

**Urban Redevelopment Authority  
of Pittsburgh**

Housing Opportunity Fund Financial Statements

Year Ended December 31, 2018  
with Independent Auditor's Report

**MaherDuessel**

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# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

YEAR ENDED DECEMBER 31, 2018

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## Independent Auditor's Report

**Board of Directors  
Urban Redevelopment  
Authority of Pittsburgh**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Urban Redevelopment Authority of Pittsburgh (URA) – Housing Opportunity Fund as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the URA – Housing Opportunity Fund as of December 31, 2018, and the changes in

its financial position thereof for year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the URA – Housing Opportunity Fund and do not purport to, and do not present fairly the financial position of the URA as of December 31, 2018, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the URA – Housing Opportunity Fund. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Maher Duessel***

Pittsburgh, Pennsylvania  
June 26, 2019

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## HOUSING OPPORTUNITY FUND

### BALANCE SHEET

DECEMBER 31, 2018

<b>Assets</b>	
Cash and investments	<u>\$ 9,822,674</u>
<b>Liabilities and Fund Balance</b>	
Liabilities	<u>\$ -</u>
Fund Balance:	
Restricted for program	<u>9,822,674</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 9,822,674</u></u>

See accompanying notes to contract financial statements.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## HOUSING OPPORTUNITY FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2018

<b>Revenues:</b>	
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Grant revenue	\$ 10,000,000
Interest income	54,448
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Total revenues	10,054,448
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<b>Expenditures:</b>	
<hr/>	
Administration	231,774
	<hr/>
<b>Net Change in Fund Balance</b>	9,822,674
<b>Fund Balance:</b>	
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Beginning of year	-
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End of year	\$ 9,822,674
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See accompanying notes to contract financial statements.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## HOUSING OPPORTUNITY FUND

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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#### **1. Organization**

The Urban Redevelopment Authority of Pittsburgh (URA) was established in 1946 under the Pennsylvania Urban Redevelopment Law. The URA acquires and clears blighted property; initiates rebuilding with the private sector; negotiates with the federal, state, county, and local governments for public funds and facilities; and works to maintain and improve Pittsburgh neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through revenue bonds and intergovernmental grants.

#### **2. Project Description**

In December 2017, the City of Pittsburgh (City) committed \$10 million per year for 12 years, generated from an increase in real estate transfer taxes, to source a Housing Opportunity Fund (HOF). The Mayor appointed a 17-person Advisory Board (Board) to administer the fund in June 2018 and entered into a cooperation agreement with the URA carry out program objectives. The URA created a new department, the Housing Opportunity Fund Department, to staff this initiative. The HOF staff and the Board created an allocation plan for the 2018 funding and new programs and program guidelines. The new HOF programs established are:

- Down Payment and Closing Cost Assistance (DPCCAP) provides financing to first-time homebuyers in the City to help make the purchase of a home affordable. This program is designed to help stimulate housing investment in the City by providing financial assistance to potential homebuyers for the purpose of purchasing an existing or newly constructed residential unit.
- Homeowner Assistance Program (HAP) provides financial and technical assistance to eligible homeowners for rehabilitating and improving residential owner-occupied properties citywide
- Rental Gap Program (RGP) will be used to help fund the creation of new affordable housing and/or preserve existing affordable housing in the City. The HOF RGP provides loans to developers for the creation and/or preservation of affordable units.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## HOUSING OPPORTUNITY FUND

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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- Housing Stabilization Program (HSP) provides one-time or short-term (no more than 12 months) funding to help with emergency housing expenses such as rent and utilities. It is designed to assist participants to stabilize their current housing, or facilitate access to appropriate housing, and prevent homelessness. The program will also allow for legal eviction prevention services, including legal consultation and representation for eviction defense and/or related supportive services.
- For-Sale Development Program (FSDP) provides construction financing to developers with non-profit applicants for the substantial rehabilitation or new construction of for-sale housing.

The accompanying financial statements include only the financial position and results of operations of the HOF. These financial statements are not intended to present the financial position and results of operations of the URA.

### **3. Summary of Significant Accounting Policies**

#### Basis of Accounting/Measurement Focus

The accompanying financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. The URA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## HOUSING OPPORTUNITY FUND

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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significant unobservable inputs. The investments in Money Market Funds of \$9,822,674 at December 31, 2018 are valued using quoted market prices (Level 1 inputs).

Money market investments are subject to credit risk and are rated Aaa by Moody's at December 31, 2018.

#### Fund Balance

The fund balance of the HOF is considered restricted. The restricted fund balance category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for specific expenditure under agreement with grantors.

#### **4. Program Expenditures**

The Board (described in Note 2) was put into place in July 2018 and the HOF Director was appointed in July 2018. Only administrative costs were incurred in 2018 as the Board, HOF Director, and program consultants worked to develop the 2018 Allocation Plan in accordance with the legislation. The 2018 Allocation Plan was approved by City Council in October 2018 and program guidelines were drafted and approved by the URA Board in October and November. The first RFP for funding was released in November for the Rental Gap Program and the first funding commitments totaling \$1 million for that program were made at the December Board and URA Board of Directors meetings. No funds were expended from those commitments until 2019. Additionally, the Down Payment Closing Cost Program was the second program to begin operations, after the application process was created and put into place. Its first closing and disbursement occurred in February 2019.

Administrative expenses include costs allocated from the URA and primarily represent personnel costs charged based on actual hours worked on HOF activity.

## **SUPPLEMENTARY INFORMATION**

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## HOUSING OPPORTUNITY FUND

### STATEMENT OF ADMINISTRATIVE EXPENDITURES

YEAR ENDED DECEMBER 31, 2018

<b>Administrative Expenditures:</b>	
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Wages and salaries	\$ 99,013
Professional development	700
Advertising	140
Bank fees	1,500
Consulting services	129,087
Other administrative expenses	<u>1,334</u>
<b>Total Administrative Expenditures</b>	<b><u><u>\$ 231,774</u></u></b>