



City of Greensboro

Date: October 5, 2004
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: Richardson Hospital / Richardson Village Limited Partnerships 2002-2003

Attached you will find our compliance report for the two properties listed above. Also attached are the responses from the managing agency to our findings and recommendation as well as the response from the Housing & Community Development Department. After reviewing these responses we've determined no further action is necessary at this time. Please let me know if you require additional documents or information. Thanks.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



City of Greensboro

Date: September 11, 2004
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit
Subject: Richardson Hospital / Richardson Village Limited Partnerships 2002-2003

The Internal Audit Division has conducted our annual compliance review of the Richardson Hospital and Richardson Village Limited Partnerships. These properties received loans from the City of Greensboro in support of Affordable Housing in Greensboro and are both managed by Beacon Management Corporation. The following describes each property in more detail and items we noted during our visit:

RICHARDSON HOSPITAL APARTMENTS are comprised of 32 units located at 603 Benbow Road. The City provided a loan to help in the acquisition and rehabilitation in the amount of \$150,000 on March 14, 2002. This loan bears interest at one-half (½%) percent per annum and is to be repaid to the City based upon a percentage of cash flow starting on the first day of May 2025, and continuing on each May 1 thereafter. This loan is due in full May 1, 2044. No payments are due at this time.

OPERATING RESERVE:

During our initial review of documents, Richardson Hospital Limited Partnership had not funded an Operating Reserve in the amount of \$60,300. This was not in compliance with the City's loan agreement which states "an account to be established by the Borrower in accordance with NCHFA operating reserve requirements currently estimated to be \$60,300 and funded no later than 30 days from receipt of the Certificate of Occupancy."

The agency has since funded this reserve account and is now in compliance with the contract.

RICHARDSON VILLAGE APARTMENTS are comprised of 24 units located at 600 DeWitt Street. The City provided a loan to help in the acquisition and rehabilitation in the amount of \$750,000 on March 14, 2002. This loan bears interest at one-half (½%) percent per annum and is to be repaid to the City based upon a percentage of cash flow starting on the first day of May 2025, and continuing on each May 1 thereafter. This loan is due in full May 1, 2044. No payments are due at this time.

OPERATING RESERVE:

During our initial review of documents, Richardson Village Limited Partnership had not funded an Operating Reserve in the amount of \$56,000. This was not in compliance with the City's loan agreement which states "an account to be established by the Borrower in accordance with NCHFA operating reserve requirements currently estimated to be \$56,000 and funded no later than 30 days from receipt of the Certificate of Occupancy."

The agency has since funded this reserve account and is now in compliance with the contract.

CERTIFICATE OF OCCUPANCY

FINDING:

Richardson Village Limited Partnership did not receive a Certificate of Occupancy for this property from the City of Greensboro upon completion of the rehabilitation.

RECOMMENDATION:

The agency should obtain the appropriate documents from the City Inspections Department and provide copies to the Internal Audit Division.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development as he inspected approximately 15% of the units and found these to be in working order. He noted the exterior of the units in need of painting, which the agency has scheduled.

We examined selected financial transactions and program documentation maintained by the agency for compliance with the loan agreements. Based on our review, it appears that the funds have been used according to the terms of the agreements except for the aforementioned findings and recommendations.

We request a written and signed response from the management agency and the Department of Housing & Community Development by September 27, 2004. If there are any questions or comments concerning the details of this compliance review, we can be reached at 373-2823.



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
George Carr, President of Beacon Management, Incorporated

BEACON MANAGEMENT CORPORATION
408 BATTLEGROUND AVENUE
GREENSBORO, NORTH CAROLINA 27401

OFFICE: (336) 545-9000
FAX: (336) 545-9004

WWW.BEACON-NC.COM

September 9, 2004

Len Lucas, Internal Audit Director
City of Greensboro
P. O. Box 3136
Greensboro, NC 27402

RE: Richardson Hospital / Richardson Village Limited Partnerships 2002-2003

Dear Len:

Thank you for sending over the September 7, 2004 draft of findings concerning your recent audit reviews at the subject properties. In as much as I am getting ready to leave the country for 2 weeks, I thought it would be beneficial to respond to our comments immediately. I will respond in the same order as your draft.

Richardson Hospital Long Term Operating Reserve – Please be advised that the subject Long Term Operating Reserve has been set-up and funded at the stipulated amount of \$60,300.00. A copy of the Richardson Hospital check establishing this reserve account is attached along with the account information provided by Carolina Bank.

Richardson Village Long Term Operating Reserve – Please be advised that the subject account has been set-up and funded at the stipulated amount of \$56,000.00. A copy of the Richardson Village check establishing this reserve account is attached along with the Carolina Bank account information.

