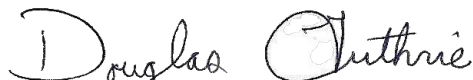


RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$120,761 FOR PUBLIC HOUSING RENTAL UNITS, AND \$77,066 FOR NON-PUBLIC HOUSING RENTAL UNITS



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 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 are deemed uncollectible. Monthly rent statements are sent and follow up actions are taken before the Final notices are sent out.

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 6,364 units owned and managed by the Housing Authority.

For the five months from April 1, 2021 through August 31, 2021, the Authority proposes to write off \$120,761 or 0.76% 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 August 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 State'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 \$48.4 million annually on 2,640 units owned during the write-off period by the Housing Authority and/or its non-profit instrumentalities.

The Housing Authority proposes to write off \$77,066 for the period from June 1, 2021 through October 31, 2021. This represents 0.38% of total rents charged for the same period.

The rent collection rate from June 2021 through October 2021 averaged 95%. During the Covid-19 pandemic, the property management firms are working within applicable guidelines (federal, state, and city) to collect outstanding rents. For the affordable side, the collections are near pre-Covid-19 levels. On the market side, which is much more impacted by pandemic-related business closures, EAH is sending regular reminders of outstanding rent; accepting partial payments; offering payment plans; and Housing's Key program payments to repay their outstanding rent in order to support our residents during these challenging times.

Write-Off Trend

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.

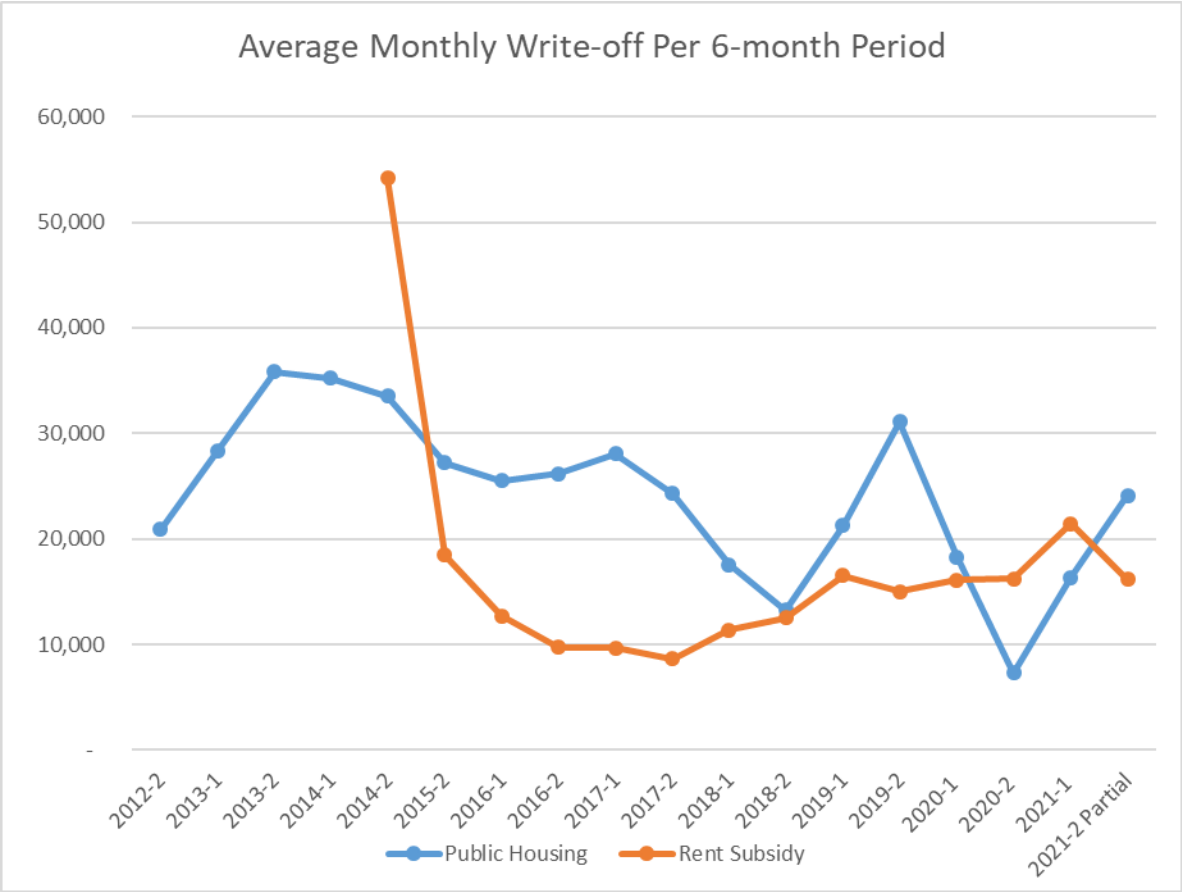
Public Housing

The decrease noted in 2020 and beginning of 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 that has been due since early March 2020. The increase noted in this proposed write-off is primarily due to tenants who were recently terminated from the program. These tenants were in eviction status, going through the legal process since prior to the COVID-19 pandemic, and during the process developed significant delinquent balances. The delinquent balances for seven terminated tenants make up approximately 71% of the proposed write-off for Public Housing of \$120,761. In an effort to minimize potential future write-offs, staff closely monitors rent collections and continues to engage with the tenants

regarding delinquent balances. As stated above, tenants are encouraged to apply for the State’s Emergency Rental Assistance (ERA) program while the City’s ERA program stopped accepting new applications since September 2021. ERA program will pay 100% of delinquent rent up to 18 months for each tenant. The funding for the State’s ERA program is available until September 2027 or when the funding is fully exhausted, whichever comes to first. 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.

