

Texas State Affordable Housing Corporation

High Plains Apartments

1607 Iola Avenue, Lubbock TX 79416

Owner: RHAC-High Plains, LLC

Date Built: 1981

Management Company: Capstone Real Estate Services

Property Manager: Catherine Lopez

Inspection Date & Time: 2.12.2015 at 8:00 A.M.

Inspector's Name: James Matias

Occupancy at Time of Report:	96%	Average Occupancy Over Last 12 Months:	95%
Number of Units: 50			
Number of One Bedrooms:	NA	Number of Two Bedrooms:	48
Number of Three Bedrooms:	2	Number of Four Bedrooms:	NA

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 landscaping appeared to be well kept and regularly maintained. Most of the parking lots examined were in need of minor patches and/or repair. Management stated that parking lot repairs have been budgeted for this year. The monument signs for all locations were visible and in good condition. The exterior of the office and the amenities appeared to be clean and inviting. A large portion of the window blinds appeared to be broken or damaged on the day of the site visit. The building exteriors, foundations, and roofs appeared to be adequately maintained and free from impairment.

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	3	Vehicle (1) and Other (2)
Theft	1	In progress (1)
Criminal Mischief	1	
Personal Assault		
Drug Related Activity		
Gun Related Activity		
Domestic Violence		

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Disturbance	23	Domestic (15) and Civil (8)
Other	2	Fight in progress (1) and Harassment (1)
2) Does the property utilize a crime prevention agreement? ➤ Management has house rules that accompany the lease to address criminal activity on the property.		
3) What pro-active measures is the property taking to address crime on the property? ➤ Regular security patrol on the weekend.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ Light checks are conducted daily by the manager or maintenance staff.		
COMMENTS:		

SECURITY PROGRAM Part II	YES	NO	N/A
1) Is the Staff trained to address 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: On the day of the site visit the district manager stated that the last risk assessment was completed in September 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 (describe)			X
8) When are property licenses and permits renewed? ➤ The property does not have to maintain any permits or licensing.			
9) Where are vendor insurance records/binders maintained? ➤ Vendor insurance records/binders are maintained at the corporate office.			
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 unit turnovers?	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		

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4) On average, how many days does it take to complete a work order? ➤ The Maintenance Summary Report provided reflects that 3 of 24 work orders were completed from 1/12/2015 to 2/12/2015. According to the report all 3 completed work orders took more than 72 hours to complete. See observation below.			
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 services are completed once per month and as needed.			
7) What is the policy for following up on completed service requests? ➤ Management stated that the majority of work orders are followed up on.			
8) What is the property's after-hours emergency policy? ➤ Emergency calls go directly to the maintenance cell phone.			
9) What capital improvements have been scheduled or completed for this budget year? ➤ Capital improvements scheduled for this year include the parking lot that will be resealed and restriped and a gazebo that will be put in.			
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year			
10) Unit Interior and Appliance upgrades ➤ Interior upgrades, such as appliances and cabinetry were completed as needed.			
11) Building Exterior and Curb Appeal repairs ➤ Building Exterior and Curb Appeal repairs were not completed in 2014.			
12) Amenity upgrades ➤ No amenity upgrades were executed in 2014.			
13) Other repairs or replacements ➤ No other repairs were completed in 2014.			
Number of service requests received:	24		
Number of requests open from prior periods:	24		
Number of service requests completed:	3		
Number of service requests completed within 24 hours:	0		
Number of outstanding service requests:	21		
COMMENTS:			
Observation:			
<ul style="list-style-type: none"> Based on a review of the Maintenance Summary Report, it appears management or maintenance is not creating or closing service requests in the software system. The report reflects that only 3 work orders have been closed in the last 30 days. Resident retention/satisfaction is often strongly related to the maintenance program. The software system in place can help with efficiency and decrease the possibility of lost or incomplete work orders. It is strongly suggested that management begin to appropriately utilize the software system and enter and close all work orders timely. 			

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0	0	0
Flyers	\$0	0	0
Resident Referral	\$0	0	0
Locator Service	\$0	0	0
Printed Advertising (Flyers)	\$10	0	0
Internet Advertising	\$0	0	0
Other Source (Local housing Authority, "Other")	\$0	37	31
TOTAL	\$10	37	31
The rental activity reflected in the above table is from 1/12/2015 through 2/12/2015.			
	YES	NO	N/A
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:			
Observation:			

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- According to the Primary Advertising Source report, 37 new prospects have been to or called the property in the last 30 days. The property does not appear to be entering the traffic properly on the report. Thirty-five of the thirty-seven entries are labeled as "other". Although the property has a high occupancy and a waiting list, turnover does appear to be high. It is essential to know when and where traffic is generated from. It is highly recommended that management begin entering all traffic into the report with a specific source so management will know how to properly market the property if the future demands it and to more effectively monitor the property's traffic activity.

