



**DATE:** July 13, 2021  
**TO:** Cyndi Blue, Interim Director of Neighborhood Development  
**FROM:** Internal Audit Division  
**SUBJECT:** The Havens at Willow Oaks, LLC 2018-2019  
(No Response Required)

The Internal Audit Division has performed an annual compliance review for the year ended December 31, 2019 of The Havens at Willow Oaks, LLC (“Project”) which consists of 6 tracts of land (2.2134 acres) and encompasses 60 units for low-income individuals and one office located at Everitt Street, Morning View Drive and Jennifer Street. The City of Greensboro does not have a loan or legal interest in this property. It only has a right to review the financial and compliance information on an annual basis.

As a result of the Redevelopment Commission of Greensboro conveying land to the Greensboro Housing Authority (“Authority”), the Project was developed. HUD and the Authority entered into a certain Mixed Finance Amendment. The Project has a Ground Lease with the Authority for a term that shall be eighty (80) years at \$1.00 per year. Also, the Project has a first mortgage promissory note and loan agreement with the Authority at \$650,000 and accrues at the highest of either 8% per annum or the blended weighted average of the long-term applicable federal rate. As of December 31, 2019, the outstanding loan balance was \$1,731,576, which includes interest of \$1,081,578. There is a second mortgage with the North Carolina Housing Finance Agency in the original amount of \$865,199 at no interest and matures on October 1, 2036.

The Project is a part of a larger development known as the Willow Oaks/Hope VI (the Development). The Authority and the Project entered into a Regulatory and Operating Agreement to pay a portion of the development costs of the Project and with Operating Fund assistance to help in operating and maintaining the low income character of the public housing units in the Project. The Project agreed to develop, operate and maintain the Project in accordance with all requirements applicable to public housing and all HUD regulations, the Annual Contribution Contract (“ACC”), the Mixed Finance ACC Amendment, the Hope VI Grant Agreement and all other Federal statutory and regulatory requirements. The property is managed by WRH Realty Services, Incorporated (“Property Management”).

A physical inspection of the property has been delayed due to COVID-19 precautions. Our last physical inspection took place on February 24, 2020. Ms. Von Patrick, Neighborhood Outreach Specialist of the Planning Department, inspected approximately 15 percent of the Project’s units; and there were no repairs suggested at that time.

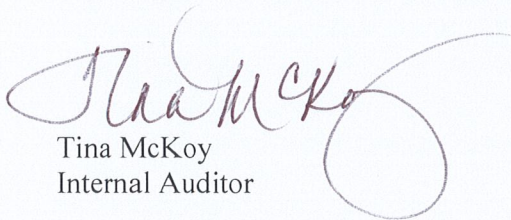
In the Management Letter dated March 6, 2020 for the year ended December 31, 2019, the external auditors (Sherbert Associates, PC) highlighted several significant issues encountered during the course of the audit:

1. Management asserted that the Project continues to be a going concern (will continue to exist in the future 12 months from the date of the financial statements were issued without any issues.) We agree with Management's assertion that the Project will continue to be a going concern.
2. It appears that there were payments that were not in compliance with the cash flow waterfall provisions. Payments of fees to the Managing Member have been accrued but have not been paid from available cash flow. We recommend that Management review the Operating Agreement to ensure the proper disbursement of the Project's available cash flow.
3. At time during the audit period, there were bank account balances totaling more than \$250,000 in one bank. Management should review balances and evaluate depository institutions regularly to minimize risks to potential uninsured balance.

In a letter dated September 10, 2020, Property Management adequately addressed the above mentioned issues with their plans for corrective action. A copy of their responses is accompanying this report.

We examined selected documentation maintained by the entity for compliance. Based on our review, documentation requested was received without exception.

We would like to thank Ms. Tammy Burgett, Assistant Vice President of Operations; and the staff of WRH Realty Services, Incorporated for providing the documentation to complete our review. If there are any questions or comments concerning the details of this visit, we can be reached at 373-4528.



Tina McKoy  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Chris Wilson, Interim City Manager  
Larry Davis, Assistant City Manager  
Caitlin Bowers, Community Development Analyst, Neighborhood Development  
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development  
Tammy Burgett, Assistant Vice President of Operations, WRH Realty Services, Inc.



NEIGHBORHOOD DEVELOPMENT

June 25, 2020

WRH Realty Services, Incorporated  
Ally Hackney  
3030 Hartley Road Suite #320  
Jacksonville, FL 32257

Dear Ms. Hackney:

The City of Greensboro's Neighborhood Development Department is issuing this report based upon the monitoring function for the Memorandum of Understanding between the City of Greensboro, Greensboro Housing Authority, and the Redevelopment Commission of Greensboro for the neighborhood revitalization of what is now The Havens at Willow Oaks. The project includes 60-unit multifamily rental housing at 1700 Morning View Drive, 1701 Morning View Drive, 2002 Everitt Street, 2004 Everitt Street, 2100 Everitt Street, 501 Jennifer Street and 503 Jennifer Street. The scope of the compliance monitoring addresses a desk review of administrative files for rent, occupancy, and tenant eligibility requirements.

