



# City of Greensboro

Date: January 26, 2009  
To: Mitchell Johnson, City Manager  
From: Internal Audit Division  
Subject: Greenbriar Housing II, LLC (Partnership Village II) 2006-2007

The Internal Audit Division has completed our annual review of Partnership Village II multi-family properties in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2006-2007 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



Date: November 4, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: Greenbriar Housing II, LLC (Partnership Village II) 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Greenbriar Housing II, LLC (Borrower), which consists of 24 units for low-income individuals or families located at 137 to 141 Greenbriar Road.

This Limited Liability Corporation received a loan in May 14, 2001 for \$150,000 from the City of Greensboro to help in the initial building of the apartment units. This is a non-interest bearing loan with final payment due March 1, 2032. The balance at December 31, 2007 per the Department of Housing & Community Development was \$149,680. Principal payments were to begin March 1, 2001 at 50% of gross receipts after deducting all normal and reasonable operating and capital expenses actually incurred and payments into the Replacement Reserve Account. For the fiscal year ended December 31, 2007, the Borrower owed the City at principal payment of \$781.50 was received on October 15, 2008. These units provide housing for qualified individuals and families in the Greensboro area. These units are called the Partnership Village II and are managed by Partnership Property Management.

We were accompanied by Mr. Dough Booth, Supervisor of Rehabilitation and Abby Feinstein, Specialist Community Services of the Department of Housing & Community Development (HCD) as they inspected 15 percent of the residences and some repairs were noted for the property. A copy of these issues were given to Mr. Harry Lee, Site Manager of Partnership Village to address before the issues escalate into costly problems.

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 except for the following findings:

**FINDING:**

The Borrower allowed the Capital Replacement Reserve to get down to \$-0- for the fiscal year ended December 31, 2007. The Borrower withdrew \$17,133.64 from the Reserve to supplement the Tax and Insurance Reserve. Also, the Borrower did not get prior written approval from the City for withdrawals of \$5,000 or more.

**RECOMMENDATION:**

The Borrower should comply to the Loan Agreement dated May 24, 2001 with the City as it pertains to the Reserve Accounts paragraph 1.12.

We request a written signed response from the Borrower and HCD which should be received by November 18, 2008 and be mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27401.

We would like to thank Ms. Pat Somers, Associate Property Manager; Mr. Harry Lee, Site Manager; Ms. Sandy Lucas, Director – Asset Management; Ms. Dawna Bynum, Corporate Management and the staff of Partnership Property Management 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.



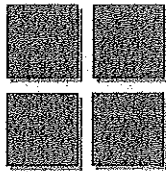
Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager for Economic Development  
Bob Kelly, President of Partnership Homes, Incorporated

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# HCD

Department of Housing & Community Development

**Date:** November 3, 2008  
**To:** Greenbriar Housing II, LLC  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY08/09 Partnership Village II Programmatic Evaluation*

On September 24, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Partnership Village II Apartments. Partnership Property Management, Inc. (Formally Harris-Brown Management) 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 requirements. In this monitoring review attention was paid to contract compliance along with financial management systems, a review of tenant files, and occupancy.

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The period under review, along with current conditions, was from July 1, 2007 to June 30, 2008. In addition to examining various program materials and financial files, in the course of the review HCD and IA staff met with Ms. Pat Somers, Associate Property Manager, Mr. Harry Lee, Site Manager, Ms. Sandy Lucas, Director – Asset Management, Ms. Dawna Bynum, Corporate Management and other property staff.

The property is located at 139 Greenbriar Road in Greensboro, NC. The May 2001 project created 24 three bedroom units for low-income residents. It is a two year Transitional Housing property for the homeless. No Greensboro Consortium HOME Program funds were expended on these properties therefore the NCHFA/LIHTC guidelines regarding occupancy and tenancy requirements are used for this review along with city loan agreement requirements. Affordability was to be for 30 years.

City of Greensboro financing for Partnership Village II consisted of \$150,000 in local funds combined \$1,764,760 in North Carolina Affordable Housing Tax Credits and private sources.

