

April 4, 2024

Mr. Reagan M. Wilson
City Manager
City of Turlock
156 S. Broadway, Suite 230
Turlock, CA

Dear Mr. Wilson:

CohnReznick LLP (“CohnReznick”) was engaged by the City of Turlock (“Turlock” or the “City”) to perform consulting services. Our services were limited to those requested by the City, as outlined in our initial engagement letter dated March 17, 2023.

This report is based on analyses of the information made available to us by the City, and the City of Turlock Housing Department (the “Housing Department”). This information was provided following the date of engagement through around September 30, 2023. As such, this report is based upon information and circumstances as of and through September 30, 2023. CohnReznick has not been informed of, nor has this report been updated for, any events that may have occurred or information learned subsequent to that date. The accuracy of this report and the findings herein are dependent upon the sufficiency, accuracy, and reliability of the information made available to us by the City.

The nature and scope of this engagement did not require an audit, review, or compilation in accordance with Generally Accepted Auditing Standards (“GAAS”), or Generally Accepted Accounting Principles (“GAAP”) of the information provided. Accordingly, CohnReznick does not express an opinion or provide any other form or assurance on the completeness or accuracy of the information used to prepare or contained within this report. Had we performed additional procedures, or had we conducted an audit or review of the financial statements, other matters might have come to our attention that would have been included in this report.

CohnReznick reserves the right to modify or supplement this presentation if updated or additional information becomes available. These written materials accompany an oral discussion, and as such, do not represent the presentation in its entirety.

I. Executive Summary

CohnReznick was engaged by the City to perform consulting services following an internal review of Housing Department records in connection with a public records request.

The City has experienced a significant amount of turnover in recent years, impacting both the administrative staff, including several changes in the City Manager position, and the Development Services Department.¹ Within the Housing Department, the roles of Housing Program Services Director, Housing Finance Specialist, and Housing Rehabilitation Specialist have all turned over

¹ There are three sub-departments under the Development Services Department: the Planning Department, the Building Department, and the Housing Department.

several times. [REDACTED] current [REDACTED] is now also directly overseeing the [REDACTED], in addition to maintaining [REDACTED] role as [REDACTED]

A review of the City of Turlock's U.S. Department of Housing and Urban Development Monitoring Report, dated August 23, 2022, shows a continuing concern over the timeliness of the City's drawdowns under both the HUD Community Development Block Grant and HOME Investment Partnership Programs. While the COVID-19 pandemic caused a disruption to the City's ability to fulfill its HUD funding requirements, the considerable amount of organizational change within the City appears to have resulted in a lack of clear direction regarding how HUD grants should be invested.

The desire to address HUD's concerns regarding the timeliness of investment, more limited demand for first-time homebuyer loans, and fewer individuals qualifying for approval has resulted in the Housing Department relying more heavily on the purchase and rehabilitation of properties as the primary avenue to invest HUD funds. By purchasing and rehabilitating properties, the Housing Department has been able to deploy larger sums of money quicker and through a more limited number of transactions.

As discussed further below, our procedures focused on the analysis and testing of expenditures made by the Housing Department using HUD funds for the purchase, rehabilitation, and sale of real estate to support the City's Neighborhood Stabilization Program.

CohnReznick's assessment resulted in the following global findings:

- The Housing Department lacks documented policies and procedures to guide how it performs its duties with respect to investing HUD funds, and specifically with respect to the Housing Department's purchase and rehabilitation of properties. While the documents provided to CohnReznick include some City Council resolutions, and there are HUD guidelines for first-time homebuyers to qualify for mortgage assistance and rehabilitation loans, these are not policies and procedures to govern how the Housing Department should operate. We understand that the City has engaged the firm CloudBurst to develop such policies and procedures.
- CohnReznick understands that the City has a conflict-of-interest policy. However, CohnReznick was not provided with such policy, nor any documentation demonstrating that such policy was followed. It is our understanding that the City did not perform a conflict check for any sellers or purchasers of the subject properties, nor any contractors bidding on the related rehabilitation work. At least one of the subject properties was sold to, and then later repurchased from, a City employee.
- CohnReznick was not provided with any documentation demonstrating that the buyers of properties sold by the City were on an approved first-time homebuyer list, or any other pre-approved list at the time of the sale. The Housing Department was unable to provide support regarding the qualification and approval process for buyers of properties sold by the City.
- CohnReznick was not provided with any documentation demonstrating that the tenants of properties currently owned by the City were on a pre-approved list, or any other support regarding the qualification and approval process for those renting City-owned properties.
- CohnReznick was not provided with any documentation demonstrating that the contractors submitting bids for rehabilitation work were previously vetted and/or included on an approved vendor list. CohnReznick notes that ANV Contractors, Inc. was awarded

several of the reviewed rehabilitation projects, and those projects generally had significant cost overruns.

- All property testing files reviewed included a form wherein the City waived a buyer's inspection as part of the purchase documentation. As discussed below, the rehabilitation of multiple properties purchased by the City incurred significant cost overruns and totaled well over the original contractor rehabilitation bid. Had a buyer's inspection been conducted, the required additional rehabilitation work may have been identified prior to the purchase.
- None of the property testing files reviewed included documented support from the Housing Rehabilitation Specialist demonstrating review and approval of the work performed by the rehabilitation contractor prior to approving progress payments. The property testing files reviewed only contained proof of invoice approval and payment.
- The majority of contractor invoices contained in the property testing files lacked specific detail regarding actual work performed, and only cited a progress payment number. These invoices appear to have been paid by the City without further supporting detail.
- While escrow accounts were established for most properties purchased and rehabilitated by the Housing Department, there was inconsistent use of these accounts and multiple expenditures were paid directly from the general fund via the City's purchasing system. As such, the escrow account activity did not fully and accurately capture the total cost to rehabilitate and maintain each property. As a result, the total cost to rehabilitate certain properties exceeded the approved purchase and rehabilitation amounts.
- The use of escrow accounts and an escrow agent did not appear to be working as intended. CohnReznick observed instances of payments being made from the escrow account predating the receipt of the related contractor invoice, and other payments being made without any related contractor invoice. As represented by the City, payments related to the purchase and rehabilitation of future properties will be tracked through the City's purchase order system.
- There appears to be confusion regarding updates to construction documents, which has reportedly delayed the Housing Department from starting the bidding process for rehabilitation work on several homes previously purchased by the City. As such, these properties are vacant and have been owned by the City longer than originally anticipated.

II. Procedures Performed

Pursuant to an engagement letter dated March 17, 2023, the initial scope included the following consulting services:

1. Obtain an understanding of the following policies and procedures:
 - a. Procurement and purchasing, including purchase order and contract approval.
 - b. Accounts payable, including invoice approval.
 - c. Vendor acceptance and maintenance.
 - d. Conflicts of interest.
2. Obtain an understanding of the City of Turlock's Community Development Block Grant Program and HOME Investment Partnerships Program.
3. Obtain and review any management letters or internal control weakness reports issued in connection with the City of Turlock's financial statement audit.

4. Select a sample of Housing Department expenditures and perform testing to verify compliance with applicable policies and procedures.
5. Select a sample of properties and perform testing to verify rehabilitation costs agree to contracted and approved amounts.
6. Prepare a report of findings.
7. Perform other procedures, as requested by the City.

In consultation with the City, our procedures were focused on the analysis and testing of Housing Department expenditures for the purchase, rehabilitation, and sale of real estate to support the City's Neighborhood Stabilization Program.

III. Housing Department Programs and Funding

The City receives annual grants from the U.S. Department of Housing and Urban Development ("HUD") to support community development activities intended for the revitalization of neighborhoods and improvement of community facilities and services. Turlock has received grants under two primary programs: the Community Development Block Grant Program ("CDBG") and the HOME Investment Partnerships Program ("HOME"). The Housing Department allocates the funds received under those HUD programs to various City programs and initiatives. These may include providing loans to low-income individuals as part of a first-time homebuyer program, providing forgivable home rehabilitation loans to low-income individuals, improving public facilities, and other similar activities.

More recently, the Housing Department has also allocated a portion of its annual HUD funding towards the purchase, rehabilitation, and sale of real estate to support the City's Neighborhood Stabilization Program. To do so, the City purchases properties within the community that are generally dilapidated, abandoned, or foreclosed, rehabilitates each property, and then sells the properties to either a qualified first-time homebuyer or nonprofit organization. The properties are sold at or near the appraised value, with no objective of generating a profit.

IV. City Policies and Procedures

As part of our analysis, we reviewed the City's procurement policies and procedures:

- **Turlock Municipal Code, Title 2, Administration, Chapter 2-7, Purchasing System.**

While most of the Housing Department employees involved in the relevant transactions are no longer employed by the City, our discussion with current employees indicated a lack of clear understanding as to whether the City's procurement policies and procedures were used as a guide to govern the past purchase of properties by the Housing Department. Our subsequent review of the supporting documentation for each transaction indicates, in many cases, a lack of support to demonstrate compliance with the City's procurement policies and procedures. Our findings are further outlined in subsequent sections of this report.