The purpose of this monitoring is to determine compliance with agreement, and the regulations and requirements for HOME and Section 42 of the Internal Revenue Code of 1986, as amended, during fiscal year 2018-2019. On June 25, the desk review of The Havens at Willow Oaks was completed. Enclosed you will find the City of Greensboro's Fiscal Year 2018-2019 compliance monitoring review which documents the details of the review. There were no findings or concerns resulting from this monitoring review, therefore an official response is not required. If WRH Realty Services, Incorporated would like to submit a response, the response should be submitted in writing to Charla Gaskins within 14 days of this letter.

Neighborhood Development staff appreciates the assistance and documentation that Ally Hackney, Regional Director; Jacqueline Clyburn, Property Manager; and staff of WRH Realty Services, Incorporated provided during this desk review. As a reminder, all project files are to be maintained for a period of seven years from the final payment under this agreement.

Sincerely,

Charla Gaskins  
Federal Compliance Coordinator  
Attachments

Lamont Taylor  
Fiscal Planning and Administration Manager

cc: Larry Davis, Assistant City Manager  
Chris Wilson, Assistant City Manager  
Cyndi Blue, Manager of Housing Services, Neighborhood Development  
Caitlin Bowers, Grant Administrator, Neighborhood Development  
Tina McKoy, Internal Auditor, Executive

**City of Greensboro**  
**Neighborhood Development**  
**COMPLIANCE DESK MONITORING REVIEW**



Project Name: The Havens at Willow Oaks  
 Reviewer: Charla Gaskins

Compliance for FY: 18-19  
 Desk Monitoring Completion Date: 6/25/20

QUESTIONS	YES	NO	N/A	NOTES
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<b>A. RENT REQUIREMENTS</b>				
1.	Did the project use proper utility allowances to calculate maximum rent levels? 24 CFR 92.252(d)(2)	X		Management of WRH Realty Services provided utility allowances for the property. The RCRS report shows that four units used an allowance that was \$4 lower than the standard and that two units used an allowance that was \$5 lower than the standard. The corrected allowances would not cause tenant rent to exceed the limit. Management should correct the utility allowance listings soon as possible.
2.	Was the total tenant rent charged for units below the lower of applicable Low HOME maximum rent or Low Income Housing Tax Credit (LIHTC) maximum rent?	X		
3.	Is the total tenant rent charged for units at or below the rent listed in the MOU? 24 CFR 92.252(b)	X		
4.	If any in-place tenants had incomes above 80 percent of the area median income, were they charged 30 percent of their adjusted monthly income for rent and utilities? 24 CFR 92.252(i)(2)		X	All HOME-assisted units met the requirements for being under 80% AMI.
5.	Do the rents listed for HOME assisted units in the RCRS Project Compliance Report demonstrate that the maximum gross rent for 23 two-bedroom units and 7 three-bedroom units did not exceed the lower of applicable Low HOME rents or Low Income Housing Tax Credit (LIHTC) rents at 50% AMI?	X		HOME rents were found to be the lower applicable rent.
6.	Did the property meet the unit restrictions within each building?	X		Forty percent of units in each building were occupied by households at or below 50% of the area median income.

QUESTIONS	YES	NO	N/A	NOTES
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B. OCCUPANCY REQUIREMENTS					
1.	Did existing tenants have incomes below 50 percent AMI?	X			All HOME-assisted units met the requirements for being under 50% AMI.
2.	In projects where the HOME-assisted units float:				
	a. When a tenant vacated a HOME unit, was the next available unit made available to a HOME-eligible tenant? 24 CFR 92.252(j)	X			All but one incoming tenant was eligible for HOME assisted units. The required number of floating HOME-assisted units were maintained.
	b. When a tenant's income rose above 80 percent of AMI, was the next available comparable unit rented to a HOME-eligible tenant? 24 CFR 92.252 (j)			X	The rise of the tenant's income in excess of 80% AMI occurred in the prior fiscal year.
3.	Did the property maintain a physical occupancy of 85% or greater?	X			The occupancy from July 1, 2018 to June 30, 2019 was 98.2%.
4.	Was the average vacant unit offline time for the property less than 45 days?		X		The average vacant unit offline time was 49.4 days during FY 18-19. Management should seek ways to reduce this time.

