



City of Greensboro

Date: March 12, 2009
To: Bob Morgan, Interim City Manager
From: Internal Audit Division
Subject: Redwood Street Limited Partnership / Coley Jenkins Elderly Housing 2003-2004

The Internal Audit Division has completed our annual review of The Redwood Street Limited Partnership in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2003-2004 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: Andy Scott, Interim Assistant City Manager for Economic Development
Dan Curry, Interim Director of Housing & Community Development



Date: November 14, 2005
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Redwood Street Limited Partnership/Coley Jenkins Elderly Housing 2003-2004

The Internal Audit Division has performed our compliance review of the year ended December 31, 2004 of Redwood Street Limited Partnership. This property received a loan provided by the City of Greensboro in the amount of \$556,000 non-interest bearing to help in the construction of 40 residential units located on Redwood Street. These units are called Coley Jenkins Independent Living Center. Senior Resources of Guilford is currently assisting in providing supportive services for residents.

The balance on the City loan is due in full on December 1, 2027.

We accompanied Mr. Doug Booth, Housing Construction Manager of Housing & Community Development, as he inspected approximately 15 percent of the units and some repairs were noted for the property. These issues have been forwarded to the Property Director 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:

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2004, the auditors, Costello Hill & Company, stated in Note B to the financial statements that "...the partnership is not generating cash sufficient to pay all its obligations as they become due. This condition raises substantial doubt its ability to continue as a going concern. The cash balance at December 31, 2004 was only \$292 while the accounts payable balance was \$58,112. The current asset balance for the same period was \$6,743 while the current liabilities balance was \$72,989 which is a negative working capital of (\$66,246). For the six months ended June 30, 2005, the unaudited financials revealed the negative working capital deficit had increased to (\$102,660).

RECOMMENDATION:

It's extremely possible that the partnership might file bankruptcy if it can not meet its current financial obligations. We would recommend HCD, the partners and Wynnefield management meet to discuss strategic planning to increase cash flow.

FINDING:

Also noted by the auditors in Note B of the financial statements, it was stated that property taxes for 2003 and 2004 in the amount of \$48,363 were unpaid as of the year ended December 31, 2004.

RECOMMENDATION:

To avoid the County levying liens on the property, we suggest the property taxes be paid as soon as possible. Non payment of taxes is a default per section 5.5 of the loan agreement. This could cause the acceleration of the Note as per section 7.1 of the City loan agreement.

FINDING:

Per the loan agreement, section 5.4 states the borrower will submit their fiscal year ended financials statements to the City within 90 days of their year end. We did not receive copies until our review on August 3, 2005 which was approximately five months later.

RECOMMENDATION:

The partnership should submit their financials to the City as stated in the loan agreement.

FINDING:

Per the Management Letter from Costello, Hill & Company, Redwood Street paid on-site manager wages maintenance wages for Kingsgate Housing L.L.C. and Raymond S. King Apartments Limited Partnership in 2004.

RECOMMENDATION:

Redwood should immediately seek to recover \$1,657.44 from Kingsgate and \$1,100.28 from R. S. King to repay these costs.

We request a written signed response from Wynnefield Properties and the Department of Housing & Community Development by November 28, 2005.

We would like to thank Ms. Michelle Aponte, Property Manager; Mr. Ricky Robinson, Maintenance Supervisor; Ms. Amanda Stone; and Mr. Craig Stone 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: Ben Brown, Assistant City Manager for Economic Development
I. Norwood Stone, President of Wynnefield Properties, Incorporated



Department of Housing & Community Development

MEMO

*Review
H/W*

Date: December 15, 2005
To: Len Lucas, Director Internal Audit
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Coley Jenkins Audit Report

After review of the November 14, 2005 Internal Audit report on Coley Jenkins Limited Partnership/Wynnefield Properties, for 2003-2004, HCD submits the following:

FINDING:

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2004, the auditors, Costello Hill & Company, stated in Note B to the financial statements that "...the partnership is not generating cash sufficient to pay all its obligations as they become due. This condition raises substantial doubt its ability to continue as a going concern. The cash balance at December 31, 2004 was only \$292 while the accounts payable balance was \$58,112. The current asset balance for the same period was \$6,743 while the current liabilities balance was \$72,989 which is a negative working capital of (\$66,246). For the six months ended June 30, 2005, the unaudited financials revealed the negative working capital deficit had increased to (\$102,660).