We also requested copies of additional documents the Housing Department reportedly used to guide its investment decisions with respect to purchasing properties. We were provided with copies of the following documents:

- **Housing Rehabilitation Program, Policies and Procedures Manual**, approved by City Council on March 13, 2018.
- **Resolution No. 2015-080, In the Matter of Authorizing the City of Turlock Housing Program Services Division to Use Community Development Block Grant (CDBG)**

Funds to Further Affordable Housing Opportunities Through the Purchase, Resale or Granting of Residential Real Property to Eligible Organizations and Households and Authorizing the City Manager to Sign All Necessary Documents, passed and adopted by City Council on April 28, 2015.

- **City of Turlock CDBG Monitoring Plan**, submitted to City Council for adoption on October 27, 2015.
- **First Time Homebuyer Secondary Financing Program, Policies and Procedures Manual**, approved by City Council on October 13, 2009, with amendments on November 24, 2009, September 11, 2012, and January 11, 2014.
- **Resolution No. 2009-228, In the Matter of Adopting Policies and Procedures for Administering The Neighborhood Stabilization Program (NSP) For Funds Awarded to The City of Turlock Through the State of California Housing and Community Development Program**, approved by City Council on June 9, 2009, and adopted on November 24, 2009.

The above documents provide insight into the HUD program requirements and qualification procedures for loans to first-time homebuyers and for loans provided as part of the City's Neighborhood Stabilization Program. However, these documents do not outline the City's policies, procedures, and controls governing how the Housing Department should operate when investing grants from these programs. And, more specifically, none of these documents specifically address the Housing Department's purchase of properties using HUD funds.

V. Our Approach and Methodology

At the direction of the City, our procedures were focused on the analysis and testing of expenditures made by the Housing Department, using funds provided under the CDBG and HOME programs, for the purchase, rehabilitation, and sale of real estate to support the City's Neighborhood Stabilization Program. We further agreed to an initial lookback period of five years.

Based on the information provided, the City's Housing Department purchased fourteen properties using CDBG and HOME funds over the past five years. As of September 30, 2023, eight of those properties are still owned by the City. Four such properties were the subject of a December 2022 request for proposal ("RFP") seeking interest from potential nonprofit buyers. The remaining four properties require further rehabilitation before they can be sold. The following table summarizes the properties purchased by the City over the past five years.

