



City of Greensboro

Date: August 4, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Alexander Homes Limited Partnership

The Internal Audit Division has completed our annual review of The Alexander Homes Limited Partnership 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
Andy Scott, Director of Housing & Community Development



City of Greensboro

Date: June 25, 2008

To: Andy Scott, Director of Housing & Community Development

From: Internal Audit Division

Subject: Alexander Homes Limited Partnership 2006-2007

The Internal Audit Division has performed our annual compliance review of the current year's operations of Alexander Homes Limited Partnership, which received a loan from the City of Greensboro in the amount of \$797,000 in March 1995 to help in the rehabilitation of 40 apartments on Bingham, Gant, York and Spencer Streets and South O'Henry Boulevard. The balance due as of December 31, 2007 is \$794,253. The unpaid balance of this loan is due in April 2025. This partnership also entered into a Purchase Money Promissory Note with the Redevelopment Commission of Greensboro for \$67,500 on March 1995, and it is due in full in March of 2025.

The first mortgage is with Community Investment Corporation of the Carolinas which had an original amount of \$420,000 for 25 years at 8.54%. The mortgage balance as of December 31, 2007 was \$330,762.

These units are called Alexander Homes Apartments. They are rented to qualifying individuals and families in the Greensboro area and are managed by Wynnefield Properties, Incorporated.

We accompanied Mr. Doug Booth, of the Department of Housing & Community Development, as he inspected approximately 15 percent of the units and some minor repairs were noted. Overall the exterior of the units inspected appear to be well maintained.

We examined selected program documentation maintained by the partnership 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 with the exception of the following findings:

FINDING:

In reference to the Partnership's financial condition as of December 31, 2007 we note the following:

•The working capital had a negative (\$27,252) which is a decrease of (\$11,054) from 2006.

RECOMMENDATION:

Management should advise how they plan to improve the financial position of Alexander Homes.

We request a written and signed response from the Department of Housing & Community development and the Wynnefield Properties by July 9, 2008.

We would like to thank Ms. Joanie Duley, Corporate Management; Mr. Ernest Allen, Community Manager; Mr. Donald Friend, Maintenance Coordinator; Ms. Ann Chavis, Compliance Manager and Mr. Jim Blakely, Wynnefield Regional Property Manager and the staff of Wynnefield Properties 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.

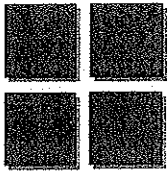


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Norwood Stone, President of Wynnefield Properties, Incorporated.



HCD

Department of Housing & Community Development

Date: June 24, 2008
To: Norwood Stone, Wynnefield Properties
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 Alexander Homes Apartments Programmatic Evaluation*

On June 4, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Alexander Homes Apartments.

For informational purposes Alexander Homes Apartments are located at Gant, York, Bingham, S. O'Henry Blvd. and Spencer, in Greensboro, NC. Wynnefield Properties, Inc. manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for contractual and federal compliance.

The March 1995 rehabilitation agreement included allocations of \$796,982 in Federal HOME dollars, a \$240,000 (Amended) gift from Neighborhoods United, and Private Investment (Tax Credits) of \$1,415,517.

Forty (40) units and forty (40) HOME Assisted Units were created with an affordability of thirty (30) years. Rents would not exceed 30% of the adjusted income of tenants at 60% of Median Income. Rents for 40% (16 units) of all units will not exceed 30% of the adjusted income of tenants at 50% of Median Income adjusted by family size

The purpose of the monitoring visit is to determine whether the property is meeting HOME Program requirements and other 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, 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. Joanie Duley, Corporate Management; Mr. Ernest Allen, Community Manager; Mr. Donald Friend, Maintenance Coordinator; Ms. Ann Chavis, Compliance Manager and Mr. Jim Blakely, Wynnefield Regional Property Manager.

The current 2008 HOME Program "Low HOME" rent is \$635 for a 2/BR unit. With rent at \$470 plus utilities of \$133 all Alexander Homes units fall below the "Low HOME" rent of \$635. The unit rents are in compliance with the HOME Program.

