

CITY OF CHARLOTTESVILLE, VIRGINIA CITY COUNCIL AGENDA



Agenda Date:	December 16, 2013
Action Required:	Approval of Resolution
Presenter:	Kathy McHugh, Housing Development Specialist
Staff Contacts:	James E. Tolbert, A.I.C.P., Director of N.D.S. Kathy McHugh, Housing Development Specialist
Title:	Release of Outstanding \$30,000 Albemarle Housing Improvement Program (A.H.I.P.) Loan

Background: On December 12, 1997, the City of Charlottesville and A.H.I.P. entered into a contractual agreement for a working capital loan in the amount of \$30,000 (see agreement attached hereto). This was an unsecured loan, so no promissory note was used.

Earlier this year, Neighborhood Development Services was asked to provide the Finance Department with an update regarding the status of this loan, which is listed as “outstanding” under the Capital Projects Fund.

As the result of N.D.S. inquiries, it appears that the funding was most likely provided as bridge financing to assist A.H.I.P. with handling various City housing rehabilitation projects which were inherited when the Charlottesville Housing Improvement Program (C.H.I.P.) ceased to operate at the end of F.Y. 95/96.

While the agreement contained various requirements (e.g., that loan funds be used as a revolving fund and maintained in a separate interest bearing account), the lack of adequate documentation on the part of both the City and A.H.I.P. mean that it is impossible to understand exactly what transpired.

The City Attorney’s office provided information on a January 28, 1999 monitoring visit by City staff that found compliance issues (see March 18, 1999 memo from Khristina Hammill attached); however, there is no further documentation relative to how the issues were resolved. Specifically, it appears that: 1) the loan was not listed as a note payable in the audited financial statement for A.H.I.P. for the year ending June 30, 1998; 2) funds were not being maintained in a separate account; and 3) job costs were being billed in advance rather than as reimbursement payments. While these issues reflect questions regarding financial management, there is no documentation that funds were being used improperly or spent on ineligible costs.

Discussion: While ideally there would be detailed records as to how the January '99 issues were handled and ultimately resolved, this loan is 16 years old and there is simply no good way to recreate this information given limited institutional memory within both organizations. Ultimately, based on various discussions with those that were involved at the time, it is thought that there was little expectation that the money would be repaid and that the loan was provided during a period of transition between C.H.I.P. and A.H.I.P. to assist with handling City rehab cases that might not have happened otherwise.

Given the elapsed time and lack of documentation regarding this matter, some action needs to be taken to resolve this outstanding debt and remove it from the City's books.

Community Engagement: None, as this contract involves a very specific financial transaction between the City and A.H.I.P.

Alignment with City Council's Vision and Priority Areas: Approval of this agenda item indirectly aligns with Council's vision for Charlottesville to provide quality housing opportunities for all, as existing documentation indicates that A.H.I.P. used these funds for City rehabilitation projects.

Budgetary Impact: The removal of this 16 year old loan from the books will not negatively impact the City, as it appears there was little expectation that the loan would be repaid. Further, it appears that the loan was made in addition to the A.B.R.T. process in which the City provided \$81,052 in FY 97/98 funds to A.H.I.P. for administration/overhead and rehabilitation of 18 homes. Accordingly, these funds could be considered as part of the City's contribution to A.H.I.P. for this same period, as it is clear that there was support for A.H.I.P. initiatives in the wake of C.H.I.P. ceasing to operate.

Recommendation: Approve resolution releasing A.H.I.P. from any further obligation to repay this outstanding \$30,000 loan and take appropriate action to remove the indebtedness from the City's books.

Alternatives: Council could require repayment; however, this would likely create a financial hardship on AHIP and compromise their ability to operate. Council could also consider forgiving only a portion of the loan, requiring repayment of some alternative amount; however, such a punitive action at this late date would be difficult to justify, as the City shared responsibility to provide oversight of this loan.

Attachments: Memo dated March 18, 1999 from Khristina Hammill and Agreement dated December 12, 1997

RESOLUTION
A.H.I.P. Loan Release \$30,000

WHEREAS, the City of Charlottesville appropriated funding for Albemarle Housing Improvement Program (A.H.I.P.) for the purpose of rehabilitation services of dilapidated houses in Charlottesville; and

WHEREAS, the City and A.H.I.P. entered into a contractual agreement where the \$30,000 would be used as a revolving loan; and

WHEREAS, A.H.I.P. is unable to provide documentation as to the specific use of the funds and has not been reporting the loan as a note payable in their audited financial statements.

NOW THEREFORE, BE IT RESOLVED by the COUNCIL of the City of Charlottesville, Virginia, that the debt of \$30,000, is hereby forgiven.

City of Charlottesville

MEMO

COPY



TO: Ann McGuire
FROM: Khristina Hammill *KSH*
DATE: 3/18/99
SUBJECT: Monitoring - AHIP

I enjoyed meeting with Theresa, Joyce and Penny during our monitoring visit at AHIP on 1/28/99. As you know, I spent most of my time with Penny reviewing the financial side of the program. Things appear to be organized and there seems to be adequate record keeping on the jobs undertaken with CDBG funds. However, there are a couple of issues that I think should be addressed.