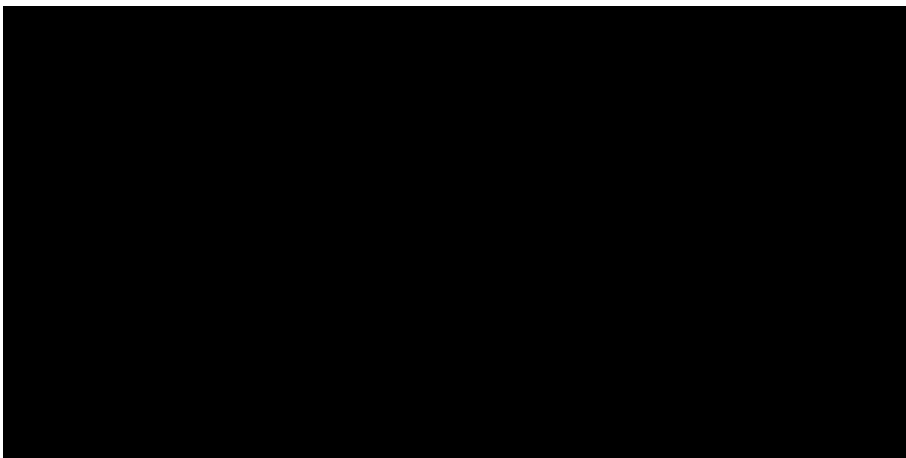
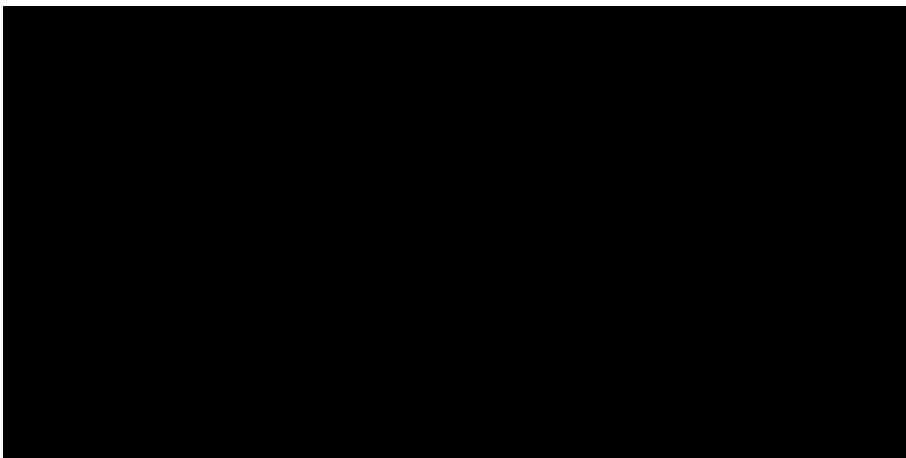
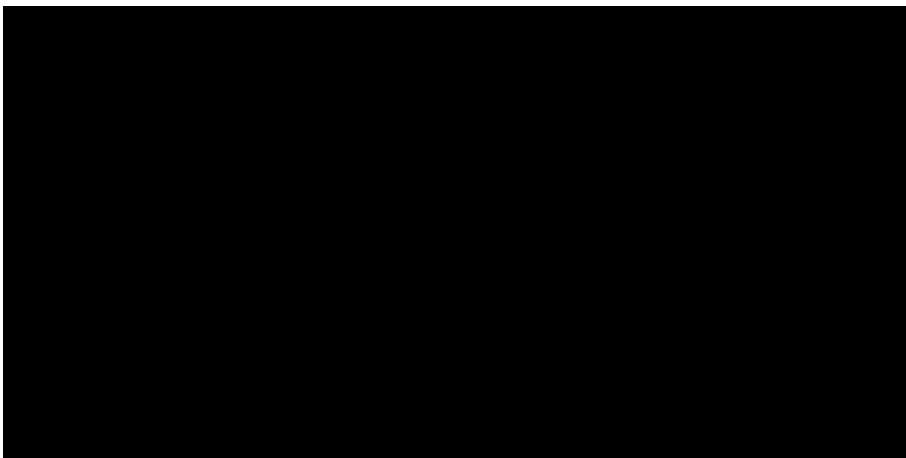
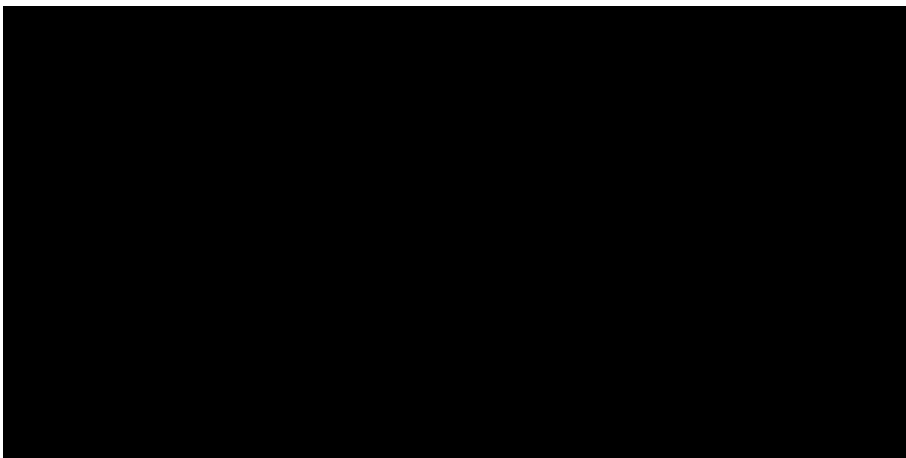
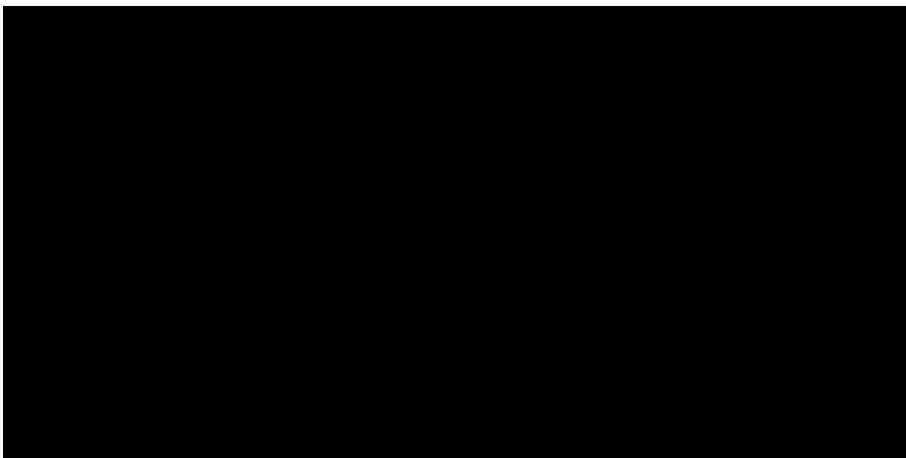
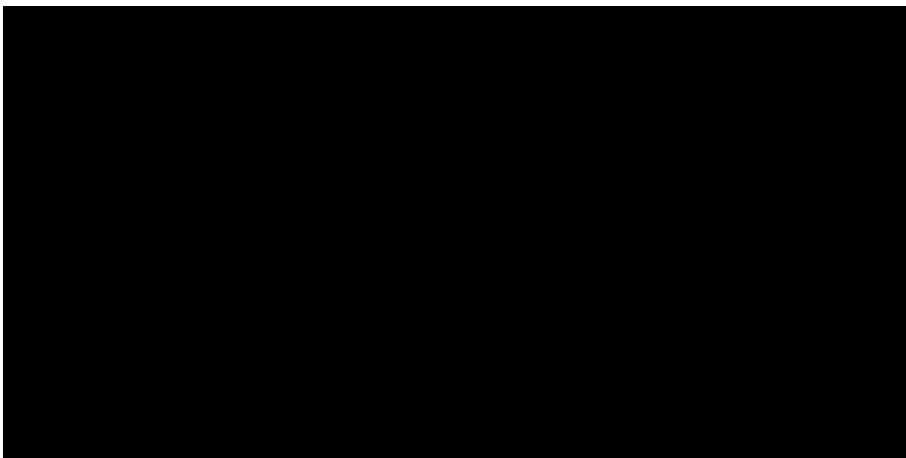
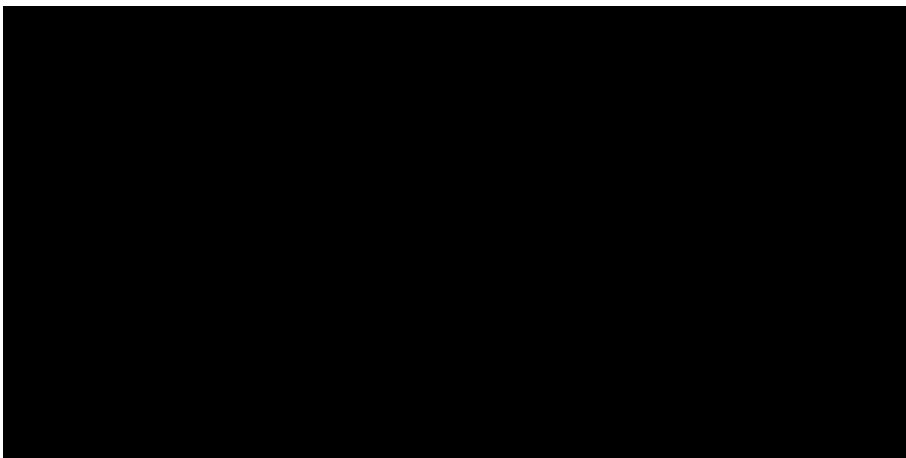
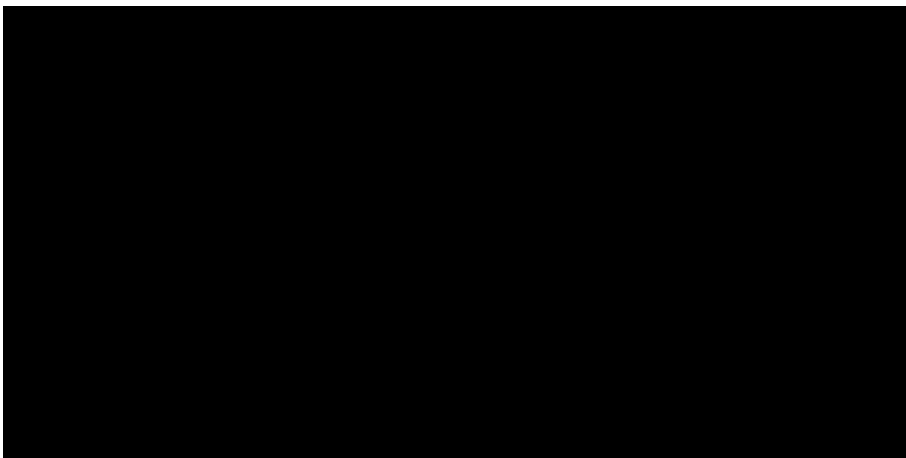
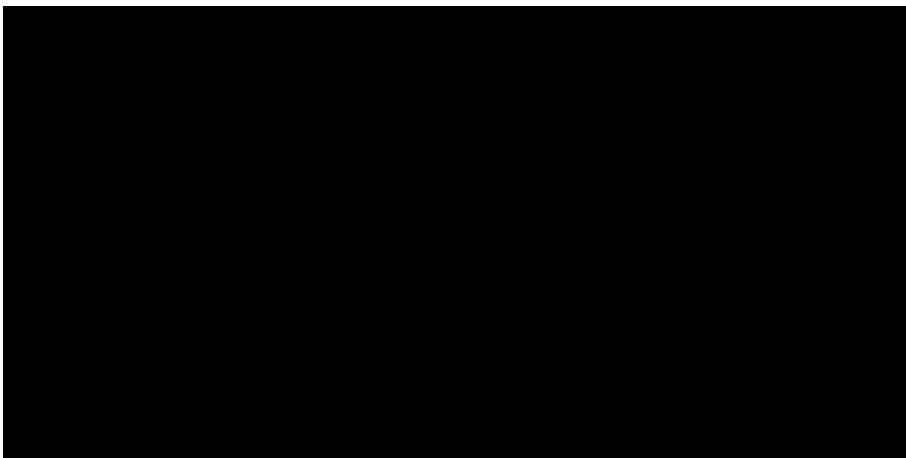
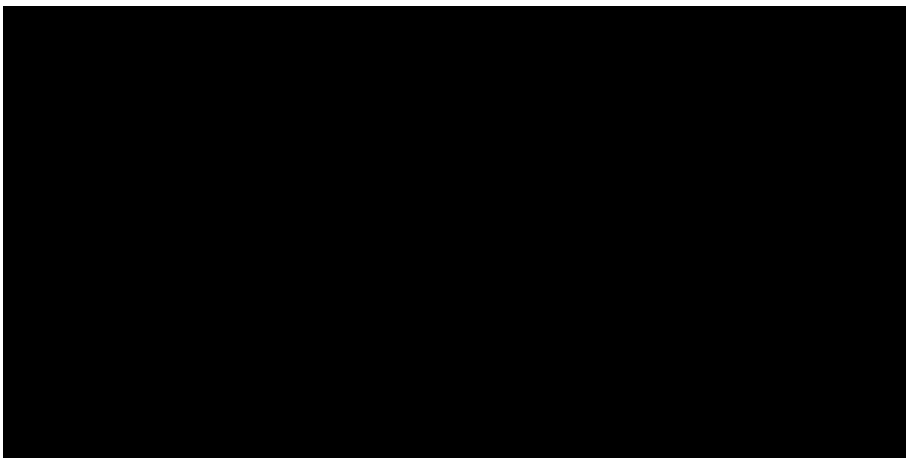
Table 1. Properties Purchased by the City (2019 - March 2023), Population²

Purchase Date	Property Address	Reported Purchase Amount	Reported Status
4/12/19	1032 Souza Street	\$ 230,000	Sold
4/22/19	1141 Jacquelinelee Drive	\$ 270,000	Sold
5/9/19	900 W. Canal Drive, #100	\$ 250,000	Sold
2/10/20	901 High Street	\$ 256,966	Sale Pending
4/10/20	1540 Springville Way	\$ 270,000	Sold
4/16/20	720 Exeter Lane	\$ 270,000	Sold
7/31/20	808-810 S. Soderquist Road	\$ 358,000	Sold
10/23/20	1205 Lambert Way	\$ 533,086	Sale Pending
2/26/21	591 Birchwood Way	\$ 288,090	Sale Pending
7/15/22	829-831 Vermont Avenue	\$ 721,666	Sale Pending
2/8/23	2065 Cody Court	\$ 365,000	Rehab Pending
2/14/23	570 Jason Avenue	\$ 425,000	Rehab Pending
3/3/23	573 Birchwood Way	\$ 375,000	Rehab Pending
3/6/23	1827 Shadow Park Drive	\$ 440,000	Rehab Pending

To minimize travel expenses, it was determined that our initial review would be performed remotely and followed by an onsite meeting. As such, our approach included:

- Conducting a series of remote video meetings with City and Housing Department employees held between March 25, 2023, and May 2, 2023;
- Analyzing and testing electronic supporting documentation uploaded to a secure website by Housing Department employees; and
- Conducting onsite meetings with City and Housing Department employees on August 16, 2023, and August 17, 2023.