Only one of the tenant incomes appears to have exceeded 140% of their maximum eligible income limit (LIHTC rules apply). Resident incomes are certified annually according to the NCFHA Rental Compliance Reporting System report and HCD file review.

Section 8 housing vouchers are accepted and seven (an increase of three since the 2007 review) tenants receive this assistance.

HCD staff inspected seven (7) units on June 4, 2008 and reported several minor deficiencies that need attention. The exterior was reported to be in "good" condition.

As a result of this review HCD staff is making zero (0) findings and three (3) 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 – Affirmative Marketing

The audited financial statements for the year ended December 31, 2007, page eight (8), reports **\$0 for advertising expenses in 2007** (and \$120 in 2006). Please see concern #2 which details an excessive vacancy (or low occupancy) rate over the last 12 months.

If no other marketing efforts have been made HCD will consider management in non-compliance with §4.6 "Affirmative Marketing Requirements", and §6.8 "Governmental regulations", of the agreement between Alexander Homes Limited Partnership and the City of Greensboro. Please see the attached document "Affirmative Marketing Requirements for the HOME Program" which is referenced in §4.6.

In addition to the City requirements HUD – 935.2 "Affirmative Housing Fair Marketing Plan" dated 12/29/02 - §5 "Future Marketing Activities" - includes Newspapers/Publications, Site Signs, Community Contacts and flyers, as marketing activities to fill vacancies as they occur after the project was initially occupied.

Requested Action

HCD staff requests by July 22, 2008 a complete report of all affirmative marketing activities from July 1, 2007 through June 23, 2008. This could include newspaper advertising, community contacts with the GHA and Housing Coalition, distribution of flyers, etcetera.

Concern Number 2 – Low Occupancy

The occupancy for the property on the date of the monitoring visit was 70%. The occupancy from July 2007 through June 2008 is a reported 78.8% (down from 88% in the 2007 report) or a vacancy rate of 21.2%. What is more troubling is that the occupancy from January 2008 through June 2008 has been 74.6% and the rental occupancy even lower at 73.1% (or a rental loss vacancy rate of 26.9% and rental loss of approximately \$30,177) which is damaging to the financial health of the property.

This is a very low level of occupancy even considering that the April 2008 area occupancy rate was 83.1% or a vacancy rate of 17.0%. HCD staff has surveyed similar type LIHTC and HOME properties in the vicinity and their average reported occupancy is typically around 90%.

Requested Action

Immediate improved occupancy should be goal for this property. Due to this ongoing condition management will now be required to submit a monthly occupancy report to HCD staff, by the 15th day of the month (beginning July 15, 2008), until the property recovers to at least a minimum 90% occupancy and maintains that level for at least 6 months.

Concern Number 2 – Tenant File

The condition of the tenant files reviewed was *much improved* over the files reviewed in 2007. Only one file had a deficiency which warrants mention. The income certification form for the tenant in unit 1815 Spencer Street was not signed by management or the tenant.

Requested Action

The above discrepancy did not change tenant eligibility however income certifications should always be signed by both parties.

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

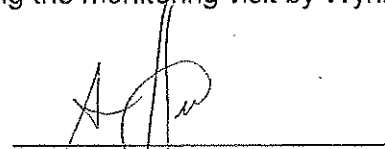
The concerns in this review, in our view, do not reflect negatively on management staff and their work to ensure contractual compliance and HOME Program compliance. The intent of the first concern is to seek immediate resumption of marketing efforts in light of high vacancies. The intent of the second concern expressed in this case is to make higher occupancy a priority. The third concern is to heighten management awareness.

It is HCD staff opinion that Alexander Homes Apartments may be at risk of falling out of HOME Program or contract compliance at this time. This aside the property appears to be in good condition and a decent housing option for qualified households.

HCD staff appreciates the assistance provided during the monitoring visit by Wynnefield Properties staff.



Michael Blair
Specialist Grants Compliance



Andy Scott
Director HCD

Affirmative Marketing Requirements For The HOME Program

Purpose: The City of Greensboro's affirmative marketing policy is designed to reach both mainstream and under-served populations, provide information, and attract eligible persons to the available housing. Applicants will not be discriminated against on the basis of race, color, national origin, sex, religion, familial status, disability or age according to applicable federal and local Fair Housing/Equal Opportunity/Age Discrimination regulations.

