

October 2021 Board Packet – Additional Information

Harrisonburg Redevelopment and Housing Authority

Contents

Management Discussion and Analysis (MD&A)..... 2

**RESOLUTION OF THE HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY
AUTHORIZING FINANCING OF LINEWEAVER ANNEX LOAN..... 8**

Management Discussion and Analysis (MD&A)

Harrisonburg Redevelopment and Housing
Authority December 31, 2020

As management of the Harrisonburg Redevelopment and Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for fiscal year ended December 31, 2020. We encourage readers to consider the information presented here and in conjunction with the Authority's financial statements.

The Authority's Mission

To promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination; and to foster redevelopment of blighted areas to ensure the economic, social and housing vitality of our community. This is accomplished through the following programs:

- Housing Choice Voucher (HCV)
- Family Unification Program (FUP)
- Rental Assistance for Non-Elderly Persons with Disabilities (NED)
- HUD-Veterans Affairs Supportive Housing (HUD-VASH)
- Mainstream Voucher Program (MS5)
- Project Based Housing, Franklin Heights LLC
- Project Based Housing, Commerce Village LLC
- Community Development Block Grant Funds
- Section 8 New Construction (JR "Polly" Lineweaver Apartments)
- Lineweaver Annex Apartments (LIHTC)
- Service Coordinator Grant Funds
- Family Self-Sufficiency Grant Funds (FSS)
- Continuum of Care (COC), HMIS/COC Planning Grant Funds
- Virginia Homeless Solutions Program, VHSP Grant Funds
- Local Community Development/Business Activities
- Shenandoah Housing Corporation
- Lineweaver Annex Corporation
- 150 South Main/Children's Museum
- Commerce Village Management, LLC
- The CARES Act 2020 Funds-Multi-family, Housing Choice and Mainstream Vouchers, COVID-19 ESO Grant

Program services are provided under the following philosophy: to treat all individuals with respect and dignity, to base all decisions on rational and provable data, and to operate with efficiency in the delivery of all services.

Financial Highlights

- The assets of the Authority exceeded its liabilities by \$7.8M.
- The Authority's net position decreased by 10%.
- The revenue income increased more than 9%.

- The expenses of the Authority increased less than 10%.

Our analysis begins by determining if the Authority is financially better or worse off as a result of this year's activities. We believe that improvements made through purchasing and renovating our assets and the overall operations of the Authority in general do show that we are better off than we were a year ago. However, with the uncertainty of federal support from HUD for the Housing Choice Voucher Program, it continues to be a challenge to manage the program with the necessary staff the appropriate financial support.

Condensed Comparative Financial Statements

	2020	2019	2018
Total Assets	\$19,096,899	\$20,627,230	\$22,030,368
Total Liabilities	\$11,287,529	\$11,953,240	\$12,954,577
Total Net Positon	<u>\$7,809,370</u>	<u>\$8,673,990</u>	<u>\$9,075,791</u>
Total Liabilities & Net Position	\$19,096,899	\$20,627,230	\$22,030,368
Total Revenue	\$10,270,960	\$9,354,404	\$9,376,819
Total Expenses	<u>\$11,135,581</u>	<u>\$9,758,033</u>	<u>\$9,641,006</u>
Net Income (Loss)	-\$864,621	-\$403,629	-\$264,187

This discussion and analysis is intended to serve as an introduction to the Authority's annual financial report. The financial report consists of the management's discussion and analysis, the basic financial statements, notes to financial statement, and other supplemental information. The financial statements in this annual report are presented on a full accrual basis of accounting and it is based on an Enterprise Method presentation. There are three types of financial statements used to help analyze the financial status of the Authority as one entity-wide organization

- Statement of Net Position - reports the assets and liabilities, with the difference between the two reported as net position
- Statement of Revenue, Expenses and Changes in Fund Net Position - reports the operating and non-operating revenue by major source along with operating and non-operating expenses, with the difference between the two reported as a profit/loss
- Comparison of Budget versus Actual - reports the actual operating revenues and expenses versus the budgeted amounts

Statement of Net Position

The following table shows you the breakdown of assets, liabilities, and net position in all the program areas and how they changed from the prior year.

