



DATE: September 28, 2021

TO: Michelle Kennedy, Director of Neighborhood Development

FROM: Internal Audit Division

SUBJECT: The Servant Center, Inc.-Haworth House 2019-2020
(No Response Required)

The Internal Audit Division has performed our fiscal year 2018-2019 compliance review of The Servant Center, Incorporated-Haworth House (“Agency”) based on their fiscal year ended June 30, 2020 audited financial statements. The Agency received a loan dated January 26, 2012 from the City of Greensboro (“City”) for \$413,637 to help finance the construction of a building containing nine (9) one-bedroom apartment units located at 1207-1209 Lexington Avenue. This building is known as the Haworth House (“Project”).

The Project was funded using Community Housing Development Organization (“CHDO”) set aside funds from the HOME Investment Partnerships (“HOME”) Program. The Project was also financed using \$550,000 in HOME funds from the North Carolina Housing Finance Agency (“NCHFA”). Due to the investment of HOME funds by both the City and NCHFA, there are a combined total of seven (7) floating HOME-assisted units. Additional financing for the Project included a grant for \$180,000 from the Federal Home Loan Bank’s Affordable Housing Program, a grant for \$100,000 from the U.S. Department of Housing and Community Development’s Continuum of Care program, and an investment of \$210.51 by The Servant Center, Incorporated.

The term of the City’s loan is January 26, 2012 to January 30, 2032 at 0% interest per annum. There are no annual payments required; and the loan is payable in full, if not sooner paid, upon maturity. The loan balance at June 30, 2019 was \$413,637.

Section 1.14 of the loan agreement requires that reserve funds be held in an interest-bearing account. The Haworth House 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.

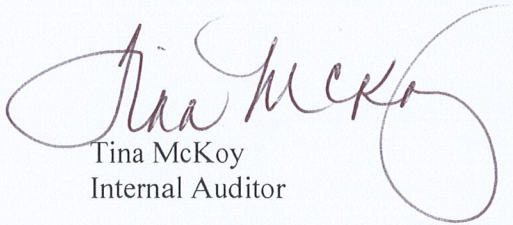
The replacement reserve account reported an ending balance of \$3,007 at June 30, 2020.

A physical inspection of the Project has been delayed due to COVID-19 precautions. At the last physical inspection conducted on December 14, 2019, Ms. Von Patrick, Neighborhood Outreach Specialist from the Planning Department, inspected the interior of two (2) of the nine (9) units at The


Haworth House, as well as the exterior building and grounds. There were no repairs noted for the units inspected. Also, the building and grounds were 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 without exceptions.

We would like to thank Ms. Shanna Reece, Executive Director, and the staff of The Servant Center, Incorporated for providing the documentation needed to complete this 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
Cyndi Blue, Manager of Housing Services, Neighborhood Development
Caitlin Bowers, Community Development Analyst, Neighborhood Development
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development
Shanna Reece, Executive Director, The Servant Center, Incorporated



NEIGHBORHOOD DEVELOPMENT

June 25, 2020

Shanna Reece, Servant Center, Inc.
Haworth House
1312 Lexington Avenue
Greensboro, NC 27403

Dear Ms. Reece:

The City of Greensboro's Neighborhood Development Department is issuing this report based upon the monitoring function for the loan agreement between the City of Greensboro and The Servant Center, Inc. for a loan to help finance the construction of nine apartment units located at 1207-1209 Lexington Avenue. The scope of the compliance monitoring addresses two areas:

1. Desk review of administrative files for rent, occupancy, and tenant eligibility requirements;
2. On-site inspection of property standards for buildings, grounds, and 15% of the units.

The purpose of this monitoring is to determine compliance with HOME and agreement requirements, rules, and regulations during fiscal year 2018-2019. On June 24, the desk review of Haworth House 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 The Servant Center, Inc. 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 Ms. Shanna Reece, Executive Director, provided during 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
Kevin Hoppens, Board Chair, The Servant Center

City of Greensboro
Neighborhood Development
COMPLIANCE DESK MONITORING REVIEW



Project Name: Haworth House
 Reviewer: Charla Gaskins

Compliance for FY: 18-19
 Desk Monitoring Completion Date: 6/24/20

| QUESTIONS | YES | NO | N/A | NOTES |
|-----------|-----|----|-----|-------|
|-----------|-----|----|-----|-------|

| A. RENT REQUIREMENTS | | | | | |
|-----------------------------|--|---|--|---|---|
| 1. | Did the project use proper utility allowances to calculate maximum rent levels? 24 CFR 92.252(d)(2) | X | | | Utilities are included in rent; no allowances needed. |
| 2. | Was the total tenant rent charged for units below the HOME maximum rent? 24 CFR 92.252(a) | X | | | |
| 3. | Is the total tenant rent charged for units at or below the rent listed in the loan agreement or below an approved rent increase? 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 | No incomes exceeded 80% AMI. |
| 5. | Do the rents listed for HOME assisted units in the RCRS Project Compliance Report demonstrate that the maximum gross rent for 5 one-bedroom units did not exceed the applicable definition of High HOME rents, which are the lesser of either <ul style="list-style-type: none"> • The Section 8 Fair Market Rents for existing housing; or • Thirty percent of the adjusted income of a family whose annual income equals 65% of median income? | X | | | |

| QUESTIONS | | YES | NO | N/A | NOTES |
|-----------|---|-----|----|-----|-------|
| 6. | <p>Do the rents listed for HOME assisted units in the RCRS Project Compliance Report demonstrate that the maximum gross rent for 2 one-bedroom units did not exceed the applicable definition of Low HOME Rents</p> <ul style="list-style-type: none"> • Thirty percent of the tenant's monthly adjusted income; or • Thirty percent of the annual income of a family whose income equals 50% of the median income; or • If the project has a Federal or state project-based rental subsidy and the tenant pays no more than 30% of the tenant's monthly adjusted income toward rent, the maximum rent may be the rent allowable under the project-based rental subsidy program? | X | | | |

B. OCCUPANCY REQUIREMENTS

| | | | | | |
|----|---|---|---|---|--|
| 1. | Did existing tenants have incomes below 60 percent AMI? | X | | | |
| 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 | | | |
| | 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 | No incomes exceeded 80% AMI. |
| 3. | Did the property maintain a physical occupancy of 85% or greater? | X | | | The physical occupancy from July 1, 2018 - June 30, 2019 was 91.4%. |
| 4. | Was the average vacant unit offline time for the property less than 45 days? | | X | | The average vacant unit offline time was 71.0 days during FY 18-19. Management should work to reduce this time. No finding or concern. |

C. TENANT ELIGIBILITY

| | | | | | |
|----|--|---|--|--|--|
| 1. | Did incoming tenants have incomes below 60 percent AMI? | X | | | |
| 2. | Were Low HOME units occupied by households with incomes at or below 50%? | X | | | |

| QUESTIONS | | YES | NO | N/A | NOTES |
|-----------|---|-----|----|-----|---|
| 3. | Was a waitlist maintained? | | X | | Management identified that waitlists aren't maintained; available units are referred to the VA or coordinated assessment for immediate placement. This procedure is in line with Haworth House's Affirmative Fair Housing Marketing Plan. |
| 4. | Were incoming tenants listed on the waitlist? | | | X | |

| 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 | | | Von Patrick inspected the property on 12/17/19 |
| 2. | Was insurance maintained on the property? | X | | | |
| 3. | Was the City of Greensboro named as the insured on the property? | X | | | |
| 4. | Did the property adhere to the affirmative marketing policy? 24 CFR 92.351(a) | X | | | |