

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$123,157 FOR PUBLIC HOUSING RENTAL UNITS, \$49,126 FOR NON-PUBLIC HOUSING RENTAL UNITS AND \$40,514 FOR CENTRAL OFFICE



Douglas Guthrie
President and CEO



Patricia Kataura
Director of Finance

Purpose: To comply with federal regulations and Generally Accepted Accounting Principles (GAAP), the Housing Authority of the City of Los Angeles (“Housing Authority”) 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 debtors 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 are deemed uncollectible. Monthly rent statements are sent and follow up actions are taken before the Final notices are sent to debtors.

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 \$40 million annually on 6,294 units owned and managed by the Housing Authority.

The Housing Authority proposes to write off \$123,157 for the period from April 1, 2022 through August 31, 2022. This represents 0.73% of total rents charged for the same period.

Since the COVID-19 pandemic, staff is closely monitoring rent collections; the rent collection rate from March 2020 to August 2022 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, encouraged tenants to apply for the City and State's Emergency Rental Assistance Program (ERAP) before the deadline, offering repayment agreements, and sending reminders to tenants to request for 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 \$51.3 million annually on 2,840 units owned during the write-off period by the Housing Authority and/or its non-profit instrumentalities.

The Housing Authority proposes to write off \$49,126 for the period from June 1, 2022 through October 31, 2022. This represents 0.23% of total rents charged for the same period.

The rent collection rate from June 2022 through October 2022 averaged 96%. Since 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 and tenant protections, property management continues to send regular reminders of outstanding rent; accepting partial payments; and offering payment plans to support our residents during these challenging times. Many of our households are also receiving state emergency rental assistance payments to assist with the repayment of outstanding rent.

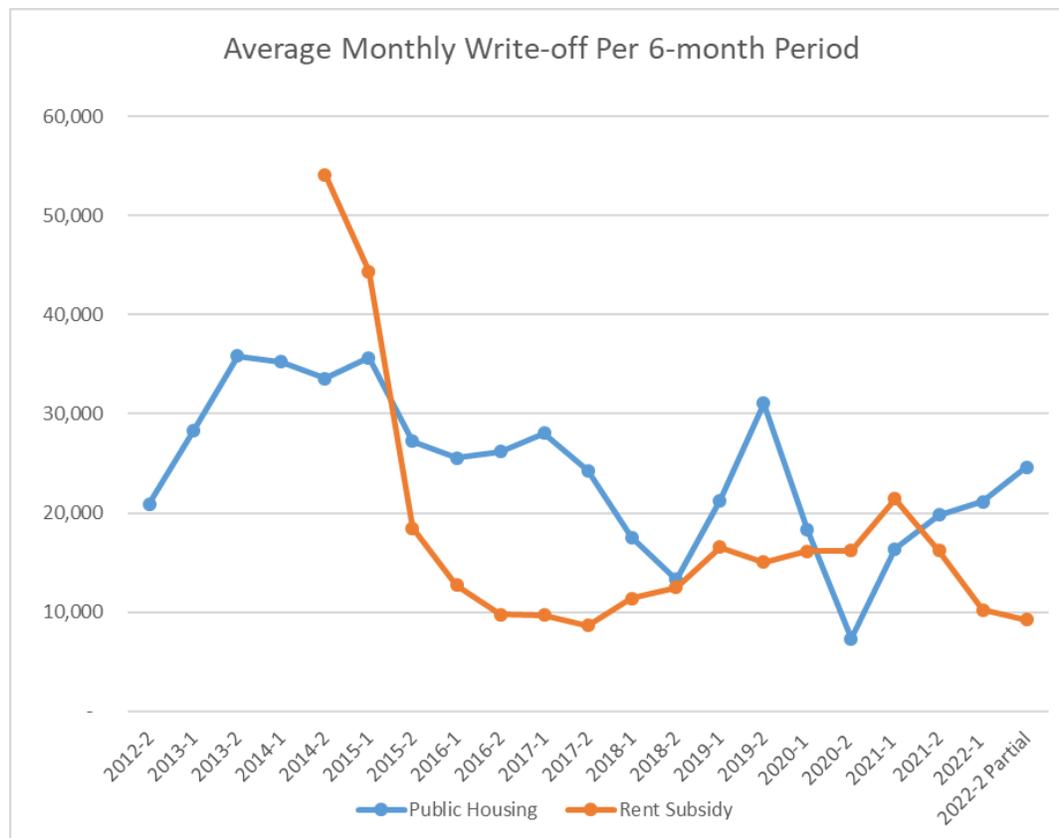
The tenant rental protections have been extended to end in March 2023, which we anticipate will lead to the execution of additional repayment agreements. The repayment protection period will be for one year, and those balances will be protected but will not be required to be paid in full until the end of the protection period. In addition, the eviction process cannot be pursued until after the repayment protection period ends.

