

Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

Settlers Cove Apartments

4045 Treadway

Beaumont, TX 77706

Owner: American Housing Foundation

Date Built: 1981

Management Company: Concierge Asset Management

Property Manager: Rachael Shepperd

INSPECTION DATE/ TIME: July 30, 2009

Inspector's Name: Mindy Green

| | | | | | |
|--------------------------------|-----|-------------------------------------|-----|---|-----|
| Number of Units: | 182 | Occupancy at Time of Report: | 90% | Average Occupancy Over Last 12 Months: | 96% |
| Number of One Bedrooms: | 44 | Number of Two Bedrooms: | 138 | Number of Three Bedrooms: | N/A |

| PHYSICAL INSPECTION | YES | NO | N/A |
|--|-----|----|-----|
| 1) Are the access gates in operable condition? | | | X |
| 2) Is the community monument sign in acceptable condition? | X | | |
| 3) Is the perimeter fence surrounding the property in acceptable condition? | X | | |
| 4) Is the grounds and landscaping in acceptable condition? | X | | |
| 5) Are trees and shrubs properly trimmed? | X | | |
| 6) Are there signs of erosion, foot paths or tree root elevations? | | X | |
| 7) Are sidewalks clean and in good repair? | X | | |
| 8) Is parking lot clean and in good repair with handicap parking clearly marked? | X | | |
| 9) Are recreational/common areas clean, maintained and accessible? | X | | |
| 10) Are laundry facilities clean, maintained and accessible? | X | | |
| 11) Is facility equipment operable and in acceptable condition? | X | | |
| 12) Is the area around the waste receptacles clean and are the enclosures in good repair? | X | | |
| 13) Is the exterior of the buildings in acceptable condition? (Please use the comment section if there is rotted wood, peeling paint, missing or broken bricks, or other signs of deferred maintenance.) | X | | |
| 14) Are hallways clean and maintained? | X | | |
| 15) Are storage/maintenance areas clean, maintained and organized? | X | | |
| 16) Are building foundations in good repair? | X | | |
| 17) Are the gutters, downspouts and fascia boards on the buildings in good repair? | X | | |
| 18) Do the building roofs appear to be in good condition? | X | | |
| 19) Do balconies and upper level walkways appear to be in good condition? | X | | |
| 20) Do windows, blinds, doors, and trim appear to be in good condition? | X | | |
| 21) Are there any major repairs on the property currently? (Please use the comment section if there are any water main repairs, boiler repairs, utility repair, other.) | | X | |
| 22) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed? | | | X |
| 23) Are there any other health, fire or safety concerns that need to be addressed? | | X | |

COMMENTS: On the day of the site visit the grounds and monument sign were in excellent condition. The parking lot is need of repairs, and has been budgeted for this year. During the site visit the reviewer noticed exposed cable wiring at the top of one of the buildings. Management stated that the Cable company leaves the wires out when they are onsite working and it typically takes about two weeks to get someone out to the property to properly conceal the wiring.

SECURITY PROGRAM Part I

| 1) In reviewing the police report the following incidents were noted and includes the number of times incidents occurred: | | |
|---|------------------|-----------|
| Incident Type | # of Occurrences | Comments: |
| - Burglary? | 1 | |
| - Theft? | 1 | Auto |
| - Criminal Mischief? | 1 | |
| - Personal Assault? | 1 | |
| - Drug Activity? | | |
| - Gunfire? | | |
| - Domestic Violence? | | |

