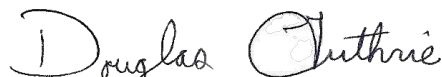


RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$59,934 FOR PUBLIC HOUSING RENTAL UNITS, \$140,057 FOR NON-PUBLIC HOUSING RENTAL UNITS, AND \$481,158 for SECTION 8 PROGRAMS



Douglas Guthrie
President and CEO



Patricia Kataura
Director of Finance

Purpose: To comply with federal regulations and Generally Accepted Accounting Principles (GAAP), HACLA writes off unpaid accounts receivable deemed uncollectible from vacated tenants and former program participants on a semi-annual basis.

Issues: The Department of Housing and Urban Development's (HUD) *Management Handbook* and Generally Accepted Accounting Principles (GAAP) dictate that as a matter of good business practice, the Board of Commissioners, on the recommendation of the President and CEO, should periodically write off receivables due the Housing Authority when they are deemed uncollectible.

From an accounting standpoint, the write-off reflects receivables that are from vacated tenants and inactive program participants and landlords that are not likely to be collected. Therefore, these aged receivables should not continue to be recorded as assets in the agency's books.

The Housing Authority takes extensive steps in collection efforts before determining if amounts owed by tenants, participants and landlords are deemed uncollectible. Monthly rent statements are sent and follow up actions are taken before the Final notices are sent out. Additionally, Section 8 Collection unit determines probability of collection rate for Section 8 tenants and landlords on a case by case basis. For cases with high probability of collection based on internal research, including but not limited to, identifying landlord assets from public databases, the Housing Authority takes appropriate legal actions to recapture amounts owed.

Amounts written off are still owed to the Housing Authority and the write-off does not in any way hinder collection activities. The Housing Authority continues to pursue past-due funds in the ordinary course of business whenever possible. The Housing Authority is required to enter debts owed and termination information of Residents who leave the program into HUD's Enterprise Income Verification Module. This system is used by all Housing Authorities as part of the application process to identify if a family owes money to any Housing Authority. In order to qualify for any of the Housing Authority's programs, the Housing Authority performs an internal clearance on any applicants 18 years of age and older to verify whether they have any debts owed to the Housing Authority, including any debts already written off. Should an applicant have a past receivable that was written off, the applicant must repay the amount owed before being reconsidered eligible for any program.

Public Housing

The Housing Authority collects tenant rents and other tenant charges of approximately \$37 million annually on approximately 6,429 units owned and managed by the Housing Authority.

For the seven months from September 1, 2020 through March 31, 2021, the Authority proposes to write off \$59,934 or 0.28% of total tenant rents charged for the same period.

During the COVID-19 pandemic, staff is closely monitoring rent collections; the rent collection rate from March 2020 to March 2021 averaged 98%. To support our tenants during these challenging times, the sites have engaged in additional efforts to remind tenants to pay their outstanding rent and encourage tenants to apply for the City's Emergency Rental Assistance (ERA) program, offering repayment agreements to repay their outstanding balance, and sending reminders to tenants about the ability to request interim rent reviews if there has been a loss of income.

Non-Public Housing (Rent Subsidy)

The Housing Authority collects non-public housing unit tenant rents and other tenant charges of approximately \$44 million annually on 2,640 units owned by the Housing Authority and/or its non-profit instrumentalities.

The Housing Authority proposes to write off \$140,057 for the period from November 1, 2020 through May 31, 2021. This represents 0.54% of total rents charged for the same period. There was \$106,493 (76% of total proposed write-off) due to Covid19-related impacts, primarily impacting the market side. This represents 12 vacated tenants of which four comprise \$75,714 of the proposed write-off. The delinquent rent for these four vacated tenants ranges from 7 to 12 months. Notably, no termination processes were initiated against any of these residents; all chose to leave voluntarily.

