



Date: December 1, 2009  
To: Dan Curry, Acting Director of Housing & Community Development  
From: Internal Audit Division  
Subject: Windhill Court, LLC 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of Windhill Court, LLC (Property), which received a non-interest bearing loan from the City of Greensboro (City) in the amount of \$506,131 on May 2, 2007. This loan helped support the construction of 64 apartment units for families in the Greensboro area. These units located at 101 Windhill Court are called Windhill Court Apartments and are managed by Affordable Housing Management, Incorporated (Management).

This loan repayment to the City is based upon an annual payment of \$3,500 beginning May 1, 2008 to May 1, 2012; then it changes to \$3,200 from May 1, 2013 to May 1, 2017; \$3,000 from May 1, 2018 to May 1, 2022; \$2,000 from May 1, 2023 to May 1, 2027; \$1,200 from May 1, 2028 to May 1, 2035; and the remainder of balance due May 1, 2036. A payment due May 1, 2008 in the amount of \$3,500 was received by the City on September 2, 2008. The current balance per the Audited Financial Statements as of December 31, 2008 is \$502,631. The balance as of the same date per the Department of Housing & Community Development was \$506,131. This balance does not reflect the \$3,500 payment above and was misapplied to Windhill Development. We have advised the staff of the Department of HCD concerning this discrepancy.

We accompanied Ms. Beth Benton, Specialist Housing Rehab of the Department of HCD on July 29, 2009 as she 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 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. Maria Crespo, Site Manager; 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  
Andy Scott, Interim Assistant City Manager for Economic Development  
David Levy, Executive Director of Affordable Housing Management, Incorporated



**Date:** November 30, 2009  
**To:** David Levy, Affordable Housing Management Inc.  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** 2009 Windhill Court Apartments Programmatic Evaluation

City of Greensboro staff conducted an on-site monitoring visit of Windhill Apartments on July 29, 2009. The property is located at 101 Windhill Court in Greensboro, NC. City of Greensboro HOME Program financing for the property was \$506,131. Additional funding of \$2,500,000 was provided by Carolina Bank, and the NCHFA provided \$504,135.

The purpose of the monitoring review was to determine whether the terms of the loan agreement and other federal requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

The specific areas monitored were:

1. Certification of tenant income and Residential Lease
2. HOME (or other fund source) Rents
3. Affirmative Marketing
4. Property Standards
5. Lead-based Paint (if applicable)
6. Compliance with the Agreement and any other applicable requirements
7. Asset Management

During the monitoring, information is documented on checklists based on HOME Program requirements and modified to accommodate other funding sources and agreements. The information gathered serves as a basis for this monitoring report. Findings, concerns and observations, are identified in the report.

For clarification purposes 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 a comment about the property or a suggestion that may improve a service or element of operations.

### **Certification of Tenant Incomes**

The individual files reviewed were: 107-A; 119-B; 113-C; 105-D; 119-D; 103-G; 109-H; 101-F; and 115-F.

- The recertifications were completed within the annual required timelines. Certifications were complete and signed by both parties.
- All income appeared to be included in the eligibility determination (see observation #1)
- Assets were evaluated & calculated for determining annual income and backup third party documentation was present in all files.

**Observation # 1:**

Units 107-A and 115-H have households with no discernable income yet are able to pay all living costs.

**Required Corrective Action:**

None. However, staff should make sure that income from all sources is being reported. Additionally the property has a work preference.

No Findings or Concerns noted.

**Rents**

The May 2006 written agreement created 64 units, half of which are designated as HOME units (eight (8) one-bedroom and twenty four (24) two-bedroom), with a HOME Program affordability period of 20 Years. Rents would not exceed the lower of either Low HOME Rents or LIHTC 50% rents for the HOME units.