Assets	2020	2019	Net Change
Housing Choice Voucher	\$837,733	\$383,366	\$454,367
JR "Polly" Lineweaver Apts./S8NC	\$1,033,255	\$1,243,235	(\$209,980)
Local Comm Dev/Bus Activities	\$3,971,277	\$3,659,062	\$312,215

Component Units-Franklin Heights	\$9,516,959	\$10,246,585	(\$729,626)
Component Units-Discretely Presented	<u>\$3,737,675</u>	<u>\$5,094,982</u>	<u>(\$1,357,307)</u>
<i>Total Assets</i>	\$19,096,899	\$20,627,230	(\$1,530,331)
<i>Liabilities</i>			
Housing Choice Voucher	\$242,522	\$128,086	\$114,436
JR "Polly" Lineweaver Apts./S8NC	\$1,421,407	\$1,508,505	(\$87,098)
Local Comm Dev/Bus Activities	\$519,512	\$699,836	(\$180,324)
Component Units-Franklin Heights	\$7,451,294	\$7,892,683	(\$441,389)
Component Units-Discretely Presented	<u>\$1,652,794</u>	<u>\$1,724,130</u>	<u>(\$71,336)</u>
<i>Total Liabilities</i>	\$11,287,529	\$11,953,240	(\$665,711)
<i>Net Position</i>			
Housing Choice Voucher	\$595,211	\$255,280	\$339,931
JR "Polly" Lineweaver Apts./S8NC	(\$388,152)	(\$352,542)	(\$35,610)
Local Comm Dev/Bus Activities	\$3,451,765	\$3,391,555	\$60,210
Component Units-Franklin Heights	\$2,065,665	\$2,008,845	\$56,820
Component Units-Discretely Presented	<u>\$2,084,881</u>	<u>\$3,370,852</u>	<u>(\$1,285,971)</u>
<i>Total Net Position</i>	\$7,809,370	\$8,673,990	(\$864,620)
<i>Total Liabilities & Net Position</i>	\$19,096,899	\$20,627,230	(\$1,530,331)

The assets increased in the Housing Choice Voucher Program due to the receipt of CARES Act funds for HAP that was not spent by the end of 2020.

The assets increased in the Local Community Development Program due to the transfer of funds from Shenandoah Housing Corporation and entrance improvements to the Bridgeport Building.

The assets decreased in JR "Polly" Lineweaver Apartments and Franklin Heights due to accumulated depreciation.

The decrease in assets in Component Units-Discretely Presented was due to the gifting of ownership of the Harrisonburg Children's Museum to HCM, Inc. from 150 S Main, LLC and the sale of ownership for Shenandoah Housing Corporation in DP Apartments, LP.

The liabilities in the Housing Choice Voucher Program increased due to the accounts payable that had to be set up for unspent CARES Act funds for administration costs.

The liabilities decreased in Franklin Heights AND JR "Polly" Lineweaver Apartments due to paying down debt.

Statement of Revenue, Expenses and Changes in Fund Net Position

The following table shows you an overview of all the programs' revenue and expenses as compared to the previous year.

<i>Revenue</i>	2020	2019	Net Change
Housing Choice Voucher (14.871)	\$6,916,290	\$6,056,717	\$859,573
JR "Polly" Lineweaver/S8NC (14.182)	\$445,134	\$440,823	\$4,311
Service Coordinator Grant (14.191)	\$66,683	\$58,776	\$7,907
Local Community Dev/Bus Activities/State Grants	\$950,774	\$611,576	\$339,198
Supportive Housing for Persons with Disabilities (14.181)/VHSP	\$108,173	\$158,849	(\$50,676)
Component Units-Franklin Heights	\$1,354,343	\$1,490,262	(\$135,919)
Component Units-Discretely Presented	\$283,352	\$393,401	(\$110,049)
Community Development Block Grant	<u>\$146,211</u>	<u>\$144,000</u>	<u>\$2,211</u>
<i>Total Revenue</i>	\$10,270,960	\$9,354,404	\$916,556
<i>Expenses</i>			
Housing Choice Voucher (14.871)	\$6,576,359	\$6,137,553	\$438,806
JR "Polly" Lineweaver/S8NC (14.182)	\$486,094	\$464,486	\$21,608
Service Coordinator Grant (14.191)	\$61,333	\$64,127	(\$2,794)
Local Community Dev/Bus Activities	\$1,173,917	\$932,268	\$241,649
Supportive Housing/VHSP Grant	\$108,173	\$158,848	(\$50,675)
Component Units-Franklin Heights	\$1,297,523	\$1,522,489	(\$224,966)
Component Units-Discretely Presented	\$1,285,971	\$334,262	\$951,709
Community Development Block Grant	<u>\$146,211</u>	<u>\$144,000</u>	<u>\$2,211</u>
<i>Total Expenses</i>	\$11,135,581	\$9,758,033	\$1,377,548
<i>Excess of Revenue Over Expenses</i>	(\$864,621)	(\$403,629)	(\$460,992)

The revenue increased in the Housing Choice Voucher Program was due to the receipt of CARES Act funds for COVID-19 expenditures. The increase of income in the Local Community Development Program was due to grants from COVID-19 funds received and then distributed to community organizations to assist in homelessness prevention.

