



**DATE:** September 28, 2021  
**TO:** Michelle Kennedy, Director of Neighborhood Development  
**FROM:** Internal Audit Division  
**SUBJECT:** The Servant Center, Inc.-Glenwood Housing 2018-2019  
(No Response Required)

The Internal Audit Division has performed our fiscal year 2017-2018 compliance review of The Servant Center, Incorporated-Glenwood Housing (“Agency”) based on their fiscal year ended June 30, 2019 audited financial statements. The Agency received a loan from the City of Greensboro (“City” or “Lender”) dated June 25, 2003 for \$167,081 for the renovation of a residential house into eight studio apartment units located at 1205 Lexington Avenue which are called Glenwood Housing (“Project”). The term of this loan is June 25, 2003 to December 1, 2045 at 0% interest. This housing is the next step to independent living for disabled veterans who have completed services provided by The Servant House. The current balance of this loan is \$167,081. Payments are scheduled to begin on May 1, 2025 and continue each May 1 thereafter with final payment due December 1, 2045. These payments will be based upon a percentage of cash flows.

Section 1.14 of the loan agreement requires that reserve funds be held in an interest-bearing account. Glenwood Housing is a very small project and the replacement reserve is so low that it would actually cost the Agency more in fees to put the funds in an interest-bearing account than they would earn in interest. The Agency requested a waiver from this contract requirement; and the City’s Neighborhood Development and Legal Departments approved the request on June 20, 2016.

The replacement reserve account reported an ending balance of \$2,465 at June 30, 2019.

Ms. Von Patrick, Neighborhood Outreach Specialist from the Planning Department, inspected both the interior and exterior of two (2) of the eight (8) units at Glenwood Housing. There were no repairs noted at the time of the inspection. The grounds and exterior building was noted to be in good condition.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the terms of the loan agreement have been met with the following exception:

Section 1.14 (D) of the written loan agreement states: “Withdrawals, excluding interest, in excess of \$2,000.00 from any reserve account must be approved in writing by the Lender prior to said withdrawal.”

**Finding:** Withdrawals were made from the replacement reserve accounts during the fiscal year (including a withdrawal totaling \$2,300 from the Project's reserve account) prior to Neighborhood Development's written approval dated June 21, 2019.

**Recommendation:** None.

The Agency has requested approval for withdrawals from Neighborhood Development in subsequent years; therefore, no responses is required for this finding.

We would like to thank Ms. Shanna Reece, Executive Director; Ms. Debra Stokes, Director of Housing Services; and the staff of The Servant Center, 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 373-4528.



Tina McKoy  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Chris Wilson, Interim City Manager  
Larry Davis, Assistant City Manager  
Cyndi Blue, Manager of Housing Services, Neighborhood Development  
Caitlin Bowers, Grant Administrator, Neighborhood Development  
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development  
Shanna Reece, Executive Director, The Servant Center, Incorporated



NEIGHBORHOOD DEVELOPMENT

October 19, 2018

Glenwood Housing  
Shanna Reece, Servant Center, Inc.  
1312 Lexington Avenue  
Greensboro, NC 27403

Dear Ms. Reece:

Enclosed is a copy of the City of Greensboro's FY 2016-2017 programmatic review of the loan agreement between the City of Greensboro and The Servant Center, Incorporated for the adaptive reuse of a vacant day care facility into eight studio apartment units. These units, known as Glenwood Housing Apartments, are located at 1205 Lexington Avenue.

There are no findings resulting from this monitoring review, therefore an official response is not required. As a reminder, tenant income, rent and inspection information must be kept for the most recent seven years, until seven years after the end of the affordability period. Please note that this review does not preclude HUD and other federal agencies from reviewing this project in the future.

Neighborhood Development staff appreciates the assistance and documentation provided during the monitoring visit by Ms. Shanna Reece, Executive Director; Ms. Debra Stokes, Director of Housing; and the staff of The Servant Center, Incorporated.

Sincerely,

Charla Gaskins  
Federal Compliance Coordinator

Stan Wilson  
Director

## **FY 2016-2017 Programmatic Review of Glenwood Housing Apartment**

### **Monitoring Visit Attendees**

*November 7, 2017 Programmatic Review*

Charla Gaskins, Federal Compliance Coordinator, City of Greensboro

Debra Stokes, Director of Housing, The Servant Center

*November 20, 2017 Financial Review and Property Inspection*

Tina McKoy, Internal Auditor, City of Greensboro

Von Patrick, Neighborhood Outreach Specialist, City of Greensboro

### **Overview**

The Servant Center, Incorporated entered into a loan agreement with the City for a period beginning June 25, 2003 and ending December 1, 2045. The \$167,081 non-interest bearing loan comprised of \$105,796 of federally funded HOME Investment Partnership Program funds and \$61,285 of Nussbaum Housing Partnership funds, helped to finance the renovation of eight studio apartment units. The units are now Glenwood Housing Apartments. The loan repayment schedule will begin May 1, 2025 with subsequent payments due each May 1. Payments will be based upon a percentage of cash flow.