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|--|----|--|
| - Disturbance? | 10 | |
| - Other? | | |
| 2) Does the property have a Crime Prevention Plan in effect to address criminal activity on the property? <input checked="" type="checkbox"/> The property currently has a Crime Prevention Plan in effect. | | |
| 3) What pro-active measures is the property taking to address crime on the property? <input checked="" type="checkbox"/> The property holds Crime Watch meetings monthly. | | |
| 4) How often is a light check conducted on the property? (Please obtain a copy of the schedule.) <input checked="" type="checkbox"/> A light check is conducted by the courtesy officer daily, and the maintenance manager performs a check on a monthly basis. | | |
| COMMENTS: | | |

| SECURITY PROGRAM Part II | YES | NO | N/A |
|--|-----|----|-----|
| 1) Is the Staff trained in addressing crime on the property? | X | | |
| 2) Does the Management Policy or the Resident Services Program address any of the following activities responding to the needs of the community: | | | |
| - Violent Crime? | X | | |
| - Drug Activity? | X | | |
| - Family Violence? | X | | |
| - Other? | X | | |
| 3) Are there other signs of vandalism on the property? | | X | |
| 4) Are criminal background checks being conducted on all residents over 18 years of age? | X | | |
| 5) Has a risk assessment been conducted to determine risk liabilities at the property? | X | | |
| COMMENTS: The property manager recently walked the property with her supervisor to discuss trip hazards. | | | |

| OFFICE | YES | NO | N/A |
|---|-----|----|-----|
| 1) Is the office neat, the desk uncluttered? | X | | |
| 2) Are accurate office hours posted? | X | | |
| 3) Are emergency phone numbers posted? | X | | |
| 4) Are the EHO logos clearly posted? | X | | |
| 5) Are the following displayed in full view: | | | |
| - Fair Housing Poster? | X | | |
| - Occupancy Qualifications? | X | | |
| 6) Are property licenses and permits on file and renewed on a timely basis? | X | | |
| 7) Are insurance binders maintained on vendors on-site and/or at the corporate office? | X | | |
| 8) Is there a compliance department that ensures the set aside and requirements are being maintained? (If no, please explain the current compliance procedures.) | X | | |
| 9) What community facilities and amenities are provided for resident use? <input checked="" type="checkbox"/> Community facilities include picnic tables and grills, pool, volleyball court, fitness center, resident service center, copy and fax machines. | | | |
| COMMENTS: | | | |

| KEY CONTROL | YES | NO | N/A |
|---|-----|----|-----|
| 1) Are all property keys properly coded? | X | | |
| 2) Is key box locked and secured? | X | | |
| 3) Is the key code list kept separate from the key box? | X | | |
| 4) Are locks being changed during turnover of vacant units and turnover of staff? | X | | |
| COMMENTS: Keys are in a locked box and keys are properly coded. | | | |

| MAINTENANCE PROGRAM | YES | NO | N/A |
|---|-----|----|-----|
| 1) Is there a schedule for preventive maintenance/servicing? | | X | |
| 2) Is the maintenance shop clean and organized? | X | | |
| 3) How often does the exterminator provide services? <input checked="" type="checkbox"/> The exterminator provides services on a monthly basis. | | | |
| 4) Does the maintenance area have properly documented MSDS material and chemicals labeled properly? <input checked="" type="checkbox"/> The maintenance area has a MSDS binder. | | | |
| 5) What is the policy on follow ups for completed service request? <input checked="" type="checkbox"/> Maintenance staff follows up with residents and office staff will randomly call residents to follow up regarding service. | | | |
| 6) What is the property's after hour's emergency policy? <input checked="" type="checkbox"/> Residents call answering service and then on call maintenance is paged. | | | |

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|--|----|--|--|
| 7) What capital improvements have been scheduled for this budget year? <input checked="" type="checkbox"/> Driveway repairs, tree removal, landscaping, and carport repairs have been budgeted for this year. | | | |
| 8) Were capital improvements scheduled from last year conducted? <input checked="" type="checkbox"/> Management does not recall any capital improvements completed from last year. | | | |
| The following information was reported for the month of <u>7/1/2009-7/31/2009</u> : | | | |
| Number of service requests completed in the past 30 days: | 60 | | |
| Number of service requests completed within 24 hours: | 16 | | |
| Number of outstanding service requests: | 3 | | |
| COMMENTS: Management stated that with the change of management there has not been a preventative maintenance program put in effect. The manager stated that the Maintenance staff at the property continues to perform those duties but is no longer keeping a log. | | | |
| Finding: | | | |
| <ul style="list-style-type: none"> • Management stated that a preventative maintenance log is no longer being kept due to a change in management. It is important for the long term upkeep of the property, that preventative maintenance is performed and tracked appropriately. Management must create and implement a preventative maintenance program. Logs should be kept in a binder that is easily accessible by the property manager. Management must submit a copy of the preventative maintenance schedule as well as a completed copy of the completed preventative maintenance log for August 2009 to TSAHC by September 28, 2009. | | | |