City employees and representatives involved in these meetings, at various times, included:

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² The information contained in this table is as represented by the City. CohnReznick notes that there are discrepancies between the data contained in this table and the underlying supporting documentation subsequently provided.

VI. Summary of Findings

As discussed above, the Housing Department purchased fourteen properties between 2019 and March 2023. A sample of seven properties was selected for further analysis and testing. The properties were randomly selected with the objective of obtaining a representative sample for the testing period. The table below reflects the sample properties.

Table 2. Properties Purchased by the City (2019 - March 2023), Sample³

Purchase Date	Property Address	Reported Purchase Amount	Reported Status
4/22/19	1141 Jacquelinelee Drive	\$ 270,000	Sold
2/10/20	901 High Street	\$ 256,966	Sale Pending
4/16/20	720 Exeter Lane	\$ 270,000	Sold
2/26/21	591 Birchwood Way	\$ 288,090	Sale Pending
7/15/22	829-831 Vermont Avenue	\$ 721,666	Sale Pending
2/8/23	2065 Cody Court	\$ 365,000	Rehab Pending
3/6/23	1827 Shadow Park Drive	\$ 440,000	Rehab Pending

Below is a summary of our findings from the review of each selected property.

1141 Jacquelinelee Drive:

Table 3. 1141 Jacquelinelee Drive Property Information

1141 Jacquelinelee Drive		
Date of Purchase:		4/22/19
Purchase Amount:	\$	270,000
Appraisal Value:	\$	280,000
Seller(s):		[REDACTED]
Rehabilitation Loan(s) Amount:	\$	43,000
Approx. Rehabilitation Cost:	\$	39,725
General Contractor:		Gomez & Sons General Contractors, Inc.
Date of Sale:		3/19/20
Sale Amount	\$	270,000
Appraisal Value:	\$	290,000
Purchaser(s):		[REDACTED]

Property Background:

- The subject property is located at 1141 Jacquelinelee Drive, Turlock, California 95380 ("1141 Jacquelinelee Drive"). As represented by the Housing Department, the property was purchased due to the City's need to timely disburse HUD funding and was intended

³ The information contained in this table is as represented by the City. CohnReznick notes that there are discrepancies between the data contained in this table and the underlying supporting documentation subsequently provided.

to be used as affordable housing. The property was sold in 2020 following minor rehabilitation.

Findings, Acquisition:

- The subject property was purchased from [REDACTED] on April 22, 2019, for \$270,000. Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$280,000. As such, 1141 Jacquelinelee Drive was purchased by the City for \$10,000, or 4%, less than the appraised value. The documents provided to CohnReznick did not include a conflict check performed prior to executing the purchase contract.
- The subject property was purchased using the proceeds from a \$273,222 CDBG loan, which was authorized on April 16, 2019. The documents provided to CohnReznick did not include formal Loan Committee meeting minutes requesting the loan approval. Instead, CohnReznick was provided with email correspondence in which [REDACTED] requested approval for the \$273,222 loan, and both [REDACTED] motioned their approval in the email exchange. Our understanding is that this group of three acted as the de facto loan committee at the time.
- Prior to the purchase, the City waived the right to obtain a third-party inspection. The Buyer's Inspection Waiver was signed by a representative of the City on April 15, 2019, but there is no typed name under the signature to identify the signer.
- The documents provided to CohnReznick did not include an inspection report or a work write-up prepared by the Housing Rehabilitation Specialist or any other City employee containing a detailed outline of any required repairs for 1141 Jacquelinelee Drive. It is not known if an internal inspection occurred, or if a work write-up was prepared, prior to closing on the property. The City Acquisition and or Rehabilitation Summary approving the purchase of the property did not allocate any loan amounts for rehabilitation, and stated "the request is solely for the purpose of acquiring the property", and that "[s]taff will at a later time present a request for the rehabilitation and re-sale costs that will be associated with the property." The documents provided to CohnReznick did not include support that indicated the potential rehabilitation costs at the time of purchase.

Findings, Rehabilitation:

- The subject property was rehabilitated using the proceeds from two CBDG loans totaling \$43,000. The first CBDG loan in the amount of \$31,000 was authorized on September 12, 2019. The Loan/Grant Authorization form allocated \$30,000 to rehabilitation and \$1,000 to expenses and maintenance. An additional \$12,000 CBDG loan was authorized on April 23, 2020, and was allocated entirely to rehabilitation. Only the proceeds from the initial \$31,000 loan were deposited into an escrow account at Farmers Bank. Proceeds from the subsequent \$12,000 loan were not deposited into an escrow account and were primarily used for roofing work on the property.
- The City used an escrow account to make third-party vendor payments during the rehabilitation of 1141 Jacquelinelee Drive. The City deposited the initial \$31,000 CBDG loan into the escrow account and paid \$26,801 from that account to third-party vendors, including the general contractor and various utilities providers. As noted above, the subsequent \$12,000 rehabilitation loan was not deposited into the escrow account. Further, CohnReznick was provided with additional documentation indicating the City made other third-party vendor payments during this same time that were not paid from the

escrow account. As represented by the Housing Department, these payments were paid directly by the City via the City’s purchase order system. Supporting documentation indicates the City made direct payments to third-party vendors totaling at least \$12,924, including a \$9,500 payment to a contractor for roofing work. Accordingly, the total amount spent by the City for the rehabilitation of 1141 Jacquelinelee Drive was at least \$39,725. The table below provides a reconciliation of rehabilitation costs.

Table 4. 1141 Jacquelinelee Drive Rehabilitation Cost Reconciliation

Date	Description	Amount
10/9/19	Initial Deposit Into Escrow Account	\$ 31,000
10/9/19	Fund Control Fee	\$ (95)
various	Vendor Invoices Paid Out of Escrow Account	\$ (26,801)
6/16/20	Wire to Close Escrow Account	\$ (4,104)
6/16/20	Escrow Account Ending Balance	\$ -
various	Identified Vendor Invoices NOT Paid Out of Escrow Account	\$ (12,924)
	Total Identified Rehabilitation Costs	\$ (39,725)

- Prior to beginning the rehabilitation, the Housing Department prepared a work write-up to estimate the total rehabilitation cost and to provide a benchmark for contractor bids. That write-up, prepared by [REDACTED], estimated the total cost to rehabilitate 1141 Jacquelinelee Drive would be \$23,710.
- The Housing Department awarded the rehabilitation work for 1141 Jacquelinelee Drive to the contractor who submitted the lowest combined bid to rehabilitate three properties owned by the City at that time, one of which was the subject property. Gomez & Sons Construction, Inc. (“Gomez & Sons”) was the lowest combined bid and was awarded the contracts for all three properties. The documents provided to CohnReznick did not include a conflict check completed prior to the award of the contract. The City executed a construction agreement with Gomez & Sons dated September 24, 2019, in the amount of \$26,900 for the rehabilitation of 1141 Jacquelinelee Drive. The figure below is an excerpt from a Housing Department memorandum summarizing the combined bids.

Figure 1. 1141 Jacquelinelee Drive Contractors Bids

Gomez & Sons Construction, Inc.	
900 W. Canal Dr. #100	= \$ 16,065.00
1032 Souza Street	= \$ 22,525.00
1141 Jacquelinelee Drive	= \$ 26,900.00
Total	= \$65,490.00
A&P Construction	
900 W. Canal Dr. #100	= \$ 14,850.00
1032 Souza Street	= \$ 24,520.00
1141 Jacquelinelee Drive	= \$ 26,610.00
Total	= \$65,980.00
ANV Contractors, Inc.	
900 W. Canal Dr. #100	= \$ 17,800.00
1032 Souza Street	= \$ 27,300.00
1141 Jacquelinelee Drive	= \$ 26,870.00
Total	= \$71,970.00

- Gomez & Sons submitted three invoices totaling \$25,930 for the rehabilitation of 1141 Jacquelinelee Drive and was paid the full amount by the City. The total amount paid to Gomez & Sons was \$970 (or 4%) less than the original bid amount. Gomez & Sons did

not submit any work change orders for the project. The below table reconciles each contractor invoice to the corresponding check payment.

Table 5. 1141 Jacquelinelee Drive Gomez & Sons Invoice and Payment Reconciliation

Contractor Invoice			City Check Payment		
Date	Description	Amount	Date	Check No.	Amount
11/21/19	PP #1 - 25%, 50%, 75%, 100%	\$ 24,210	11/21/19	13713	\$ 24,210
2/6/20	Fees	\$ 80	2/7/20	13843	\$ 80
2/13/20	Final 10%	\$ 1,640	2/14/20	13866	\$ 1,640
		\$ 25,930			\$ 25,930

- CohnReznick observed that progress payments were made to Gomez & Sons as specified in the construction agreement. However, as of September 30, 2023, CohnReznick has not been provided with documentation to demonstrate the Housing Rehabilitation Specialist actively managed the rehabilitation and verified work completed prior to approving payment.
- As of September 30, 2023, CohnReznick has not been provided with a Notice of Completion filed with Stanislaus County, which was a requirement for release of the final progress payment. The final progress payment was made on February 14, 2020.