The rent collection rate from November 2020 through May 2021 averaged 94%. During the Covid-19 pandemic, the property management firms must work within applicable guidelines (federal, state, and city) to collect outstanding rents. For the affordable side, the collections are near pre-Covid-19 levels due to the ability to adjust tenant portion based on income changes. On the market side, which is more significantly impacted by pandemic-related business closures, the property management firm is sending regular reminders of outstanding rent and accepting partial payments. In addition, in collaboration with residents, property management has applied for Emergency Rental Assistance on behalf of approximately 119 residents with outstanding Covid-related balances and will continue to encourage residents to work with the program administrator throughout the application process. After the emergency period, payment plans will be offered to those households with any remaining balances in accordance with applicable guidelines.

Section 8 Programs

For Calendar Year 2020, the Housing Authority paid approximately \$632.3 million to more than 13,200 private landlords on behalf of approximately 49,200 participant families.

The Authority proposes to write off \$481,158 or 0.08% of total housing assistance payments of a one-year period. However, this write-off amount includes receivables dating back to 2012, and as a percent of total funding for this comprehensive period, the amount written off is 0.01%.

Write-Off Trend

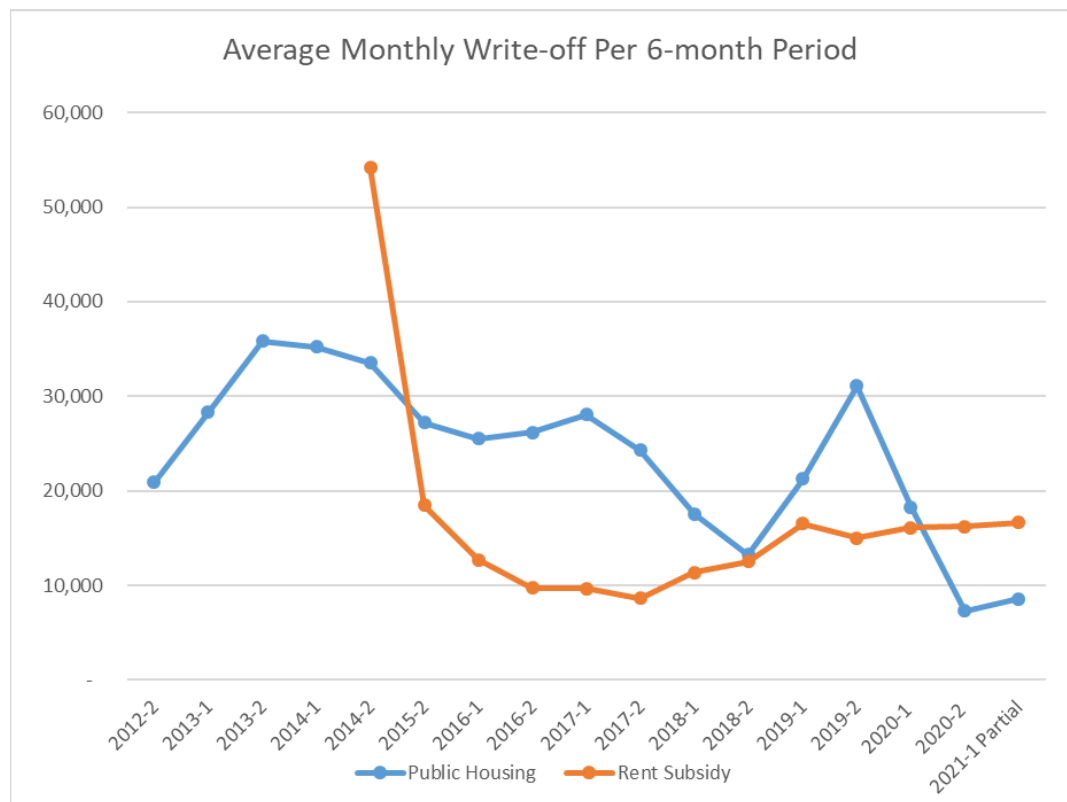
Public Housing and Non-Public Housing

Summarized below are the average monthly write-offs for Public Housing and Rent Subsidy. The steady downward trend through December 2018, is reflective of collection efforts and repayment agreements which helps ensure fewer tenants develop significant delinquent rent balances leading to program termination.

The increase noted in 2019 in Public Housing is primarily attributed to tenants who were terminated from the program and developed significant delinquent rent balances while going through the legal process. In some cases, the legal process can take in excess of six months. During this time the delinquent balances can rapidly build up; particularly for tenants with higher rents.

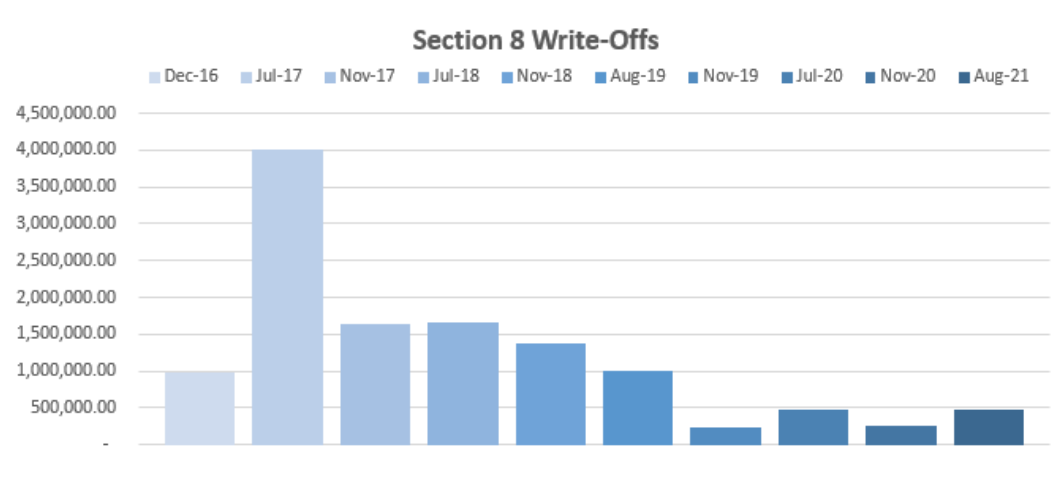
The decrease noted in 2020 and 2021 in Public Housing is primarily attributed to the compliance with the multiple eviction moratoria that have been enacted on the local, state, and federal levels as well as the court closures during the COVID-19 pandemic. There have been no unlawful detainer actions filed for non-payment of rent since early March 2020. While the write-off amount is decreasing due to the pandemic with less tenants being vacated, the accounts receivable balance for current tenants has significantly increased by \$630,000 (264%) since March 2020. As stated above, tenants were encouraged to apply for the City's Emergency Rental Assistance (ERA) program and it is anticipated the ERA program will pay 100% of the delinquent rent through April 2021 for tenants accepted into the program. At this point, HUD has not waived tenant's responsibility to pay the delinquent rent and tenants will continue to be responsible for the outstanding balance until it's fully paid off.

The slight increase noted in 2018 and through the first half of 2019 in Rent Subsidy is primarily attributed to a more focused effort in evaluating and assessing probability of collection for delinquent balances while pursuing more focused collection efforts. The decrease noted from July to October 2019, is reflective of the focused efforts applied in the two prior periods. The upward trend in collection losses noted in the first half of 2020 is a direct result of the increase we have seen over the past year in the courts deferring all unlawful detainer actions based on non-payment of rent until after the emergency period.



Section 8 Programs

As shown in the chart below, the collectible debt requiring write-off has diminished significantly over the past several years.



The \$4 million write-off in the second half of 2017 represents the culmination of an extensive data reconciliation project. This multi-year project consisted of researching and reconciling data from various systems resulting from several years of process issues, data migration and mapping from the transition to Elite and integration between Elite and Oracle. Prior to completion of this project, the aforementioned issues prevented the Housing Authority from conducting write-offs more periodically. As anticipated at the completion of the data reconciliation project, the write-offs have diminished significantly since 2017 and have maintained at a steady level since the latter part of 2019.

Vision Plan: PATHWAYS Strategy #7: Identify opportunities to reduce operating and administrative costs so that scarce resources are maximized

Consistent collection efforts are critical to ensure that the Housing Authority maximizes HUD resources. Timely collection of outstanding debt and timely handling of uncollectible receivables are key factors in optimizing the Authority's cash in-flows.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds: In order to write off uncollectible debt, an allowance for doubtful accounts must be established which is reflected as an operating expense for each of the affected programs, including Public Housing, Rent Subsidy, and Section 8 Housing Choice Voucher Program and Special Programs.

Budget and Program Impact: The cost of writing off the uncollectible receivables is included in the 2021 annual operating budget.

Environmental Review: Not applicable

Section 3: Not Applicable.

Attachments:

1. Resolution
2. Public Housing Proposed Write-off for Periods 9/1/2020 – 3/31/2021
3. Non-Public Housing Proposed Write-off for Periods 11/1/2020 – 5/31/2021
4. Section 8 Proposed Write-off as of May 31, 2021

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$59,934 FOR PUBLIC HOUSING RENTAL UNITS, \$140,057 FOR NON-PUBLIC HOUSING RENTAL UNITS, AND \$481,158 for SECTION 8 PROGRAMS

WHEREAS, the President and CEO has furnished a schedule reflecting delinquent accounts receivables deemed uncollectible with the recommendation that these accounts be written off;

WHEREAS, it is in the best interest of the Housing Authority of the City of Los Angeles to follow Generally Accepted Accounting Principles (GAAP) and periodically write off uncollectible accounts receivable so as not to overstate assets and income;

WHEREAS, the Code of Federal Regulations (24 CFR 902.33), as further defined by the Department of Housing and Urban Development in supplementary guidance, requires that financial reports shall be prepared in accordance with GAAP, which dictate that Accounts Receivables be stated at the net realizable value; which is the gross receivable less the allowance for doubtful accounts, and that bad debts are to be written off if accounts are deemed to be uncollectible;

WHEREAS, the uncollectible accounts receivables of vacated tenants for Public Housing rental units for the period beginning September 1, 2020 through March 31, 2021, totaled \$59,934;

WHEREAS, the uncollectible accounts receivables of vacated tenants for Non-Public Housing rental units for the period beginning November 1, 2020 through May 31, 2021, totaled \$140,057;

WHEREAS, the uncollectible accounts receivables for the Section 8 Programs through May 31, 2021 totaled \$481,158; and

WHEREAS, the removal from the books of accounts of such uncollectible accounts receivables shall not constitute a waiver by the Housing Authority of the City of Los Angeles of any of its rights to collect such amounts.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Housing Authority of the City of Los Angeles that all accounts receivables on the attached schedules totaling \$59,934 for Public Housing, \$140,057 for Non-Public Housing and \$481,158 for Section 8 Programs are hereby deemed to be uncollectible, and the President and CEO is authorized to reduce the allowance for doubtful accounts to the applicable developments and programs affected thereby.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM:
JAMES JOHNSON

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
General Counsel

BY: _____
Chairperson Cielo Castro

DATE ADOPTED: _____

**Attachment 2 - Public Housing Proposed Write-off for Periods
09/01/2020 - 03/31/2021 Detail by Property**

Property	Site Name	Resident ID	Tenant AR	Property	Site Name	Resident ID	Tenant AR
4001	Ramona Gardens	t0001384	533	4015	Pueblo del Rio Ext	t0004367	143
		t0001425	178			t0004418	578
		t0001428	1,768			t0089011	1,165
		t0001442	899	Pueblo del Rio Ext Total		1,887	
Ramona Gardens Total			3,378	4016	Jordan Downs	t0004614	2,674
4003	Pueblo del Rio	t0001555	326			t0004738	1,025
		t0001707	268			t0036884	205
		t0001709	210	Jordan Downs Total		3,904	
		t0004313	2,382	4017	Rancho San Pedro Ext	t0019321	1,946
		t0006722	48	Rancho San Pedro Ext Total		1,946	
t0012897	138	4019	Imperial Courts	t0005216	2,476		
Pueblo del Rio Total				3,372	t0005683	3,119	
4004	Rancho San Pedro			t0001971	328	t0005724	2,509
				t0002015	524	t0005764	632
				t0003093	339	t0005869	16
				t0005313	4,743	t0014664	168
				t0005330	269	t0015098	203
Rancho San Pedro Total				6,203	t0018854	592	
4006	William Mead			t0002267	180	t0024960	421
				t0002573	521	t0029982	1,846
		t0024276	461	t0049463	53		
William Mead Total			1,161	Imperial Courts Total		12,035	
4007	Estrada Courts	t0002508	1,088	4021	Mar Vista Gardens	t0006141	0
		t0002683	38			t0006306	2,241
		t0002719	324			t0006322	303
		t0002774	309			t0006335	54
Estrada Courts Total			1,759			t0006453	2,235
4008	Rose Hills Courts	t0005066	239	t0006504	1,632		
Rose Hills Courts Total			239	Mar Vista Gardens Total		6,465	
4010	Gonzague Village	t0003121	225	4022	San Fernando Gardens	t0027238	376
		t0003130	2	San Fernando Gardens Total		376	
Gonzague Village Total			227	4224	Pico Gardens	t0007498	2,110
4013	Nickerson Gardens	t0003050	2,935			t0060857	909
		t0003281	372	Pico Gardens Total		3,019	
		t0003381	578	Grand Total		59,934	
		t0003442	621				
		t0003498	1,057				
		t0003800	1,661				
		t0003990	194				
		t0013793	152				
		t0019522	147				
		t0026071	5,930				
		t0028392	281				
t0029507	36						
Nickerson Gardens Total			13,963				