| MARKETING | | | |
|--|------------|----------------|-------------|
| 1) Complete the table below with the most recent information available. | | | |
| SOURCE | COST | # of Prospects | # of Leases |
| Source of traffic: | | | |
| Drive-By/Word of Mouth | | 16 | 8 |
| Flyers | \$25 | | |
| Resident Referral | | 2 | 2 |
| Locator Service | | | |
| Printed Advertising | | | |
| Internet Advertising Apartments.com | \$110 | 26 | 5 |
| Preferred Employer | | 1 | 1 |
| Other Source (list) Hospitality , Housing Authority | \$100 | 2 | 1 |
| TOTAL | | 47 | 17 |
| (The rental activity reflected in the above table was for the month of June 30, 2009-July 30, 2009.) | | | |
| | YES | NO | N/A |
| 2) Is the property doing bilingual advertising? | | X | |
| 3) How often are competitors shopped? <input checked="" type="checkbox"/> Competitors are shopped monthly. | | | |
| 4) How often is a market survey completed? <input checked="" type="checkbox"/> A market survey is completed on a monthly basis. | | | |
| COMMENTS: | | | |

| LEASE RENEWAL | YES | NO | N/A |
|---|------|-----|------|
| 1) Is an effective lease renewal program in place? | X | | |
| 2) What percentage of residents renewed last month, past 6 months, and past 12 months? | 59% | 73% | 68%* |
| 3) When are the lease renewal/rent increase notices sent to residents? <input checked="" type="checkbox"/> Renewal notices are being sent 90 days in advance and every 30 days thereafter. | | | |
| 4) Are individual files being reviewed to determine renewal/non-renewal status? | X | | |
| 5) How are renewals tracked and monitored? <input checked="" type="checkbox"/> Renewals are monitored in Onesite. | | | |
| 6) Are rate increases being implemented? | | X | |
| 7) What is the number of month-to-month leases? | 12 | | |
| 8) What is the month-to-month charge? | \$50 | | |
| COMMENTS: *Renewal information was only available from October 2008 to present due to software conversion. | | | |

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| VACANT/MAKE READY UNITS | |
|--|----|
| 1) Number of vacant units at time of activity report: | 19 |
| 2) Number of completed made ready units at time of activity report: | 0 |
| 3) Number of completed one bedroom units at time of activity report: | 0 |
| 4) Number of completed two bedroom units at time of activity report: | 0 |
| 5) Number of uncompleted made ready units at time of activity report: | 19 |
| 6) Number of uncompleted one bedroom units at time of activity report: | 15 |
| 7) Number of uncompleted two bedroom units at time of activity report: | 4 |

| Units Walked (model and minimum of 3 make ready units) | |
|--|---|
| Unit # | Brief Description (See Unit Inspection Sheet for details) |
| 2305 | 2x2 In progress |
| 2003 | 2x1 Good, Cabinets need refaced |
| 1822 | 1x1 Turn has not been started |

| Units Walked (units vacant and unready for extended period of time and all down units) | |
|--|---|
| Unit # | Brief Description (See Unit Inspection Sheet for details) |
| NA | |

| | YES | NO | N/A |
|---|-----|----|-----|
| 1) Is the make ready product acceptable? | X | | |
| 2) Does the Unit Availability Report match the make ready board? | | X | |
| 3) Are there any down units? | | X* | |
| 4) Are units being turned in a timely manner? | X | | |
| 5) Are there vacant units that have been vacant for an extended period of time? (If yes, specify the reason below.) | | X | |
| 6) Does management have a system to monitor timely preparation of vacant units? | X | | |
| 7) Does the property manager walk vacant units after they are made ready? | X | | |
| 8) How often are occupied units inspected? Ø Occupied units are inspected quarterly. | | | |
| 9) What is the company policy on turning vacant units? Ø Company policy to turn vacant units is 3-5 days. | | | |
| 10) How many vacant unready units are near completion? Ø Two units are near completion. | | | |

COMMENTS: The property does not currently have a show unit because of there were several move ins on the day before the site visit.

