



Office of the City Auditor (OCA)

Richmond City Council

DATE: February 6, 2026

TO: Mr. Odie Donald II
Chief Administrative Officer

FROM: Riad Ali
City Auditor

SUBJECT: Special Request: Affordable Housing Trust Fund (AHTF)

At City Council's request, the Office of the City Auditor (OCA) reviewed the City's compliance with City of Richmond Code Section 12-46 regarding the establishment of potential funding sources for the Affordable Housing Trust Fund (AHTF). This review used information from the Real Estate Assessor's Office, Housing and Community Development, City Attorney's Office, and the Finance Department. We also used information from the City's fiscal plans and financial system. This review was completed as a special request and does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The OCA was asked to perform the following tasks:

- Discover the amount of money that should have been collected for the AHTF Board on an annual basis.
- Determine if the Finance Department has collected these monies on behalf of AHTF Board and placed them in the special reserve funds.
- If not placed in the reserve funds, inquire why money was not set aside for the AHTF Board as required by city ordinance.

Summary of Key Results

Overall, the OCA concluded that the City did not consistently implement the funding requirements in City Code Section 12-46 intended to support the AHTF. Section 12-46 establishes a requirement for the Director of Finance to credit specified revenues to a special reserve assigned to support the AHTF, and City Council may appropriate amounts from that reserve to the AHTF. Inconsistent implementation was driven, in part, by the absence of a documented implementation plan and related procedures to adhere to the requirements.

With respect to City Code Section 12-46(a), the OCA determined that a single definitive annual credit amount cannot be established until the calculation methodology is clarified. The ordinance request documentation described a cumulative approach based on incremental tax payments as partial real estate tax exemptions roll off, while the adopted code language requires crediting the

difference between the full taxation amount and the partial exemption amount. These approaches would produce materially different results. Due to various issues, the OCA could not conclude on the amounts that could have been credited to the special reserve under either approach. In addition, the OCA identified one fiscal year in which \$2,472,307 was credited to the special reserve, however, as of December 2025, this amount remained in the reserve and had not been appropriated to the AHTF.

With respect to City Code Section 12-46(b), the OCA found that the code does not clearly specify the frequency or application of the “up to \$1,000,000” crediting requirement related to net proceeds from tax delinquent property sales. As a result, the OCA could not determine a definitive total amount that should have been credited to the special reserve since July 1, 2019. After the start of this review, the City passed an ordinance approving the transfer of \$2,000,000 to the AHTF from Delinquent Tax Sales funds. However, as of December 19, 2025, the transfer was not identified in the City’s accounting records. The OCA also identified appropriations from the Delinquent Tax Sales funds for purposes other than the AHTF and noted that the fund is at risk of a negative balance based on authorized transfers and available resources.

Finally, the OCA notes that the City funded AHTF initiatives through other sources during the period reviewed, including general purpose revenues, American Rescue Plan Act (ARPA) and general obligation bond funding. In addition, the City funds affordable housing initiatives and projects not managed by the AHTF, such as the redevelopment of Creighton Court and the Homes Project. However, City Code Section 12-46 separately required that revenues from the specified requirements be credited to the special reserve for potential appropriation to the AHTF, which were not consistently done.

The OCA notes that as of January 2026, the City is in the process of replacing the City Code 12-46 and clarifying a new calculation method to fund the AHTF.¹

Background

The AHTF was created by City Code Section 16-51² to help meet the needs of low-income households in the City of Richmond by providing loans and grants to for-profit and nonprofit housing developers for the acquisition, capital, and other related costs necessary to create affordable rental and owner-occupied housing in the City. City Code Section 16-51 further states that “There shall be created a fund identified as the Affordable Housing Trust Fund. The fund shall be funded through annual appropriations made by the City Council and such other sources of revenue as the Council may appropriate thereto from time to time.”

¹ Proposed Ordinances [2026-001](#) and [2026-018](#)

² City of Richmond Chapter 16, Article III, Division 1-Affordable Housing Trust Fund. [16-51](#).

