



*Date:* December 5, 2008  
*To:* Mitchell Johnson, City Manager  
*From:* Internal Audit Division  
*Subject:* Windhill Court, LLC

The Internal Audit Division has completed our annual review of Windhill Court, LLC in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2006-2007 grant year. Attached you will find our review report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas'.

Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager for Economic Development  
Andy Scott, Director of Housing & Community Development



# City of Greensboro

Date: October 27, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: Windhill Court, LLC 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Windhill Court, LLC (Property), which received a non-interest bearing loan from the City of Greensboro (City) in the amount of \$506,131 on May 2, 2007. This loan helped support the construction of 64 apartment units for families in the Greensboro area. These units located at 101 Windhill Court are called Windhill Court Apartments and are managed by Affordable Housing Management, Incorporated (Management).

This loan repayment to the City is based upon an annual payment of \$3,500 beginning May 1, 2008 to May 1, 2012; then it changes to \$3,200 from May 1, 2013 to May 1, 2017; \$3,000 from May 1, 2018 to May 1, 2022; \$2,000 from May 1, 2023 to May 1, 2027; \$1,200 from May 1, 2028 to May 1, 2035; and the remainder of balance due May 1, 2036. A payment due May 1, 2008 in the amount of \$3,500 was received by the City on September 2, 2008. The current balance after the payment is \$502,631.

We accompanied Mr. Doug Booth, Supervisor of Housing Rehabilitations of the Department of Housing & Community Development (HCD) on September 3, 2008 as he inspected approximately 15 percent of the units and some repairs were noted for the property. These issues were given to the Property Director after the inspection to address before they escalate into costly problems.

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

**FINDING:**

A principal payment of \$3,500 due May 1, 2008 was not received by HCD until September 2, 2008.

**RECOMMENDATION:**

Principal payments should be received by HCD on or before May 1<sup>st</sup> of each year.

We request a written and signed response from the Department of Housing & Community Development and Affordable Housing Management by November 10, 2008 to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27401.

We would like to thank Ms. Amanda Dillon, Site Manager; Ms. Rita Maculoso-Gregory, Administrative Assistant; Mr. Justin Brooks, Regional Property Manager and the Management of Affordable Housing Management, Incorporated 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.

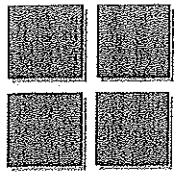


Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager for Economic Development  
David Levy, Executive Director of Affordable Housing Management, Incorporated



# HCD

Department of Housing & Community Development

**Date:** October 23, 2008  
**To:** David Levy, Affordable Housing Management  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY08/09 Windhill Court Programmatic Evaluation*

On September 4, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Windhill Court Apartments. Affordable Housing Management, Inc. (AHMI) manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for HOME Program and contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable HOME Program and contractual requirements. In this monitoring review attention was paid to HOME 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, 2007 to June 30, 2008. 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. Amanda Dillon, Site Manager, Ms. Rita Maculoso-Gregory, Administrative Assistant, and Mr. Justin Brooks Regional Property Manager along with other AHMI staff.

The property is located at 101 Windhill Court in Greensboro, NC. City of Greensboro HOME Program financing for the property was \$506,131. Additional funding of \$2,500,000 was provided by Carolina Bank, and the NCHFA provided \$504,135.

The May 2006 written agreement created 64 units, half of which are designated as HOME units (eight (8) one-bedroom and twenty four (24) two-bedroom), with a HOME Program affordability period of 20 Years. Rents would not exceed the lower of either Low HOME Rents or LIHTC 50% rents for the HOME units. This requirement has been met and exceeded.