1. Accounting records do not include recorded program budgets. Each job produces an audit report that displays the budget and the amount of unobligated funds for that particular job. However, the master CDBG budget for AHIP does not appear to be recorded. This makes it difficult to determine the overall progress of the program.
2. On December 12, 1997, AHIP entered into an agreement with the City in which the City provided AHIP with a \$30,000.00 loan to be used as working capital. This loan does not appear as a note payable in the audited financial statements for the year ended June 30, 1998. AHIP and/or their auditors should be able to explain why.
3. The agreement referenced in item #2 requires that the funds from this loan be maintained in a separate and distinct account. There does not appear to be a separate account.
4. The contract specifies that the City will disburse funds to AHIP on a reimbursement basis. Additionally, the agreement referenced in #2 specifically states that the purpose of the loan was to provide AHIP with working capital to pay related costs "prior to and in anticipation of AHIP's receipt of the payments and reimbursements owed to AHIP by the City under contract". During the review, I discovered that there are instances in which the City has been billed for job costs that have not yet been paid for by AHIP.

Cc: Rita K. Scott
Ron Higgins
Craig Brown



APPROPRIATION
Albemarle Housing Improvement Program
\$30,000

WHEREAS, the City has a contractual agreement with the Albemarle Housing Improvement Program (AHIP) for rehabilitation services of dilapidated houses in Charlottesville; and

WHEREAS, AHIP has asked the City to fund a revolving loan account in the amount of \$30,000 to reduce operating expenses and take advantage of vendor discounts for prompt payment; and

WHEREAS, a similar fund was created by Albemarle County for AHIP for the same purpose; now, therefore,

BE IT RESOLVED by the Council of the City of Charlottesville, Virginia, that the sum of \$30,000.00 is hereby appropriated from account code 26-020-051528 (Housing Initiatives Account) in the Capital Improvement Fund to the Albemarle Housing Improvement Program (AHIP) to establish a revolving fund. Prior to disbursement of the \$30,000.00, an authorized official of AHIP shall sign an agreement with the City setting forth the terms of the revolving fund, including payment of interest to the City on monies deposited in the fund.

Approved 6/2/97

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THIS AGREEMENT is made this 12 day of DEC, 1997 by and between the CITY OF CHARLOTTESVILLE, VIRGINIA, hereinafter referred to as the "City", and ALBEMARLE HOUSING IMPROVEMENT PROGRAM, INC., a Virginia non-stock corporation, hereinafter referred to as "AHIP".

WITNESSETH:

WHEREAS, the City and AHIP have entered into an Agreement dated September 13, 1996, pursuant to which AHIP is providing housing rehabilitation services and performing housing rehabilitation activities within the City of Charlottesville, Virginia, for and on behalf of the City (the "Contract"); and,

WHEREAS, in order to facilitate the work of AHIP in performing and providing its activities and services to the City pursuant to the Contract, it is necessary and desirable that AHIP has available a fund of working capital so that AHIP may make timely payments to contractors and suppliers of materials, take advantage of possible vendor discounts, pay construction personnel, and pay other construction related costs prior to and in anticipation of AHIP's receipt of the payments and reimbursements owed to AHIP by the City under the Contract; and,

WHEREAS, the parties now desire to establish a working capital account, and to set forth the terms and conditions under which such funds will be held, utilized, managed, expended and returned to the City;

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the City and AHIP do hereby AGREE as follows:

1. The City agrees to provide to AHIP, upon the execution of this Agreement, the sum of THIRTY THOUSAND DOLLARS (\$30,000.00) from the City's housing initiatives account in its capital improvements fund, which will be used to create a Revolving Fund (the "Fund"), to be administered by AHIP for the purposes recited hereinabove.
2. The Fund shall at all times be held by AHIP as a separate and distinct account, segregated from all other funds owned, held or managed by AHIP, but shall be listed on AHIP's Chart of Accounts and shall be accounted for and reported on each month as a part of AHIP's regular monthly financial accounting and reporting.
3. The monies held in the Fund shall be used only to pay contractors, subcontractors, materialmen, vendors, suppliers and construction personnel for work performed or materials supplied to or for AHIP in connection with AHIP's performance of its obligations and duties to the City under the parties' Contract, and only pending reimbursement from the City or the Charlottesville Redevelopment and Housing Authority in accordance with the terms of the Contract.
4. The payment of the \$30,000 by the City to AHIP to create the Fund shall be separate and distinct from any other payments owed by the City to AHIP under the contract, and shall be treated as a loan to AHIP.
5. The monies provided pursuant to this Agreement shall be

deposited in an interest-bearing account in the name of AHIP and the City, with either party entitled to withdraw funds from the account; provided, however, that the City shall not exercise its right to withdraw funds prior to thirty (30) days written notice to AHIP. Any interest earned on the deposit shall become a part of the Fund, and shall be payable to the City upon the termination of this Agreement as provided herein.

6. This Agreement and the continuation of the \$30,000 loan, is subject to and conditioned on the annual approval of the Charlottesville City Council through an appropriation of the funds in the City's capital improvement budget. If at any time City Council, in its sole discretion, does not approve the continued appropriation of funds then AHIP shall return the Fund, with any earned interest, to the City within ten (10) days of written notice of the non-appropriation.
7. The Fund shall be repayable by AHIP to the City within ten (10) days after the termination of the parties' Contract, or any extension thereof.
8. All uses of the Fund by AHIP shall conform to and be consistent with the terms, conditions and provisions of the parties' Contract.

WITNESS the following authorized signatures:

CITY OF CHARLOTTESVILLE:

Linda Peacock
Linda Peacock
Assistant City Manager

Date: 1/7/88

Funds available:

Reta Scott
Director of Finance

Approved as to form:

S. Craig Brown
Deputy City Attorney

ALBEMARLE HOUSING
IMPROVEMENT PROGRAM, INC.:

Theresa Tapscott
Theresa Tapscott
Executive Director

Date: 12-12-97