City Code Section 12-46 establishes two potential revenue requirements intended to support the Affordable Housing Trust Fund (AHTF).³ Under Section 12-46, the Director of Finance is required to credit certain revenues to a special reserve assigned to support the AHTF, and City Council may appropriate funds from that reserve to the AHTF. A summary of the two potential revenue requirements are as follows:

a) Revenue Derived from Expiration of Partial Exemptions from Real Estate Taxation

Some City real estate tax programs provide a partial exemption that reduces a property's tax payment for a limited period. Over time, the exemption may decrease in phases or end entirely, which increases the associated real estate tax payments.

Per Section 12-46(a), beginning July 1, 2021, when the City receives real estate tax payments arising from the phased reduction of certain partial exemptions occurring on or after July 1, 2020, or from the expiration or termination of such partial exemptions, the Director of Finance is required, on an annual basis, to credit the difference between the full taxation amount and the partial exemption amount to a special reserve assigned to support the AHTF. Generally, “phased reduction,” “expiration,” and “termination” refer to points when a previously approved partial exemption decreases or ends.

Operationally, the Real Estate Assessor’s Office determines the assessed values used to calculate real estate taxes. Information about partial rehab abatements, including phase down schedules, is maintained in a separate system used for tracking rehabilitation credits (Rehabilitation Tracking System). The Finance Department has access to this system’s information to support any required calculations.

b) Revenue Derived from Certain Sales of Tax Delinquent Properties

Tax-delinquent properties are properties with unpaid real estate taxes that are sold through the City’s tax sale process. Beginning July 1, 2019, and subject to appropriations by City Council, City Code Section 12-46(b) directs the Director of Finance to credit to a special reserve assigned to support the AHTF up to \$1,000,000 of net proceeds from the sale of tax-delinquent properties through the program administered by the Office of the City Attorney, after the costs of administering the program have been paid.

³ [City of Richmond Code Section 12-46](#)- Disposition of revenues derived from expiration of partial exemptions from real estate taxation and from certain sales of tax delinquent properties.

As noted previously, revenues from the two sources described above are required to be credited to a special reserve assigned to support the AHTF. City Council may then appropriate funds from this special reserve to the AHTF before the AHTF can use the funds.

Based on the City of Richmond Adopted Annual Fiscal Plans for fiscal years (FYs) 2020 through 2026 and various ordinances, and as shown in **Table 1**, the City committed or appropriated \$60,700,000 for the AHTF and other affordable housing initiatives. Funding sources included:

- Expired partial real estate tax exemptions credited to the special reserve,
- Sales of tax-delinquent properties,
- American Rescue Plan Act (ARPA) funding,
- General purpose revenues, and
- General Fund capital funded through general obligation bonds.

The OCA notes that the \$2,472,307 of expired partial real estate tax exemptions credited to the special reserve would still require a City Council appropriation to the AHTF before it could be used by the AHTF. The OCA also notes that the City's fiscal plans indicate that \$10,000,000 in capital bond funding is planned to be set aside in FY 2027 and \$10,000,000 in FY 2028 for affordable housing initiatives.

Table 1
Funding Set Aside or Appropriated for Affordable Housing Trust Fund
FY 2020 Through FY 2026

Fiscal Year	Expired Tax Exemptions	Delinquent Property Tax Sales	*ARPA Funding	General Purpose Revenues	*General Obligation Bonds	Total
FY 20	\$0	\$0	\$0	\$2,900,000	\$0	\$2,900,000
FY 21	\$0	\$0	\$0.00	\$2,900,000	\$0	\$2,900,000
FY 22	\$2,472,307	\$0	\$10,000,000	\$427,693	\$0	\$12,900,000
FY 23	\$0	\$0	\$10,000,000	\$0	\$0	\$10,000,000
FY 24	\$0	\$0	\$0	\$0	\$10,000,000	\$10,000,000
FY 25	\$0	\$0	\$0	\$0	\$10,000,000	\$10,000,000
FY 26	\$0	\$2,000,000	\$0	\$0	\$10,000,000	\$12,000,000
	\$2,472,307	\$2,000,000	\$20,000,000	\$6,227,693	\$30,000,000	\$60,700,000

Source: City of Richmond Annual Fiscal Plans and City Ordinances.

*ARPA and Bond funds, provided by the City, are not to be transferred to the AHTF, those funds are to be used directly on AHTF initiatives.