Central Office

During this reporting period, the Housing Authority proposes to write off \$40,514 for the Central Office. These are previous receivables unrelated to tenants, program participants and landlords where, after extensive collection efforts, amounts are deemed uncollectible.

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.



Public Housing

The increase noted in 2019 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 is primarily attributed to the eviction moratoria 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 2021 through early 2022 is primarily due to some of the tenants who were terminated from the program 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 increase noted in mid-2022 is primarily attributed to some tenants who exited the program and had developed significant delinquent balances during the COVID-19 pandemic while they were protected by the eviction moratoria.

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, besides tenants were encouraged to apply for the Emergency Rental Assistance Program (ERAP) before the deadline, sites continue sending reminders to tenants to pay for delinquent balances and request for interim rent reviews if there has been a loss of income, as well as offering

repayment agreement when situation is applicable. 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)

The slight increase noted in 2018 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 slight decrease noted the first half of 2019 and maintaining at a steady level through the first half of 2020, is reflective of the focused efforts applied in the two prior periods. The upward trend in collection losses noted in the second 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. The steady decrease noted since 2021 is primarily attributed to the collection of emergency rental assistance payments of approximately \$1.2 million for payment of outstanding tenant rent balances through May 2022. The continued decline into 2022 has been the result of continued collection of emergency rental assistance payments that totaled \$1.5 million by the end of the year.

There have been no legal actions filed for non-payment of rent due since the pandemic began in early March 2020. The county recently extended the emergency tenant protection moratorium through March 31, 2023. This protection is for the non-payment of rent between July 1, 2022 and March 31, 2023 due to Covid-19 financial hardship. From that point, the tenant has a full year to pay off any of the outstanding rental balance, which will potentially lead to further decline in write-offs or a steady level in write-off recommendations by the middle of 2023. Our PM firms continue to perform tenant outreach in order to collect all outstanding rental balances and are in the process of developing repayment plans.

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 2022 annual operating budget.

Environmental Review: Not applicable

Section 3: Not Applicable.

Attachments:

1. Resolution
2. Public Housing Proposed Write-off for Period 4/1/2022 – 8/31/2022
3. Non-Public Housing Proposed Write-off for Period 6/1/2022- 10/31/2022
4. Central Office Proposed Write off as of 12/31/2022

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$123,157 FOR PUBLIC HOUSING RENTAL UNITS, \$49,126 FOR NON-PUBLIC HOUSING RENTAL UNITS AND \$40,514 FOR CENTRAL OFFICE

WHEREAS, the President and CEO has furnished a schedule reflecting delinquent accounts receivable 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, 2022 through August 31, 2022, totaled \$123,157;

WHEREAS, the uncollectible accounts receivables of vacated tenants for Non-Public Housing rental units for the period beginning June 1, 2022 through October 31, 2022, totaled \$49,126;

WHEREAS, the uncollectible accounts receivables for Central Office as of December 31, 2022, totaled \$40,514; 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 \$123,157 for Public Housing, \$49,126 for Non-Public Housing, and \$40,514 for Central Office are hereby deemed to be uncollectible, and the President and CEO, or 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:

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
James Johnson, General Counsel