2009 HOME rents are: Low HOME One Bedroom ≤ \$548; Low HOME Two Bedroom ≤ \$658.

Unit housing costs are as follows:

	<b>64 TOTAL Units</b>	<b>Tenant Rent</b>	<b>Utilities</b>	<b>Total (Rent + Util.)</b>
8	1/BR HOME/TC Units	\$449	\$55	\$504
8	1/BR GHA Units	\$344	\$55	\$399
24	2/BR HOME/TC Units	\$499	\$58	\$557
8	2/BR GHA Units	\$344	\$58	\$399
16	2/BR TC Units	\$554	\$58	\$612

- Occupancy Requirement (20% rule): Requirement met.
- Rent Requirements: Requirement met.
- Over-Income Tenants: Two tenants appeared to be over income with none exceeding 140% of AMFI.
- Rent Increase: All sampled files contained a written 30 day notice of rent increase. Requirement met.

No Findings or Concerns noted.

**Affirmative Marketing**

Affirmative Marketing requirements appear to be in compliance as required in the agreement.

No Findings or Concerns noted.

**Property Standards**

Quarterly unit inspections are conducted by management. Copies of the inspection and maintenance forms are kept in the tenant's file. The buildings and units inspected by City staff on July 29, 2009 were: 107-A; 119-B; 113-C; 105-D; 119-D; 103-G; 109-H; 101-F; and 115-F.

**Observation # 1:**

The units were in good condition except for items noted for repair. Exteriors were also in good condition with the exception of issues with standing water, gutters needing cleaning, and other items noted on the physical inspection report.

**Required Corrective Action:**

Please make all necessary repairs and send copies of the work orders to HCD for confirmation within 30 days of the date of this report

No Findings or Concerns noted.

**Lead-based Paint**

The property is not subject to lead-based paint requirements having been constructed in 2007. No findings or concerns noted.

**Residential Lease**

All leases are for one year as required in the agreement. No findings or concerns noted.

**Contractual Agreement Compliance**

The purpose of the May 2006 construction agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Windhill Court Apartments is in compliance with the agreement including the insurance requirement. No Findings or Concerns noted.

**Asset Management**

No Findings or Concerns noted.

**Rental Property Scoring Report – 79.0****Observation # 2:**

A score of 79.0 (out of 100 possible points) places Windhill Apartments in the amber rental scoring category.

**Required Corrective Action:**

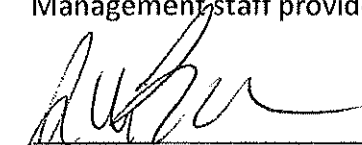
Being in the amber category is not considered a troubled property but one with room to improve. The score was primarily lowered by Hard Debt Service Coverage Ratio and Average Vacant Unit Off-line Time. Occupancy has been good, better than area averages, so HCD is requesting in writing management's analysis of what is creating the low HDSCR as well as the unit turnover time.

**Rental Property Scoring Report: Maximum 100 – 79.0 retained after reductions**

Indicator	Result	Deducted or added
Physical Occupancy FY08/09	95.1%	0
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	N/A	-
Average Vacant Unit Off-line Time	71.3 days	-8
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	\$2,591.77	0
Hard Debt Service Coverage Ratio	.07	-10
Timely Delivery of External Audit	On-time	0
Adhering to HOME, PJ, Agreement and/or Note and Deed	Yes	0
Adhering to Reporting Standards	Yes	0
Cash Flow	positive	0
Resident Turnover Rate	10.2%	-1
Property Taxes Paid Overtime	Yes	0
Reserve requirements met	Yes	0
Replacement reserve Minimum of \$1,000/unit	No	-2

Overall the property is very well maintained and provides decent housing to qualified households. Please respond as requested to Observations#1 and #2 identified in this letter. The Internal Audit report requested a reply.

HCD staff appreciates the assistance and documentation that by Affordable Housing Management staff provided during the monitoring visit.

  
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Michael Blair  
Analyst Grants Compliance

  
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Dan Curry  
Acting Director HCD