Methodology

To understand the AHTF's purpose, funding requirements, and governance and management structure, the OCA performed the following procedures:

- Researched and reviewed City Code provisions, ordinances, and applicable policies and procedures related to the AHTF.
- Interviewed City staff with knowledge of the AHTF, including the data sources used to calculate AHTF related revenues, the methodology used to calculate any required set aside amounts, and the fund designated to support the AHTF.
- Reviewed rehabilitation credit data, tax delinquent real estate sale data in the City's financial system, and any prior analyses or estimates related to potential AHTF set aside amounts.
- Attempted to calculate the potential set aside amounts for each fiscal year using the unaudited information provided by the City. The OCA performed limited data integrity testing.
- The OCA also performed other procedures as deemed necessary.

Results

Observation: The City did not consistently implement AHTF funding requirements in City Code Section 12-46, and key elements of the requirements were unclear or not adhered to, in part due to the absence of a documented implementation plan.

Similar to the observations in the OCA's 2026-06⁴ report on real estate tax rebates, the City did not have a documented implementation plan describing how the AHTF funding ordinances were to be carried out, including how required set aside amounts were to be calculated. An implementation plan should include coordination before ordinance approval to obtain stakeholder input and shared understanding of process, timing, definitions, and data sources, and coordination after approval to finalize the plan, launch the program, and monitor results. Due to the lack of an implementation plan, the OCA noted the following issues:

- The City credited funds to a special reserve related to the expiration of partial exemptions from real estate taxation in only one of the applicable fiscal years under City Code Section 12-46(a). These funds were never appropriated to the AHTF and currently remain in the special reserve.

⁴ [2026-06 Non-Audit Service: Real Estate Tax Rebates.](#)

- The ordinance language that amended City Code Section 12-46(a) did not align with the O&R request method for calculating the amount to be credited to the special reserve, resulting in two potential calculation methods.
- City Code Section 12-46(b) establishes up to \$1,000,000 as the amount to be credited from net proceeds of tax delinquent property sales but does not define how often this crediting should occur, for example one time, annually, or per sale.

Collectively, these issues resulted in inconsistent reserve crediting and made it difficult to implement and demonstrate compliance with the City Code requirements as written.

1A. The City did not consistently credit the special reserve as required for amounts associated with partial real estate tax exemptions, and credited funds were not appropriated to the AHTF.

As noted earlier, City Code Section 12-46(a) provides that, beginning July 1, 2021 and on an annual basis, when the City receives real estate tax payments arising from the phased reduction of certain partial exemptions occurring on or after July 1, 2020, or from the expiration or termination of such partial exemptions, the Director of Finance is to credit the difference between the full taxation amount and the partial exemption amount to a special reserve assigned to support the AHTF. City Council may then appropriate funds from this reserve to the AHTF. Based on a review of the City's financial records and adopted fiscal plans, the OCA identified one fiscal year (2022) in which an amount was credited to the special reserve for this purpose, totaling \$2,472,307. As of December 2025, the \$2,472,307 credited to the special reserve had not been appropriated to the AHTF. The OCA did not identify additional fiscal years in which amounts were credited to the reserve related to this funding requirement. The OCA reviewed files supporting the one-time reserve credit and found that the calculation method was a simplified, high-level approach that compared total partial exemption amounts from one year to the next to estimate an overall variance.

The OCA also received undated policies from the City describing roles and responsibilities for the data, data validation, and performance of the calculation. Due to staff and leadership turnover, the OCA could not determine whether the policies were implemented or why additional amounts required by City Code were not credited to the special reserve in other fiscal years.

The OCA notes that the timing and sequence described in the Code can be challenging to align with the City's budget process. For example, partial exemption information and assessed values used for billing are generated in November based on a calendar year tax cycle, while full payment is not due until June. As a result, the full amount to be credited to the reserve may not be known at the time the budget is developed and adopted and may need to be addressed through post-adoption actions or other implementation approaches.

1B. The calculation in City Code 12-46(a) did not match the verbiage in the Ordinance or Resolution Request.

