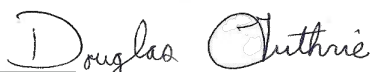


January 28, 2021

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$24,375 FOR PUBLIC HOUSING RENTAL UNITS, AND \$71,522 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 6,431 units owned and/or managed by the Housing Authority.

For the five months from April 1, 2020 through August 31, 2020, the Authority proposes to write off \$24,375 or 0.16% 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 November 2020 averaged 98%. To support our tenants during these challenging times, the sites have engaged in additional efforts to remind tenants to pay their outstanding rents, 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 \$44.9 million annually on 2,461 units owned during the write-off period by the Housing Authority and/or its non-profit instrumentalities.

The Housing Authority proposes to write off \$71,522 for the period from June 1, 2020 through October 31, 2020. This represents 0.22% of total rents charged for the same period.

The rent collection rate from June 2020 through October 2020 averaged 93%. 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; and offering payment plans to repay their outstanding rent in order to support our residents during these challenging times.

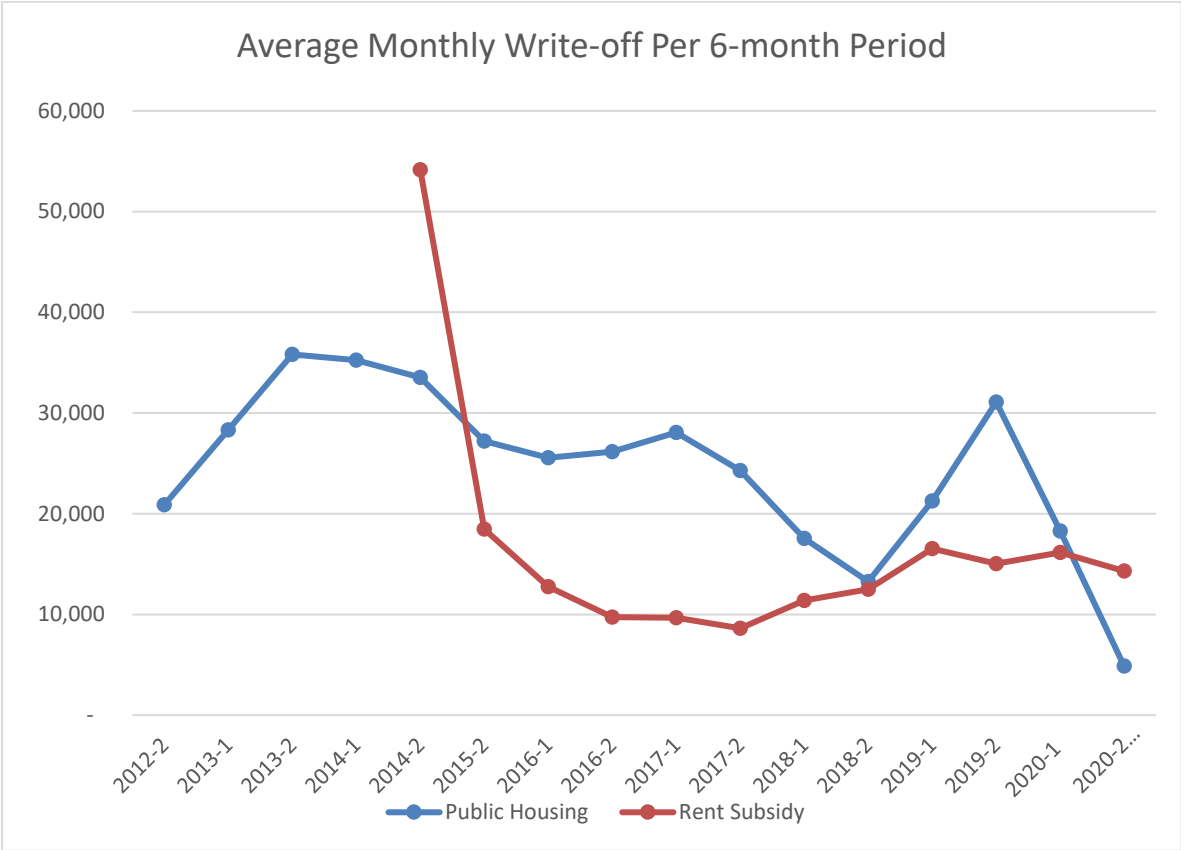
### **Write-Off Trend**

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.

The decrease noted in 2020 in Public Housing is primarily attributed to Housing Services' compliance with the multiple eviction moratoria that have been enacted on the local, state, and federal levels as well as the court closures. Since mid-March, there have been no unlawful detainer actions filed for non-payment of rent. As stated above, the sites have engaged in additional efforts to remind tenants to pay their outstanding rents.