Findings, Sale:

- The subject property was sold to [REDACTED] on or around March 19, 2020, for \$270,000. The documents provided to CohnReznick did not include a conflict check completed as part of the sale documents. As represented by the Housing Department, there was no formal sale process, and the buyer was reportedly a first-time homebuyer selected from a waiting list. The Housing Department was unable to produce the first-time homebuyer waiting list from the time of the sale, and CohnReznick has not been provided documentation qualifying them as first-time homebuyers.
- Prior to the sale, the buyers obtained a third-party appraisal, which valued the property at \$290,000. As such, 1141 Jacquelinelee Drive was sold by the City for \$20,000, or 7%, less than the appraised value. As represented by the Housing Department, the City did not obtain its own third-party appraisal at any point during the sale process.

901 High Street:

Table 6. 901 High Street Property Information

901 High Street		
Date of Purchase:		2/10/20
Purchase Amount:	\$	260,000
Appraisal Value:	\$	275,000
Seller(s):		[REDACTED]
Rehabilitation Loan(s) Amount:	\$	227,000
Approx. Rehabilitation Cost:	\$	243,067
General Contractor:		ANV Contractors, Inc.
Date of Sale:		Currently Owned by the City
Sale Amount		N/A
Appraisal Value:		N/A
Purchaser(s):		N/A

Property Background:

- The subject property is located at 901 High Street, Turlock, California 95380 (“901 High Street”). As represented by the Housing Department, the property was purchased with the intent to be used as affordable housing. The property is a duplex and can house multiple families. The property is currently owned by the City and was included in the December 2022 RFP seeking a potential nonprofit purchaser. The Housing Department intends to obtain a third-party appraisal prior to the sale.

Findings, Acquisition:

- The subject property was purchased by the City on February 10, 2020, for \$260,000. Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$275,000. As such, 901 High Street was purchased by the City for \$15,000, or 6%, less than the appraised value. The documents provided to CohnReznick did not include a conflict check performed prior to executing the purchase contract.
- The subject property was purchased using the proceeds from a \$263,088 CDBG loan, which was authorized on February 6, 2020. The documents provided to CohnReznick did not include formal Loan Committee meeting minutes requesting the loan approval. Instead, CohnReznick was provided with email correspondence in which [REDACTED] requested approval for the \$263,088 loan, and both [REDACTED] motioned their approval in the email exchange. Our understanding is that this group of three acted as the de facto loan committee at the time.
- Prior to the purchase, the City waived the right to obtain a third-party inspection. The Buyer’s Inspection Waiver was signed by a representative of the City on December 20, 2019, but there is no typed name under the signature to identify the signer.
- The documents provided to CohnReznick did not include either an inspection report or a work write-up prepared by the Housing Rehabilitation Specialist or any other City employee containing a detailed outline of any required repairs for 901 High Street. It is

not known if an internal inspection occurred, or if a work write-up was prepared, prior to closing on the property. The City Acquisition and or Rehabilitation Summary approving the purchase of the property did not allocate any loan amounts for rehabilitation, and stated “the request is solely for the purpose of acquiring the property”, and that “[s]taff will at a later time present a request for the rehabilitation and re-sale costs that will be associated with the property.”

- As of September 30, 2023, the only identified indication of potential rehabilitation costs at the time of purchase is an email from [REDACTED] dated December 19, 2019, which provided a brief scope of work and estimated the total project cost would be \$400,000, including the cost to purchase the property.

Findings, Rehabilitation:

- The subject property was rehabilitated using the proceeds from two CBDG loans totaling \$227,000. The first CBDG loan in the amount of \$192,000 was authorized on July 9, 2020. The Loan/Grant Authorization form allocated \$190,000 to rehabilitation and \$2,000 to expenses and maintenance. An additional \$35,000 CDBG loan was authorized on August 26, 2020, and was allocated entirely to expenses and maintenance. Proceeds from both loans were deposited into an escrow account at Farmers Bank.
- The City used an escrow account to make third-party vendor payments during the rehabilitation of 901 High Street. The City paid \$225,348 from the escrow account to third-party vendors, including the general contractor and various utilities providers. CohnReznick was provided with additional documentation indicating the City made other third-party vendor payments during this same time that were not paid from the escrow account. As represented by the Housing Department, these payments were paid directly by the City via the City’s purchase order system. Supporting documentation indicates the City made direct payments to third-party vendors totaling at least \$17,719. Accordingly, the total amount spent by the City for the rehabilitation of 901 High Street was at least \$243,067, which was in excess of the \$227,000 authorized by the City. The table below provides a reconciliation of rehabilitation costs.

Table 7. 901 High Street Rehabilitation Cost Reconciliation

Date	Description	Amount
7/28/20	Initial Deposit Into Escrow Account	\$ 192,000
7/28/20	Fund Control Fee	\$ (95)
9/1/20	Additional Deposit Into Escrow Account	\$ 35,000
various	Vendor Invoices Paid Out of Escrow Account	\$ (225,348)
1/23/21	Escrow Account Ending Balance	\$ 1,557
various	Identified Vendor Invoices NOT Paid Out of Escrow Account	\$ (17,719)
	Total Identified Rehabilitation Costs	\$ (243,067)

- Prior to beginning the rehabilitation, the Housing Department prepared a work write-up to estimate the total rehabilitation cost and to provide a benchmark for contractor bids. That write-up, prepared by [REDACTED] estimated the total cost to rehabilitate 901 High Street would be \$161,490.
- The City executed a construction agreement with ANV Contractors, Inc. (“ANV Contractors”) dated July 9, 2020, in the amount of \$161,490. As of September 30, 2023, CohnReznick has not been provided with a formal bid submitted by ANV Contractors or

any other contractor. The documents provided to CohnReznick did not include a conflict check completed prior to the award of the contract.

- ANV Contractors submitted eight invoices totaling \$189,341 for the rehabilitation of 901 High Street, which exceeded the amount of its contract. As discussed further below, the City made two additional payments without being invoiced. The total amount paid to ANV Contractors was \$221,490, which was \$60,000 (or 37%) more than the contract amount.
- ANV Contractors submitted three work change orders totaling \$58,000, representing an approximately 36% increase to the original contract value. One change order did not include a formal invoice from ANV Contractors, and none of the change orders submitted contained all requisite approvals (Owner, Contractor, Housing Finance Specialist and Housing Rehabilitation Specialist). Further, none of the three change orders submitted provided detail supporting the additional cost.
- The documents provided to CohnReznick did not include an invoice from ANV Contractors for either the third change order or the final payment for the 901 High Street rehabilitation. Bank records confirm that both payments, totaling \$32,139, were paid from the escrow account via check on March 8, 2021. The below table reconciles each contractor invoice to the corresponding check payment.

Table 8. 901 High Street ANV Contractors Invoice and Payment Reconciliation

Contractor Invoice			City Check Payment		
Date	Description	Amount	Date	Check No.	Amount
8/21/20	Permit Reimbursement	\$ 2,000	12/10/20	14281	\$ 2,000
8/18/20	Change Order #1	\$ 26,000	9/9/20	14162	\$ 55,000
8/31/20	20% Progress Payment	\$ 29,000	<i>incl. in check no. 14162</i>		
11/23/20	40% Progress Payment	\$ 29,071	11/25/20	14265	\$ 58,151
11/23/20	60% Progress Payment	\$ 29,080	<i>incl. in check no. 14265</i>		
2/1/21	80% Progress Payment	\$ 29,090	2/3/21	14413	\$ 58,200
2/1/21	100% Progress Payment	\$ 29,100	<i>incl. in check no. 14413</i>		
2/1/21	Change Order #2	\$ 16,000	2/3/21	14412	\$ 16,000
N/A	No Invoice - Change Order #3	N/A	3/8/21	14437	\$ 16,000
N/A	No Invoice - Final Payment	N/A	3/8/21	14438	\$ 16,139
		\$ 189,341			\$ 221,490

- CohnReznick observed that progress payments were made to ANV Contractors as specified in the construction agreement. The documents provided to CohnReznick did not include documentation to demonstrate the Housing Rehabilitation Specialist actively managed the rehabilitation and verified work completed prior to approving payment.
- The documents provided to CohnReznick did not include a Notice of Completion filed with Stanislaus County, which was a requirement for release of the final progress payment. The final progress payment was made on March 8, 2021.

Findings, Sale:

- The subject property is currently owned by the City and is reportedly being rented to qualified tenants. CohnReznick has not yet been provided with documentation describing the tenant selection process. It is anticipated the property will be sold to a nonprofit following completion of the RFP process described above.

