

Internal Audit Division
City of Greensboro

September 9, 2015

TO: Barbara Harris, Director of Neighborhood Development
FROM: Internal Audit Division
SUBJECT: Southwoods, LLLP 2013-2014
(No Response Required)

The Internal Audit Division has performed our compliance review for the year ended December 31, 2014 of Southwoods LLLP ("Partnership"). The Partnership received a loan provided by the City of Greensboro ("City") in November, 1996 in the amount of \$550,000 to assist in the financing of 59 studio apartments located at Columbus and Kirkman Streets for low-income individuals. These units are called Southwoods Apartments and are managed by Affordable Housing Management, Incorporated ("AHM").

The repayment on this non-interest bearing loan to the City is based upon a percentage of cash flow after deducting all operating expenses actually incurred; payment of debt service and funding of the reserve accounts. Loan repayment was set to begin on July 1, 1998, and each July 1 thereafter. A principal loan payment of \$2,591 was paid by the Partnership as a result of cash flow for the year ended December 31, 2014; and the ending loan balance at December 31, 2014 was \$538,592.

During 2013, a request was made by AHM (approved by the City and North Carolina Housing Finance Agency) to withdraw Operating Reserve funds. The final approved amount \$38,668.92 was transferred to the general agency account and vendor payables paid at the end of December 2013. The Operating Reserve requires a minimum balance of \$75,100 be maintained in the account; and any withdrawals from this account that decreases the balance below the required balance must be repaid, as funds permit, prior to the owners/partners receiving any distribution from the property. The account's balance at December 31, 2014 was \$43,214. The Executive Director of AHM explained a plan for repayment: Following the acquisition, the entity would be wholly owned by non-profit organizations, and exemption of property taxes would be requested. Once the property taxes were exempted, one-half of the savings (approximately \$6,500 per year) would be deposited back into the Operating Reserve Account until the balance is brought back up to \$75,100.

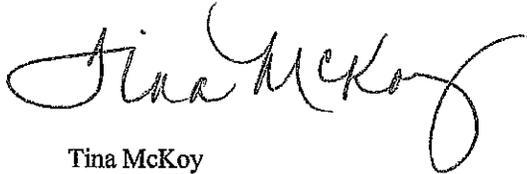
The Partnership received its tax-exempt status from the Guilford County Tax Department on April 8, 2014.

In Note 1 to the financial statements for the year ended December 31, 2014, it states: *"On December 31, 2013, the investor limited partner [Wells Fargo] sold its 99% interest to Southwoods Property, Inc., a not-for-profit affiliated organization of the managing general partner (AHM).*

On July 23, 2015, Ms. Von Patrick, Neighborhood Outreach Specialist of the Neighborhood Development Department, inspected approximately 15 percent of the units and no repairs were noted at the time. Overall, the exterior buildings and grounds appeared to be well maintained.

We examined selected financial transactions and program documentation maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the terms of the loan agreement have been met.

We would like to thank Ms. Diana Herbin, Property Manager; Ms. Maria Ortiz-Pantoja, Compliance Specialist; and the staff of Affordable Housing Management, Incorporated for the 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 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Chris Wilson, Assistant City Manager
Mary Vigue, Assistant Manager, General Government Results Area
Caitlin Warren Bowers, Grant Administrator, Neighborhood Development
Mr. David Levy, Executive Director, Affordable Housing Management, Incorporated



September 3, 2015

Southwoods Apartments
David Levy, Affordable Housing Management, Inc.
330 S. Greene St., Ste. B-11
Greensboro, NC 27401

Re: Southwoods Apartments Limited Partnership Agreement - Dated 1996
December 31, 2014 Loan Balance: \$538,592

Mr. Levy:

City of Greensboro staff conducted an on-site monitoring visit of Southwoods Apartments on July 30, 2015. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

- **Certification of Tenant Incomes:** The files were in good condition, sequenced in a logical order, and included all required documents including proper income certification.
- **Residential Lease:** All leases are for one year.
- **Lead Based Paint:** The property is not subject to lead-based paint disclosure. Requirements met.
- **Rents:** Fifty-nine (59) LIHTC studio units would be at Low HOME rents which are affordable to tenants at or below 50% of adjusted local median income for a two person household. The 2015 maximum rent limit is \$515 per month with the inclusion of utility allowances. Southwoods rents currently do not exceed \$387/m. The unit rents are in compliance with the Deed of Trust. No findings or concerns.
- **Property Standards:** The interior and exterior of the units were in great condition with no items noted for repair. The grounds were also noted to be in great condition. No findings or concerns.
- **Contractual Compliance:** Southwoods Apartments is in compliance with the agreement including the insurance requirement.

Base Property Indicators

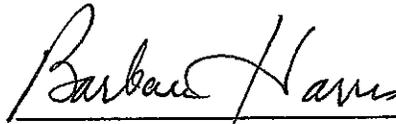
Red Flag Indicators	Threshold	Property results	Red Flag
Physical Occupancy FY14/15	>85%	93.3%	-
Average Vacant Unit Offline Time	<45 Days	46.2Days	Red
Adhering to HOME and/or Agreement	Adherence	Yes	-
Change in Revenue	Positive	Yes	-
Affirmative Marketing Policy	Adherence	Yes	-
Property Taxes Paid On Time	Achieved	N/A	-

Summary: There is one red flag indicator based on an Average Vacant Unit Offline Time of 46.2 days. Due to past performances and the high physical occupancy, Neighborhood Development has no concerns regarding the marginal 1.2 day threshold shortfall. No reply to Neighborhood Development is required by this report. Overall the property is well maintained, managed, and provides decent housing to qualified residents. The Internal Audit report did not request a reply or contain any findings.

Neighborhood Development staff appreciates the assistance and documentation provided during the monitoring visit by Ms. Diana Herbin, Property Manager; Ms. Maria Ortiz-Pantoja, Compliance Specialist; and the staff of Affordable Housing Management.



Charla Gaskins
Federal Compliance Coordinator



Barbara Harris, Director
Neighborhood Development