C. TENANT ELIGIBILITY					
1.	Did incoming tenants have incomes below 50 percent AMI?	X			All but one incoming tenant had incomes below 50% AMI.
2.	Was a waitlist maintained?	X			
3.	Were incoming tenants listed on the waitlist?	X			Four incoming tenants were identified on the waitlist.

D. TENANT FILES					
1.	Did the RCRS Report support that project documentation submitted to the City was accurate?	X			

E. PROPERTY STANDARDS					
1.	Did the property pass the City's physical inspection for decent, safe, and sanitary housing?			X	This desk review did not entail a review of the physical property. However, it is noted that an inspection occurred on 2/24/20. There were no findings or concerns and results were reported in the FY 17-18 report.
2.	Did the property adhere to the affirmative marketing policy? 24 CFR 92.351(a)	X			

QUESTIONS	YES	NO	N/A	NOTES
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**Summary of Results and Conclusions**

This review detailed the results of the monitoring visit and noted one observation. A recommendation has been provided will be re-evaluated for compliance with program guidelines during the FY 19-20 review.

*Observation #1- Use of Incorrect Utility Allowances*

*Condition:* Utility allowances listed in the RCRS Property Activity Report for units 2002C, 2004C, 503A, 503F, 501D, and 701F varied from the actual utility allowances for the property.

*Cause:* WRH Realty Services failed to update utility allowances after discovering that improper utilities were input into the RCRS report.

*Effect:* Total rents for the six aforementioned units were calculated incorrectly.

*Recommendation:* WRH Realty Services should notify NCHFA that incorrect utility allowances need to be updated in the RCRS Property Activity Report. As recertifications occur, staff should ensure that the RCRS report has been updated to include correct utility allowances and accurate total rents for each of the aforementioned units.



September 28, 2020

Mr. Dan Buschlen, Controller  
WRH Realty Services, Incorporated  
100 3<sup>rd</sup> Street South, Suite 300  
St. Petersburg, FL 33701

Re: City Review of The Havens at Willow Oaks – FY 2018-2019

Dear Mr. Buschlen:

Thank you so much for your responses addressing the findings in the project's Management Letter (issued by Sherbert Associates, PC) for the year ended December 31, 2019. These findings were highlighted in our draft review report for the project dated August 28, 2020. There are no further responses required.

As always, it is a pleasure working with you.

Sincerely,

Tina McKoy  
Internal Auditor

Len Lucas  
Internal Audit Director

Cc: Larry Davis, Assistant City Manager  
Chris Wilson, Assistant City Manager  
Stan Wilson, Director of Neighborhood Development  
Cyndi Blue, Manager of Housing Services, Neighborhood Development  
Lamont Taylor, Administrative Services Manager, Neighborhood Development  
Caitlin Bowers, Community Development Analyst, Neighborhood Development  
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development  
Tammy Burgett, Assistant VP of Operations, WRH Realty Services, Incorporated

Enclosure





WRH Realty Services  
100 3<sup>rd</sup> Street South  
Suite 300  
St. Petersburg, FL 33701

**Date:** September 10, 2020

**To:** Tina Mckoy & Len Lucas

This is a written response concerning the findings in the Management Letter dated March 6, 2020 for the year ended December 31, 2019, by the external auditors (Sherbert Associates, PC), and our plan of action addressing each issue that pertains to WRH Realty Services, Inc. role as the property management company. The findings were as follows:

1. Management asserted that the Project continues to be a going concern (will continue to exist in the future 12 months from the date of the financial statements were issued without any issues.) We agree with Management's assertion that the Project will continue to be a going concern.
2. It appears that there were payments that were not in compliance with the cash flow waterfall provisions. Payments of fees to the Managing Member have been accrued but have not been paid from available cash flow. We recommend that Management review the Operating Agreement to ensure the proper disbursement of the Project's available cash flow.
3. At time during the audit period, there were bank account balances totaling more than \$250,000 in one bank. Management should review balances and evaluate depository institutions regularly to minimize risks to potential uninsured balance.

WRH Realty Services, Inc. plan of corrective action concerning the issues listed above as they relate to our position as the property management company are as follows:

- Concerning item #1. WRH Realty Services Inc. cannot provide any confirmation regarding going concern.
- Concerning item #2. As of 1/1/2020, the property is no longer accruing for managing "member fees". If any payments are to be made to a "managing member", we will require approval from Greensboro Housing Authority, in addition to the invoice from the managing member.

- Concerning item #3. We will confer with Greensboro Housing Authority regarding the establishment of new escrow bank accounts (replacement reserve & Operating reserve) at an alternative depository institution in order to minimize the uninsured balance risk.

Regards,

*Dan Buschlen*

Dan Buschlen, Controller WRH Realty Services