720 Exeter Lane:

Table 9. 720 Exeter Lane Property Information

720 Exeter Lane		
Date of Purchase:		4/16/20
Purchase Amount:	\$	270,000
Appraisal Value:	\$	270,000
Seller(s):		██████████
Rehabilitation Loan(s) Amount:	\$	50,000
Approx. Rehabilitation Cost:	\$	42,133
General Contractor:		ANV Contractors, Inc.
Date of Sale:		2/11/21
Sale Amount	\$	290,000
Appraisal Value:	\$	302,000
Purchaser(s):		██████████

Property Background:

- The subject property is located at 720 Exeter Lane, Turlock, California 95380 (“720 Exeter Lane”). As of September 30, 2023, the property has been purchased and sold twice by the City, once in 2014 and again in 2020/2021. As represented by the Housing Department, the property was directly offered to the City for re-purchase in 2020, and then sold in 2021 following minor rehabilitation.

Findings, Acquisition:

- The subject property was purchased by the City on April 16, 2020, for \$270,000 from ██████████. As represented by the Housing Department, the City previously sold the property to ██████████ in 2014. The documents provided to CohnReznick did not include a conflict check performed prior to executing the purchase contract. Our understanding, based on discussions with Housing Department employees, is that ██████████ is a current City employee, and was a City employee at the time of the initial sale/purchase. While not part of the five-year testing period, we also inquired as to whether a conflict-of-interest waiver or approval existed at the time of ██████████ original purchase in 2014. We further inquired as to whether any documentation exists to demonstrate that ██████████ qualified as a first-time homebuyer and was on the approved waiting list in 2014. As of September 30, 2023, CohnReznick has not been provided with any such documentation.
- Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$270,000. As such, 720 Exeter Lane was purchased by the City for the appraised value.
- The City originally purchased the home and sold it to ██████████ in or around August 2014 for \$206,000. CohnReznick has not been provided with documentation to determine if the property was rehabilitated by the City prior to the sale. ██████████ retained the property through April 2020, when it was then re-sold to the City for \$270,000, at a profit of \$64,000. As represented by the Housing Department, ██████████ directly offered the property to the City for purchase.
- The subject property was purchased using the proceeds from a \$268,169 CDBG loan, which was authorized on April 13, 2020. The documentation provided to CohnReznick did not include formal Loan Committee meeting minutes requesting the loan approval.

Instead, CohnReznick was provided with email correspondence in which [REDACTED] requested approval for the \$268,169 loan, and both [REDACTED] motioned their approval in the email exchange. Our understanding is that this group of three acted as the de facto loan committee at the time.

- Prior to the purchase, the City waived the right to obtain a third-party inspection. An undated Buyer's Inspection Waiver was signed by a representative of the City and included in the closing documentation, but there is no typed name under the signature to identify the signer.
- The documents provided to CohnReznick did not include an inspection report or a work write-up prepared by the Housing Rehabilitation Specialist or any other City employee containing a detailed outline of any required repairs for 720 Exeter Lane. It is not known if an internal inspection occurred, or if a work write-up was prepared, prior to closing on the property. The City Acquisition and or Rehabilitation Summary approving the purchase of the property did not allocate any loan amounts for rehabilitation, and stated "the request is solely for the purpose of acquiring the property", and that "[s]taff will at a later time present a request for the rehabilitation and re-sale costs that will be associated with the property." Further, the email from [REDACTED] requesting approval for the CDBG loan noted that "there is some minor rehab work that will be needed and will be presented to committee for review at a later date."
- As of September 30, 2023, the only identified indication of potential rehabilitation costs at the time of purchase is an email from [REDACTED] dated April 6, 2020, which provided a brief scope of work and estimated the total project cost would be \$340,000, including the cost to purchase the property.

Findings, Rehabilitation:

- The subject property was rehabilitated using the proceeds from two CBDG loans totaling \$50,000. The first CBDG loan in the amount of \$40,000 was authorized on August 3, 2020. The Loan/Grant Authorization form allocated \$38,000 to rehabilitation and \$2,000 to expenses and maintenance. An additional \$10,000 CBDG loan was authorized on August 26, 2020, and was allocated entirely to rehabilitation. Proceeds from both loans were deposited into an escrow account at Farmers Bank.
- The City used an escrow account to make third-party vendor payments during the rehabilitation of 720 Exeter Lane. The City paid \$41,310 from the escrow account to third-party vendors, including the general contractor and various utilities providers. CohnReznick was provided with additional documentation indicating the City made other third-party vendor payments during this same time that were not paid from the escrow account. As represented by the Housing Department, these payments were paid directly by the City via the City's purchase order system. Supporting documentation indicates the City made direct payments to third-party vendors totaling at least \$823. Accordingly, the total amount spent by the City for the rehabilitation of 720 Exeter Lane was at least \$42,133. The table below provides a reconciliation of rehabilitation costs.

Table 10. 720 Exeter Lane Rehabilitation Cost Reconciliation

Date	Description	Amount
8/7/20	Initial Deposit Into Escrow Account	\$ 40,000
8/7/20	Fund Control Fee	\$ (95)
8/31/20	Additional Deposit Into Escrow Account	\$ 10,000
various	Vendor Invoices Paid Out of Escrow Account	\$ (41,310)
4/16/21	Wire to City to Close Escrow Account	\$ (8,595)
4/16/21	Escrow Account Ending Balance	\$ -
various	Identified Vendor Invoices NOT Paid Out of Escrow Account	\$ (823)
	Total Identified Rehabilitation Costs	\$ (42,133)

- Prior to beginning the rehabilitation, the Housing Department prepared a work write-up to estimate the total rehabilitation cost and to provide a benchmark for contractor bids. That write-up, prepared by [REDACTED], estimated that the total cost to rehabilitate 720 Exeter Lane would be \$25,615.
- Two contractors bid on the rehabilitation work for 720 Exeter Lane. Neither contractor bid was within 10% of the Housing Department’s estimate. As such, the lower of the two bids was selected, and the contract was awarded to ANV Contractors. The documents provided to CohnReznick did not include a conflict check completed prior to the award of the contract. The City executed a construction agreement with ANV Contractors dated August 24, 2020, in the amount of \$29,850. The table below summarizes the contractor bids received for 720 Exeter Lane.

Table 11. 720 Exeter Lane Contractors Bids

Contractor	Bid
Housing Dept. Estimate - 10% Lower	\$ 23,054
Housing Dept. Estimate	\$ 25,615
Housing Dept. Estimate - 10% Higher	\$ 28,177
ANV Contractors, Inc.	\$ 29,850
CAS Construction, Inc.	\$ 30,045

- ANV Contractors submitted five invoices totaling \$44,245 for the rehabilitation of 720 Exeter Lane. As discussed further below, two invoices appeared to contain typographical errors. The total amount paid to ANV Contractors was \$40,050, which was \$10,200 (or 34%) more than the original bid amount.
- ANV Contractors submitted two work change orders totaling \$10,200, representing an approximately 34% increase to the original contract value. The first change order contained all requisite approvals (Owner, Contractor, Housing Finance Specialist and Housing Rehabilitation Specialist). The second change order did not contain the approval of the Housing Rehab Specialist, as required. Further, neither change order submitted provided detail supporting the additional cost.
- Two invoices submitted by ANV Contractors appeared to contain typographical errors. First, ANV Contractors submitted an invoice dated October 8, 2020, totaling \$2,985 for “Progress Payment 100%.” Per the construction agreement, the 100% progress payment should have been invoiced at \$6,790. The City paid ANV Contractors \$6,790 for that invoice, which was more than the \$2,985 invoice amount. Second, ANV Contractors submitted an invoice dated October 8, 2020, totaling \$9,100 for “Work Change Order #2.” A handwritten note on the invoice specified the total due was \$1,100, which was the

amount paid by the City. The below table reconciles each contractor invoice to the corresponding check payment.

Table 12. 720 Exeter Lane ANV Contractors Invoice and Payment Reconciliation

Contractor Invoice			City Check Payment		
Date	Description	Amount	Date	Check No.	Amount
9/28/20	Progress Payments #1, 2 & 3	\$ 20,075	9/29/20	14188	\$ 20,075
10/8/20	Progress Payment 100%	\$ 2,985	10/13/20	14213	\$ 6,790
10/8/20	Final 10%	\$ 2,985	10/13/20	14214	\$ 2,985
9/28/20	Change Order #1	\$ 9,100	10/7/20	14196	\$ 9,100
10/8/20	Change Order #2	\$ 9,100	10/13/20	14215	\$ 1,100
		\$ 44,245			\$ 40,050

- CohnReznick observed that progress payments were made to ANV Contractors as specified in the construction agreement. However, as of September 30, 2023, CohnReznick has not been provided with documentation to demonstrate the Housing Rehabilitation Specialist actively managed the rehabilitation and verified work completed prior to approving payment.
- The documents provided to CohnReznick did not include a Notice of Completion filed with Stanislaus County, which was a requirement for release of the final progress payment. The final progress payment was made on October 13, 2020.

