

Texas State Affordable Housing Corporation

The Willows

1332 Lamar Square Drive Austin, Texas 78704

Owner: Mary Lee Community

Date Built: 2010

Management Company: Mary Lee Leasing

Property Manager: Max Courtney

Inspection Date & Time: August 13, 2014 8:30

Inspector's Name: James Matias & Celina Mizcles

Occupancy at Time of Report:	95.3%	Average Occupancy Over Last 12 Months:	96.4%
Number of Units:64			
Number of One Bedrooms:	51	Number of Two Bedrooms:	9
Number of Three Bedrooms:	4	Number of Four Bedrooms:	

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) Are the grounds and landscaping in acceptable condition?	X		
5) Are trees and shrubs properly trimmed?	X		
6) Are the grounds free of erosion, foot paths and tree root elevation?	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?	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) Is Management addressing all health, fire or safety concerns on the property? (X		
22) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed?	X		

COMMENTS: On the day of the site visit, the property had good curb appeal and no major defects were found. The parking lot was in good condition with handicap spaces clearly marked. The back of the building had some dryer vent duct work laying outside that most likely needs to be disposed of (pictures attached). The exterior of the buildings, foundations, and roofs appeared adequate. Many of the hallways and/or breezeways were found to be stained and a small amount of trash or cigarette buds were noticed. The stairs, railings, and elevator were well maintained and sturdy.

Observation:

- **On the day of the site visit the landscaping appeared to be neglected. Many of the trees on the side or back of the building need to be trimmed. The grass on the side and back of the building needs to be cut and sidewalks and curbs need to be edged throughout community. In addition to the above mentioned items, it appears that the lawn in the front is not being watered. If permitted by the city, it is suggested that the lawn be watered regularly. It is also recommended that scheduled landscaping be implemented.**
- **The enclosed dumpster area had large items scattered outside the dumpsters. It appeared the main reason for the overflowing dumpster is the disposal of large items. (Pictures attached) It is suggested that management notify residents about proper disposal of large items.**

SECURITY PROGRAM Part I

1) After review of the prior 3 months of police reports, the following incidents were noted and includes the number of times incidents occurred:

Incident Type	# of Occurrences	Comments:
Burglary		
Theft		

Texas State Affordable Housing Corporation

Criminal Mischief		
Personal Assault		
Drug Activity		
Gunfire		
Domestic Violence		
Disturbance		
Other		
2) Does the property utilize a crime prevention agreement? ➤ The property has all adult residents sign a reason for eviction agreement.		
3) What pro-active measures is the property taking to address crime on the property? ➤ Management stated that no pro-active measures are currently being taken by management to deter crime other than the amendments that residents sign during lease execution.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ Light checks are conducted as needed.		
COMMENTS:		
Finding:		
<ul style="list-style-type: none"> • Management refused to submit requested police reports for the previous three months. The reviewer discussed the importance of knowing what type of criminal activity happens on the property and how to use it as a management tool. Management must submit a copy of the police reports for the last 3 months to TSAHC by <u>October 3, 2014</u>. (Repeat Finding) 		

SECURITY PROGRAM Part II	YES	NO	N/A
1) Is the Staff trained in addressing crime on the property?	X		
2) Is the property free of graffiti and/or vandalism?	X		
3) Are criminal background checks being conducted on all residents over 18 years of age?	X		
➤ Are criminal background checks being conducted on residents as they age to be 18 while living in the unit?	X		
4) Has a risk assessment been conducted to determine (risk) liabilities at the property?	X		
COMMENTS: The HR coordinator for the Mary Lee Foundation stated that the last risk assessment was completed in July of 2014.			

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 in the leasing office?			
➤ Fair Housing Poster	X		
➤ Occupancy Qualifications	X		
6) Is there a compliance department that ensures the set aside and eligibility requirements are being maintained?	X		
7) Which of the following community amenities are provided for resident use?			
➤ Playground		X	
➤ Community Room	X		
➤ BBQ/Picnic Area	X		
➤ Laundry Facility	X		
➤ Business Center		X	
➤ Pool		X	
➤ Other (Library, Case Manager, Food Pantry)	X		
8) When are property licenses and permits renewed? ➤ The only license that the property has to renew is the elevator and it is renewed annually.			
9) Where are vendor insurance records/binders maintained? ➤ Vendor insurance records are kept at the corporate office with the HR coordinator.			
COMMENTS: Some of the amenities mentioned above, such as the playground, picnic area, and food pantry are available to all Marry Lee Foundation residents and are not specific to The Willows residents.			
Observation:			
<ul style="list-style-type: none"> • The majority of the washers and dryers in the laundry facility were inoperable. Since washer and dryer connections are not found in the units, it is highly recommended that regular maintenance be performed on the washers and dryers and that management 			

Texas State Affordable Housing Corporation

maintains a reasonable amount of operable machines to accommodate 64 units.