*On the day of the site visit there were not any down units. However, on August 16th there was a fire in building 17 and all units were completely destroyed. There are now 24 units that are down.

Observation:

- On the day of the site visit there were not any units made ready. Management policy is to have to a vacant unit within 3-5 days and there are currently units that have been vacant for as long as 60 days. It is suggested that Management begin following the current policy. It is also suggested that management have at least one unit of each floor plan available for immediate occupancy.

| BUDGET MANAGEMENT | YES | NO | N/A |
|---|-----|----|-----|
| 1) Is management using the current budget to monitor and control operating expenses? | X | | |
| 2) How many bids are solicited in order to obtain materials, supplies, and services? Ø Three bids are collected in order to obtain materials and services. | | | |
| 3) Explain variance of 10% or greater YTD. | | | |

| <u>Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending</u> | | | | | |
|--|----------|----------|----------|-----|--|
| (Please note that a positive variance is under budget and a negative variance is over budget.) | | | | | |
| EXPENSE ITEM | ACTUAL | BUDGET | VARIANCE | % | EXPLANATION |
| Administrative | \$12,174 | \$15,119 | \$2,945 | 19% | Telephone & Internet, Computer Hardware & Repair |
| Marketing | \$4,747 | \$5,690 | \$943 | 17% | Model Furniture |

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|-------------|----------|---------|----------|-------|---|
| Grounds | \$7,781 | \$8,975 | \$1,194 | 13% | Landscape Maintenance Contract |
| Maintenance | \$12,138 | \$3,910 | -\$8,472 | -217% | Plumbing Repairs, HVAC Supplies, Cleaning – Contract |
| Turnover | \$10,700 | \$2,771 | -\$7,929 | -70% | Painting- Vacant, Paint/Drywall Supplies, Carpet Cleaning – Vacant, Apartment Cleaning – Contract |
| Security | \$4,040 | 0 | -\$4,040 | | Courtesy Apartment |

COMMENTS: Management stated with the change of management companies the budget was not completed and ready for use by the property until May.

| REVENUE | | | | | |
|----------------------|--|----------|-------------------|--|-----------|
| FOR THE MONTH OF MAY | | | YEAR TO DATE 2009 | | |
| Gross Potential | | \$91,240 | Gross Potential | | \$446,964 |
| Budgeted | | 111,850 | Budgeted | | 559,250 |
| Variance + (-) | | -20,610 | Variance + (-) | | -112,286 |
| Collected to Date | | 94,640 | Collected to Date | | 493,593 |
| Other Revenue | | 4,089 | Other Revenue | | 50,623 |
| Total Collected | | 98,729 | Total Collected | | 544,216 |
| Budgeted | | 110,983 | Budgeted | | 546,533 |
| Variance + (-) | | -12,254 | Variance + (-) | | -2,317 |

COMMENTS:

| ACCOUNTS PAYABLE | YES | NO | N/A |
|--|-------------------|----|----------|
| 1) Is the payable report up to date? | X | | |
| 2) Do the invoices reflect late charges due to late payments? | | X | |
| 3) Have any property accounts been closed in the past 30 days? | | X | |
| 4) Is debt being controlled? | X | | |
| 5) How often are invoices processed? Ø Invoices are processed on a weekly basis. | | | |
| 6) If payments are a problem, what is management doing to correct the problem? Ø NA | | | |
| COMMENTS: | Current: | | \$5,349 |
| | 30 Days: | | \$9,966 |
| | 60 Days and Over: | | \$0 |
| | TOTAL | | \$15,315 |