Findings, Sale:

- The subject property was sold to [REDACTED] on or around February 11, 2021, for \$290,000. The documents provided to CohnReznick did not include a conflict check completed as part of the sale documents. As represented by the Housing Department, there was no formal sale process, and the buyer was reportedly a first-time homebuyer that was on a waiting list. The Housing Department was unable to produce the first-time homebuyer waiting list from the time of the sale, and CohnReznick has not been provided documentation qualifying [REDACTED] as a first-time homebuyer.
- Prior to the sale, the buyer obtained a third-party appraisal, which valued the property at \$302,000. As such, 720 Exeter Lane was sold by the City for \$12,000, or 4%, less than the appraised value. As represented by the Housing Department, the City did not obtain its own third-party appraisal at any point during the sale process.

591 Birchwood Way:

Table 13. 591 Birchwood Way Property Information

591 Birchwood Way		
Date of Purchase:		2/26/21
Purchase Amount:	\$	287,000
Appraisal Value:	\$	290,000
Seller(s):		[REDACTED]
Rehabilitation Loan(s) Amount:	\$	85,500
Approx. Rehabilitation Cost:	\$	94,976
General Contractor:		ANV Contractors, Inc.
Date of Sale:		Currently Owned by the City
Sale Amount		N/A
Appraisal Value:		N/A
Purchaser(s):		N/A

Property Background:

- The subject property is located at 591 Birchwood Way, Turlock, California 95380 (“591 Birchwood Way”). As represented by the Housing Department, the property was purchased due to the City’s need to timely disburse HUD funding and was intended to be used as affordable housing. The property is currently owned by the City and was included in the December 2022 RFP seeking a potential nonprofit purchaser. The Housing Department intends to obtain a third-party appraisal prior to the sale.

Findings, Acquisition:

- The subject property was purchased by the City on February 26, 2021, for \$287,000. Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$290,000. As such, 591 Birchwood Way was purchased by the City for \$3,000, or 1%, less than the appraised value.
- The subject property had been foreclosed and was bank-owned at the time of purchase. Prior to foreclosure, [REDACTED] the owner of 591 Birchwood Way, had received a forgivable reverse mortgage from the City for necessary repairs. The owner was in the fourth year of a five-year loan term when he passed away. The property was subsequently foreclosed. The Grant Deed reflecting the City’s purchase of 591 Birchwood Way was signed by [REDACTED]
- The subject property was purchased using the proceeds from a \$288,490 CDBG loan, which was approved by the Loan Committee on February 23, 2021. The documents provided to CohnReznick did not include formal Loan Committee meeting minutes requesting the loan approval. Instead, CohnReznick was provided with email correspondence in which [REDACTED] requested approval for the \$288,490 loan, and both [REDACTED] motioned their approval in the email exchange. Our understanding is that this group of three acted as the de facto loan committee at the time.

- Prior to the purchase, the City waived the right to obtain a third-party inspection. The Buyer’s Inspection Waiver was signed by a representative of the City on February 22, 2021, but there is no typed name under the signature to identify the signer.
- The documents provided to CohnReznick did not include an inspection report or a work write-up prepared by the Housing Rehabilitation Specialist or any other City employee containing a detailed outline of any required repairs for 591 Birchwood Way. It is not known if an internal inspection occurred, or if a work write-up was prepared, prior to closing on the property. The City Acquisition and or Rehabilitation Summary approving the purchase of the property did not allocate any loan amounts for rehabilitation, and stated “the request is solely for the purpose of acquiring the property”, and that “[s]taff will at a later time present a request for the rehabilitation and re-sale costs that will be associated with the property.”
- As of September 30, 2023, the only identified indication of potential rehabilitation costs at the time of purchase is a HUD environmental review form prepared for the property, which provided a brief scope of work and estimated the total project cost would be \$400,000, including the cost to purchase the property. This form was prepared by [REDACTED] and dated February 12, 2021.

Findings, Rehabilitation:

- The subject property was rehabilitated using the proceeds from a \$85,500 CBDG loan, which was authorized on March 22, 2021. The Loan/Grant Authorization form allocated \$83,500 to rehabilitation and \$2,000 to expenses and maintenance. Proceeds from the loan were deposited into an escrow account at Arcadian Bank.
- The City used an escrow account to make third-party vendor payments during the rehabilitation of 591 Birchwood Way. The City paid \$84,239 from the escrow account to third-party vendors, including the general contractor and various utilities providers. CohnReznick was provided with additional documentation indicating the City made other third-party vendor payments during this same time that were not paid from the escrow account. As represented by the Housing Department, these payments were paid directly by the City via the City’s purchase order system. Supporting documentation indicates that the City made direct payments to third-party vendors totaling at least \$10,736. Accordingly, the total amount spent by the City for the rehabilitation of 591 Birchwood Way was at least \$94,976, which was in excess of the \$85,500 approved by the City. The table below provides a reconciliation of rehabilitation costs.

Table 14. 591 Birchwood Way Rehabilitation Cost Reconciliation

Date	Description	Amount
3/31/21	Initial Deposit Into Escrow Account	\$ 85,500
3/31/21	Fund Control Fee	\$ (95)
various	Vendor Invoices Paid Out of Escrow Account	\$ (84,239)
2/25/22	Wire to City to Close Escrow Account	\$ (1,166)
2/25/22	Escrow Account Ending Balance	\$ -
various	Identified Vendor Invoices NOT Paid Out of Escrow Account	\$ (10,736)
	Total Identified Rehabilitation Costs	\$ (94,976)

- Prior to beginning the rehabilitation, the Housing Department prepared a work write-up to estimate the total rehabilitation cost and to provide a benchmark for contractor bids. That

write-up, prepared by [REDACTED] estimated the total cost to rehabilitate 591 Birchwood Way would be \$77,200.

- Four contractors bid on the rehabilitation work for 591 Birchwood Way, with bids ranging from \$69,200 to \$111,219. The contract was awarded to ANV Contractors, which had the “lowest reasonable bid,” meaning the bid was the lowest bid received within 10% of the Housing Department estimate. CohnReznick notes that the ANV Contractors was not the lowest overall bid. The documents provided to CohnReznick did not include a conflict check completed prior to the award of the contract. The City executed a construction agreement with ANV Contractors dated March 19, 2021, in the amount of \$73,600. The table below summarizes the contractor bids received for 591 Birchwood Way.

Table 15. 591 Birchwood Way Contractors Bids

Contractor	Bid
A&P Construction	\$ 69,200
Housing Dept. Estimate - 10% Lower	\$ 69,480
ANV Contractors, Inc.	\$ 73,600
Housing Dept. Estimate	\$ 77,200
CAS Construction, Inc.	\$ 80,150
Housing Dept. Estimate - 10% Higher	\$ 84,920
Torre Reich Construction	\$ 111,219

- ANV Contractors submitted seven invoices totaling \$83,282 for the rehabilitation of 591 Birchwood Way and was paid the full amount by the City. The total amount paid to ANV Contractors was \$9,682 (or 13%) more than the original bid amount.
- ANV Contractors submitted one work change order in the amount of \$6,700, representing approximately 9% of the original contract value. The change order contained all requisite approvals (Owner, Contractor, Housing Finance Specialist and Housing Rehabilitation Specialist), however, did not provide detail supporting the additional cost.
- ANV Contractors submitted six invoices dated July 6, 2021, three of which totaled \$65,500 and represented the first three progress payments under the construction agreement. However, supporting documentation from the escrow agent indicates the City paid these invoices from the escrow account in April and May 2021, two to three months prior to receiving physical invoices on or around July 6, 2021. It is unclear why the City would request payment, and why the escrow agent would release payment, without first receiving contractor invoices approved by the City. The below table reconciles each contractor invoice to the corresponding check payment.

Table 16. 591 Birchwood Way ANV Contractors Invoice and Payment Reconciliation

Contractor Invoice			City Check Payment		
Date	Description	Amount	Date	Check No.	Amount
7/6/21	Progress Payment #1	\$ 22,500	4/16/21	14479	\$ 22,500
7/6/21	Progress Payment #2	\$ 21,500	4/16/21	14478	\$ 21,500
7/6/21	Progress Payment #3	\$ 21,500	5/11/21	14521	\$ 21,500
7/6/21	Final 10%	\$ 8,100	7/8/21	14607	\$ 8,100
7/6/21	Change Order #1	\$ 6,700	7/8/21	14605	\$ 6,700
7/6/21	Permit	\$ 1,182	7/8/21	14606	\$ 1,182
7/19/21	Design Plan for Permit Submission	\$ 1,800	10/18/21	14697	\$ 1,800
		\$ 83,282			\$ 83,282

- CohnReznick observed that progress payments were made to ANV Contractors as specified in the construction agreement. The documents provided to CohnReznick did not include documentation to demonstrate the Housing Rehabilitation Specialist actively managed the rehabilitation and verified work completed prior to approving payment.
- The documents provided to CohnReznick did not include a Notice of Completion filed with Stanislaus County, which was a requirement for release of the final progress payment. The final progress payment was made on July 8, 2021.

