



Date: December 18, 2008
To: Andrew Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Berryman Square Limited Partnership 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Berryman Square Limited Partnership. The Partnership received a loan in the amount of \$765,000 from the City of Greensboro to help in the rehabilitation of 44 apartments on 200-208 Berryman Street for low-income individuals or families. These units are called Berryman Square and are managed by Affordable Housing Management, Incorporated.

Mr. Jim Teele, Housing Rehabilitation Specialist Housing of the Department of Housing & Community Development, inspected approximately 15 percent of the units and some repairs were noted for the property. These issues were forwarded to the Property Director to address before they escalate into costly problems.

The City's loan bears interest at a rate of 2.50%. A portion of this interest, .50%, will be made in semi-annual payments of .25% on each January 1 and July 1. The remaining 2.00% will accrue. The repayment of the principal of \$765,000 will be based on 25% of the Net Operating Income less payments to the Reserve Accounts and Debt Service. The agency is meeting the interest payment requirements. The balance of principal plus accrued interest at December 31, 2007 per the audited financial statements was \$990,372. There has been no Net Operating Income that would require the 25% principal payment. The balance of the principal and accrued interest will be due in full January 1, 2010.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement.

We would like to thank Ms. Donna Dungee, Property Site Manager; Mr. Justin Brooks, Regional Manager of Tax Credit Properties; and Ms. Debora Osborne, Finance Director, and the staff of Affordable Housing Management, Inc. for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.

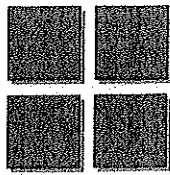
Handwritten signature of Mickey Kerans in black ink.

Mickey Kerans
Internal Auditor

Handwritten signature of Len Lucas in black ink.

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
David Levy, Executive Director, Affordable Housing Management, Incorporated



HCD

Department of Housing & Community Development

Date: December 17, 2008
To: David Levy, Affordable Housing Management, Inc.
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 Berryman Square Programmatic Evaluation*

On November 5, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Berryman Square Apartments. Affordable Housing Management, Inc. manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable program and contractual requirements. In this monitoring review attention was paid to contract compliance along with financial management systems, a review of tenant files, and occupancy.

The period under review, along with current conditions, was from July 1, 2006 to June 30, 2007. In addition to examining various program materials, a physical inspection and financial files, in the course of the review HCD and IA staff met with Ms. Donna Dungee, Property Site Manager, Mr. Justin Brooks, Regional Manager of Tax Credit Properties, and Ms. Debora Osborne, Finance Director.

The property is located at 200-208 Berryman Street, in Greensboro, NC. It was rehabilitated with \$765,000 in local funds (Housing Partnership/Nussbaum Fund) combined with \$1,224,000 in private funds. Greensboro Consortium HOME Program funds were not expended on this property therefore the lease agreement is the main document regarding occupancy and tenancy requirements for this review.

Rental Affordability

The lease agreement uses §42 of the IRS code which refer to Low Income Housing Tax Credits. The property consists of 44 units and the units would be made available to households with incomes at or below 50% of the adjusted area Median Income. The rent on 100% of the units would not exceed that which is affordable to those families whose gross income does not exceed 42% of area median.

Rent Limits for 2008 (Based On HUD Published Very Low Income Limit) Rent plus Utility

Bedrooms (People)	42.00% of AMFI
Efficiency (1.5)	\$444
1 Bedroom (2.0)	\$473
2 Bedrooms (3.0)	\$533

Monthly housing costs are as follows:

Unit Type	Rent	Utility	Total Housing Cost
Efficiency	\$385	\$46	\$431
One Bedroom	\$409	\$52	\$461
Two Bedroom	\$450	\$67	\$517

Tenant Income Eligibility and File Review

Four (4) of the tenant incomes reviewed have exceeded 140% of their maximum eligible income limit. Resident incomes are certified annually according to the NCFHA Rental Compliance Reporting System report and HCD file review. The tenant files reviewed were in superb condition and contained all required back-up documentation.

Occupancy

The reported occupancy has been a very good 95.5% from January 1, 2008 through December 31, 2008 (and 93.2% on the day of the visit). This was calculated with the vacancy report provide by management. This is almost 10% higher than the April 2008 area occupancy rate of around 87%.

Affirmative Marketing and Section 8

Affordable Housing Management has a fair marketing plan that meets the City Affirmative Marketing Requirements. The Tenant Selection Policy is clear and understandable.

Section 8 housing vouchers are accepted and twenty (20) tenants receive this assistance.

Physical Inspection

HCD staff inspected seven (7) units on November 5, 2008 and reported one deficiency that needed attention in one unit. The exterior was in overall good condition. Please refer to the inspection report for details.

Results of Review

As a result of this review HCD staff is making zero (0) findings and one (1) concern and zero (0) observations. A *finding* is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a *concern* is either a potential finding or management weakness that should be improved to avoid future problems. An *observation* can be either a positive comment about the agency, a clarification of policy interpretation, or a suggestion that may improve a service or element of operations.

Concern – Vacant Unit Turnover Time

Two of the units that were vacant between January 1, 2008 and October 31, 2008 remained vacant for 100 days and the average time off-line was 59 days.

Requested Action

To endeavor to shorten the time a unit remains off-line.

HCD staff requests that management review the Internal Audit report which did not contain any findings.

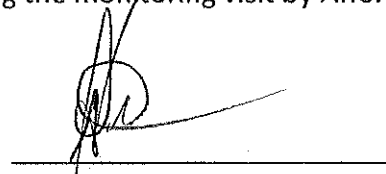
The concern in this review, in our view, does not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the concern is to bring attention to relatively high unit turnover times.

It is HCD staff opinion that Berryman Square Apartments is compliant concerning affordability and contractual requirements. The property appears to be in good condition and remains a decent housing option for qualified households.

HCD staff appreciates the assistance provided during the monitoring visit by Affordable Housing Management, Inc. staff.



Michael Blair
Specialist Grants Compliance



Andy Scott
Director HCD

Kerans, Mickey

From: Scott, Andrew
Sent: Wednesday, November 12, 2008 2:13 PM
To: Kerans, Mickey
Cc: Blue, Cynthia; Jones, Linda
Subject: RE: Berryman Square

Thanks for the reminder.

Andrew S. Scott, Director
HCD Greensboro, NC
andrew.scott@greensboro-nc.gov
336.373.2028

From: Kerans, Mickey
Sent: Wednesday, November 12, 2008 8:52 AM
To: Scott, Andrew
Cc: Lucas, Len
Subject: Berryman Square

Andy:

In our review of the fiscal year ended 12/31/07 audited financials, we noticed that the Carolina Bank Loan in the amount of \$475,671 will be due and payable next month on December 17, 2008. As a note too, the City Loan principal and accrued interest will be due January 1, 2010.

Thank you,

Mickey Kerans
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336-373-2138 FAX
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