When City Council action is requested, the appropriate City staff completes a request for Ordinance or Resolution (O&R request). The O&R request documents the purpose, background, fiscal impact, budget considerations, and proposed effective dates for the ordinance or resolution.

Based on the O&R request submitted with the ordinance, the change related to City Code Section 12-46(a) was to set aside the incremental tax payments arising from the phasing down (roll off) of partial real estate tax exemptions associated with rehabilitated properties. For example, a property may be approved to receive a partial exemption that reduces its tax payment for several years. While the exemption is in effect, the owner pays \$15,000 in real estate taxes instead of the \$25,000 that would otherwise be due. When the exemption begins to roll off, the owner's tax payment increases. If the payment increases by \$2,000 in the first year of the roll off, in accordance with the O&R request, the \$2,000 would be set aside in the special reserve for potential appropriation to the AHTF.

Under the approach described in the O&R request, the set aside amount was also to be cumulative, meaning that amounts identified in prior years would continue to be set aside in future years in addition to any new roll off amounts identified each year. Continuing the example above, if the exemption rolls off by \$2,000 in Year 1, the process described in the O&R request was to set aside \$2,000 in Year 1 and continue to set aside that \$2,000 in future years. If an additional \$2,000 rolls off in Year 2, the annual set aside would become \$4,000 in Year 2 (\$2,000 from Year 1 plus \$2,000 from Year 2) and would continue at that level until additional roll offs occur. The O&R request estimated that this approach would generate \$120,000,000 for the AHTF over ten years.

The City's financial advisor's projections of the effects of the ordinance,⁵ the draft policy referenced previously, and the City's one-time reserve credit in FY 2022 utilized the roll off method in their calculation. However, the adopted code language in City Code Section 12-46(a) requires a different calculation. Per the City Attorney's Office, the code requires crediting the difference between the full taxation amount and the partial exemption amount. Under this approach, when a property's partial exemption phases down or ends, the amount to set aside is the difference between full taxation and the partial exemption amount and is credited each year thereafter. Applying this approach would result in a significantly larger amount being credited to the special reserve than the cumulative roll off approach described in the O&R request.

The OCA attempted to estimate the amount to be credited to the special reserve using both calculation approaches. To do so, the OCA obtained a report the City developed for use in

⁵ The financial advisors noted that their projections were completed utilizing unaudited data. From FY 2023 to FY 2026, it was projected that \$20,680,972 would be set aside and over the 12 years from FY 2023 to FY 2034 would be \$134,796,597.

performing the O&R request related calculation. During limited data integrity testing, the OCA identified missing data and variances between the report output and the Rehabilitation Tracking system. In addition, the OCA noted numerous issues that made it difficult to conclude on the actual amount required to be set aside using either approach. Specifically, they included:

- Interpretation of the code could change the calculation approach as it relates to the roll off start date.
- Assessed value changes reflected through roll corrections may not be captured or clearly documented in Rehabilitation Tracking data.
- Assessed values that decrease and later increase, which could result in double counting without additional review.
- Identification of delinquent properties and amounts, for which amounts should not be treated as eligible until payments are received.
- Properties otherwise exempt from taxation, which should be excluded from the calculation.
- Tax rebate legislations that were passed and paid during the period may need to be considered.

In summary, the calculation approach described in the O&R request and the calculation required under City Code Section 12-46(a) would produce materially different results. Due to various issues described above, OCA could not conclude on the amounts that should have been credited to the special reserve under either approach. The OCA notes that as of January 2026, the City is in the process of replacing the ordinance and clarifying a new calculation method.

The OCA notes that these observations relate to compliance with the specific set aside requirement of City Code Section 12-46(a). As shown in **Table 1**, the City funded affordable housing initiatives through other sources during the same period, including \$427,693 appropriated directly to the AHTF, \$20,000,000 in ARPA funds for affordable housing initiatives, and \$30,000,000 in bond funding for affordable housing initiatives. While these sources contributed to affordable housing activities, City Code Section 12-46(a) separately required that amounts from this specific source be credited to the special reserve for potential appropriation to the AHTF, which was not consistently done.

1C. City Code Section 12-46(b) does not clearly define the timing of required credits from delinquent tax sale proceeds, and amounts were not historically credited to the special reserve; however, in FY 2026, \$2 million was appropriated directly to the AHTF.