Findings, Sale:

- The subject property is currently owned by the City and is reportedly being rented to qualified tenants. CohnReznick has not yet been provided with documentation describing the tenant selection process. It is anticipated that the property will be sold to a nonprofit following completion of the RFP process described above.

829-831 Vermont Avenue:

Table 17. 829-831 Vermont Avenue Property Information

829-831 Vermont Avenue		
Date of Purchase:		7/15/22
Purchase Amount:	\$	720,000
Appraisal Value:	\$	740,000
Seller(s):		[REDACTED]
Rehabilitation Loan(s) Amount:		No Rehabilitation Needed
Approx. Rehabilitation Cost:		N/A
General Contractor:		N/A
Date of Sale:		Currently Owned by the City
Sale Amount		N/A
Appraisal Value:		N/A
Purchaser(s):		N/A

Property Background:

- The subject property is located at 829-831 Vermont Avenue, Turlock, California 95380 ("829-831 Vermont Avenue"). The property consists of two single family units on the same parcel of land. Both units were constructed in 2022 and, as such, did not require any significant rehabilitation upon purchase.
- As represented by the Housing Department, the property was purchased to provide affordable housing for veterans. The property is currently owned by the City and was included in the December 2022 RFP seeking a potential nonprofit purchaser. The Housing Department intends to obtain a third-party appraisal prior to the sale.

Findings, Acquisition:

- The subject property was new construction at the time of purchase, and thus was not in foreclosure, abandoned, or in need of rehabilitation. Therefore, it is unclear how the purchase of 829-831 Vermont Avenue aligned with the mission of the City's Neighborhood Stabilization Program.

- The subject property was purchased from [REDACTED] on July 15, 2022, for \$720,000. Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$740,000. As such, 829-831 Vermont Avenue was purchased by the City for \$20,000, or approximately 3%, less than the appraised value. The documents provided to CohnReznick did not include a conflict check performed prior to executing the purchase contract.
- The subject property was purchased using the proceeds from a \$722,697 “City Acquisition” loan, which was approved by the Loan Committee at a meeting held on July 8, 2022. The loan was presented for consideration by [REDACTED]. [REDACTED] The loan was approved with five ayes and zero nays.
- Prior to the purchase, the City waived the right to obtain a third-party inspection. The Buyer’s Inspection Waiver was signed by [REDACTED] on June 30, 2022.

Findings, Rehabilitation:

- The subject property was newly constructed at the time of acquisition and, as represented by the Housing Department, did not require any rehabilitation.

Findings, Sale:

- The subject property is currently owned by the City and is reportedly being rented to qualified tenants. CohnReznick has not yet been provided with documentation describing the tenant selection process. It is anticipated that the property will be sold to a nonprofit following completion of the RFP process described above.

2065 Cody Court:

Table 18. 2065 Cody Court Property Information

2065 Cody Court		
Date of Purchase:		2/8/23
Purchase Amount:	\$	365,000
Appraisal Value:	\$	365,000
Seller(s):		[REDACTED]
Rehabilitation Loan(s) Amount:		Awaiting Rehabilitation
Approx. Rehabilitation Cost:		N/A
General Contractor:		N/A
Date of Sale:		Currently Owned by the City
Sale Amount		N/A
Appraisal Value:		N/A
Purchaser(s):		N/A

Property Background:

- The subject property is located at 2065 Cody Court, Turlock, California 95380 (“2065 Cody Court”). As represented by the Housing Department, the property was purchased due to the City’s need to timely disburse HUD funding, and the property had been on the market

for a significant period. The property is currently owned by the City and requires rehabilitation prior to being sold.

- Our understanding is that the rehabilitation work will be put out to bid once the Housing Department has updated contractor agreements, which are reportedly being redrafted with the City’s legal counsel. As represented by the Housing Department, 2065 Cody Court was initially intended to be sold to a nonprofit but is now planned to be sold to a first-time homebuyer following the rehabilitation.

Findings, Acquisition:

- The subject property was purchased from [REDACTED] on February 8, 2023, for \$365,000. Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$365,000. As such, 2065 Cody Court was purchased by the City for the appraised value. The documents provided to CohnReznick did not include a conflict check performed prior to executing the purchase contract.
- The subject property was purchased using the proceeds from a \$367,389 “City Acquisition” loan, which was approved by the Loan Committee at a meeting held on January 31, 2023. The loan was presented for consideration by [REDACTED]
- Prior to the purchase, the City waived the right to obtain a third-party inspection. The Buyer’s Inspection Waiver was signed by [REDACTED] on January 8, 2023.
- The documentation provided to CohnReznick did not include an inspection report or a work write-up prepared by the Housing Rehabilitation Specialist or any other City employee containing a detailed outline of any required repairs for 2065 Cody Court. It is not known if an internal inspection occurred, or if a work write-up was prepared, prior to closing on the property. The City Acquisition and or Rehabilitation Summary approving the purchase of the property did not allocate any loan amounts for rehabilitation. As of September 30, 2023, the only identified indication of potential rehabilitation costs at the time of purchase is a HUD environmental review form prepared for the property, which provided a brief scope of work and estimated that the total project cost would be \$480,000. This form was prepared by [REDACTED] and dated January 31, 2023.

Findings, Rehabilitation:

- As represented by the Housing Department, the subject property is currently vacant, and has not yet undergone rehabilitation. It is anticipated the property will require rehabilitation prior to being sold.

Findings, Sale:

- The subject property is currently owned by the City. Based on the information provided by the Housing Department, a formal plan for its use or disposition has not yet been determined.

1827 Shadow Park Drive:

Table 19. 1827 Shadow Park Drive Property Information

1827 Shadow Park Drive		
Date of Purchase:		3/6/23
Purchase Amount:	\$	440,000
Appraisal Value:	\$	440,000
Seller(s):		[REDACTED]
Rehabilitation Loan(s) Amount:		Awaiting Rehabilitation
Approx. Rehabilitation Cost:		N/A
General Contractor:		N/A
Date of Sale:		Currently Owned by the City
Sale Amount		N/A
Appraisal Value:		N/A
Purchaser(s):		N/A

Property Background:

- The subject property is located at 1827 Shadow Park Drive, Turlock, California 95380 (“1827 Shadow Park Drive”). As represented by the Housing Department, the property was purchased because it is a newer design and could potentially be sold to either a first-time homebuyer or a nonprofit. The property is currently owned by the City and requires rehabilitation prior to being sold.
- Our understanding is the rehabilitation work will be put out to bid once the Housing Department has updated contractor agreements, which are reportedly being redrafted with the City’s legal counsel.

Findings, Acquisition:

- The subject property was purchased from [REDACTED] on March 6, 2023, for \$440,000. Prior to the purchase, the City obtained a third-party appraisal from vendor Executive Appraisals, Inc., which valued the property at \$440,000. As such, 1827 Shadow Park Drive was purchased by the City for the appraised value. The documents provided to CohnReznick did not include a conflict check performed prior to executing the purchase contract.
- The documents provided to CohnReznick did not include Loan Committee meeting minutes, or other similar documentation, noting which City employees approved the loan to purchase 1827 Shadow Park Drive.
- Prior to the purchase, the City waived the right to obtain a third-party inspection. The Buyer’s Inspection Waiver was signed by [REDACTED] on February 16, 2023.
- The documents provided to CohnReznick did not include an inspection report or a work write-up prepared by the Housing Rehabilitation Specialist or any other City employee containing a detailed outline of any required repairs for 1827 Shadow Park Drive. It is not known if an internal inspection occurred, or if a work write-up was prepared, prior to closing on the property. Further, CohnReznick was not provided with a City Acquisition and or Rehabilitation Summary approving the purchase of the property, which may have

allocated loan amounts for rehabilitation. As of September 30, 2023, the only identified indication of potential rehabilitation costs at the time of purchase is a HUD environmental review form prepared for the property, which provided a brief scope of work and estimated that the total project cost would be \$485,000. This form was prepared by [REDACTED] and dated February 15, 2023.

Findings, Rehabilitation:

- As represented by the Housing Department, the subject property is currently vacant, and has not yet undergone rehabilitation. It is anticipated the property will require rehabilitation prior to being sold.

Findings, Sale:

- The subject property is currently owned by the City. Based on the information provided by the Housing Department, a formal plan for its use or disposition has not yet been determined.

The nature and scope of this engagement did not require an audit of this information in accordance with Generally Accepted Auditing Standards, a review, or a compilation in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants (“AICPA”).

This report is intended solely for the information and use of the City of Turlock and is not intended to be and should not be used by any other parties without our prior written consent. Any person who is not an addressee of this report or who has not executed and delivered to CohnReznick a release letter acceptable to CohnReznick, accepts and agrees that the procedures were performed for the City of Turlock’s benefit, and not for the benefit and use by any other party, and shall not rely upon this report for any purpose.

Very truly yours,



Vincenzo Toppi
Partner, Dispute Resolution Services