Action applies to: All rental and homebuyer projects with five or more HOME-assisted units (excepting Section 8 and HOME funded Tenant Based Rental Assistance).

Owner/Investor Requirements:

- Any person who qualifies for housing under City of Greensboro's established HOME income guidelines must have the right to be considered for a HOME-assisted unit in accordance with Fair Housing regulations. Preferences may be given to defined populations in special needs housing units such as the elderly, homeless or physically disabled.

- Owners/investors must display the fair housing poster in rental/sales offices and use the Equal Housing Opportunity logotype or slogan in advertising (see picture at right).



- Owners/investors of rental property will contact local assisted housing providers and referral agencies and may make use of commercial media advertising to fill vacancies in HOME-assisted rental units.

Affirmative marketing compliance will be documented by maintaining data on the following:

- Notification dates of vacancies to the Greensboro Housing Coalition
- Notification dates of vacancies to other housing referral agencies
- Copies of newspaper advertisements
- Race, ethnicity, income and gender of applicants for tenancy
- Race, ethnicity, income and gender of actual tenants

- Owners/investors or housing non-profits offering sale/lease property will contact housing counseling agencies, other housing non-profits, lenders, and realtors, and may make use of commercial media advertising to find potential homeowners or lease-purchase candidates.

Affirmative marketing compliance will be documented by maintaining data on the following:

- Notification dates of availability to other housing service agencies, which could include housing counseling agencies, housing non-profits, lenders and realtors
- Copies of newspaper advertisements
- Race, ethnicity, income and gender of applicants applying to purchase housing units
- Race, ethnicity, income and gender of actual purchasers of housing units

- For both rental and homeownership programs, owners/investors/non-profits will provide information on how to apply for housing through their programs, on at least an annual basis, to local community organizations, places of worship, employment centers, fair housing groups, and/or housing counseling agencies.

Affirmative marketing compliance will be documented by maintaining data on the following:

- Data on contacted organizations (what organization, when contacted, etc.)
- Copies of distributed information

Failure to follow these requirements and report to the City of Greensboro annually will result in notification and suggested corrective action. Continued non-compliance will trigger sanctions up to and including disqualification from future participation in HOME funded programs.

Participating Jurisdiction Requirements:

- The City of Greensboro will provide Fair Housing information through the Fair Housing Specialist position in the Human Relations Department.
- The City of Greensboro will use the Equal Housing Opportunity logotype or slogan in press releases and other written communication publicizing current and future HOME projects.
- The City of Greensboro will communicate its Affirmative Marketing requirements to potential HOME program participants and funding recipients.
- The City of Greensboro will annually assess the success of owner/investor/non-profit affirmative marketing actions by examining compliance documentation and by comparing applicant and occupier groups with housing market needs.

Wynnefield Properties

5614 Riverdale Dr. Jamestown NC 27282 Phone: 336-454-6134 Fax: 336-454-6226

July 7, 2008

Mr. Mickey Kerans
City of Greensboro
300 W. Washington Street, Room 315
Greensboro, NC

Re: Alexander Homes Limited Partnership 2006-2007

Dear Mickey,

In reference to the recent annual audit by The Internal Audit Division, we were asked to respond with a plan on how we were going to improve the financial position of Alexander Homes Apartments. Norwood Stone asked me to recap our position on the property. Obviously, the financial position will be improved with increased occupancy, as we are all aware.

Concern 1: Affirmative Marketing

Alexander Homes has an ongoing relationship with the local PHA in order to advise them of vacancies. As noted in your letter, we do accept Section 8 vouchers; therefore, this is the first source of prospective tenants. We are distributing flyers in the community, including the Juneteenth Festival, the Celebration of Children event, local churches, National Night Out, the Greensboro Merchant's Association, the Social Serve.com website, schools, and the Greensboro Housing Coalition. In previous years, we have found that advertising in the local newspaper has not been cost effective for the property to yield prospective residents. Additionally, all eight Wynnefield managers in Greensboro refer prospective residents to the Wynnefield properties in Greensboro that best suit their needs.