Non-Public Housing (Rent Subsidy)

Due to the ongoing eviction moratorium, Rent Subsidy is not pursuing evictions for nonpayment of rent at this time. This tenant protection is in place through October 31, 2022 and may be extended. There have been no unlawful actions filed for non-payment of rent due since the pandemic began in early March 2020. However, the management firms are still actively reaching out and reminding tenants of past due balances and will work to reach some type of repayment agreement once the moratorium is lifted, and repayment can be pursued.



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 both Public Housing and Rent Subsidy.

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 04/01/2021 – 08/31/2021
3. Non-Public Housing Proposed Write-off for Periods 06/01/2021 - 10/31/2021

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$120,761 FOR PUBLIC HOUSING RENTAL UNITS, AND \$77,066 FOR NON-PUBLIC HOUSING RENTAL UNITS

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 April 1, 2021 through August 31, 2021, totaled \$120,761;

WHEREAS, the uncollectible accounts receivables of vacated tenants for Non-Public Housing rental units for the period beginning June 1, 2021 through October 31, 2021, totaled \$77,066; 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 \$120,761 for Public Housing and \$77,066 for Non-Public Housing are hereby deemed to be uncollectible, and the President and CEO, or his designee, 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: _____
Cielo Castro, Chairperson

DATE ADOPTED: _____

**Attachment 2 - Public Housing Proposed Write-off for Periods
04/01/21 - 08/31/21 Detail by Property**

Property	Site Name	Resident ID	Tenant AR	Property	Site Name	Resident ID	Tenant AR
4001	Ramona Gardens	t0031115	3,265	4016	Jordan Downs	t0004797	133
		t0001430	18,564			t0032285	5,357
Ramona Gardens Total			21,829			t0017113	1,580
4003	Pueblo del Rio	t0035863	2,060			t0004852	81
		t0018462	1,081			t0005233	9
		t0027004	616			t0004865	278
		a0030264	35			t0042771	1,233
		t0053997	1,452			t0004941	1
		t0110841	5,754			t0013639	167
Pueblo del Rio Total			10,998			t0004984	1,706
4004	Rancho San Pedro	t0009424	10			t0004993	109
		b0012718	25			t0005013	326
Rancho San Pedro Total			35			t0053861	888
4006	William Mead	t0024276	211			t0031164	1,331
		t0002470	0			a0005066	279
		t0002541	18,025	Jordan Downs Total			13,479
		t0002425	13,130	4017	Rancho San Pedro Ext	t0024841	292
William Mead Total			31,366			t0005413	1,458
4009	Avalon Gardens	t0002999	400	Rancho San Pedro Ext Total			1,750
Avalon Gardens Total			400	4019	Imperial Courts	t0005683	1,259
4010	Gonzague Village	t0003084	10,394			t0015098	380
		t0003096	1,882			t0030479	1,266
Gonzague Village Total			12,276			t0005535	1
4013	Nickerson Gardens	t0003050	1,171			t0005847	92
		t0029507	1,115	Imperial Courts Total			2,997
		t0003990	120	4020	Estrada Courts Ext	t0005075	14,834
		t0033373	159	Estrada Courts Ext Total			14,834
		t0020728	981	4021	Mar Vista Gardens	t0006106	303
		t0003198	594			t0006305	8
		t0031543	629	Mar Vista Gardens Total			311
		t0032302	46	4224	Pico Gardens	t0007718	69
Nickerson Gardens Total			4,816	Pico Gardens Total			69
4015	Pueblo del Rio Ext	t0004331	563	Grand Total			120,761
		t0004379	3,294				
		t0004473	1,181				
		t0004525	563				
Pueblo del Rio Ext Total			5,601				

**Attachment 3 - Non-Public Housing Proposed Write-off for Periods
06/01/2021 - 10/31/2021 (Detail by Property)**

Fund #	Property	Tenant ID	Amount
8004	Las Palmas Gardens	t0043385	375
8014	Owensmouth Gardens	t0074384	99
8014	Owensmouth Gardens	t0070719	158
8054	Gibson Manor	t0095213	267
8054	Gibson Manor	t8054319	3,438
8056	Arthur K Snyder Villa	t8056468	1,180
8058	Independent Square	t0042479	352
8058	Independent Square	t8058534	3
8058	Independent Square	t8058603	2,284
8021	Leeward Place	t8021308	150
8023	Huntington Ridge	t0105922	212
8023	Huntington Ridge	t0117431	1,442
8023	Huntington Ridge	t0134125	7,082
8028	Reflections @ Wyandotte	t8028222	854
8029	Reflections @ Yosemite	t8029121	452
8029	Reflections @ Yosemite	t8029214	988
8029	Reflections @ Yosemite	t0092238	216
8036	140 E 120th St	t8036170	325
8051-04	205 & 207 Opp St	t0117523	1,402
8051-04	205 & 207 Opp St	t8051045	396
8051-06	2927 Partridge Ave	t0103091	32,240
8052-09	210 W 91st St	t0057356	180
8063	Tobias Apts	t0131065	10,219
8064	Clemson-Corbett	t8003097	1,332
8072	Gibraltar	t0133531	5,795
8075	Reflections @ Glenalbyn	t0129857	987
8090	Martel Apts	t0133581	1,040
8090	Martel Apts	t0133585	3,410
8202	Manchester	t0007820	189

77,066