2008 HOME rents are: Low HOME One Bedroom ≤ \$528; Low HOME Two Bedroom ≤ \$635

Unit housing costs are as follows:

64 TOTAL Units	Tenant Rent	Utilities	Total (Rent + Util.)
8 1/BR Units	\$445	\$55	\$500
8 1/BR GHA Units	\$333	\$55	\$388
16 2/BR Units	\$550	\$68	\$618
32 2/BR GHA Units	\$495	\$68	\$563

Incomes of residents are certified annually according to the NCFHA report dated 09.02.08 as well as from the tenant file review. Nine (9) tenant files were inspected by HCD staff. The files were well maintained and contained all required income and lease information. They also matched the rent roll report and RCRS on most items.

The reported occupancy has averaged 92.2% from January 1, 2008 through August 31, 2008. This is 4.9% higher than the April 2008 area occupancy rate of around 87.3%. The occupancy percentage was calculated from the vacancy report provided to city staff. It should be noted that the occupancy reported on the day of the inspection was 95.4% which is very good.

Section 8 tenants are accepted and occupy thirty seven (37) units.

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

Management maintains an updated waiting list with twelve (12) active applicants.

The leases do not contain any of the HOME prohibited provisions and leases are greater than or equal to twelve months in length and not on a transient basis.

HCD staff inspected nine (9) units, and the building exteriors, on September 3, 2008 and no deficiencies were report in any of the units or exteriors. The overall curb appeal of the property is good. The exterior is well maintained and in good overall condition.

As a result of this review HCD staff is making zero (0) findings and two (2) concerns. 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.

#### Concern 1 – Vacant Unit Turnover Time

Several of the units that became vacant between January 1, 2008 and August 31, 2008 remained vacant for over 100 days (seven of fourteen) and the average time off-line was 86 days.

#### Requested Action

To shorten the time a unit remains off-line. This may have been impacted by increasing area vacancies or damage to units.

Concern 2 - Annual Tenant Income Recertification

Effective 7/30/2008: The Housing and Economic Recovery Act (H.R. 3221) allows that owners of tax credit properties are no longer required to obtain annual re-certifications beyond the re-certification at the first anniversary date of move-in.

This **does not** apply to HOME, or any other HCD designated units regardless of fund source, units at this time. Annual tenant income recertifications are still required for compliance on the floating HOME units. Please see the attached HCD memo.

HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated September 11, 2008.

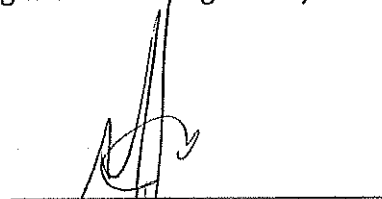
The concerns in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the first concern is to make management aware of fairly high average unit off-line times. The intent of the second concern is to make management aware of how HCD is responding to the new tax-credit recertification rules.

It is HCD staff opinion that Windhill Court Apartments is contractually compliant concerning affordability, and HOME, requirements. The property itself is in very good condition and remains an excellent housing option for qualified households.

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



Michael Blair  
Specialist Grant Compliance



Andy Scott  
Director HCD

## Memorandum

To: Owners and Managers of City of Greensboro Funded Rental Properties  
From: HCD  
Subject: Changes to Re-certification  
Date: September 30, 2008

The Housing and Economic Recovery Act (H.R. 3221) changed several aspects of the federal Low Income Housing Tax Credit (LIHTC) program. This memo addresses the provision in H.R. 3221 that eliminated the annual re-certification for 100% low income LIHTC developments and its impact on City of Greensboro funded developments.

Effective 7/30/2008, owners of tax credit properties awarded credits based on 100% low income occupancy were no longer required to obtain annual re-certifications beyond the re-certification at the first anniversary date of move-in. This included properties with current Re-certification Waivers (HCD is aware of only one property in its portfolio that had a waiver) and properties in the Extended Use Period.

However properties that are funded by the City of Greensboro must comply with not only LIHTC requirements but also with HOME Program regulations and local funding requirements (development agreements and notes and deeds of trust) as long as a loan remains in place.

