



City of Greensboro

Date: October 27, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Rankin School Place Limited Partnership 2006-2007

The Internal Audit Division has performed our yearly compliance review of the year ended December 31, 2007 of Rankin School Place Limited Partnership (Partnership), which consists of 56 units for low-income elderly individuals located at 1603 Spry Street.

The Partnership received a loan in March, 2005 for \$378,010 from the City of Greensboro (City) to help in the initial building of the apartment units. This is a ½ of 1% (0.5) interest bearing loan with final payment due December 9, 2034. Mortgage payments to the City based on Gross Receipts and expenses are not due to begin until May, 2015. These units are called Rankin School Place Apartments and are managed by Beacon Management Corporation (Management).

Since we experienced very heavy rains at the review date on August 27, 2008, Mr. Doug Booth, Supervisor Housing Rehabilitation of the Department of Housing & Community Development (HCD), was not able to inspect any of the units. Mr. Jim Teele, Rehabilitation Advisor and Ms. Abby Feinstein, Specialist Community Services visited the property on October 21, 2008 as they inspected approximately 15 percent of the units and some minor repairs were noted. These issues have been forwarded to the Property Manager to address before they escalate into costly problems.

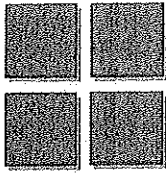
We examined selected financial transactions and program documentation maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement.

We would like to thank Ms. Hattie Gerring, Rankin On-Site Property Manager; Mr. Leonard Gerring, Maintenance Manager; Mr. Patrick Theisman, Vice President and the staff of Beacon Management Corporation 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
George Carr, President of Beacon Management Corporation



HCD

Department of Housing & Community Development

Date: October 20, 2008
To: George Carr, Beacon Management
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 Rankin School Place Programmatic Evaluation*

On August 27, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Rankin School Place Apartments. Beacon Management, Inc. 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. Hattie Gerringer, On-Site Property Manager; Ms. Connie Oatman Regional and other Beacon Management staff.

The March 2005 project created 48 one-bedroom, and 8 two-bedroom, units for Elderly residents with 22 one-bedroom and 4 two-bedroom floating HOME Units. The property is located at 1603 Spry Street in Greensboro, NC.

City of Greensboro financing for Rankin School Place was \$378,010 which included \$317,000 from the Greensboro HOME Program and \$61,010 from the Guilford County HOME Program. Additional funding was provided by a Carolina Bank Construction Loan, CICNC and a Syndicator Capital Contribution.

Five (5) one-bedroom units and one (1) two-bedroom unit will be at Low HOME rents which are affordable to tenants at or below 50% of adjusted local median income. Seventeen (17) one-bedroom units and three (3) two-bedroom units will be at High HOME rents which are affordable to tenants at or below 65% of adjusted local median income. This requirement has been met and exceeded.

2008 HOME rents are: Low HOME One Bedroom \leq \$528; High HOME One Bedroom \leq \$645; Low HOME Two Bedroom \leq \$635; High HOME Two Bedroom \leq \$719

The floating HOME units are to be distributed throughout the project structures and achieve the specific requirements (Please see the concern and attached memo).

Incomes of residents are recertified annually according to the files reviewed. Eight (8) tenant files were inspected by HCD staff. The files were all extremely well maintained and contained all required income and lease information. They also matched the rent roll report.

The reported occupancy has remained *exceptional* and is typically at 100%. This is much higher than the April 2008 area occupancy rate of around 87.3%. Average vacant unit turnover has been 15 days for the two units that were vacated since January 1, 2008.

Section 8 tenants are accepted and occupy thirty-one (31) units.

Beacon Management 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 nineteen (19) new applicants in 2008.

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 was unable to inspect the units on the scheduled date due to heavy rains. A make-up inspection has been scheduled.

As a result of this review HCD staff is making zero (0) findings, 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.

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.

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.

Observation 2 – Fair Housing Poster

Management has resolved the prior year concern over the absence of a fair housing poster or sticker with the accepted logo. The logo is now clearly visible at the leasing site.

Requested Action

None.

HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated September 4, 2008.

The 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 concern is to ensure future compliance with HCD tenant recertification policy. The intent of the observation is to acknowledge and accept fair housing signage compliance.

It is HCD staff opinion that Rankin School Place Apartments is contractually compliant concerning affordability requirements. The property itself is in excellent condition and remains a very good, and highly sought after, housing option for qualified elderly households.

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



Michael Blair
Specialist Grant Compliance



Andy Scott
Director HCD

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

Continue performing annual recertifications in the same manner as has been the practice. This LIHTC rule change does not apply to HOME units, or any other HCD designated units regardless of fund source, at this time.

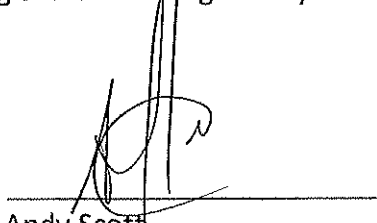
HCD staff requests that management review the Internal Audit report and reply to it if requested.

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.

It is HCD staff opinion that Southwoods Apartments is both contractually compliant and HOME Program compliant. The property itself is in good condition and remains a decent housing option for qualified households.

HCD staff appreciates the assistance provided during the monitoring visit by Affordable Housing Management Inc. staff.


Michael Blair
Specialist Grant Compliance


Andy Scott
Director HCD