Concern 2: Low Occupancy

The introduction of the new Hope 6 project (Willow Oaks) that is adjacent/across the street from Alexander Homes continues to impact the occupancy negatively. The prospect of home ownership versus renting at a comparable monthly payment continues to affect our tenancy. In addition, the Willow Oaks Apartments offer a two bedroom size for \$470.00, for 863 square feet. This equates to \$.54 per square foot in rental. Our two bedroom units also rent for \$470.00, but only have 604 square feet. This equates to \$.78 per square foot in rental. It is easy to understand that there would be a preference for a brand new property with more space and amenities versus an older one at the same price. There is a waiting list for Willow Oaks

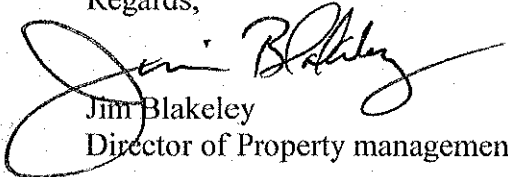
Apartments. Obviously, Alexander Homes is at a real competitive disadvantage and one that is not easily fixed. Regardless, we will continue to do our best to improve the occupancy.

Our recent rental traffic at Alexander Homes has brought us a number of individuals who have not qualified due to low income. This is made worse because of the recent reductions in hours from some local companies. In addition, there are other properties in the area which are similar to ours, but not as well maintained, and our belief is that there is some confusion and negativity with prospective residents.

Finally, we have an experienced property manager, Ms. Denise Lockhart, who is the Regional Manager for the Greensboro properties. Her sole focus is the rent-up and marketing of these properties. We feel that her experience will yield results very quickly and improve the occupancy at our apartments.

In summary, we are aggressively marketing this property. We feel that we have good people in place who are capable of managing and improving Alexander Homes Apartments. We are hopeful that when you have the 2009 inspection and audit, that you will see a marked improvement in occupancy and financial stability.

Regards,



Jim Blakeley
Director of Property management

Cc: Mr. Ken Lucas
Mr. Michael Blair
Mr. Norwood Stone
Mr. Craig Stone

City of Greensboro
North Carolina

July 14, 2008

Mr. Jim Blakeley
Director of Property Management
Wynnefield Properties
P. O. Box 395
Jamestown, NC 27282

Re: Alexander Homes Apartments-2006-2007

Dear Jim:

Thank you for your response dated July 7, 2008 which we received by e-mail on July 11, 2008 in reference to the Alexander Homes Apartments review for 2006-2007. We agree with your responses and corrective measures. We wish you much success in improving the occupancy and financial condition of Alexander Homes Apartments.

If you should have any questions, please let us know at telephone number 373-2821.

Sincerely,

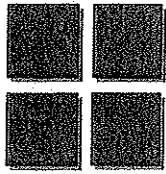


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director


Cc: Bob Morgan, Deputy City Manager
Andy Scott, Director of Housing & Community Development



HCD

Department of Housing & Community Development

MEMO

Date: July 28, 2008
To: Len Lucas, Internal Audit Director
From:  Michael Blair, Specialist Grants Compliance
RE: HCD Review of Alexander Homes Audit Report

After review of the June 11, 2008 Internal Audit report on Alexander Homes Limited Partnership/Wynnefield Properties, for 2006-2007, HCD submits the following:

IA FINDING 1:

In reference to the Partnership's financial condition as of December 31, 2007 we note the following:

- a. The working capital had a negative (\$27,252) which is a decrease of (\$11,054) from 2006.
- b. Management did not provide us a Management Letter.

IA RECOMMENDATION 1:

Management should advise how they plan to improve the financial position of Alexander Homes and provide the City the required Management Letter for fiscal year ending December 31, 2007.

- HCD Reply to Finding/Recommendation 1: *Concur.*

Summary: HCD concurs with the Internal Audit report.



City of Greensboro

Date: July 30, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Alexander Homes 2006-2007

Thank you for your reply dated July 28, 2008. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated June 25, 2008. Also, please be advised we received the Management Letter from the Borrower on June 11, 2008.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager