



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

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Windhill Development, LLC (Property), which received a loan from the City of Greensboro (City) in the amount of \$379,877. This loan helped support the construction of 60 apartment units for families in the Greensboro area. These units located at 201 Windhill Court are called Windhill Apartments and are managed by Affordable Housing Management, Incorporated (Management).

This loan repayment to the City is based upon the cash flows of the property, is non-interest bearing and is due each May in an amount not to exceed \$1,000. A payment due for year ended December 31, 2006 in the amount of \$1,000 was received by the City on April 30, 2007. The current balance after the payment and at May 31, 2007 owed on the loan is \$376,877. No payments are due at this time and the final balance will be due on May 1, 2042.

We accompanied Mr. Doug Booth, Supervisor Housing Rehabilitation 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 Manager 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 agreement.

We would like to thank Ms. Amanda Dillon, Site Manager; Ms. Rita Maculoso-Gregory, Administrative Assistant and 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



Date: October 24, 2008
To: David Levy, Affordable Housing Management
From: Michael Blair, City of Greensboro HCD
RE: FY08/09 Windhill Programmatic Evaluation

On September 4, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Windhill 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 Maculuso-Gregory, Administrative Assistant, and Mr. Justin Brooks Regional Property Manager along with other AHMI staff.

The property is located at 210 Windhill Court in Greensboro, NC. City of Greensboro financing for the property was \$379,877. Additional funding was provided by a Bank of America Construction Loan, CAHEC and the Greensboro Housing Authority.

The December 2000 construction agreement created 60 units with a HOME Program affordability period of 20 Years. Rents would not exceed 30% of the adjusted income of a 3 person household for two bedroom units and a 4.5 person household for 3 bedroom units, whose gross income is 50% of Area Median Family Adjusted Income. Ten units are reserved for GHA residents displaced by the HOPE VI project or other eligible residents. This requirement has been met and exceeded.

2008 HOME rents are: Low HOME Two Bedroom \leq \$635; Low HOME Three Bedroom \leq \$733.

Unit housing costs are as follows:

60 TOTAL Units	Tenant Rent	Utilities	Total (Rent + Util.)
40 2/BR Units	\$529	\$62	\$591
5 2/BR GHA Units	\$380	\$62	\$442
10 3/BR Units	\$588	\$89	\$677
5 3/BR GHA Units	\$380	\$89	\$469

Incomes of residents are certified annually according to the HCD file review and the NCFHA report (RCRS). Eight (8) tenant files were inspected by HCD staff. Seven tenants were over income with one exceeding 140%. No action is necessary due to the tax credits.

The files were very well maintained and contained all required income and lease information. They also matched the rent roll report and RCRS.

The reported occupancy has averaged 93.7% from January 1, 2008 through August 31, 2008. This is 6.4% 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 88.3% which is low.

Section 8 tenants are accepted and occupied Thirty-eight (38) units according to the RCRS.

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 fourteen (14) (forty-four (44) were reported last year) 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 on September 3, 2008 and reported certain minor deficiencies that need attention in only three (3) of those units. The overall curb appeal of the property is good. The exterior is well maintained and in good overall condition. Please refer to the inspection report for details.

As a result of this review HCD staff is making zero (0) findings, three (3) concerns and zero (0) observations. 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.

Concern 1 – Vacant Unit Turnover Time

Several of the units that were vacant between January 1, 2008 and August 31, 2008 remained vacant for over 100 days (three of thirteen) and the average time off-line was 64 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.

Requested Action

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.

Concern 3 – RCRS Extremely Low Income

The RCRS report has a unit, 200-F, with an annual income of \$1.30 entered. This is the second consecutive year that this unit has had an extremely low (zero last year) reported income.

Requested Action

The extremely low income seems improbable. Please explain in writing how the rent in excess of the voucher is being paid.

HCD staff requests that management review the Internal Audit report which did not contain any findings. The draft Internal Audit report is dated September 5, 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. The third concern only seeks to make certain that annual tenant income recertifications are capturing all reportable income and that income eligible tenants occupy units.

It is HCD staff opinion that Windhill 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 *[Signature]*
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.