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:

MAINTENANCE PROGRAM	YES	NO	N/A
1) Does the property have a preventative maintenance program?	X		
2) Is the preventative maintenance schedule being implemented?	X		
3) Is the maintenance shop clean and organized?	X		
4) On average, how many days does it take to complete a work order? > On average it takes 2.2 days to complete a work order.			
5) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		
6) How often are Pest Control services provided? > Pest control is offered every other month.			
7) What is the policy for following up on completed service requests? > Management stated they do not have a process for following up on work orders but the resident signs the work order upon completion.			
8) What is the property's after hours emergency policy? > The on-call maintenance employee answers the after-hours cell phone to address any emergencies.			
9) What capital improvements have been scheduled or completed for this budget year? > There has not been any capital improvements scheduled for this year.			

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

10) Unit Interior and Appliance upgrades > Interior and appliance upgrades were completed as needed in 2013.			
11) Building Exterior and Curb Appeal repairs > Building exterior repairs or curb appeal upgrades were not performed last year.			
12) Amenity upgrades > No amenity upgrades were completed in 2013.			
13) Other repairs or replacements > Some minor fence repairs were completed around the community.			
Number of service requests received:	35		
Number of requests open from prior periods:	0		
Number of service requests completed:	35		
Number of service requests completed within 24 hours:	7		
Number of outstanding service requests:	0		

COMMENTS: It appears that the maintenance staff is doing an adequate and efficient job of completing work orders.

MARKETING

1) Complete the table below with the most recent information available.

SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0		
Flyers	\$0		
Resident Referral	\$0		
Locator Service	\$0		
Printed Advertising	\$0		
Internet Advertising	\$0		
Other Source (list)	\$0		
TOTAL	\$0		

YES	NO	N/A
-----	----	-----

Texas State Affordable Housing Corporation

2) Is the property doing bilingual advertising?			X
3) Does the property have any competitors nearby?		X	
4) Does the property "shop" their competitors?		X	
5) Does the property complete a market survey at least monthly?		X	

COMMENTS: The property does not perform any marketing functions, nor does it have any marketing expenses. Management stated they do not have any nearby competitors. The Property receives about fifteen phone calls and three to four walk-in's per day. Management stated that the property is currently listed as an affordable housing community with the Austin resource database and the general public can find it by calling 2-1-1. The property has a waiting list, but it is currently closed because management is filling all the vacancies through the Mary Lee Foundation brain injury program or the Veterans Administration.

LEASE RENEWAL	YES	NO	N/A
1) Does it appear that an effective lease renewal program in place?	X		
2) What percentage of residents renewed last month, past 6 months, and past 12 months?	Current: (see observation below)	6 months:	12 months:
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?			NA
4) When are the lease renewal/rent increase notices sent to residents? ➢ Management stated that renewal/recertification notices are sent to residents 60 days in advance. Follow ups are completed at 30 days.			
5) Are individual files being reviewed to determine renewal/non-renewal status?	X		
6) How are renewals and re-certifications tracked and monitored? ➢ Management stated that an internal spreadsheet referred to as the Unit Status Report, is being used to track renewals and recertifications.			
7) Are rent increases being implemented?		X	
8) When was the last rent increase implemented? What was the average rent increase? ➢ Rent increases are not being implemented.			
9) How many households are currently on month-to-month leases? ➢ The property does not have any households on month to month leases.			
10) What is the charge for month-to-month leases? ➢ The property does not have any households on month to month leases.			

COMMENTS:
Observation:

- Management does not keep an actual report regarding lease renewals or reasons for move. The manager stated 9 out of 10 residents leave because of eviction, skip, or non-payment of rent. The management created unit status report averages about 1.5 move outs per month. However, a calculation of the lease renewal percentage cannot be calculated because the report does not provide the number of monthly expiring leases. It is recommended that management track the renewal percentage and reasons for move so they can better monitor the occupancy and limit turnover. It is essential to a properties financial stability to know why your residents are vacating and how often so you can limit risk, maximize profits, and adapt to your community's needs.