BY: _____
Cielo Castro, Chairperson

DATE ADOPTED: _____

**Attachment 2 - Public Housing Proposed Write-off for Period
04/01/22 - 08/31/22 (Detail by Property)**

Property	Site Name	Resident ID	Tenant AR	Property	Site Name	Resident ID	Tenant AR
4001	Ramona Gardens	t0046807	364	4016	Jordan Downs	a0004553	386
		t0019982	922			t0042309	439
		t0001859	5,636			t0005159	135
		t0001480	1,619			t0020951	2,108
Ramona Gardens Total			8,541			t0037841	972
4003	Pueblo del Rio	t0015248	123			t0004634	52
		t0011960	8,345			t0044297	2
		t0005867	804			t0040183	152
Pueblo del Rio Total			9,272			t0030614	941
4004	Rancho San Pedro	t0005431	78			t0004827	63
		t0004553	5,948			t0032378	359
		t0036563	223			t0057251	3,856
		t0118845	145			t0005060	4,447
Rancho San Pedro Total			8,952			t0047935	2,014
4006	William Mead	t0068537	202	t0023856	725		
		t0002358	34,856	t0004937	153		
		t0002492	938	Jordan Downs Total		16,805	
William Mead Total			35,995	4017	Rancho San Pedro Ext	t0003904	706
4007	Estrada Courts	t0035975	364	t0030991	3,372		
Estrada Courts Total			364	t0005361	1,528		
4009	Avalon Gardens	t0015722	97	a0005431	147		
Avalon Gardens Total			97	Rancho San Pedro Ext Total			5,753
4010	Gonzague Village	t0003160	178	4019	Imperial Courts	t0005446	192
Gonzague Village Total			178	t0021308	156		
4013	Nickerson Gardens	t0037995	1,825	t0005541	1,305		
		t0003306	202	t0046435	36		
		t0003378	787	t0005663	7,785		
		t0019096	120	t0031135	1,610		
		t0003728	414	Imperial Courts Total		11,084	
		b0003846	238	4020	Estrada Courts Ext	t0025511	9,983
		t0003938	46	t0004342	904		
b0004164	25	Estrada Courts Ext Total			10,887		
t0064084	2,536	4021	Mar Vista Gardens	t0006235	3,874		
Nickerson Gardens Total			6,192	t0006240	2,216		
4015	Pueblo del Rio Ext	a0004482	614	t0006284	1,483		
Pueblo del Rio Ext Total			614	Mar Vista Gardens Total			7,573
				4223	Las Casitas	t0007701	852
				Las Casitas Total			852
				Grand Total			\$ 123,157

**Attachment 3 - Non-Public Housing Proposed Write-off for Period
6/1/2022 - 10/31/2022 (Detail by Property)**

Fund #	Property	Tenant ID	Amount
8004	Las Palmas	t0112085	203
8004	Las Palmas	t0000193	733
8014	Owensmouth	t0000362	570
8053	Simpson Saticoy	t8053292	47
8055	California Apts	t8055379	564
8056	Art Snyder	t8056429	1,838
8058	Independent Square	t0042691	151
8024 (OLD)	Reflections @ Barbara Ann	t0039472	2,484
8029 (OLD)	Reflections @ Yosemite	t8029331	6,904
8050	Vineland Ave	t0063519	554
8064	Clemson-Corbett	t8003019	3,390
8064	Clemson-Corbett	t8003037	216
8064	Clemson-Corbett	t8003089	2,263
8064	Clemson-Corbett	t8003113	4
8066	Laveta Terrace	t8045109	1,325
8067	Bella Vista	t0138794	1,091
8072	Gibraltar	t0133512	3,160
8075	Reflections @ Glenalbyn	t0129813	5,193
8078	Reflections @ Yosemite	t0143270	440
8078	Reflections @ Yosemite	t0143294	525
8078	Reflections @ Yosemite	t0143329	2,492
8078	Reflections @ Yosemite	t0143362	4,517
8078	Reflections @ Yosemite	t0143383	6,528
8091	Parthenia Place	t0133610	3,338
8091	Parthenia Place	t0133599	596

\$ 49,126

Attachment 4 - Central Office Proposed Write-off as of 12/31/2022

Debtor	Type	Amount
Rodney Lopez	Debtor	33,414
Bruce Kevin Stafford	Debtor	5,100
Maria Del Angel	Debtor	2,000
Total		<u>\$ 40,514</u>