LEASE RENEWAL	YES	NO	N/A
1) Does it appear that an effective lease renewal program is in place? If no, please comment below.	X		
2) What percentage of residents renewed last month, past 6 months, and past 12 months?	Current: 50%	6 months: 31%	12 months: 60%
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	0%		
4) When are the lease renewal/rent increase notices sent to residents? ➤ Renewal notices are sent 120 days in advance and rent increase notices are sent 30 days in advance. Follow ups are completed for recertification at 90, 60, and 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? ➤ Renewals are tracked through Excel and Onsite.			
7) Are rent increases being implemented?	X		
8) When was the last rent increase implemented? What was the average rent increase? ➤ Rent increases are determined by HUD annually.			
9) How many households are currently on month-to-month leases? ➤ All residents are currently on a month-to-month lease.			
10) What is the charge for month-to-month leases? ➤ N/A			
COMMENTS:			
Observation:			
<ul style="list-style-type: none"> The Reasons for Move Out report provided reflects that in the last 12 months twenty-five residents have moved out (50%). Eleven of the twenty-five move-outs (44%) have been initiated by the tenant. Management stated that many of the tenant initiated move outs are due to the Housing Authority of Lubbock issuing tenant based vouchers through the Housing Choice Voucher program. It is recommended that management review the current resident retention program and determine if there are areas for improvement. A survey of the residents is recommended to assist with determining the high turnover rate. 			

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	2
2) Number of completed made ready units at time of activity report:	1
3) Number of completed one bedroom units at time of activity report:	NA
4) Number of completed two bedroom units at time of activity report:	1
5) Number of completed three 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 one bedroom units at time of activity report:	NA
8) Number of uncompleted two bedroom units at time of activity report:	1
9) Number of uncompleted three bedroom units at time of activity report:	0
Units Walked	
Unit #	Brief Description
1	3x1, Occupied, 1 burner needs to be repaired on the stove and 1 smoke detector needs to be repaired in the upstairs bedroom
8	3x1, Occupied
13	2x1, Vacant, Full turn needed. The back door needs to have the keyless deadbolt replaced and 2 smoke detectors are needed in the bedrooms.
43	2x1, Occupied
Down Units Walked (units vacant and unready for extended period of time and all down units)	
Unit #	Brief Description
NA	
	YES
	NO
	N/A
1) Does the Unit Availability Report match the make ready board?	X

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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? If so, please comment below.		X	
5) What system is used by management to monitor the timely preparation of units? ➢ Management uses Excel and Onesite's Availability Report to monitor the timely preparation of units.			
6) How often are occupied units inspected? ➢ Occupied units are inspected at least once annually.			
7) How often are vacant units inspected? ➢ Vacant units are inspected weekly			
8) How many vacant units are in progress of being made ready? ➢ One vacant unit is in the process of being made ready.			
9) What is the company policy on the number of days to turn vacant units? ➢ The company policy for turning vacant units is 5 business days.			
COMMENTS: Prior to the completion of this report, management provided TSHAC with completed work orders on all maintenance item mentioned above for units 1 and 13.			

BUDGET MANAGEMENT					
1) How many bids are solicited in order to obtain materials, supplies, and services? ➢ Three bids are solicited in order to obtain materials, supplies, and services.					
2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? ➢ There have not been any large unexpected repairs or purchases that have negatively affected the current budget.					
3) Explain YTD variances of 10% or greater. ➢ See comments below					
<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
Salaries & Benefits	\$94,540	\$68,330	(\$26,210)	-38.4%	Salaries Manager, Salaries Maintenance
Administrative Expenses	\$22,042	\$13,782	(\$8,260)	-59.9%	Professional fees, Telephone/Pagers, Employee Reimbursements, Real Page
Leasing Expenses	\$510	\$605	\$95	15.7%	Promotions & Entertainment
Maintenance Expense	\$10,552	\$9,190	(\$1,362)	-14.8%	Doors/Locks/Keys, Glass/Screens, HVAC, Cleaning Supplies
Services Expense	\$29,877	\$17,260	(\$12,617)	-73.1%	Courtesy Patrol, Landscaping, Plumbing Contractor, Trash removal
Turnover Expense	\$11,394	\$2,100	(\$9,294)	-443%	Materials – Painting, Painting Contractor
COMMENTS: Management stated that the large budget variances for the Salaries and Benefits Expense is due to the property not having an adequate maintenance staff when the budget was created. At the time the budget was created the property was sharing one maintenance staff member between this community and its sister community on the other side of Lubbock. Currently each property has its own maintenance staff member and an additional floating staff member that works at both communities. The large variance for the Turnover Expense is because the community is experiencing a much higher than expected turnover percentage. In addition, at the beginning of the year the majority of the painting and repairs associated with turnovers were completed by contractors.					

