



City of Greensboro

Date: October 27, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: Everitt/Spencer Limited Partnership 2007-2008

The Internal Audit Division has performed our compliance review of the year ended June 30, 2008 of Everitt/Spencer Multi-Family Properties. This property was rehabilitated with a loan provided by the City of Greensboro and is designed for the benefit of low-income individuals or families in the Greensboro area. Affordable Housing Management, Incorporated manages this property. Additional information on the property is as follows:

Everitt/Spencer is located at 2115, 2116 and 2118 Everitt Street (25 Units) and 2101 and 2103 Spencer Street (20 Units). The Partnership received four loans from the City in the amount of \$599,288 in January 1991. The principal balances of each loan accrues at two and one-half (2 ½%) percent per annum compounded semi-annually on March 31, 1992 and on each September 30th and March 31st thereafter. An amount equal to one (1%) percent per annum shall be payable in arrears semi-annually commencing on March 31, 1992 and on each September 30th and March 31st thereafter. Two interest payments were made to the City on October 7, 2008 in the amount of \$3,874.34 and on April 15, 2009 in the amount of \$3,903.16 totaling \$7,777.50. The balance of accrued interest and principal per the Department of Housing and Community Development, as of December 31, 2008 is \$774,046 while the audited financials were \$775,813 a difference of \$1,767. These loans will be due in full on April 1, 2022. There are no Reserve Account requirements in the City's loan agreements for this property.

We accompanied Mr. Jim Teele, Rehabilitation Specialist of the Department of Housing & Community Development (HCD), 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.

We would like to thank Mr. Justin Brooks, Regional Property Manager; Ms. Debbie Osborne, Finance Director; and the staff 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: Andy Scott, Interim Assistant City Manager for Economic Development
David Levy, Executive Director of Affordable Housing Management, Incorporated



Date: October 23, 2009
To: David Levy, Affordable Housing Management Inc.
From: Michael Blair, City of Greensboro HCD
RE: 2009 Everitt Spencer Apartments Programmatic Evaluation

City of Greensboro staff conducted an on-site monitoring visit of Everitt Spencer Apartments on June 15, 2009. 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: 2128-H; 2103-F; 2115-D; 2116-G; 2116-F; 2128-K; 2101-C; 2101-K and 2103-B.

- 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 with the exception of one (See F#1).
- Assets were evaluated & calculated for determining annual income and backup third party documentation was present in all but one file (See F#1).

Finding # 1:

The file for unit 2101-K did not contain income verification (backup) documents.

Required Corrective Action:

None – this has already been addressed by Management. Management explained to HCD staff that this was intentional and had occurred when HR 3221 (a hastily approved LIHTC bill that did not mesh well with other fund sources) created confusion regarding ongoing recertifications in LIHTC properties. HR 3221 was addressed by HCD in a memo dated September 30, 2008 which was approximately the time that the recertification for unit 2101-K was being assembled. HCD accepts this explanation.

Rents

The properties consist of 25 units at Everitt Street and 20 units at Spencer Street (one unit has been converted into an office so only 44 units are counted in occupancy reports). The units would be made affordable to households whose gross incomes did not exceed 50% of the adjusted area median according to the Deed of Trust dated January 24, 1991. This (the Deed of Trust) has been determined by HCD staff to supersede the Declaration of Land Use Restrictive Covenants for Low Income Housing Credits rec. 12/31/90.

- Occupancy Requirement (20% rule): N/A
- Rent Requirements: None of the units had rents that exceeded the allowable rent.
- Over-Income Tenants: None of the households had incomes that exceeded the 80% level prescribed in the Deed dated January 24, 1991.
- Rent Increase: All sampled files contained a written 30 day notice of rent increase.

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

Unit inspections are conducted by management. Copies of the inspection and maintenance forms are kept in the tenant's file. The units inspected by City staff on June 17, 2009 were: 2128-H; 2103-F; 2115-D; 2116-G; 2116-F; 2128-K; 2101-C; 2101-K and 2103-B.

Observation # 1:

The units were in decent condition except for minor items noted for repair. The exteriors were also in decent condition with the exception surfaces in need of paint and damaged screens along with other various issues. Details can be found in the inspection.

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

Lead-based Paint

The property (multiple sites) is subject to lead-based paint requirements having been constructed prior to 1978 (1960 - 1966).

Finding # 2:

Because of the age of the properties (pre-1978) tenants must be provided with the lead hazards pamphlet and sign the lead disclosure.

Required Corrective Action:

Within 30 days of the date of this report management shall have provided the lead safe housing pamphlet and completed a lead disclosure form for all households. HCD staff will confirm that this has been completed by file inspection on a date to be determined in late November 2009.

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 agreement dated January 24, 1991 is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Everett Spencer Apartments is in compliance with the agreement insurance requirements as well as the majority of the rest of the agreement. No Findings or Concerns noted.

Asset Management

No Findings or Concerns noted.

Rental Property Scoring Report – 67.0

Observation # 2:

A score of 67.0 (out of 100 possible points) places Everett Spencer 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. The property is very well managed and there is no other pressing concern to increase compliance monitoring.

Observation # 3:

Lower than recommended occupancy was reported in the 2nd Quarter. The three months in Q2 2009 (April, May, and June of 2009) have averaged 87.8%.

Required Corrective Action:


Only to work to increase occupancy and limit the time units remain vacant.

Rental Property Scoring Report: Maximum 100 – 67.0 retained after reductions

Indicator	Result	Deducted or added
Physical Occupancy FY08/09	93 %	0
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	2%	-2
Average Vacant Unit Off-line Time	83.3 days	-8
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	-\$187.40	-5
Hard Debt Service Coverage Ratio	.08	-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	negative	-5
Resident Turnover Rate	10.2%	-1
Property Taxes Paid Ontime	Yes	0
Reserve requirements met	Yes	0
Replacement reserve Minimum of \$1,000/unit	No	-2

Overall the property well maintained and provides decent housing to qualified residents. Please respond as to how management is addressing Finding #2 and Observation #1 identified in this letter; a response to the issues detailed is due to HCD by November 23rd, 2009. There is no need to respond to the other Findings and Observations identified in this letter. The Internal Audit report did not request a reply.

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


 Michael Blair
 Specialist Grants Compliance


 Dan Curry
 Acting Director HCD

CC: Susan Westbrook, NCHFA