As described earlier, beginning July 1, 2019, and subject to appropriations by City Council, City Code Section 12-46(b) directs the Director of Finance to credit to a special reserve assigned to support the AHTF up to \$1,000,000 of net proceeds from the sale of tax delinquent properties administered by the Office of the City Attorney, after the costs of administering the program have been paid. The OCA notes that the code section does not specify how often this crediting should occur or how the “up to \$1,000,000” amount should be applied (for example, as a onetime cap or as a recurring amount). As a result, the OCA could not determine the total amount that should have been credited to the special reserve since July 1, 2019.

However, the OCA did not identify any amounts credited to a special reserve for potential appropriation to the AHTF under this requirement. Per information provided by the Office of the City Attorney, from FY 2020 through the period reviewed, back taxes collected through delinquent tax sales and recorded in the General Fund totaled \$15,771,066. In addition, as of December 19, 2025, the special revenue fund used to track program recoveries, costs, and surplus funds reflected a balance of approximately \$2.77 million. The OCA did not audit these figures or the underlying transactions as these amounts are presented to describe the magnitude of revenues and fund activity associated with the delinquent tax sale program.

Although the OCA could not determine the amount that should have been credited to the special reserve under City Code Section 12-46(b), the OCA identified appropriations from the Delinquent Tax Sales Fund made after July 1, 2019. The OCA notes that the majority of these appropriations were for purposes other than the AHTF. As shown in **Table 3**, the OCA identified five ordinances totaling \$10,800,000, including two ordinances approved during the OCA’s review. Of this total, \$2,000,000 was appropriated directly to the AHTF in FY 2026.

Table 3 - Money to be Transferred per Ordinances

Ordinance	Amount	Purpose
2020-194	\$1,700,000	Enslaved African Heritage Campus
2021-270	\$1,000,000	Enslaved African Heritage Campus
2021-337	\$300,000	National Slavery Museum Foundation
2025-188	\$5,800,000	Restitution Payment
2025-225	\$2,000,000	AHTF
-	\$10,800,000	TOTAL

Source: OCA created from City’s Legistar system documentation.

The OCA also noted that not all transfers authorized by ordinance were reflected in the City’s financial system as of December 19, 2025. Specifically, the OCA could not locate a \$1,000,000 transfer associated with Ordinance 2021-270, and the Finance Department was unable to provide

an explanation for why the funds were not transferred. In addition, Ordinance 2025-225 was adopted on November 10, 2025, and the transfer was not reflected as of the date reviewed.

Based on the available fund balance as of December 19, 2025, the OCA estimates that if the \$1,000,000 and \$2,000,000 transfers occur, the fund would have a negative balance, as shown in **Table 4**.

Table 4 – Delinquent Tax Sales - Special Fund Total

Fiscal Year	Amount Remaining
FY2026*	\$2,772,839.76
Not yet Accounted For	(\$3,000,000)
Estimated Fund Balance	<u>(227,160.24)</u>

Source: OCA created from Financial data.

**Amount through 12/19/2025.*

The OCA notes that additional ordinances may exist not identified in this review for which transfers did not occur from the Delinquent Tax Sales special revenue fund which would make the negative balance higher. The City needs to establish a process to track and ensure transfers established through ordinance are carried out in the financial system.

The OCA notes that the Delinquent Tax Sales fund continues to incur costs. Per the Office of City Attorney, when new properties are added to the program, it may take approximately three years before surplus funds are generated. As a result, the fund may operate at a deficit until sufficient proceeds are collected to offset expenditures, which could limit the availability of surplus funds for future appropriations and may require supplemental funding to sustain operations.

1D. The AHTF's dedicated fund had not been created at the start of this special review.

City Code Section 16-51⁶ states that “There shall be created a fund identified as the Affordable Housing Trust Fund.” At the start of this special review, the City had not established a separate AHTF within its accounting structure; AHTF activity was instead tracked within the City’s special revenue fund using a cost center, award, and project number. Finance staff reported that the special revenue fund includes more than 150 cost centers, and that oversight relies primarily on monthly monitoring reports reviewed by the responsible departments, rather than system enforced controls to restrict posting or prevent overspending. During the course of this review, Finance staff established an AHTF, which should improve transparency and strengthen accounting for AHTF appropriations and expenditures.