**Attachment 3 - Non-Public Housing Proposed Write-off for Periods 11/1/2020 - 5/31/2021
 Tenants Vacated as of 5/31/2021 (Detail by Property)**

Fund #	Property	Tenant ID	Amount	Additional Notes
8004	Las Palmas Gardens	t0090690	\$ 486	
8011	Browing Apts	t0000148	4,901	
8012	Coronado Villas	t0000154	134	
8054	Gibson Manor	t8054309	241	
8055	California Apts	t0044988	10,824	
8056	Arthur K Snyder Villa	t8056400	422	
8056	Arthur K Snyder Villa	t8056442	1,429	
8056	Arthur K Snyder Villa	t0098504	512	
8058	Independent Square	t8058516	168	
8058	Independent Square	t8058547	802	
8058	Independent Square	t0069884	318	
8058	Independent Square	t0083190	610	
8058	Independent Square	t8058601	400	
8058	Independent Square	t8058626	182	
8058	Independent Square	t8058640	373	
8065	Union Tower	t0122404	17	
8070	Reseda East Apartments	t0129681	43	
8071	Reseda Manor Apartments	t0129780	472	
8021	Leeward Place	t8021308	2,850	Covid-related
8022	San Marino	t0085782	900	
8023	Huntington Ridge	t0117431	1,442	Covid-related
8024	Reflections @ Barbara Ann	t0100873	391	
8028	Reflections @ Wyandotte	t0087809	4	
8028	Reflections @ Wyandotte	t8028312	931	
8031	Parthenia	t0078534	1,170	
8036	140 E 120th St	t8036170	624	
8037	6108 Victoria Ave	t0098474	3,228	
8048-04	14743 Friar St	t0055729	4,336	Covid-related
8049-02	11442 Emelita St	t0101480	86	
8051-04	205 & 207 Opp St	t0073892	1,295	
8051-05	2326 Ridgeley Dr	t0092432	9,332	Covid-related
8051-11	563 W 92nd St	t0113613	8,350	Covid-related
8052-01	1059 E 48th St	t0113535	25,073	Covid-related
8063	Tobias Apts	t0121756	1,544	Covid-related
8063	Tobias Apts	t0121760	13,687	Covid-related
8063	Tobias Apts	t0121785	1,225	Covid-related
8064	Clemson-Corbett	t8003065	134	
8064	Clemson-Corbett	t8003123	75	
8067	Bella Vista	t0103202	2,392	
8067	Bella Vista	t8047122	13,192	Covid-related
8067	Bella Vista	t0091664	23,762	Covid-related
8072	Gibraltar	t0133561	1,700	Covid-related