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

Units Walked	
Unit #	Brief Description
105	2x1, Occupied
209	Efficiency, vacant, ready
303	1x1, Occupied
305	2x1, Occupied
311	Efficiency, vacant, ready
403	1x1, vacant, make ready in progress

Texas State Affordable Housing Corporation

Down Units Walked (units vacant and unready for extended period of time and all down units)			
Unit #	Brief Description		
NA			
		YES	NO
1)	Does the Unit Availability Report match the make ready board?		X
2)	Are units being turned in a timely manner?	X	
3)	Are there any down units?		X
4)	Are there vacant units that have been vacant for an extended period of time?		X
5)	What system is used by management to monitor the timely preparation of units? ➢ Management uses an internal report to monitor the timely preparation of vacant units.		
6)	How often are occupied units inspected? ➢ Occupied units are inspected quarterly.		
7)	How often are vacant units inspected? ➢ The property does not have units that remain vacant for very long. However, if there were a vacant unit for an extended amount of time, management stated vacant units would be inspected monthly.		
8)	How many vacant unready units are in progress of being made ready? ➢ The property has three vacant units, two are ready and awaiting move-ins and one has a rehab in progress.		
9)	What is the company policy on the number of days to turn vacant units? ➢ Management stated that vacant units are made ready as quickly as possible.		
COMMENTS: The property does not use a make ready board but instead uses work orders to monitor the completion of all make readies.			

BUDGET MANAGEMENT	YES	NO	N/A
1) How many bids are solicited in order to obtain materials, supplies, and services? ➢ Any expense over \$2,500 requires 3 bids in order to obtain materials and services.			
2) Have there been any large unexpected repairs or purchases that have negatively affected the budget? ➢ Management stated the one large expense that affected the budget included electrical repairs for the elevators.			
3) Explain YTD variances of 10% or greater.			

Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending

(Please note that a positive variance is under budget and a negative variance is over budget.)

EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION
See comment below					

COMMENTS: Management provided a profit and loss statement and a balance sheet. However, management did not provide a report that listed the budgeted amounts for revenue or expenses. The line item expenses for 2014 were compared with the line item budgeted expenses for 2013. Assuming that large budget changes did not occur from 2013 to 2014; the expenses have low variances and there was nothing that interprets the property's expenses are trending negatively.

REVENUE			
FOR THE MONTH OF AUGUST, 2014		July 2013 – May 2014 (11 months)	
Gross Potential	\$25,716	Gross Potential	\$
Budgeted Rental Income	\$25,716	Budgeted Rental Income	\$
Actual Rental Income Collected	\$19,844	Actual Rental Income Collected	\$287,695
Variance + (-)	\$5,872	Variance + (-)	\$
Other Revenue	\$	Other Revenue	\$7,577
Total Collected	\$	Total Collected	\$295,272
Budgeted	\$	Budgeted	\$
Variance + (-)	\$	Variance + (-)	\$

COMMENTS: The Annual Profit and Loss Statement was provided by the controller, however the majority of the accounting reports contained information for all Mary Lee Foundation developments, and not specific to The Willows. The unit status report provided by management reflected the above rental revenue for August. However, any miscellaneous income for August is not reference on the unit status report provided. The profit and loss statement provided, which was for an 11 month period, did not include the gross potential rent or the budgeted revenues.

Texas State Affordable Housing Corporation

Observation:

- Management was not able to provide a current year to date profit and loss statement nor was management able to produce a monthly profit and loss statement. It is imperative for Management to review the budget compared to expenses on a regular basis to determine if changes need to be made and to ensure they are within the operating expense and rent structure. It is suggested that Management implement a plan to produce and analyze monthly financial statements.

ACCOUNTS PAYABLE	YES	NO	N/A
1) Is the payable report up to date?			X
2) Is the property in good standing with all vendors?	X		
3) How often are invoices processed? ➤ Invoices are processed daily, as soon as the work is done.			
COMMENTS: Management stated that the property works on a cash basis and does not have any accounts open other than utilities.	0-30 Days:		\$
	30-60 Days:		\$
	60 Days and Over:		\$
	TOTAL		\$