The purpose of this programmatic review is to determine whether agreement and HOME requirements, rules and regulations being met during fiscal year 2016-2017. Glenwood Housing Apartments provided resident files and financial documentation for the City of Greensboro's Neighborhood Development staff and Internal Audit staff to review.

### **Process**

Neighborhood Development staff conducted an on-site monitoring visit of Glenwood Housing Apartments located at 1205 Lexington Avenue, on November 7, 2017. Internal Audit conducted the financial review on November 20, 2017. Prior to the visits, the City provided a letter to The Servant Center, Incorporated to schedule the visits and to request documentation needed to conduct the review. In response to the letter, The Servant Center, Incorporated confirmed scheduling and provided copies of requested documentation. The Servant Center, Inc. staff was available to answer any questions.

### **Review of Certification of Tenant Incomes**

The purpose of this review is to determine compliance with agreement requirements and eligibility documentation that The Servant Center, Incorporated maintained for each resident. The agreement specifies that initial tenant occupancy is limited to tenants at 50% or below of the Area Median Income for the Greensboro-Winston Salem- High Point Standard Metropolitan Statistical Area. If an existing tenant's income exceeds 80% of the median income, management shall increase the rent to an amount equal to 30% of the tenant's adjusted income and rents may exceed the Low HOME rent. Neighborhood Development staff reviewed two resident files. The files were categorized well. Both files contained a rental application, income disclosure, income verification documents, executed lease, management inspection form, and tenant income certification forms. A review of the two files and the rent roll showed that initial and current incomes complied with the agreement.

**Review of Lead Based Paint Disclosure**

The purpose of this review is to determine whether The Servant Center, Incorporated is meeting agreement requirements. The construction of Glenwood Housing Apartments was complete in 2003; therefore, the property is exempt from lead based paint disclosure requirements.

**Review of Residential Lease**

The purpose of this review is to determine compliance with agreement requirements. Of the files reviewed, documentation showed that residents signed a twelve-month lease. Residential leases appear to be in compliance with the agreement.

**Review of Rents**

The purpose of this review is to determine compliance with the agreement. For 42 years following completion of the construction, or until the loan obligations are satisfied in full, whichever shall last occur, the maximum gross rent for all units (including applicable utility allowances) will be in accordance with applicable HOME regulations and will not exceed the Low HOME rent limit for studio units. Additionally, twenty percent of the units must be rented to tenants at 50% or below of Area Median Income. If at any time the project falls below this threshold, the next available unit must be rented to a tenant at 50% or below of Area Median Income.

Per the agreement, rents shall not be increased without prior written approval and tenants must be given a minimum of 30 days prior written notice before implementing any increase in rent. On June 15, 2016, the City approved a rental rate of \$475 for rent and utilities.

For 2017, rent plus utility limits are as follows:

|        | <b>Current Glenwood House Max Rent</b> | <b>Agreement (50%)</b> | <b>Low HOME (50%)</b> |
|--------|--|------------------------|-----------------------|
| Studio | \$475                                  | \$475                  | \$501                 |

The unit rents and unit requirements for Glenwood Housing Apartments comply with the agreement. Documentation of a 30 day written notice was seen the file review when applicable.

**Review of Property Standards**

The purpose of this review is to determine compliance with agreement requirements for improvements, maintenance and repairs to the property. Neighborhood Development reviewed two files; both were studio units. Both files reviewed had an inspection form signed by management.

Additionally, Ms. Von Patrick, Neighborhood Outreach Specialist for the City of Greensboro Planning Department, inspected two units and the property's exterior and grounds on November 20, 2017. Ms. Patrick noted the exterior and grounds to be in good condition. No repairs were noted for the units during the inspection. No findings or concerns.

**Review of Contractual Compliance**

The Servant Center, Incorporated has maintained insurance coverage and has named the City of Greensboro as the insured on the policy. Based on Neighborhood Development's review of files and program documentation, it appears that HOME funding requirements have been met.

Internal Audit examined selected financial transactions and program documentation for compliance with the loan agreement. Based on their review, it appears that The Servant Center, Incorporated has met the terms of the loan agreement without exception.

### Base Property Indicators

| Red Flag Indicators               | Threshold | Property results | Red Flag |
|-----------------------------------|-----------|------------------|----------|
| Physical Occupancy FY 16/17       | >85%      | 92.2%            | -        |
| Average Vacant Unit Offline Time  | <45 Days  | 57.0 Days        | Yes      |
| Adhering to HOME and/or Agreement | Adherence | Yes              | -        |
| Change in Revenue                 | Positive  | Yes              | -        |
| Affirmative Marketing Policy      | Adherence | Yes              | -        |
| Property Taxes Paid On Time       | Achieved  | N/A              | -        |

### Summary

The physical occupancy at Glenwood House is 92.2% and the average vacant unit offline time is 57 days. A red flag was received for exceeding the maximum threshold limit. Management should seek ways to reduce the time for this indicator. Glenwood Housing Apartments continues to provide decent housing to qualified disabled residents. The report does not require a reply.