⁶ Chapter 16, Article III, Division 1-Affordable Housing Trust Fund. [16-51](#).

Recommendation 1 – In Process During This Review**High Priority**

We recommend that the Chief Administrative Officer (CAO) collaborate with City Council to take formal action to resolve the identified issues in City Code Sections 12-46. As appropriate, this may include clarifying legislation, or other actions adopted by City Council and developing an implementation plan. Following any legislative action, the CAO should:

- Develop formal policies and procedures that define roles and responsibilities, process steps, timing, definitions, data sources, and monitoring.
- Ensure required data elements are clearly defined, accurate, and readily available for calculation and reporting.
- Establish a reporting process to City Council on the results for timely appropriations and oversight.

Recommendation 2**High Priority**

We recommend that the CAO coordinate with City Council to determine the appropriate disposition of the \$2,472,307 credited to the special reserve in FY 2022, including consideration of appropriation to the AHTF.

Recommendation 3**High Priority**

We recommend that the CAO collaborate with the Council Chief of Staff to establish a formal quality review process for proposed ordinances and implementation plans. This review should confirm feasibility and alignment of the ordinance and the implementation plan, including clarity of definitions, timing requirements, data availability, fiscal impacts, and alignment with the associated O&R request.

Recommendation 4**High Priority**

We recommend that the CAO work with the Chief of Staff to develop a process that enhances oversight, accountability, and transparency in the implementation of approved City ordinances. At a minimum, this process should:

- Establish a process to identify and track high-priority ordinances (e.g., based on fiscal impact, deadlines, public safety, or operational complexity).
- Provide regular status updates to City Council and the Mayor on implementation progress, key milestones, and risks.
- Ensure timely reporting of implementation delays and issues.

- Ensure necessary City Code amendments are submitted to City Council in a timely manner when ordinance implementation requires legislative clarification or modification.

Recommendation 5 - Implemented During this Review	Medium Priority
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We recommend that the Director of Finance maintain a separate AHTF within the City's accounting structure to improve segregation, tracking, and reporting of AHTF activity and to reduce the risk of errors or overspending.

Recommendation 6	High Priority
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We recommend that the Director of Finance establish a documented process to track City Council approved ordinances that authorize financial transfers and to monitor each transfer through completion, including reconciliation of ordinance requirements to the City's financial system and escalation to the CAO (or designee) when transfers are not executed timely.

Recommendation 7	Medium Priority
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We recommend that the Director of Finance, in coordination with the Office of the City Attorney:

- Establish and document a minimum operating reserve threshold for the Delinquent Tax Sales fund to ensure sufficient resources to cover ongoing program costs and expected timing lags in receipts before surplus amounts are made available for transfer or appropriation for other purposes.
- Implement periodic monitoring and reporting to City leadership that summarizes Delinquent Tax Sales fund activity and projected balances, including revenues, expenditures, ordinance-authorized transfers, transfers executed, and identification of any risk of a negative fund balance.
- Evaluate whether additional funding would be required to complete City Council approved transfers without resulting in a negative fund balance and, if so, take appropriate actions.



MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #1 - In Process During This Review

We recommend that the Chief Administrative Officer (CAO) collaborate with City Council to take formal action to resolve the identified issues in City Code Sections 12-46. As appropriate, this may include clarifying legislation or other actions adopted by City Council and developing an implementation plan. Following any legislative action, the CAO should:

- Develop formal policies and procedures that define roles and responsibilities, process steps, timing, definitions, data sources, and monitoring.
- Ensure required data elements are clearly defined, accurate, and readily available for calculation and reporting.
- Establish a reporting process to City Council on the results for timely appropriations and oversight.

Concur (Yes/No)	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	

The Administration concurs with the recommendation and is currently, in partnership with Council, deliberating on improved legislation that would repeal the existing ordinance and develop new legislation. The new ordinance is intended to not only solidify a path forward on providing necessary resources to Richmonders but clarify statutory requirements, establish a definitive calculation methodology, and provide a stronger framework to support consistent implementation and oversight in doing so.