The increase in expenses for the Housing Choice Voucher Program was due to purchasing computer equipment for staff to work from home during the pandemic and cleaning supplies to comply with COVID-19 protocols.

The decrease in expenses for Franklin Heights was due to the lowering of administration and maintenance expenses.

The increase in expenses for Component Units-Discretely Presented was due a Loss on the Sale of Real Estate which was due to the property and ownership transfers in 150 S. Main Street and Shenandoah Housing Corporation.

The Authority continues to make significant efforts to analyze all expenditures and make changes to continue to operate in the most efficient manner possible.

Overview of Budget Programs

	Housing Choice Voucher		JR Polly Lineweaver		Local Community Development		Component Units-Blended (FH)		Component Units-Discretely Presented	
	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget
Income										
Rent	\$0	\$0	\$173,962	\$174,758	\$545,953	\$548,857	\$1,482,330	\$1,461,560	\$201,579	\$188,892
HAP	\$6,531,491	\$6,054,013	\$261,334	\$262,137	\$0	\$0	\$0	\$0	\$0	\$0
Grants	\$368,837	\$28,444	\$66,683	\$66,107	\$447,530	\$184,956	\$0	\$0	\$0	\$0
CDBG Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$146,211	\$140,000	\$0	\$0
Investment Inc	\$0	\$0	\$0	\$0	\$134	\$0	\$849	\$800	\$307	\$2,000
Other/Misc.	\$15,962	\$18,000	\$9,838	\$15,800	\$65,330	\$185,300	\$18,674	\$25,000	(\$889,312)	\$7,800
Total	\$6,916,290	\$6,100,457	\$511,517	\$518,802	\$1,058,947	\$919,113	\$1,648,064	\$1,627,360	(\$687,426)	\$198,692
Expenses										
Administration	\$507,451	\$491,870	\$105,631	\$170,984	\$750,316	\$552,294	\$281,350	\$326,263	\$53,216	\$47,605
Tenant Services	\$124,708	\$0	\$68,019	\$67,107	\$562	\$1,000	\$324	\$1,000	\$14,929	\$18,000
Utilites	\$3,656	\$5,000	\$79,269	\$103,000	\$84,226	\$105,600	(\$3,385)	\$17,500	\$30,398	\$38,100
Maintenance	\$0	\$0	\$103,497	\$115,517	\$192,507	\$217,091	\$223,542	\$285,906	\$25,221	\$32,619
General	11,521	\$7,400	\$15,427	\$12,000	\$63,431	\$15,600	\$62,090	\$57,000	\$5,785	\$2,624
Interest	\$0	\$0	\$42,868	\$35,888	\$17,855	\$17,574	\$274,072	\$282,170	\$26,925	\$16,380
Depreciation	\$0	\$0	\$132,716	\$132,716	\$188,388	\$188,388	\$753,251	\$753,251	\$143,524	\$143,524
HAP Expenses	\$5,929,023	\$5,595,682	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$6,576,359	\$6,099,952	\$547,427	\$637,212	\$1,297,285	\$1,097,547	\$1,591,244	\$1,723,090	\$299,998	\$298,852

For the Housing Choice Voucher Program, the income and expenses were not within budget. This was due to funds received from the CARES Act for COVID-19. When the funds were received, HRHA used those funds for COVID-19 related expenses that were not in the original budget.

The income and expenses for JR "Polly" Lineweaver Apartments was within budget on all categories except insurance and interest. This was due to not including the flood insurance in the budget and not using the correct amortization table for the interest.

The Local Community Development shows that the program was not within budget in most categories. This was due to state funds received for COVID-19 expenses. Due to the receipt of

these funds, HRHA used those funds for COVID-19 related expenses that were not in the original budget.

The income and expense for Component Units-Blended-Franklin Heights was within budget in most categories.

Component Units-Discretely Presented did show a negative in Miscellaneous-Gain/Loss on Sale of Capital Assets. This was due to the gifting of ownership of the Harrisonburg Children's Museum from component unit-150 S Main, LLC to Harrisonburg Children's Museum, Inc. This was also due to component unit-Shenandoah Housing Corporation selling its ownership/partnership in DP Apartments, LP.

Capital Asset and Long-Term Debt Activity

Planned initiatives which will impact the Authority's financial status include:

- Continuation of an affordable homeownership program
- Develop permanent supportive housing units specifically targeted for the veterans, homeless, aging out foster youth, victims of domestic violence and Developmental Disabled and Intellectual Disabled within the Department of Justice settlement with the Commonwealth
- Replace roofs on Franklin Heights housing units (10-15 units per year)
- Upgrade Lineweaver Apartments security system through replacement of new security cameras
- Development of an exterior renovation and new roof plan to replace exterior Fascia siding and address the need for roof replacement for the Lineweaver Annex Apartments
- Pavement of parking lots behind the Lineweaver Annex Apartments

The Authority will continue to seek grant funds in partnership with other community agencies to address gaps and needs in our local community and to identify additional resources that will assist Authority's residents in becoming more financially self-sufficient.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is to provide users with a general overview of the Authority's finances, and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Executive Director at PO Box 1071, Harrisonburg, VA 22803, by telephone 540-434- 7386, or by fax at 540-432-1113.