RECOMMENDATION:

It's extremely possible that the partnership might file bankruptcy if it can not meet its current financial obligations. We would recommend HCD, the partners and Wynnefield management meet to discuss strategic planning to increase cash flow.

- **HCD Reply to Recommendation 1:** *The tax obligations have been settled and Wynnefield Properties have requested to raise Coley Jenkins rents, while still remaining HOME Compliant, in order to increase cash flow. It is not HCD opinion that the partnership is in danger of bankruptcy at this time.*

FINDING:

Also noted by the auditors in Note B of the financial statements, it was stated that property taxes for 2003 and 2004 in the amount of \$48,363 were unpaid as of the year ended December 31, 2004.

RECOMMENDATION:

To avoid the County levying liens on the property, we suggest the property taxes be paid as soon as possible. Non payment of taxes is a default per section 5.5 of the loan agreement. This could cause the acceleration of the Note as per section 7.1 of the City loan agreement.

- **HCD Reply to Recommendation 2:** *Past due County Property Taxes have been resolved (paid in full) by Wynnefield Properties and their syndicator. There is no cause to accelerate the note due to default. HCD worked with Wynnefield Properties throughout the resolution of this issue.*

FINDING:

Per the loan agreement, section 5.4 states the borrower will submit their fiscal year ended financials statements to the City within 90 days of their year end. We did not receive copies until our review on August 3, 2005 which was approximately five months later.

RECOMMENDATION:

The partnership should submit their financials to the City as stated in the loan agreement.

- **HCD Reply to Recommendation 3:** *The recommendation to receive audited financials within 90 days of their fiscal year end is accepted.*

FINDING:

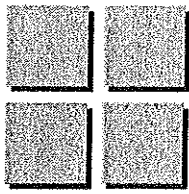
Per the Management Letter from Costello, Hill & Company, Redwood Street paid on-site manager wages maintenance wages for Kingsgate Housing L.L.C. and Raymond S. King Apartments Limited Partnership in 2004.

RECOMMENDATION:

Redwood should immediately seek to recover \$1,657.44 from Kingsgate and \$1,100.28 from R. S. King to repay these costs.

- **HCD Reply to Recommendation 4:** *Concur.*

Summary: On findings one (1) and two (2) the condition that predicated the original Internal Audit finding has been, or is being, resolved. On recommendations three (3) and four (4) HCD concurs with the Internal Audit report.



HCD

Department of Housing & Community Development

Date: September 19, 2005
To: Norwood Stone, Wynnefield Properties
From: Michael Blair, City of Greensboro, HCD
RE: *Coley-Jenkins Programmatic Evaluation*

Project Information:

The Coley-Jenkins property is located at 2121 Redwood Dr. in Greensboro, NC. It is currently managed by Wynnefield Properties, Inc. who took over management in September of 2004. Prior to Wynnefield taking over the property Beacon Management had been the management agency following the January 2003 bankruptcy of Project Homestead.

The January 1997 construction agreement included allocations of \$411,000 Federal HOME dollars and \$145,000 in local funds. 40 HOME Assisted Units were created with an affordability of 30 Years. Rents would be 30% of the adjusted income of tenants at 50% of Median Income.

HOME Program Compliance:

There are five basic goals of maintaining HOME Program compliance:

1. Ensure continuing affordability.
2. Determine that units are occupied by qualified families.
3. Enforce property standards.
4. Assess the effectiveness of affirmative marketing plans.
5. Ensure lease terms are allowable under the HOME rule.

Affordability requirements have been met with 100% of the units falling below the "Low HOME rent" of \$526/month.

Incomes of residents are certified annually according to the NCFHA and city staff. Section 8 tenants comprise 47.5% of all residents.

The overall condition of Coley-Jenkins was found to be above average, or better, by HCD inspection staff. There were some minor deficiencies found that need attention, those comments are in the inspection report. The property is in very good condition.

A copy of the HUD form describing marketing efforts was obtained which describes an acceptable marketing plan. Additionally Wynnefield has sought to partner with other various agencies that work with people that could qualify to live in Coley-Jenkins.

The leases do not contain any of the HOME prohibited provisions and all leases are all greater than 12 months in length. A waiting list is maintained. A correction needs to be made on the Tenant Selection Policy which should reflect Wynnefield's role as the management company and not the previous agency.

Programmatic Review:

Coley-Jenkins residents were provided services by "Senior Resources of Guilford". This consisted of 24 hours of services and 105 visits to Coley-Jenkins residents in the 2nd quarter of 2005. In addition 8 medical transportation rides were provided to 4 residents.

The City Internal Audit review found that due to rents being \$430 (24 apartments) and \$355 (16 apartments) a month, not including the utility allowance, instead of an allowable \$522 (24 apartments) and \$435 a month (16 apartments) that the monetary losses would have been reduced by several thousand dollars. It is recommended that the property manager review rents and the impact that not having them at the contract amount is along with the impact of additional costs on the Coley-Jenkins residents should they be raised.

CPA Management letters for Coley-Jenkins revealed significant unpaid property taxes for the years 2003 and 2004. HCD staff will maintain contact with Wynnefield Properties regarding this situation and its resolution.


Occupancy:

Since January 2005, through July 2005, Coley-Jenkins has a reported occupancy rate of 93.5%, or a vacancy rate of 6.5%, which is excellent in the current market.

April 2005 Carolina Real Data vacancy rate for the Greensboro/Winston Salem MSA is 10.1%. Coley Jenkins falls within the Greensboro sector that has a 13% vacancy rate as reported by Carolina's Real Data.



Michael Blair
Grant Compliance



Andy Scott
Director HCD



City of Greensboro
North Carolina

December 12, 2005

Mr. Bill Cashatt
Wynnefield Properties
5614 Riverdale Drive
Jamestown, NC 27282

Re: Redwood Street Limited Partnership/Coley Jenkins Elderly Housing Year-2003 to 2004

Dear Bill:

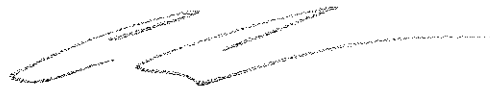
We are in receipt of Amanda Stone's e-mail dated December 2, 2005 reference the City's Internal Audit report of the 2003 to 2004 Year where she stated Wynnefield is waiting to hear from the syndicator before you reply to our November 14, 2005 report. Please keep in mind the Redwood Street report was due to us by November 28, 2005.

Also, please advise us the status of your reports for Alexander Homes (due October 19, 2005), and New Garden Place (due October 19, 2005).

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
I. Norwood Stone, President of Wynnefield Properties, Inc.
Andy Scott, Director of Housing & Community Development



Date: December 19, 2005
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Coley Jenkins Audit 2003-2004

Thank you for your reply of December 15, 2005. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated November 14, 2005.

Handwritten signature of Mickey Kerans.

Mickey Kerans
Internal Auditor

Handwritten signature of Len Lucas.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

Kerans, Mickey

From: Kerans, Mickey
Sent: Monday, March 13, 2006 7:35 AM
To: 'AStone1325@aol.com'
Cc: Lucas, Len; Blair, Michael
Subject: Coley Jenkins/Redwood Street

Amanda:

How are you? I am following up on your syndicator's response to Coley-Jenkins report as per your e-mail below. Please advise

Thank you,

Mickey Kerans
City of Greensboro, NC
Internal Audit Department
336-373-2821

-----Original Message-----

From: AStone1325@aol.com [mailto:AStone1325@aol.com]
Sent: Friday, December 02, 2005 11:05 AM
To: Kerans, Mickey; joanie.smith@wynnfieldproperties.com
Subject: (no subject)

Dear Mickey:

Items in our response require approval by the syndicator before we can submit it to you. We are awaiting those items from the syndicator and will forward a complete response in a timely manner. If you have any questions please call.

Thank you for your patience,

Amanda Stone
Wynnfield Properties

Kerans, Mickey

From: Blair, Michael
Sent: Thursday, March 23, 2006 3:26 PM
To: Kerans, Mickey
Cc: Lucas, Len; Scott, Andrew
Subject: RE: Coley Jenkins/Redwood Street

They've asked to increase the rent limit to 60% of area median. This is being reviewed by HCD staff.

-----Original Message-----

From: Kerans, Mickey
Sent: Thursday, March 23, 2006 1:00 PM
To: Blair, Michael
Cc: Lucas, Len; Scott, Andrew
Subject: FW: Coley Jenkins/Redwood Street

Michael:

Do you know what Amanda is referring to below?

Thank you,

Mickey Kerans
City of Greensboro, NC
Internal Audit Department
336-373-2821

-----Original Message-----

From: AStone1325@aol.com [mailto:AStone1325@aol.com]
Sent: Thursday, March 23, 2006 12:56 PM
To: Kerans, Mickey
Subject: Re: Coley Jenkins/Redwood Street

Mickey,

Doing well thanks. We are waiting for a decision from the city on a designation change. As soon as we have that we will update you on our response.

Thank you,
Amanda Stone

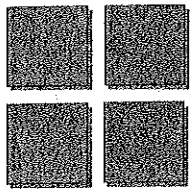
Kerans, Mickey

From: AStone1325@aol.com
Sent: Thursday, March 23, 2006 12:56 PM
To: Kerans, Mickey
Subject: Re: Coley Jenkins/Redwood Street

Mickey,

Doing well thanks. We are waiting for a decision from the city on a designation change. As soon as we have that we will update you on our response.

Thank you,
Amanda Stone



HCD

Department of Housing & Community Development

May 31, 2006

Redwood Street Limited Partnership
c/o Craig Stone
Wynnefield Properties, Inc.
PO Box 395
Jamestown, North Carolina 27282

RE: Coley- Jenkins Independent Living Center

Dear Craig:

Our internal auditors' review of the latest Colby-Jenkins financial statements have raised concerns about the stability of the project as budget projections predict that the project will continue to operate at a loss for the foreseeable future.

We need to meet immediately with representatives of all parties to the transaction to discuss this matter. Please give me a call as soon as possible to set up a time for this meeting.

Sincerely,


Andrew Scott

Cc: Norwood Stone c/o Redwood Street Limited Partnership
WNC and Associates c/o David Schaffer
CICNC c/o Cindy Wiggins-Tieda
Linda Miles, City Attorney
Len Lucas, Internal Audit
Michael Blair



Kerans, Mickey

From: Kerans, Mickey
Sent: Monday, July 17, 2006 9:22 AM
To: Blair, Michael
Cc: Lucas, Len
Subject: Coley Jenkins response

When you meet with the syndicator this week, please mention that we have not had a response from Wynnefield on our Internal Audit report of November 14, 2005 for the 2003-2004 year.

Thank you,

**Mickey Kerans
City of Greensboro, NC
Internal Audit Department
336-373-2821**

7/17/2006

Kerans, Mickey

From: Kerans, Mickey
Sent: Tuesday, October 03, 2006 3:49 PM
To: 'Joanie Duley'
Subject: RE: Reply due from Wynnefield

Thanks Joanie. I need to add one more from last year. Include Coley Jenkins report dated November 14, 2005. The last correspondence I had from Amanda is that they needed to have approval from the syndicator before responding to us.

Thank you,

Mickey Kerans
City of Greensboro, NC
Internal Audit Department
336-373-2821

-----Original Message-----

From: Joanie Duley [mailto:joanie.duley@wynnefieldproperties.com]
Sent: Tuesday, October 03, 2006 1:53 PM
To: Kerans, Mickey
Subject: RE: Reply due from Wynnefield

Mickey,

Thank you, I am forwarding this on to Craig, ASAP!!!!

From: Kerans, Mickey [mailto:Charles.Kerans@greensboro-nc.gov]
Sent: Tuesday, October 03, 2006 1:38 PM
To: Joanie Duley
Cc: Lucas, Len
Subject: Reply due from Wynnefield

Joanie:

We haven't received the signed written replies from Mr. Stone on the following properties:

Alexander Homes
New Garden
Lincoln Grove

I know you have been working on these and we have talked but we need the written replies in order to finalize the reviews.

Thank you,

Mickey Kerans
City of Greensboro, NC
Internal Audit Department
336-373-2821



City of Greensboro
North Carolina

October 16, 2006

Mr. Norwood Stone, CEO
Wynnefield Properties
1610 Deercroft Court
Greensboro, NC 27407

Re: City Mortgage Loans-Coley Jenkins, Alexander Homes, New Garden Homes and
Lincoln Grove Apartments

Dear Mr. Stone:

Following up your telephone conversation with Mr. Lucas, enclosed are copies of reports from the Internal Audit and the Housing & Community Development Divisions which were originally mailed to you at your Jamestown office and which have not been replied to by Wynnefield. I am also enclosing copies of follow up correspondence with your employees. We would appreciate your responding to us as soon as possible.