Richardson Village Certificate of Occupancy – following receipt of your letter, I contacted Ed Lipsky of Rehab Builders, Inc., in Winston-Salem, North Carolina, 336-722-9872 Ext. 107, to further inquire as to why no Certificate of Occupancy was issued on this job. Ed indicated that following his review of architectural plans with City Officials, he was informed that the City considered the remedial work to be repair in nature and therefore not subject to the requirements of building permits and Certificates of Occupancy. In fact at the time construction work commenced families were still living in the Richardson Village Apartments,

MAILING ADDRESS:
P.O. BOX 29229
GREENSBORO, NORTH CAROLINA 27429-9229

Len Lucas
September 9, 2004
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under an active Certificate of Occupancy which had been issued some 25 or 30 years ago. Ed informed me that the property's architect, Jody Efird, also held similar discussions with the City and received the same information that building permits and Certificates of Occupancy would not be required. The architect did issue a Certificate of Substantial Completion as each building was finished. Jody is unfortunately out of town this week, but you may wish to contact her at 273-0083, or Ed, 681-5171 (mobile) next week to further discuss this matter.

If you feel, we should further discuss these matters, please give me a call today or after September 27th.

Cordially,



George E. Carr III

Attachments

Cc: GEC File
RH file
RV file
Andy Scott
Ben Brown
Ed Lipsky
Jody Efird

CAROLINA BANK
DEBRA HOWELL

t: 868
JMM CARO MMDA II: 4009215

ALANCES - SUMMARY

1] L. RICHARDSON HOSPITAL LIMITED
7] PARTNERSHIP
LT OPERATING RESERVE
PO BOX 29229
GREENSBORO NC 27429

Portfolio Number: 103937
Product: [50127] COMM CARO MMDA II
Class: [27] COMM CARO MMDA II
Branch Number: [02] LAWDALE DRIVE BRANCH
Accounting Branch: [00002]
Responsibility Code: [00101] BOB BRASWELL
Type Code: [100] PARTNERSHIP
Employee/Officer/Director Code: [0]
Tax Name: [01] L. RICHARDSON HOSPITAL LIMITED

Memo Ledger Balance:
Memo Available Balance:
Current Ledger Balance:
Current Available Balance:

60,300.00
60,300.00
60,300.00
60,300.00

Sep 2, 2004
60,300.00

Interest Balance:
Current Statement Rate:

15.56
1.5700%

Sep 1, 2004
Sep 7, 2004
Sep 7, 2004

Accrued Service Charge:

.00

Accrued Thru Date:

Carolina Bank
SEP 08 2004
Teller #24

BECO APTS. LIMITED PARTNERSHIP

1219

DEVELOPMENT ACCOUNT
% BEACON MANAGEMENT
2100-V W. CORNWALLIS DRIVE
GREENSBORO, NC 27408

DATE 09/01/04

66-7401/531

PAY TO THE ORDER OF

WEP Long Term Operating Reserve

\$154,686.00

One hundred fifty-four thousand six hundred eighty-six & 00/100 DOLLARS

CAROLINA BANK

GREENSBORO, NC 27408

FOR

George Clark

⑈00001219⑈ ⑆053174019⑆ 2006383⑈

RICHARDSON VILLAGE LIMITED PARTNERSHIP

1174

DEVELOPMENT ACCOUNT
PH 336-545-9000
C/O BEACON MANAGEMENT
2100-V W CORNWALLIS DR
GREENSBORO, NC 27408-7015

DATE 9/1/04

66-7401/531

PAY TO THE ORDER OF

RV Long Term Operating Reserve

\$56,000.00

Fifty-six thousand and 00/100 DOLLARS

CAROLINA BANK

GREENSBORO, NC 27408

FOR

George Clark

⑈00001174⑈ ⑆053174019⑆ 2011875⑈

L. RICHARDSON HOSPITAL LTD PARTNERSHIP

2211

DEVELOPMENT ACCOUNT
336-545-9000
C/O BEACON MANAGEMENT
2100-V W CORNWALLIS DR
GREENSBORO, NC 27408-7015

DATE 09/01/04

66-7401/531

PAY TO THE ORDER OF

L. Richardson Hosp. Long Term Oper. Reserve

\$60,300.00

Sixty thousand three hundred & 00/100 DOLLARS

CAROLINA BANK

GREENSBORO, NC 27408

FOR

George Clark

⑈00002211⑈ ⑆053174019⑆ 2011883⑈

st: 868
COMM CARO MMDA II: 4009304

CAROLINA BANK
DEBRA HOWELL

Page: 1
System: 09/08/04 4:31 pm

ALANCES - SUMMARY

1) RICHARDSON VILLAGE LIMITED
LT OPERATING RESERVE
PO BOX 29229
GREENSBORO NC 27429

Portfolio Number: 103936
Product: [50127] COMM CARO MMDA II
Class: [27] COMM CARO MMDA II
Branch Number: [02] LAWDALE DRIVE BRANCH
Accounting Branch: [00002]
Responsibility Code: [00112] PAUL KENNEDY
Type Code: [100] PARTNERSHIP
Employee/Officer/Director Code: [0]
Tax Name: [01] RICHARDSON VILLAGE LIMITED

Memo Ledger Balance:
Memo Available Balance:
Current Ledger Balance:
Current Available Balance:

56,000.00 Date Last Deposit: Sep 2, 2004
56,000.00 Amount Last Deposit: 56,000.00

Interest Balance:
Current Statement Rate:

14.45
1.5700%

Accrued Service Charge:

.00 Date Opened: Sep 2, 2004
Date Last Update: Sep 7, 2004
Accrued Thru Date: Sep 7, 2004

Carolina Bank

SEP 08 2004

Teller #24

BECO APTS. LIMITED PARTNERSHIP

1219

DEVELOPMENT ACCOUNT
% BEACON MANAGEMENT
2100-V W. CORNWALLIS DRIVE
GREENSBORO, NC 27408

DATE 09/01/04

66-7401/531

PAY TO THE ORDER OF

WEP Long Term Operating Reserve

\$154,686.00

One hundred fifty-four thousand six hundred eighty-six & 70/100 DOLLARS

CAROLINA BANK

GREENSBORO, NC 27408

George Clark

FOR

⑈00001219⑈ ⑆053174019⑆ 2006383⑈

RICHARDSON VILLAGE LIMITED PARTNERSHIP

1174

DEVELOPMENT ACCOUNT
PH 336-545-9000
C/O BEACON MANAGEMENT
2100-V W CORNWALLIS DR
GREENSBORO, NC 27408-7015

DATE 9/1/04

66-7401/531

PAY TO THE ORDER OF

RV Long Term Operating Reserve

\$56,000.00

Fifty-six thousand and 70/100 DOLLARS

CAROLINA BANK

GREENSBORO, NC 27408

George Clark

FOR

⑈00001174⑈ ⑆053174019⑆ 2011875⑈

L RICHARDSON HOSPITAL LTD PARTNERSHIP

2211

DEVELOPMENT ACCOUNT
336-545-9000
C/O BEACON MANAGEMENT
2100-V W CORNWALLIS DR
GREENSBORO, NC 27408-7015

DATE 09/01/04

66-7401/531

PAY TO THE ORDER OF

L Richardson Hosp. Long Term Oper. Reserve

\$60,300.00

Sixty thousand three hundred & 70/100 DOLLARS

CAROLINA BANK

GREENSBORO, NC 27408

George Clark

FOR

⑈00002211⑈ ⑆053174019⑆ 2011883⑈

Lucas, Len

From: Scott, Andrew
Sent: Sunday, September 12, 2004 9:42 PM
To: Lucas, Len; Brown, Ben; Simmons, Butch
Cc: Jones, David; Blue, Cynthia
Subject: RE: Richardson Village Apartments

Many thanks to every one for working this out.

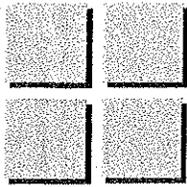
-----Original Message-----

From: Lucas, Len
Sent: Saturday, September 11, 2004 2:19 PM
To: Brown, Ben; Simmons, Butch; Scott, Andrew
Cc: Jones, David
Subject: Richardson Village Apartments

Last night @ 6:30 I had a phone conversation with David Jones concerning this property. David was gracious enough to go back and do some research on my behalf by pulling all the permits during the rehab period for this property involving City funds. After researching and talking with the builder for George Carr, Ed Lipsky, it was determined that Ed & David will meet at this property on Wednesday for inspection and issuance of Certificates of Completion (which Butch had confirmed early on). Then George can submit copies to Internal Audit. My original draft letter was amended to reflect both of the reserve accounts being funded and after Wednesday this property should be in compliance, which was our goal from the beginning.

Many thanks to David and all of you for your continued support.

Thanks!
Len Lucas
373-2823



HCD

Department of Housing & Community Development

MEMO

Date: September 27, 2004

To: Len Lucas, Internal Audit

From: Andrew Scott, Housing and CD *AS*

CC: Ben Brown, Assistant City Manager
George Carr, Beacon Management
Cynthia Blue, Housing and CD

RE: Richardson Hospital/ Richardson Village LP's 2002-03

Per the memo from Internal Audit, dated September 11, 2004, regarding the annual compliance review for Richardson Hospital and Richardson Village Limited Partnerships, it is our understanding that the operating reserve deficiencies noted in the memo for Richardson Hospital Limited Partnership and Richardson Village Limited Partnership have been resolved. There is an apparent disconnect between the terms of our loan agreement and the requirements for funding of operating reserves that are imposed by the North Carolina Housing Finance Agency for the Low Income Housing Tax Credit Program. Housing and Community Development staff will follow up with NCHFA to determine more coordinated terms and include these terms in future loan agreements for tax credit projects.

Richardson Village Limited Partnership had an additional finding noted in the memo regarding the lack of Certificates of Occupancy for the renovation work at the property. It was our understanding during construction that the builder had been told that Building Permits were not needed and therefore no certificates would have been issued. The Managing Partner has worked with the Building Inspections Department to have the units inspected and certificates issued. The latest communication that we have received from Building Inspections showed two minor improvements which needed to be made to allow the certificates to be issued for the last two units. Housing and Community Development will follow up with the Managing Partner to ensure that the repairs are carried out and the certificates obtained.

When apprised of the deficiencies noted in the report, Housing and Community Development staff worked quickly with the Managing Partner for the projects to bring resolution to these issues.