Total \$ 140,057

Covid-related \$ 106,493

% of Total 76%

Attachment 4 - Section 8 Programs Proposed Write-off as of May 31, 2021

Year	Debtor ID	AR	Year	Debtor ID	AR	Year	Debtor ID	AR	Year	Debtor ID	AR
2012	0578	111		9364	5		3527	1,774		8952	848
	9408	11,604		1998	4		6356	9,312		7829	903
2012 Total		11,715		9808	4		9007	805		5040	2,016
2013	1048	1,750		4612	3		1415	1,945		9469	1,312
	0578	10,387		7195	3		8604	865		8167	2,414
2013 Total		12,137		2890	3		6455	177		9976	1,653
2014	0688	62		5773	3		9014	3,000		1032	1,511
	4008	12		5962	2		1961	1,245		7559	2,320
	2282	17		8650	1		0845	223		4253	1,599
2014 Total		91		6711	1		7696	5,890		9489	496
2015	3519	11,224		7642	14		2445	6,937		3620	1,212
2015 Total		11,224		5003	57		8676	2,306		7920	836
2016	7782	13		8268	39		7393	930		3169	652
	2595	42		6760	16	2017 Total		57,660		4747	1,247
	2014	184		1646	138	2018	7654	66		9333	616
	5189	400		4412	24		4364	168		7254	5,673
	9327	154		2368	6		6491	159		3818	673
	5813	140		9493	16		5057	104		4502	68,880
	9880	123		2080	351		2598	58		0437	12,736
	8012	93		3777	38		6098	49		2267	61,017
	2759	92		9081	13		9463	30		9217	51,538
	6725	86		4615	58		0958	30		4464	57,366
	8147	85		4746	20		6946	25	2019 Total		293,287
	9826	81		8096	84		3816	24	2020	8425	1,998
	6197	75		9924	16		2495	17		7388	249
	9172	68		1569	15		2877	14		8779	176
	2600	60		7242	8		3794	9		5483	140
	1010	51		4999	40		8341	9		4606	61
	1914	50		5169	63		6413	9		1821	41
	5640	50		3242	14		9208	8		6082	34
	5120	45		3396	26		6161	7		8086	32
	8840	44		5571	136		0773	6		2989	18
	5727	44		3317	10		0756	3		1611	18
	8041	43		5754	16		0592	3		4047	18
	7935	43		1575	27		4347	1		2165	16
	4652	42		4787	60		6591	1		5179	9
	6945	41		6057	30		1934	418		1997	9
	3840	40		8838	14		8760	2,482		6925	8
	4827	36		8984	2		8334	996		5783	1,283
	4014	35		7077	835		9445	1,691		4124	532
	7565	34		5206	611		9050	2,526		0245	762
	7403	32		2154	2,162		2337	696		5314	1,055
	0868	32		0924	384		1164	473		4958	1,254
	7201	30		1972	305		6155	342		7590	1,492
	2321	30		3071	600		5947	1,195		7077	4,268
	2602	30		9754	675		4239	650		1605	1,346
	7756	27		4474	478		2196	964		6049	3,512
	7017	27		4091	790		5856	1,303		2617	2,890
	6181	23		6539	920		8054	7,068		8236	1,936
	1269	23		5391	832		1150	1,800		6598	1,236
	7761	22		5891	970	2018 Total		23,404		0607	475
	8967	17		4843	74	2019	8540	3,485		5720	1,201
	8725	16		7393	668		6463	3,409		5868	417
	1616	14	2016 Total		14,454		4616	112		9923	512
	0654	14	2017	8323	14,081		9167	60		2646	8,650
	6779	14		6332	306		5305	52		6581	22
	7647	13		2716	92		1010	1,565		9563	9,534
	8065	13		0890	65		4014	24		1908	854
	9596	12		6067	58		7417	32		1899	3,396
	1935	11		9830	25		7756	1,298		9439	2,038
	2063	11		8705	24		6994	26		6276	2,365
	7878	10		5588	17		9319	21		3928	1,176
	4138	10		6560	16		8447	18		4530	1,824
	2605	8		9108	9		7726	18		4325	329
	6769	7		8842	1,656		7072	11	2020 Total		57,186
	5908	7		1316	1		6954	11	Grand Total		481,158
	4519	6		1428	1,235		6416	1			
	9884	6		2154	3,451		9404	3,875			
	2399	6		8804	800		7322	1,024			
	0237	5		1158	415		3588	727			