In order to guarantee the enforcement of these additional restrictions HCD will require that each household be re-certified annually following the move-in certification. In properties that are not comprised of 100% HOME units (or local fund source units) HCD recommends that re-certifications be for all units to avoid inadvertently falling out of compliance. If the units are floating HOME units, and management wishes to waive re-certifications on the non-city funded units, they must be identified by management and provided to HCD staff annually.

To be consistent across our project portfolio HCD will require that properties perform annual re-certifications using the same process required for tax credits. The city will not allow property managers to utilize the other options available under the HOME program. This memo supersedes and negates all previous HCD recertification rulings.

This memo is intended to address questions and concerns created by H.R. 3221. We will continue to provide guidance regarding the additional provisions of the H.R. 3221 and as other federal or state agencies alter their regulations to accommodate H.R.3221.

Please contact HCD staff with any questions you may have regarding these new provisions.

R- 11/5/08



AFFORDABLE HOUSING  
MANAGEMENT, INC

Writer's Extension: 123  
Writer's Email: dosborne@ahmi.org

October 31, 2008

Mr. Mickey Kerans  
City of Greensboro  
Internal Audit Division  
P.O. Box 3136  
Greensboro, N.C. 27401

Re: Windhill Court LLC

Dear Mr. Kerans,

Your letter of 10-27-08, noted that the City payment was not received until September 2, 2008 and should have been received May 1<sup>st</sup>, 2008. A copy of your letter has been put in our mortgage file to assist in reminding us that the payment is due on May 1<sup>st</sup> of each year. This was the first payment due and was overlooked until late August. Every effort will be made to make sure timely payments are made in the future.

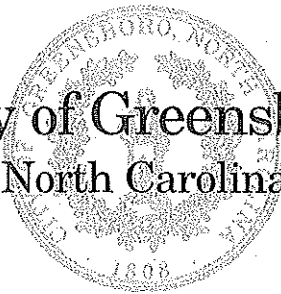
If you have any further questions, please do not hesitate to contact me.

Sincerely,

Debora Osborne  
Finance Director



City of Greensboro  
North Carolina



November 5, 2008

Ms. Debora Osborne  
Affordable Housing Management, Inc.  
330 S. Greene St.  
Suite B-11  
Greensboro, NC 27401

Re: Windhill Court Apartments-2006 to 2007

Dear Debora:

We are in receipt of your letter dated October 31, 2008 reference the City's Internal Audit report letter dated October 27, 2008 for the 2006 to 2007 Year. Thank you for your prompt and concise response. We have reviewed your letter and agree with your response to make principal payments to the City by May 1<sup>st</sup> of each year.

Sincerely,

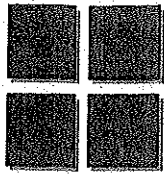
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Mickey Kerans  
Internal Auditor

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager of Economic Development  
Andy Scott, Director of Housing & Community Development



# HCD

Department of Housing & Community Development

## MEMO

**Date:** November 25, 2008  
**To:** Len Lucas, Internal Audit Director  
**From:** *MB* Michael Blair, Specialist Grants Compliance  
**RE:** HCD Review of Windhill Court Internal Audit Report

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HCD has reviewed the Internal Audit report on Windhill Court Apartments/Affordable Housing Management (AHM). The audit is for 2006-2007. HCD submits the following:

### IA Finding 1:

A principal payment of \$3,500 due May 1, 2008 was not received by HCD until September 2, 2008.

### IA Recommendation 1:

Principal payments should be received by HCD on or before May 1<sup>st</sup> of each year.

HCD Reply to Finding and Recommendation 1: Concur



*Date:* December 2, 2008  
*To:* Andy Scott, Director of Housing & Community Development  
*From:* Internal Audit Division  
*Subject:* HCD Reply to IA Report-Windhill Court Audit 2006-2007

Thank you for your reply of November 25, 2008. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated October 27, 2008.

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  
Jim Westmoreland, Acting Assistant City Manager for Economic Development