A key tenant of the legislation will be to require the preparation of an annual report that clearly outlines expenditures and program activities to enhance transparency, support timely appropriations, and strengthen Council's oversight.

Target Date or Date Implemented	March 31, 2026
Title of Responsible Employee	CAO



MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #2

We recommend that the CAO coordinate with City Council to determine the appropriate disposition of the \$2,472,307 credited to the special reserve in FY 2022, including consideration of appropriation to the AHTF.

Concur (Yes/No)	Yes
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ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Administration concurs with the recommendation and has evaluated the appropriate disposition of the \$2,472,307 credited to the special reserve in FY 2022.

In November 2025, City Council approved Ordinance 2025-225 authorizing the transfer of \$2,000,000 from the Delinquent Tax Sales Fund to the Affordable Housing Trust Fund (AHTF), reaffirming the City's commitment to advancing affordable housing initiatives. The fund continues to incur ongoing monthly costs, while it may take approximately three years after properties are added to the program before surplus proceeds are realized. As a result, the fund will operate at a deficit until sufficient revenues are generated to offset expenditures. This limits the availability of resources for future appropriations without supplemental support.

Additionally, the audit report identified several historical transactions that were not transferred in a timely manner, resulting in an overstated available balance. As reflected in Table 4 (pages 9–10), a deficit is projected once funds associated with previously adopted Council ordinances are executed. Following a comprehensive review of the Delinquent Tax Sales program, in line with audit findings, the Administration proposes to use the appropriate portion of the \$2.4 million to replenish the Delinquent Tax Sales fund to preserve the program's financial sustainability with any remaining balance being appropriated in accordance to current/future legislation.

Replenishing the fund will position the City to successfully relaunch the tax delinquency program in 2026, strengthen revenue recovery efforts, and support long-term fiscal stability. Further, the CAO (on behalf of the administration) intends to coordinate with City Council to obtain the necessary approvals to ensure alignment in delivering in a manner that both benefits Richmonders and aligns with City policy.

Target Date or Date Implemented	June 30, 2026
Title of Responsible Employee	CAO



MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #3

We recommend that the CAO collaborate with the Council Chief of Staff to establish a formal quality review process for proposed ordinances and implementation plans. This review should confirm feasibility and alignment of the ordinance and the implementation plan, including clarity of definitions, timing requirements, data availability, fiscal impacts, and alignment with the associated O&R request.

Concur (Yes/No)	Yes
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ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Administration concurs with the recommendation and is committed to collaborating with the Council Chief of Staff to establish a formal quality review process for proposed ordinances and associated implementation plans.

The Administration has begun to implement an internal structured pre-adoption review to ensure ordinance language aligns with the associated Ordinance and Resolution (O&R) request and that implementation requirements are operationally feasible. This review will emphasize clarity of definitions, data availability, fiscal impacts, and consideration to the impact of timing all aimed at minimizing the risk of misalignment between legislative intent and the operational execution of this and any other ordinance. This internal process is expected to be documented with an accompanying SOP before the end of FY2026.

The Administration is also committed to transparent and proactive communication with City Council. If misalignment is identified or if a proposed ordinance presents operational challenges that could impede implementation, the Administration will promptly notify Council, provide candid feedback, and recommend that the request be withdrawn for further review and clarification as appropriate. The implementation of these actions requires partnership and will be ongoing.

Target Date or Date Implemented	June 30 2026
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| Title of Responsible Employee | CAO |



MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #4

We recommend that the CAO work with the Chief of Staff to develop a process that enhances oversight, accountability, and transparency in the implementation of approved City ordinances. At a minimum, this process should:

- Establish a process to identify and track high-priority ordinances (e.g., based on fiscal impact, deadlines, public safety, or operational complexity).
- Provide regular status updates to City Council and the Mayor on implementation progress, key milestones, and risks.
- Ensure timely reporting of implementation delays and issues.
- Ensure necessary City Code amendments are submitted to City Council in a timely manner when ordinance implementation requires legislative clarification or modification.

Concur (Yes/No)	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	

The Administration concurs with the recommendation and will continue ongoing work with the Council Chief of Staff to develop a formal process that enhances oversight, accountability, and transparency in the implementation of approved City ordinances.