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?	X		
2) What is the rent collection policy? ➤ Rent is due on the 1 st and late on the 6 th . Management calls or visits the delinquent unit shortly after the 6 th . Three day notices to vacate are sent around the middle of the month. Evictions are filed after 30 days.			
3) When is legal action taken against delinquent accounts? ➤ Management stated that payment arrangements are usually made with residents to avoid eviction; however, evictions are filed when necessary, about 30 days after delinquency.			
4) Does the property currently have any resident(s) under eviction?		X	
5) Does Housing have any outstanding balances?	X		
COMMENTS: Finding: • The gross potential rent for this property is \$25,716 and on the 13th day of the month \$5,872 was delinquent. \$470 of the delinquent amount is due to a housing balance with a discrepancy regarding an incorrect tax ID number. The property has a total tenant delinquency of \$5,402 (21%) for August. In addition, 23 of the 64 units (36%) have a balance in arrears. Rent collection is imperative to the success of the property. Each day a resident stays in his or her unit without paying rent is lost revenue for the property to reinvest into the asset. Management must create and implement a plan that address rent collection and how to decrease delinquency and how to better manage the process in which evictions are evaluated. A copy of the plan must be submitted to TSAHC by <u>October 3, 2014</u> .	0-30 Days:		\$5,872
	30 Days or more:		\$7,934
	TOTAL		\$13,806

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:		0	
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) Are name tags/photo IDs being worn by the maintenance personnel?		X	
7) Was management staff prepared for the site visit?	X		
8) Has staff turnover occurred since the last site review?	X		
9) How often are staff meetings held? ➤ Staff meetings are held almost daily.			

Texas State Affordable Housing Corporation

10) Have personnel been trained in Fair Housing?	X		
11) List training staff has received in the past year.			
<ul style="list-style-type: none"> ➤ The staff has received Fair Housing and HOME compliance training. The manager attends the Austin tenant council fair housing and HUD EIV training. 			
COMMENTS: The maintenance staff had two personnel changes in the last year.			

OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to the software system utilized to manage the property?			X
2) How often are reports submitted to the owner?			
<ul style="list-style-type: none"> ➤ The property manager meets with the owner weekly on Wednesdays. 			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds?			
<ul style="list-style-type: none"> ➤ Anything not in the budget needs to receive executive approval. 			
4) Are the funds for needed capital improvement items, turning of units, and marketing campaigns released by the owner according to what has been budgeted?	X		
COMMENTS:			

SUMMARY OF OBSERVATIONS AND FINDINGS
<p>Observation:</p> <ul style="list-style-type: none"> On the day of the site visit the landscaping appeared to be neglected. Many of the trees on the side or back of the building need to be trimmed. The grass on the side and back of the building needs to be cut and sidewalks and curbs need to be edged throughout community. In addition to the above mentioned items, it appears that the lawn in the front is not being watered. If permitted by the city, it is suggested that the lawn be watered regularly. It is also recommended that scheduled landscaping be implemented. The enclosed dumpster area had large items scattered outside the dumpsters. It appeared the main reason for the overflowing dumpster is the disposal of large items. (Pictures attached) It is suggested that management notify residents about proper disposal of large items. The majority of the washers and dryers in the laundry facility were inoperable. Since washer and dryer connections are not found in the units, it is highly recommended that regular maintenance be performed on the washers and dryers and that management maintains a reasonable amount of operable machines to accommodate 64 units. Management does not keep an actual report regarding lease renewals or reasons for move. The manager stated 9 out of 10 residents leave because of eviction, skip, or non-payment of rent. The management created unit status report averages about 1.5 move outs per month. However, a calculation of the lease renewal percentage cannot be calculated because the report does not provide the number of monthly expiring leases. It is recommended that management track the renewal percentage and reasons for move so they can better monitor the occupancy and limit turnover. It is essential to a properties financial stability to know why your residents are vacating and how often so you can limit risk, maximize profits, and adapt to your community's needs. <p>Finding:</p> <ul style="list-style-type: none"> Management refused to submit requested police reports for the previous three months. The reviewer discussed the importance of knowing what type of criminal activity happens on the property and how to use it as a management tool. Management must submit a copy of the police reports for the last 3 months to TSAHC by <u>October 3, 2014</u>. (Repeat Finding) The gross potential rent for this property is \$25,716 and on the 13th day of the month \$5,872 was delinquent. \$470 of the delinquent amount is due to a housing balance with a discrepancy regarding an incorrect tax ID number. The property has a total tenant delinquency of \$5,402 (21%) for August. In addition, 23 of the 64 units (36%) have a balance in arrears. Rent collection is imperative to the success of the property. Each day a resident stays in his or her unit without paying rent is lost revenue for the property to reinvest into the asset. Management must create and implement a plan that address rent collection and how to decrease delinquency and how to better manage the process in which evictions are evaluated. A copy of the plan must be submitted to TSAHC by <u>October 3, 2014</u>.

Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation





Texas State Affordable Housing Corporation