The twenty-four (24) three bedroom units at Partnership Village II are required to be made affordable to, and initially occupied by, families with incomes (adjusted) at or less than:

- Twelve (12) units at 50% of Median income adjusted for family size of 4.5 persons which is \$29,350. The 2008 rent at 50% of affordability for a 3BR unit:

$$\$29,350 / 12 = \$2,446 \times .30 = \$734/\text{month}$$

- Twelve (12) units at 35% of Median income adjusted for family size of 4.5 persons which is \$20,550. The 2008 rent at 35% of affordability for a 3BR unit:

$$\$20,550 / 12 = \$1,713 \times .30 = \$514/\text{month}$$

The rent restrictions have been met for all units with tenant rents at \$461/month (\$365/month rent plus utilities \$96/m). There is also a \$168/m rental assistance voucher provided to all tenants.

At the time of the visit there were nine (9) tenants that were at or below 35% of adjusted AMFI at move-in and fifteen (15) at 50% (see finding below).

Incomes of residents are certified annually according to the NCFHA report dated from 09.17.08. Five (5) tenant files were inspected by HCD staff. The files were very well maintained and contained all required income and lease information.

The reported occupancy has been an excellent 97% from January 2008 through September 2008. This is a 3% improvement from last year's reported occupancy. Average vacant unit turnaround time was 23.6 days which is good.

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~~Section 8 tenants are accepted but there are not any reported on the RCRS. This is likely due to the local rental subsidy of \$168/m given to all residents and the nature of a two year transitional property.~~

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

Management maintains a waiting list.

HCD staff inspected five (5) units on September 24, 2008 and reported several deficiencies that need attention in four (4) of those units. The overall curb appeal of the property is good. The exterior is in good overall condition aside from several items listed on the inspection report. Please refer to the inspection report for details.

As a result of this review HCD staff is making one (1) finding and one (1) concern and one (1) observation. 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.

### **Finding - Restrictions on Use of Property**

At the time of the visit there were nine (9) tenants that were at or below 35% of adjusted AMFI at move-in and fifteen (15) at 50%. There should be twelve (12) of both income levels. This violates §4.1 of the agreement dated May 24, 2001. This information was a part of the documentation provided to city staff so if it is incorrect please provide documentation to the contrary.

#### **Requested Action**

The incomes of the next three tenants at move-in must be at or below 35% of AMFI. This makes the assumption that this will balance the 35% and 50% units at twelve (12) to twelve (12). Once this balance is achieved please maintain the contractually required twelve (12) to twelve (12) ratio.

### **Concern - 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.

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#### **Requested Action**

This does not apply to HOME units, or any other HCD designated units regardless of fund source, at this time. Annual tenant income recertifications are still required for city compliance.

### **Observation – Change in Status (same for PVI and PV III)**

During the site visit it was relayed to CD staff that management was contemplating the move to permanent housing from two-year transitional. The city approved special financing terms based on the status as transitional housing. Another concern is fair housing; if Partnership Village II became permanent housing then anyone should be able to live there, not just the formerly homeless.

#### **Requested Action**

For the time being HCD is not agreeable with a general switch to permanent housing at Partnership Village but ultimately City Council would have to make that decision. The NCHFA has previously suggested a hybrid model where some units might be permanent housing; this is something that may be feasible.

HCD staff requests that management review the Internal Audit report and reply to it as requested.

The finding, concern and observation, 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 finding is to make management aware that the contractual 50/50 mixed of move-in incomes has not been met (during this review). The intent of the concern is to make management aware of how HCD is responding to the new tax-credit recertification rules. The observation is intended to give management an early opinion on a potential change of tenancy status.

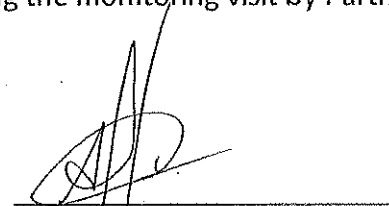
It is HCD staff opinion that Partnership Village II Apartments is contractually compliant concerning affordability requirements but not on income based move-in requirements. The property itself is in good condition and remains a good transitional housing option for qualified recently homeless households.

HCD staff appreciates the assistance provided during the monitoring visit by Partnership Property Management staff.



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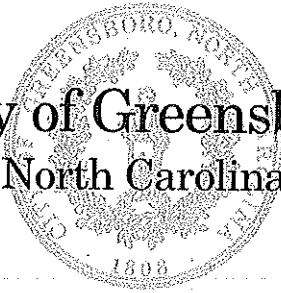
Michael Blair  
Specialist Grant Compliance



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Andy Scott  
Director HCD

City of Greensboro  
North Carolina



December 2, 2008

Mr. Robert G. Kelley  
Greenbriar Housing  
P. O. Box 3402  
Greensboro, NC 27402

Re: Partnership Village II-2006 to 2007

Dear Mr. Kelley:

This letter is a follow up regarding our review report (see copy enclosed) dated November 4, 2008. We have not received your written reply to our report that was due to us by November 18, 2008. Please advise us as soon as possible.

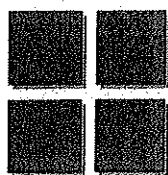
Sincerely,

Mickey Kerans  
Internal Auditor

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






# HCD

Department of Housing & Community Development

## MEMO

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

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HCD has reviewed the Internal Audit report on Partnership Village II. The audit is for 2006-2007. HCD submits the following:

### IA Finding 1:

The Borrower allowed the Capital Replacement Reserve to get down to \$-0- for the fiscal year ended December 31, 2007. The Borrower withdrew \$17,133.64 from the Reserve to supplement the Tax and Insurance Reserve. Also, the Borrower did not get prior written approval from the City for withdrawals of \$5,000 or more.

### IA Recommendation 1:

The Borrower should comply to the Loan Agreement dated May 24, 2001 with the City as it pertains to the Reserve Accounts paragraph 1.12.

- **HCD Reply to Finding/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-Partnership Village II 2006-2007

Thank you for your written reply of November 25, 2008. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated November 4, 2008.

Handwritten signature of Mickey Kerans.

Mickey Kerans  
Internal Auditor

Handwritten signature of Len Lucas.

Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager for Economic Development

**Kerans, Mickey**

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**From:** Kerans, Mickey  
**Sent:** Friday, December 05, 2008 2:27 PM  
**To:** 'Bob Kelley'  
**Subject:** Partnership Village report  
**Attachments:** Part VIlg. II follow up 2006-2007.doc; Partnnership VIlg. II Apts 06-07.doc

Bob:

Sorry I didn't include the enclosure with my follow up. See both letters attached.

Mickey Kerans

12/16/2008

City of Greensboro  
North Carolina



December 16, 2008

Mr. Robert G. Kelley  
Greenbriar Housing  
P. O. Box 3402  
Greensboro, NC 27402

Re: Partnership Village II-2006 to 2007

Dear Mr. Kelley:

Enclosed is the correspondence regarding our review report dated November 4, 2008 re: Partnership Village II for 2006-2007. Since we have not received your reply to our report, we were not sure if you received our e-mail plus attachments dated December 5, 2008 reference your voice mail of the same date. For your convenience, we are including another copy for your review. Since your response to our report was originally due to us in writing by November 18, 2008 we are requesting you reply as soon as possible.

Sincerely,

Mickey Kerans  
Internal Auditor

Len Lucas  
Internal Audit Director

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

**PARTNERSHIP HOMES, INC.**  
**Post Office Box 3402**  
**Greensboro, North Carolina 27402**

January 7, 2009

Mr. Mickey Kerans, Internal Auditor  
City of Greensboro  
P. O. Box 3136  
Greensboro, NC 27402-3136

Re: Greenbriar Housing II, LLC

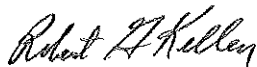
Dear Mr. Kerans:

In response to your letter of December 2, 2008:

1. Concerning the "finding", our understanding is that we are required to have ten (10) units occupied with tenants at or below 35% if area median income. Procedures require that when less than ten units are so occupied (this would occur because of move-outs) then the next units are leased to a prospective tenant with income below 35%. This is rarely an issue because of the income level of the residents.
2. Concerning the "concern", thanks for the reminder about HCD requirements. So long as this is transitional housing, the length of term is limited to two years so at most we could be concerned about one recertification for a tenant.
3. Concerning the "observation", it is our understanding that HCD would favor "permanent housing" for homeless. The North Carolina Housing Finance Agency has indicated it's willingness to revise the status of Partnership Village II to permit tenants to remain beyond two years in special circumstances such as when permanent housing is not yet available. We will be following up to gain the necessary approvals for such a change of program.

Please advise me if additional information is needed. It is my understanding from the personnel at the management company that this information and other was supplied when you were on site on more than one occasion. We invite your examination of the records and procedures at Partnership Village but respectfully request that more diligence be applied to the audit and that all concerns, findings, observations or whatever, be reviewed with the management people and cleared at that time.

Sincerely,



Robert G. Kelley  
President

C/C: Mr. Len Lucas, Internal Audit Director

City of Greensboro  
North Carolina



January 12, 2009

Mr. Robert G. Kelley  
Greenbriar Housing  
P. O. Box 3402  
Greensboro, NC 27402

Re: Partnership Village II-2006 to 2007

Dear Mr. Kelley:

We are in receipt of your letter of January 7, 2009 reference the City's Internal Audit report letter dated November 4, 2008 for the 2006 to 2007 Year. Thank you for your response which we requested to be received by us by November 18, 2008. Regarding your response below is our reply:

1. Your response was a reply to a Programmatic Report from the Department of Housing and Community Development (HCD) report dated November 3, 2008. We sent you the Programmatic report along with Internal Audit's report on the same date of November 4, 2008.
2. You did not reply to Internal Audit's report concerning the borrower's Capital Replacement reserve. Please send us your response.
3. Please be advised we did discuss Internal Audit's finding with Ms. Pat Somers and Ms. Dawna Bynum of Partnership Property Management at the time of our visit on September 24, 2008.

If you would like to discuss any of the above, please contact us at 373-2821. If not, please send your reply concerning Internal Audit's concerns as soon as possible.

Sincerely,

Mickey Kerans  
Internal Auditor

Len Lucas  
Internal Audit Director

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

**PARTNERSHIP HOMES, INC.**  
**Post Office Box 3402**  
**Greensboro, North Carolina 27402**

January 20, 2009

Mr. Mickey Kerans, Internal Auditor  
City of Greensboro  
P. O. Box 3136  
Greensboro, NC 27402-3136

Re: Greenbriar Housing II, LLC

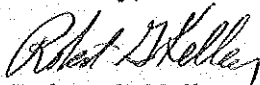
Dear Mr. Kerans:

In response to your letter of January 12, 2008, I will state again what you know already. The transfer from the Replacement Reserve for the payment of property taxes was made in error. The transfer should have been made from the Operating Reserve because it represented a deficit in operating funds at the time. I understand that the error has now been corrected.

Also, you are aware that approval of the transfer was obtained from the Investor Member of Greenbriar Housing II, LLC and from Partnership Homes, Inc., the Managing Member. Your point that the City was not notified has been noted by Partnership Property Management and by me and we will obtain such approval in the future.

You state in the letter that you did review the "findings" with property management personnel. We respectfully request that, in the future, such input and all input provided, be taken into account in determining whether a further response is required.

Sincerely,

  
Robert G. Kelley  
President

C/C: Mr. Len Lucas, Internal Audit Director

City of Greensboro  
North Carolina



January 22, 2009

Mr. Robert G. Kelley  
Greenbriar Housing  
P. O. Box 3402  
Greensboro, NC 27402

Re: Partnership Village II-2006 to 2007

Dear Mr. Kelley:

We are in receipt of your letter of January 20, 2009 reference the City's Internal Audit report letter dated November 4, 2008 for the 2006 to 2007 Year. We are in agreement with you response.

Sincerely,

Mickey Kerans  
Internal Auditor

Len Lucas  
Internal Audit Director

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