

EXHIBIT A

ANALYSIS

ANALYSIS OF PAYMENTS TO WILMINGTON HOUSING PARTNERSHIP CORPORATION

PREPARED BY: City Treasurer's Office

DATE: Thursday, July 25, 2019

ISSUES PRESENTED

Whether payment activity of the City of Wilmington (the "City") to the Wilmington Housing Partnership Corporation (the "Vendor" or "Housing Partnership") during the City's Fiscal Year ending June 30, 2019 appear to reflect irregularities such as i) apparent, procedural noncompliance; ii) inconsistencies; iii) errors; iv) conflicts; and/or v) other suspicious characteristics.

SHORT ANSWER

Yes. Payment activity to the Vendor appear to reflect irregularities including:

- I) An unauthorized increase to Purchase Orders (Grant Agreement)
- II) Unauthorized application of City Bond Proceeds to payments related to Grant Agreement
- III) Inconsistencies in property valuation associated with Grant Agreement and related payments
- IV) Potential Conflicts-of-Interest

FACTS AND ANALYSIS

I) Unauthorized Increase to Purchase Order:

The City entered into a grant agreement (the "Grant Agreement") (attached) with the Vendor on August 16, 2018 for an amount \$192,000.00 wherein the parties agreed that "*Notwithstanding anything to the contrary, the Grant shall not be increased in excess of \$192,000.00.*" On August 21, 2018, a certain Purchase Order #190974 (the "Purchase Order"), of singular item, was issued by the City's Finance Department (Procurement Division) to the Vendor for an amount \$190,500.00. A second item was later added to the Purchase Order thereby increasing to \$840,500.00 (an increase of

\$650,000.00) with no evidence of authorization or amendment to the Grant Agreement (see Purchase Order attached).

The Grant Agreement, Purchase Order and subsequent increase are made doubly questionable given the, then, apparent deterioration of the Housing Partnership's financial condition.

II) Unauthorized Application of the City's Bond Proceeds

In February 2019, the Administration transferred a total of \$650,000.00 in Bond Proceeds of the City's General Obligation Bonds, Series of 2011 and 2015 from prior Capital Projects to a Capital Project specified as "Acquisition and Demolition" in the City's Capital Budget for its Fiscal Year ending June 30, 2018. This transfer was made without the legislation of City Council required to amend prior Bond and Capital Budget Ordinances. This so-called "temporary transfer" of proceeds also ignores Treasury Reg. §1.150-2(d)(3) and (f) which provides that an issuer may only reimburse itself for "prior expenditures" transacted no more than sixty (60) days prior to the relevant Bond Issuance. Consequently, expenditures associated with the Grant Agreement predating May 2019 are not qualified for reimbursement.

III) Inconsistencies

The properties identified for development in the Grant Agreement are the four (4) townhomes between 527 Vandever Avenue and 529 Vandever Avenue (the "Properties"). On September 27, 2016 the City entered into an approximate \$3.40 Million loan agreement with the Vendor at which time the Vendor provided a "Schedule of Housing Properties, Sales Proceeds" valuing the Properties at \$145,000.00 each. On September 17, 2018, former Director of the Housing Partnership, Steven Martin provided the Treasurer's Office with an updated valuation wherein the value of the Properties was unchanged. However, on June 20, 2019, the Mayor's Chief of Staff, Tanya Washington, also a Board Member of the Housing Partnership, submitted market values listing the Properties at \$0.00 each (all three schedules attached). Note: payment activity to the Vendor currently persists under the Grant Agreement for the development of the Properties.

IV) Conflicts-of-Interest

On July 5, 2019, a payment warrant was sent to Treasury from the City's Finance Department to pay an invoice approved by the Real Estate and Housing Department for an amount \$87,717.33 (attached) to the Housing Partnership related to the Grant Agreement. At that time, the Director of the City's Real Estate and Housing Department, Robert Weir, also served as the President of the Housing Partnership, its single operating officer (excerpt from the Housing Partnership's website attached). Consequently, there is conflict-of-interest, at least in appearance, if not, in fact.

Enclosures:

Grant Agreement
Purchase Order
Property Valuation of 2016
Property Valuation of 2018
Property Valuation of 2019
Invoice
Excerpt from Housing Partnership Website