RESOLUTION OF THE HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY AUTHORIZING FINANCING OF LINEWEAVER ANNEX LOAN

Whereas, the Harrisonburg Redevelopment and Housing Authority (the "Authority") is duly organized under the Virginia Housing Authorities Law, Chapter 1, Title 36, Code of Virginia of 1950, as amended (the "Act");

Whereas, in furtherance of the Act's purposes, the Authority wishes to renovate the Lineweaver Annex apartments (the "Project");

Whereas, in order to finance the Project, the Authority intends to issue bonds not to exceed \$2,300,000.00;

Whereas, the Authority is applying for Department of Housing and Community Development grant funds, which, if received, will be used when finalizing the permanent financing of the Project.

Whereas, in September 2021, the Authority issued a Request for Proposals ("RFP") to five (5) lenders for the refinancing of \$2,300,000 of debt, plus closing costs to be paid out of the loan ("Lineweaver Annex Loan"), secured by the Lineweaver Annex apartment complex and property, which consists of 60 one bedroom units located in the City of Harrisonburg, Virginia, and the Lineweaver Annex Loan will be repaid using revenue from the apartment complex;

Whereas, the Authority intends to designate the Lineweaver Annex Loan as a tax-exempt obligation under Section 265 of the Internal Revenue Code; and

Whereas, the Authority received only two (2) commitment letters with various terms and conditions in response to the RFP issued:

1. United Bank Summary of Proposed Terms and Conditions dated October 15, 2021 ("United Bank Bid") attached hereto and incorporated herein as Exhibit 1.
2. Bank of the James Commitment Letter dated October 15, 2021 ("Bank of the James Bid") attached hereto and incorporated herein as Exhibit 2;
(collectively, the Bids")

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS FOR THE HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY:

1. Upon a thorough review and evaluation of the Bids, the Board determined that the _____ Bid is the successful Bid, as it contains the most desirable terms and conditions. The _____ Bid is hereby adopted and approved.

2. The Chairman, Vice Chairman and Secretary/Executive Director of the Authority are each authorized to execute on behalf of the Authority all documents, including without limitation, a commitment letter with the terms and conditions in substantial form as outlined in the _____ Bid, or better, for the Lineweaver Annex Loan not to exceed the principal amount of \$2,300,000, plus the payment of all closing costs, including without limitation attorney's fees, that are reasonably necessary or convenient in furtherance of this Resolution; and, if required, the Secretary and any Assistant Secretary of the Authority are each authorized to affix the seal of the Authority to such documents and to attest such seal. The Chair, Vice Chair, Secretary/Executive Director, and Assistant Secretary of the Authority are each authorized to execute and deliver on behalf of the Authority (and affix the Authority's seal) such other instruments, documents or certificates or acts, as may be advised by counsel and they deem necessary or appropriate to carry out the transactions authorized by or to effectuate the purpose of this Resolution.

3. This Resolution shall take effect immediately.

Approved: October 20, 2021

CERTIFICATE OF VOTES

Record of the roll-call vote by the Harrisonburg Redevelopment and Housing Authority, upon reading on a resolution titled "RESOLUTION OF THE HARRISONBURG REDEVELOPMENT AND HOUSING AUTHORITY AUTHORIZING FINANCING OF LINEWEAVER ANNEX LOAN" taken at a regular meeting of the Authority held on October 20, 2021:

AYE NAY ABSTAIN ABSENT

Dany Fleming, Chair
 Luciano Benjamin
 Kevin Coffman
 Gil Colman
 Christine Fasching Maphis
 Shonda Green
 Jody Johannssen

Dated: October 20, 2021

(SEAL)

 Chair, Harrisonburg Redevelopment and
 Housing Authority

ATTEST: _____
 Secretary

The undersigned Secretary of the Harrisonburg Redevelopment and Housing Authority hereby certifies that the foregoing is a true, correct, and complete copy of a Resolution adopted by the Authority's Commissioners present and voting at a meeting duly called and held on October 20, 2021, in accordance with law, and that such Resolution has not been repealed, revoked, rescinded, or amended, but is in full force and effect as of the date hereof.

WITNESS my hand and the seal of the Authority this 20th day of October, 2021.

HARRISONBURG REDEVELOPMENT AND
 HOUSING AUTHORITY

By:

Michael G. Wong, Secretary