The reduction in write-offs for Rent Subsidy during this reporting period is primarily attributed to the local ordinances regarding tenant eviction moratorium on delinquent rent owed during the coronavirus pandemic effective through January 31, 2020. However, the management firms are actively reaching out and reminding tenant of their past balances in order to reach some type of repayment agreement before the deadline of the moratorium.



**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 2020 annual operating budget.

**Environmental Review:** Not applicable

**Section 3:** Not Applicable.

**Attachments:**

1. Resolution
2. Public Housing Proposed Write-off for Periods 04/01/2020 – 08/31/2020
3. Non-Public Housing Proposed Write-off for Periods 06/01/2020 - 10/31/2020

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO WRITE OFF UNCOLLECTIBLE ACCOUNTS RECEIVABLE INCLUDING \$24,375 FOR PUBLIC HOUSING RENTAL UNITS, AND \$71,522 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, 2020 through August 31, 2020, totaled \$24,375;

**WHEREAS**, the uncollectible accounts receivables of vacated tenants for Non-Public Housing rental units for the period beginning June 1, 2020 through October 31, 2020, totaled \$71,522; 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 \$24,375 for Public Housing and \$71,522 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: \_\_\_\_\_  
Chairperson Ben Besley

DATE ADOPTED: \_\_\_\_\_

**Attachment 2 - Public Housing Proposed Write-off for Periods  
04/01/20 - 08/31/20 Detail by Property**

Property	Site Name	Resident ID	Tenant AR	Property	Site Name	Resident ID	Tenant AR
4001	Ramona Gardens	t0001478	313	4015	Pueblo del Rio Ext	t0004332	274
<b>Ramona Gardens Total</b>			<b>313</b>			b0001829	26
4003	Pueblo del Rio	t0017014	57			t0004365	20
		t0042675	202			t0004513	368
		t0001555	99			t0004451	765
		t0001586	76	<b>Pueblo del Rio Ext Total</b>			<b>1,454</b>
		t0009263	68	4016	Jordan Downs	t0034942	954
<b>Pueblo del Rio Total</b>			<b>502</b>			t0004796	763
4004	Rancho San Pedro	t0001946	1,328			t0004834	526
		t0028517	118			t0022699	1,307
		t0001979	4			t0005084	1,135
<b>Rancho San Pedro Total</b>			<b>1,450</b>	<b>Jordan Downs Total</b>			<b>4,685</b>
4006	William Mead	t0002431	197	4019	Imperial Courts	t0015650	368
		t0002571	197			t0061450	739
		t0002254	64			t0005869	781
<b>William Mead Total</b>			<b>458</b>	<b>Imperial Courts Total</b>			<b>1,888</b>
4009	Avalon Gardens	t0003039	384	4021	Mar Vista Gardens	a0022699	774
		t0002965	169			t0006488	439
<b>Avalon Gardens Total</b>			<b>553</b>	<b>Mar Vista Gardens Total</b>			<b>1,213</b>
4013	Nickerson Gardens	t0050540	799	4022	San Fernando Gardens	t0028688	1,284
		t0024138	298			t0027058	513
		t0036512	20			t0007088	172
		t0004052	20			t0007103	440
		t0036942	15	<b>San Fernando Gardens Total</b>			<b>2,408</b>
		t0047400	829	<b>Grand Total</b>			<b>24,375</b>
		t0012617	249				
		t0003937	6,245				
		t0003985	677				
		t0004021	300				
<b>Nickerson Gardens Total</b>			<b>9,452</b>				

**Attachment 3 - Non-Public Housing Proposed Write-off for Periods 6/1/2020 - 10/31/2020  
 Tenants Vacated as of 10/31/2020 (Detail by Property)**

Fund #	Property	Tenant ID	Amount
8004	Las Palmas	t0000220	\$ 38
8014	Owensmouth Gardens	t0000454	1,243
8014	Owensmouth Gardens	t0000486	236
8015	Reseda East	t0000130	317
8055	California Apts	t8055384	701
8058	Independent Square	t8058500	131
8065	Union Tower	t0122265	325
8023	Huntington Ridge	t0117507	595
8026	Reflections @ Glenalbyn	t0099150	1,707
8029	Reflections @ Yosemite	t0101004	1,026
8036	140 E 120th St	t8036170	4,872
8051-02	1330 W 57th St	t0086905	3,287
8052-10	215 E 93rd St	t0114407	6,357
8063	Tobias Apts	t0121610	1,423
8063	Tobias Apts	t0121792	1,360
8067	Bella Vista	t0103204	9,881
8067	Bella Vista	t0106154	9,619
8051-06	2927 Partridge	MBM Fraudulent Check	9,468
8051-12	744 N Tularosa	MBM Fraudulent Check	9,468
8052-04	145 E 54th St	MBM Fraudulent Check	9,468

Total

\$ 71,522