Current efforts intend to establish a structured mechanism to identify and track high-priority ordinances, provide regular status updates to City Council and the Mayor, and ensure timely reporting of implementation progress, risks, delays, and issues. The intent of this ongoing effort is to create a framework that allows leadership to view challenges in real time and take corrective action as needed.

The Administration will also coordinate closely with the Office of the City Attorney to promptly communicate when legal, operational, or fiscal constraints limit the City's ability to implement an ordinance as adopted. When such circumstances arise, the Administration will transparently notify City leadership and recommend appropriate next steps, including legislative clarification or modification when necessary.

While this approach requires partnership across multiple offices and elected officials, it is designed to strengthen governance, support informed decision-making, and promote greater accountability in executing Council-adopted legislation.

Target Date or Date Implemented	September 30, 2026*
Title of Responsible Employee	CAO, CCoS, City Attorney



MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #5 - Implemented During this Review

We recommend that the Director of Finance maintain a separate AHTF within the City's accounting structure to improve segregation, tracking, and reporting of AHTF activity and to reduce the risk of errors or overspending.

Concur (Yes/No)	Yes
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ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Administration concurs with the recommendation. Under the direction of the CAO on behalf of the Avula Administration, Fund "0405" – Affordable Housing Trust Fund was established in December 2025 within the City's ERP financial reporting system. This action strengthens segregation, enhances tracking and reporting capabilities, and reduces the risk of errors or overspending by ensuring AHTF activity is maintained within a dedicated fund structure.

Target Date or Date Implemented	December 2025 (Complete)
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Title of Responsible Employee	CAO
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MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #6

We recommend that the Director of Finance establish a documented process to track City Council approved ordinances that authorize financial transfers and to monitor each transfer through completion, including reconciliation of ordinance requirements to the City's financial system and escalation to the CAO (or designee) when transfers are not executed timely.

Concur (Yes/No)

Yes

ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Administration concurs with the recommendation and has elevated this responsibility to the Office of the CAO, which has committed to direct the Department of Finance to establish a documented process to track City Council-approved ordinances that authorize financial transfers and monitor each transfer through completion. This process will include a reconciliation of ordinance requirements to the City's financial system, clearly defined roles and responsibilities, and internal controls designed to promote accuracy and timeliness.

Additionally, the Office of the CAO has required that a formal escalation protocol be implemented to notify Finance leadership of any transfers that are not executed within established timeframes, allowing for prompt resolution and reducing the risk of reporting inaccuracies.

Target Date or Date Implemented	August 31, 2026
Title of Responsible Employee	Finance Director, Budget Director



MANAGEMENT RESPONSES

OCA 2026-07

Special Request -

Affordable Housing Trust Fund (AHTF)

RECOMMENDATION #7

We recommend that the Director of Finance, in coordination with the Office of the City Attorney:

- Establish and document a minimum operating reserve threshold for the Delinquent Tax Sales fund to ensure sufficient resources to cover ongoing program costs and expected timing lags in receipts before surplus amounts are made available for transfer or appropriation for other purposes.
- Implement periodic monitoring and reporting to City leadership that summarizes Delinquent Tax Sales fund activity and projected balances, including revenues, expenditures, ordinance-authorized transfers, transfers executed, and identification of any risk of a negative fund balance.
- Evaluate whether additional funding would be required to complete City Council approved transfers without resulting in a negative fund balance and, if so, take appropriate actions.

Concur (Yes/No)	Yes
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ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The CAO's Office concurs with the recommendation and will coordinate with the Director of Finance and the Office of the City Attorney to develop a uniform Standard Operating Procedure (SOP) that governs the Delinquent Tax Sales fund. Currently, no such guidance exists, so the proposed SOP will establish a minimum operating reserve threshold, define roles and responsibilities, and outline processes for monitoring fund activity, projected balances, ordinance-authorized transfers, and executed transactions in a way that was not feasible before.

This process will help eliminate the risk of a negative fund balance resulting from the ongoing legal costs of the program, as referenced in Recommendation #2.

Target Date or Date Implemented	June 30, 2026
Title of Responsible Employee	Revenue Director