| DELINQUENCIES | YES | NO | N/A |
|--|-------------------|----|----------|
| 1) Is the delinquency report up to date? | X | | |
| 2) What is the collection policy for outstanding rents? Ø Delinquency notice sent on the 4 th , 3 day notice sent on the 7 th , Eviction is filed on the 10 th | | | |
| 3) When is legal action taken against delinquent accounts? Ø Evictions are typically filed on the 10 th . | | | |
| 4) Does the property currently have any resident(s) under eviction? (If yes, how much?) | | X | |
| 5) Does housing have any outstanding balances? (If yes, how much?) | \$1,303 | | |
| COMMENTS: | Current: | | \$14,001 |
| | 30 Days: | | \$1,274 |
| | 60 Days and Over: | | \$493 |
| | TOTAL | | \$15,768 |

| RETURNED CHECKS | YES | NO | N/A |
|--|-----|----|-----|
| 1) Total number of returned checks in the past 3 months: | | 7 | |

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|---|---|--|--|
| 2) Has the manager collected and deposited all returned checks? | X | | |
| 3) Is the manager following company policy on returned checks? | X | | |
| COMMENTS: | | | |

| PERSONNEL | YES | NO | N/A |
|--|-----|----|-----|
| 1) Does owner/agent have a system/procedure for providing field supervision of on-site personnel? | X | | |
| 2) Does the property appear to be adequately staffed? | X | | |
| 3) Is overtime being controlled? | X | | |
| 4) Were requested pre-audit reports submitted on time? | X | | |
| 5) Does it appear that personnel are team oriented? | X | | |
| 6) Do personnel appear to be dressed appropriately? | X | | |
| 7) Are name tags/photo IDs being worn by the maintenance personnel? | | X | |
| 8) Was management staff prepared for the site visit? | X | | |
| 9) How often are staff meetings held? Ø Staff meetings are held weekly. | | | |
| 10) Have personnel been trained in Fair Housing? | X | | |
| 11) List all training staff has received in the past three years. Ø Staff has received the following training: Pool School, Marketing, Fair Housing, Compliance, Resident Services, Grace Hill, OneSite Bookkeeping, HVAC, Safety | | | |

COMMENTS: Management was given approval to hire a porter (cleaning/grounds) the week prior to the site visit.

| OWNER PARTICIPATION | YES | NO | N/A |
|--|-----|----|-----|
| 1) Does the owner have access to computer generated reports? | X | | |
| 2) If owner does not have computer access to the reports, what reports are submitted to the owner? Ø NA | | | |
| 3) How often are the reports submitted to the owner? Ø Management is not aware if reports are being relayed but she submits reports to her DM on a monthly basis. | | | |
| 4) What is the approval amount that the owner requires for the release of funds? Ø The dollar amount that requires approval is \$500. | | | |
| 5) Are the funds for needed capital improvement items, turning of units, marketing campaigns released by the owner according to what has been budgeted? | X | | |

COMMENTS: Management stated that capital improvements will be completed this year and funds budgeted for marketing are also being released.

| SUMMARY OF OBSERVATIONS AND FINDINGS |
|---|
| <p>Finding:</p> <ul style="list-style-type: none"> Management stated that a preventative maintenance log is no longer being kept due to a change in management. It is important for the long term upkeep of the property, that preventative maintenance is performed and tracked appropriately. Management must create and implement a preventative maintenance program. Logs should be kept in a binder that is easily accessible by the property manager. Management must submit a copy of the preventative maintenance schedule as well as a completed copy of the completed preventative maintenance log for August 2009 to TSAHC by September 28, 2009. <p>Observation:</p> <ul style="list-style-type: none"> On the day of the site visit there were not any units made ready. Management policy is to have to a vacant unit within 3-5 days and there are currently units that have been vacant for as long as 60 days. It is suggested that Management begin following the current policy. It is also suggested that management have at least one unit of each floor plan available for immediate occupancy. |

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