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: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development

City of Greensboro
North Carolina

Len/Andy,
As I understand
City policy, we should
send another letter to
these folks talking about
future allocations
of funds from
the City way
be in jeopardy
if they don't
clean up this
stuff now!
Thanks,
Ben
10/23/07

RECEIVED
OCT 23 2007
City Manager's Office

October 18, 2007

CERTIFIED MAIL-Return Receipt Requested

Mr. I. Norwood Stone
President
Wynnefield Properties, Inc
PO Box 395
Jamestown, NC 27282

Re: Coley-Jenkins Elderly Housing

Dear Mr. Stone:

We are still due a response from Wynnefield Property Management for Coley-Jenkins review letter November 14, 2005 which was due to us by November 28, 2005; review letter dated November 28, 2006 which was due to us by December 12, 2006 and review letter dated August 13, 2007 which was due to us by August 27, 2007.

If you should have any questions, please let us know at telephone number 373-2821. We would like to have your responses to the reviews above as soon as possible so we can finalize these files.

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development

Ben
10/24/07
Len/Andy



City of Greensboro
North Carolina

November 7, 2006

Mr. Craig Stone, President
Wynnefield Properties
P. O. Box 395
Jamestown, NC 27282

Re: Coley-Jenkins-2003-2004

Dear Mr. Craig:

Again thank you for your responses on Alexander Homes, New Garden and Lincoln Grove Apartments for 2004-2005 per our follow up letter to Norwood Stone of October 16, 2006.

This is to advise that we did not receive your signed written response to our review for Coley-Jenkins for 2003-2004 as requested in our letter to Norwood of October 16th. Your original response was due to us by November 28, 2005. Please advise with your response as expeditiously as possible.

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: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development
Linda Miles, City Attorney
Norwood Stone, CEO of Wynnefield Properties, Inc.



City of Greensboro
North Carolina

November 7, 2006

Mr. Craig Stone, President
Wynnefield Properties
P. O. Box 395
Jamestown, NC 27282

Re: Coley-Jenkins-2003-2004

Dear Mr. Craig:

Again thank you for your responses on Alexander Homes, New Garden and Lincoln Grove Apartments for 2004-2005 per our follow up letter to Norwood Stone of October 16, 2006.

This is to advise that we did not receive your signed written response to our review for Coley-Jenkins for 2003-2004 as requested in our letter to Norwood of October 16th. Your original response was due to us by November 28, 2005. Please advise with your response as expeditiously as possible.

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: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development
Linda Miles, City Attorney
Norwood Stone, CEO of Wynnefield Properties, Inc.

Wynnefield Properties

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

February 27, 2009

Mickey Kearns
City of Greensboro
300 Washington St.
P.O. Box 3136
Greensboro, NC 27402-3136

Dear Mickey:

In response to the City of Greensboro's Internal Audit Division letter dated November 14, 2005, concerning Coley Jenkins Independent Living Center, please find our response to the City's findings below.

- Wynnefield is seeking to stabilize the property by various means. We are working to find better operating financial terms and conditions by re-negotiating the current loan agreement. We are seeking to secure a property tax reduction or elimination; by finding a qualified non profit to acquire the property and eliminate its tax obligation. We are also negotiating with the utility company and insurance provider in an attempt to secure lower operating costs. We are also seeking to secure obligations laid out in the initial tax credit application for the benefit of Coley Jenkins Independent Living Center. We have met with the City of Greensboro staff, HCD staff, WNC, and CICNC staff to inform each party of the current financial conditions in an attempt to work in concert to find a long term viable solution.
- All taxes are current.
- All year end financials will be submitted moving forward upon receipt from the independent auditor within 90 days.
- All monies owed to the Redwood partnership from Kingsgate and R.S. King have been repaid.

Should you have further questions regarding our response concerning Coley Jenkins Apartments, please contact us at 454-6134.

Regards,

Craig Stone
Wynnefield Properties

City of Greensboro
North Carolina



March 9, 2009

Mr. Craig Stone
Wynnefield Properties
5614 Riverdale Drive
Jamestown, NC 27282

Re: Redwood Street Limited Partnership-2003 to 2004

Dear Craig:

We are in receipt of your letter dated February 27, 2009 via e-mail on March 6, 2009. Your letter was a reply to the City's Internal Audit report dated November 14, 2005 for the 2003 to 2004 Year End. We have reviewed your letter and agree with responses and corrective measures.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Kerans", is written over the typed name.

Mickey Kerans
Internal Auditor

A handwritten signature in black ink, appearing to read "Len Lucas", is written over the typed name.

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Interim City Manager
Dan Curry, Acting Director of Housing & Community Development
Andy Scott, Interim Assistant City Manager of Economic Development