, acquire, own and hold all interests in the Hartford Owner. In furtherance thereof, on February 7, 2020, the Original Operating Agreement for the Hartford Owner was amended and restated (the “A&R Operating Agreement”) to memorialize the Company’s and Partners’ assignment of 100% of its membership interests in the Hartford Owner to DWC. As a result thereof, DWC is the sole member of the Hartford Owner. The Company and Partners, respectively, hold minority membership interests in, and DWF holds the majority membership interest in, DWC. The Company’s ownership interest in the Hartford remains at 2.5%.

Private Placements and Promissory Notes

On March 19, 2020, the Company entered into a Revolving Capital Line of Credit Agreement (the “Loan Documents”) with CDS, pursuant to which the Company secured a $10.0 million capital line of credit (the “Revolver”). Under the terms of the Loan Documents, the Revolver provides for an initial variable interest rate of the WSJ Prime Rate plus 1.00% per annum on advances made under the Revolver, payable monthly in arrears. The five-year term facility allows for interim draws that carry a maturity date of 12 months from the initial date of the disbursement unless a longer initial term is agreed to by CDS. On March 27, 2020 the Company borrowed $5.5 million under the Revolver. On April 10, 2020, the capital provided to the Company by the Revolver was utilized to retire all of the Company’s 10% corporate indebtedness owed to CGF.

See Note 6 - *Debt* for further description of the CGF Private Placement and the Revolver.

Revenues from Related Parties

The following table details the revenue earned from related parties:

	Three Months Ended March 31, 2021	2020
Revenue by customer		
Related party	$ 6,939	$ 5,484
Commercial	1,378	1,482
Total revenue	$ 8,317	$ 6,966

13. INCOME TAXES

For the three months ended March 31, 2021 and 2020, the Company recognized deferred income tax expense of $2 thousand and $1 thousand, respectively. The effective tax rate for the three months ended March 31, 2021 and 2020 is 0.59% and (5.12)%, respectively.

The Company currently has approximately $146 million in federal and state NOLs. If unused, these NOLs will begin expiring in 2027. Under Internal Revenue Code Section 382 ("Section 382"), if a change in ownership is triggered, the Company's NOL assets and possibly certain other deferred tax assets may be impaired.

The Company assesses uncertain tax positions and has not recorded any accruals related to uncertain tax positions as of March 31, 2021 and 2020. We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2017 through 2020 tax years remain subject to examination by federal and most state tax authorities.

14. SEGMENT DISCLOSURES

We operate our business through two segments: Asset Management, and Real Estate Services.

In our Asset Management segment, we focus on providing management services to a wide range of real estate owners and businesses that include a variety of commercial real estate uses, including apartments, hotels, office buildings, commercial garages, leased lands, retail stores, mixed-use developments, and urban transit-oriented developments. The properties and businesses we currently manage are located primarily along the Washington, D.C. Metro Silver Line in Fairfax and Loudoun Counties, but we also manage projects in other jurisdictions including Maryland and Virginia.

In our Real Estate Services segment, our experienced management team provides a wide range of real estate services in the areas of strategic corporate planning, capital markets, brokerage services, and environmental and design-based services. Our environmental services group provides consulting and engineering services, environmental studies, remediation services and provides site specific solutions for any project that may have an environmental impact, from environmental due diligence to site-specific assessments and remediation. The Real Estate Services segment operates in the Mid-Atlantic Region.

The following table includes the Company's two reportable segments of Asset Management and Real Estate Services, excluding discontinued operations, for the three months ended March 31, 2021 and 2020.

	Asset Management	Real Estate Services	Total
Three Months Ended March 31, 2021			
Gross revenue	$ 6,840	$ 1,477	$ 8,317
Gross profit	762	390	1,152
Net income	403	(156)	247
Total assets	23,778	3,942	27,720
Three Months Ended March 31, 2020			
Gross revenue	$ 5,435	$ 1,531	$ 6,966
Gross profit	803	315	1,118
Net loss	284	(296)	(12)
Total assets	19,661	3,129	22,790

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Please see "Cautionary Notes Regarding Forward-looking Statements" for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those discussed below and elsewhere in this report, particularly under the headings "Cautionary Notes Regarding Forward-looking Statements." References to dollar amounts are in thousands except per share data, or as otherwise noted.

Cautionary Notes Regarding Forward-looking Statements

This report includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by the use of words such as "anticipate," "believe," "estimate," "may," "likely," "intend," "expect," "will," "should," "seeks" or other similar words or expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties, many of which are beyond our control. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply specifically to us.

Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include: general economic and market conditions, including interest rate levels; changes in the real estate markets; inherent risks in investment in real estate; our ability to attract and retain clients; our ability to compete in the markets in which we operate; regulatory actions; fluctuations in operating results; shortages and increased costs of labor or materials; adverse weather conditions and natural disasters; public health emergencies, including potential risks and uncertainties relating to the coronavirus (COVID-19) pandemic; our ability to raise debt and equity capital and grow our operations on a profitable basis; and our continuing relationships with affiliates.

Our actual results could differ materially from these projected or suggested by the forward-looking statements. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

We make available, free of charge, on our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after these forms are filed with, or furnished to, the SEC. The information on or accessible through our website, *www.comstockcompanies.com*, is not incorporated by reference into this Quarterly Report on Form 10-Q.

Overview

Comstock Holding Companies, Inc. ("CHCI" or "the Company") is a developer, operator, and asset manager of mixed-use and transit-oriented development properties in the greater Washington, D.C. metropolitan area, where we focus primarily on select high-growth urban and transitioning "sub-urban" markets. We provide a broad range of real estate asset management services, including development and construction management services, leasing and property management services, debt and equity financing origination, and other real estate related services. Our customers primarily include private and institutional owners and investors in the real estate properties that we manage and various governmental bodies that have a vested interest in public-private partnerships responsible for the development of certain properties that we develop and manage. We also invest capital on behalf of our asset management clients and institutional real estate investors in office, retail, residential and mixed-use properties, generally retaining an economic interest for the Company and providing management services to those properties, thereby enabling the Company to increase its assets under management ("AUM") in order to realize competitive advantages of scale and enhance our overall returns. The Company also provides additional fee-based real estate services, including corporate planning, capital markets, brokerage, title insurance, design, and environmental consulting and engineering services, to properties in the Company's managed portfolio and to other clients in the U.S. Mid-Atlantic Region.

As of March 31, 2021, our AUM consisted of 26 operating assets comprising 13 commercial assets totaling approximately 1.9 million square feet and 4 multifamily assets totaling 1,123 units, and 9 commercial garages comprised of over

8,000 parking spaces. Additionally, we have: (i) one commercial asset currently under-construction and scheduled for delivery in 2022 totaling approximately 250,000 square feet that is 99% pre-leased; and (ii) 18 development pipeline assets consisting of approximately 2.0 million square feet of additional planned commercial development, approximately 1,700 multifamily units and 2 hotel assets that will include 370 keys.

As a vertically integrated real estate operating and investment company, we earn revenue from multiple sources, including fees generated from asset management services that we provide to our managed portfolio of real estate assets on behalf of our asset management clients, and fees from additional real estate related services, including environmental consulting and engineering services provided to our managed properties and unrelated third party clients in the Mid-Atlantic Region.

The services we provide pursuant to the asset management agreements covering our AUM properties vary by property, and include property management, development and construction management, leasing management, acquisition and disposition management, origination and negotiation of debt and equity facilities, risk management, and various other property-specific services. Substantially all of the properties included in our managed portfolio are covered by full-service asset management agreements encompassing substantially all aspects of development, construction, and operations management relating to the subject properties. Our long-term asset management contracts generally include material early termination payments to us in the event the contract is prematurely terminated by the asset owner. A limited number of properties in our managed portfolio are covered by service-specific asset management contracts that focus our services on defined critical elements of operations, such as marketing, leasing, and construction management, where the property owner continues to manage other operating functions. Our limited-service asset management agreements generally are anticipated to be short term in nature and do not include material early termination penalties.

Anchoring the Company’s asset management services platform is a long-term full service asset management agreement (the “2019 AMA”) with an affiliated company owned by the Company’s Chief Executive Officer, Christopher Clemente, that encompasses the majority of the properties we currently manage, including two of the largest transit-oriented, mixed-use developments in the Washington, DC area: Reston Station, a 5 million square foot transit-oriented, mixed-use development located in Reston, VA, and Loudoun Station, a nearly 2.5 million square foot transit-oriented, mixed-use development in Ashburn, VA, as well as other additional development assets, which together constitute our anchor portfolio (the “Anchor Portfolio”). The 2019 AMA for our Anchor Portfolio is a long-term agreement with an original term of 10 years that provides for significant financial payments to Comstock in the case of early termination by the asset owner.
In addition to the various recurring asset management fee-based revenue received by the Company, we also generate additional revenue from co-investments with our investment partners in certain property acquisitions and expect to receive performance-based incentive compensation from assets in our Anchor Portfolio and other assets in our managed portfolio. The Company can earn these incentive-based fees upon the occurrence of certain transaction-related events, including asset acquisitions or dispositions, asset related capital market transactions, leasing, marketing and property management, development and construction management, real title services, and environmental services, and when the performance of a subject property meets defined performance metrics. The co-investment business plans are property specific and therefore vary in expected duration but are generally expected to be between four and seven years; but may be accelerated or extended depending upon market conditions or the strategic objectives of the subject joint venture.

Outlook

Although the long-term impact of the COVID-19 pandemic on the commercial real estate market in the greater Washington, DC area remains uncertain, we believe that our Anchor Portfolio is well positioned to withstand potential negative impact of the COVID-19 pandemic. We also believe that our management team is properly aligned with the interests of the Company and its shareholders and is committed to the Company’s objectives of providing exceptional experiences for those that we do business with while enhancing shareholder value. Further, we believe that we are properly staffed for current market conditions and the foreseeable future and that our Company has the ability to manage risk and pursue opportunities for additional growth as market conditions warrant. Our real estate development and management operations are primarily focused on the greater Washington, D.C. region, where we believe our 30-plus years of experience provides us the best opportunity to continue leveraging our significant experience acquiring, developing, and managing high quality real estate assets and capitalizing on positive growth trends, while our environmental consulting and remediation management services business is well positioned to capitalize on opportunities to continue its recent growth throughout the entire U.S. Mid-Atlantic region.

Managed Portfolio

Reston Station

Reston Station, located at the terminus of Phase I of Metro's Silver Line, is strategically located midway between Tysons Corner and Dulles International Airport. Reston Station is among the largest mixed-use, transit-oriented developments in the Washington, DC area and the Reston Station neighborhood spans the Dulles Toll Road and surrounds the first, and currently only, Metro rail station in the Dulles Corridor. Covering a total of approximately 60 acres, assets included in Comstock's managed portfolio cover approximately 37 of the 60-acre neighborhood and will, upon full build-out, include approximately five million square feet of mixed-used development. Currently, Comstock's managed portfolio of Reston Station has approximately 1.7 million square feet of mixed-use development completed, including 448 residential units, approximately 1.2 million square feet of office, approximately 40,000 square feet of retail and more than 6,000 parking spaces, including one of the largest underground commuter parking garages and bus transit facilities in the region. The Company is providing a wide variety of its real estate and asset management services to the project pursuant to the 2019 AMA, including development and construction management services, leasing management services, property management services, capital markets services, and environmental services.

Loudoun Station

Loudoun Station, located at the terminus of Phase II of Metro's Silver Line, is Loudoun County's first Metro connected development and represents Loudoun County's beginning transformation into a transit connected community with direct metro rail connectivity to Dulles International Airport, Reston, Tysons Corner, and downtown Washington, D.C. Currently, Loudoun Station has approximately 1,000,000 square feet of mixed-use development completed, including 675 residential units, approximately 50,000 square feet of Class-A office space, approximately 150,000 thousand square feet of retail spaces including an 11-sceen AMC Cinema, and a 1,500-space Metro commuter parking garage. The Metro Garage is the focus of a public-private partnership between an affiliate of the Company and Loudoun County, Virginia and is managed by a subsidiary of the Company. Phase II of Metro's Silver Line is under construction and expected to commence passenger service in late 2021 or early 2022. The Company is providing a variety of its real estate and asset management services related to the existing buildings and the future development pursuant to the 2019 AMA, including development and construction management services, leasing management services, property management services, and capital markets services.

Herndon Station

Herndon Station will include up to approximately 340,000 square feet of residential, retail and entertainment spaces, including a performing arts center, and an approximately 700 space parking garage in the historic downtown portion of the Town of Herndon in western Fairfax County, Virginia. The commercial Garage is the focus of a public private partnership between an affiliate of the Company and the Town of Herndon. The development will also include improvements to existing connections to the adjacent WO&D trail, a popular pedestrian and bicycle route managed by Northern Virginia Regional Parks Authority and Fairfax County Parks Department. The Company is providing a variety of asset management and development services related to the Herndon Station development pursuant to the 2019 AMA.

International Gateway

Since 2018 the Company has, pursuant to an asset management agreement with an unaffiliated property owner, provided asset management, property management, leasing management, and consulting services for a privately owned portfolio of two mixed-use retail/office buildings in Tysons Corner, Virginia, known as International Gateway.

The Hartford Building

In late 2019, the Company partnered with Comstock Partners, LC ("Partners"), an entity that is controlled by our CEO, and wholly owned by Mr. Clemente and certain family members, to acquire a Class-A office building immediately adjacent to Clarendon Station on Metro's Orange Line in Arlington County's premier transit-oriented office market, the Rosslyn-Ballston Corridor. Built in 2003, the 211,000 square foot mixed-use LEED GOLD building is approximately 78% leased to multiple high-quality tenants. In February 2020, the Company arranged for DivcoWest to purchase a majority ownership stake in the Hartford Building and secured a $87 million loan facility from MetLife. As part of the transaction, the Company entered into asset management and property management agreements to manage the property.

Results of Operations

Three months ended March 31, 2021 compared to the three months ended March 31, 2020

Revenue – asset management

Revenue from asset management for the three months ended March 31, 2021 and 2020 was $6.8 million and $5.4 million, respectively. This represents an increase of $1.4 million, or 25.9%, compared to prior year. Revenue increased primarily due to costs that are reimbursable from CDS under the 2019 AMA and recognized as revenue along with the growth in assets under management.

Revenue – real estate services

Revenue from real estate services for the three months ended March 31, 2021 and 2020 was $1.48 million and $1.53 million, respectively. The slight decrease in quarter over quarter revenues of $54 thousand or 4% was primarily attributable to non-recurring COVID-19 environmental remediation projects in the three months ended March 31, 2020.

Direct costs – asset management

Direct costs – asset management for the three months ended March 31, 2021 and 2020 was $6.1 million and $4.6 million, respectively. This 31.2% increase amounts to a $1.45 million increase to direct costs - asset management was primarily attributable to an increase in personnel expenses due to the growth of our property management business.

Direct costs – real estate services

Direct costs – real estate services for the three months ended March 31, 2021 and 2020 was $1.1 million and $1.2 million, respectively. For the three months ended March 31, 2021 direct costs - real estate services decreased $0.1 million or 10.6% primarily due to decreased personnel and subcontractor costs associated with non-recurring COVID-19 environmental remediation projects.

General and administrative

General and administrative expenses for the three months ended March 31, 2021 and 2020 was $694 thousand and $727 thousand, respectively. For the three months ended March 31, 2021, general and administrative costs decreased $33 thousand or 4.5% primarily attributable to a decrease in headcount within our Real Estate Services segment.

Selling and Marketing

Selling & marketing expenses for the three months ended March 31, 2021 and 2020 was $158 thousand and $200 thousand, respectively. The decrease is attributable to a slight decrease in selling and marketing expenses for our Environmental business unit.

Interest Expense

For the three months ended March 31, 2021 and 2020, the Company's interest expense was $58 thousand and $164 thousand, respectively. The 64.6% reduction to interest expense quarter over quarter amounts to an $106 thousand decrease in interest expense primarily related to the retiring of the Comstock Growth Fund loan during the three months ended June 30, 2020.

Income taxes

For the three months ended March 31, 2021 and 2020, the Company recognized deferred income tax expense of $2 thousand and $1 thousand, respectively.

Liquidity and Capital Resources

We finance our Asset Management and Real Estate Services operations, capital expenditures, and business acquisitions with internally generated funds, distributions from our equity method investments, and borrowings from our credit facilities. See Note 6 in the accompanying consolidated financial statements for more details on our debt and credit facilities.

Cash Flow

For the three months ended March 31, 2021, net cash used in operating activities was $1.9 million, primarily related to the increase in related party receivables and the payment of accrued personnel costs. For the three months ended March 31, 2020, net cash used in operating activities was $1.9 million, primarily related to payment of accrued personnel costs and accounts payable.

Net cash provided by investing activities of $1.7 million and $135 thousand for the three months ended March 31, 2021 and 2020, respectively was primarily related to distributions from equity method investments.

Net cash used in financing activities for the three months ended March 31, 2021 was $104 thousand which was primarily related to taxes paid related to net share settlement of equity awards net of proceeds from notes payable. Net cash provided by financing activities was $5.4 million for the three months ended March 31, 2020 which was primarily related to proceeds from the Revolver of $5.5 million.

Critical Accounting Policies and Estimates

There have been no other significant changes to our critical accounting policies and estimates during the three months ended March 31, 2021 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recently Issued Accounting Standards

See Note 1 - *Organization and Basis of Presentation* to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q.

Off Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2021.

Limitations on the Effectiveness of Controls

We do not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Changes in Internal Control over Financial Reporting

No changes have occurred in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note **8** - *Commitments and Contingencies* to the accompanying condensed consolidated financial statements included in Part I of this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 16, 2015).
3.2	Amended and Restated Bylaws (incorporated by reference to an Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed with the Commission on March 31, 2005).
3.3	Certificate of Elimination of the Series A Junior Participating Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on March 26, 2015 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on March 27, 2015).
3.4	Certificate of Designation of Series A Junior Participating Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on March 26, 2015 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on March 27, 2015).
3.5	Certificate of Designation of Series B Non-Convertible Preferred Stock of the Company filed with the Secretary of State of the State of Delaware on December 29, 2015 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed on January 4, 2016).
3.6	Certificate of Designation of Series C Non-Convertible Preferred Stock of Comstock Holding Companies, Inc., filed with the Secretary of the State of Delaware on March 22, 2017 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on March 28, 2017).
3.7	Certificate of Amendment of Certificate of Designation of Series C Non-Convertible Preferred Stock of Comstock Holding Companies, Inc. filed with the Secretary of State of the State of Delaware on February 15, 2019 (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 19, 2019).
3.8	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Comstock Holding Companies, Inc. (incorporated by reference to an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 19, 2019).
4.1	Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended, initially filed with the Commission on August 13, 2004 (File No. 333-118193)).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101,DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL (included in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMSTOCK HOLDING COMPANIES, INC.

Date: May 14, 2021	By:	/s/ CHRISTOPHER CLEMENTE
		Christopher Clemente **Chairman and Chief Executive Officer** **(Principal Executive Officer)**
Date: May 14, 2021	By:	/s/ CHRISTOPHER GUTHRIE
		Christopher Guthrie **Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**

Exhibit 31.1

CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Clemente, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comstock Holding Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 14, 2021

/s/ Christopher Clemente

Christopher Clemente
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Guthrie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comstock Holding Companies, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2021

/s/ Christopher Guthrie

Christopher Guthrie
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Comstock Holding Companies, Inc. (the "Company") for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Christopher Clemente, Chairman and Chief Executive Officer of the Company, and Christopher Guthrie, Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2021

/s/ Christopher Clemente

Christopher Clemente
Chairman and Chief Executive Officer

Date: May 14, 2021

/s/ Christopher Guthrie

Christopher Guthrie
Chief Financial Officer