REVENUE			
FOR THE MONTH ENDING: December 31, 2014		YEAR TO DATE AS OF: December 31, 2014	
Gross Potential	\$36,454	Gross Potential	\$434,928
Budgeted Rental Income	\$35,251	Budgeted Rental Income	\$426,534
Actual Rental Income Collected	\$36,169	Actual Rental Income Collected	\$407,129
Variance + (-)	(\$918)	Variance + (-)	(\$19,405)
Other Revenue	\$541	Other Revenue	\$3,544
Total Collected	\$35,792	Total Collected	\$410,674
Budgeted	\$36,923	Budgeted	\$435,611
Variance + (-)	(\$1,131)	Variance + (-)	(\$24,937)
COMMENTS:			

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ACCOUNTS PAYABLE		YES	NO	N/A
1)	Is the payable report up to date? (see comments below)		X	
2)	Is the property in good standing with all vendors?		X	
3)	How often are invoices processed? ➤ Invoices are processed weekly.			
COMMENTS: Observations: <ul style="list-style-type: none"> Management stated invoices are processed weekly; however, on the day of the review \$3,346 of the outstanding payables balance on the Vendor Aging Report was found to be aged more than 30 days. Management is encouraged to thoroughly review the current outstanding debt at the property regularly. Management provided an updated Vendor Aging report the day following the review. The numbers to the right are a reflection of the updated report and the community appears to be in good standing with all vendors that were initially a concern. 		0-30 Days:		\$601.46
		30-60 Days:		\$150.00
		60 Days and Over:		(\$79.00)
		TOTAL		\$672.46

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 5 th of the month. Ten day notices are sent on the 6 th and three day notices to vacate are sent between the 16 th and 20 th of the month.			
3)	When is legal action taken against delinquent accounts? ➤ Evictions are filed on or around the 21 st of each month.			
4)	Does the property currently have any resident(s) under eviction?		X	
5)	Does Housing have any outstanding balances?	X		
COMMENTS: Observations: <ul style="list-style-type: none"> The Delinquent and Prepaid Report provided as of December 31, 2014 reflects \$10,415 in delinquent rent and housing subsidy accounts for \$4,436 (42.6%). Management stated that new move-ins and interim certifications with the Lubbock Housing Authority account for the majority of the delinquent rent for subsidy. The majority of delinquent tenant rent is more than 90 days old and has a balance of \$4,725. Eight delinquent households have a balance greater than 90 days old, and 3 of the eight households have a balance greater than \$1,000. Management stated that they have a list of households that are set up on payment plans for delinquent rent. It is strongly suggested that a more diligent approach regarding the rent collection be put in place. Rent collection letters and notices to vacate need to be posted punctually and evictions need to be filed and followed through. Annual renewals with the Housing Authority need to be filed promptly and followed up on regularly. 		0-30 Days:		\$965.38
		30-60 Days:		\$2,327.12
		60 Days and Over:		\$7,122.94
		TOTAL		\$10,415.44

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 daily.			
10)	Have personnel been trained in Fair Housing?	X		

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11) List training staff has received in the past year. ➤ In the past year staff has completed a series of Grace Hill and Elizabeth Moreland trainings. These include; fair housing, sexual harassment, and conflict resolution.
COMMENTS: Staff turnover that occurred in the last year includes a new full time maintenance employee and a floating maintenance member that is shared between this community and the sister community on the other side of Lubbock.

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? ➤ Management submits a financial package on the 15 th of each month for the previous month. In addition, owners can obtain reports from the system as they desire.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Anything that is over budget or not in the budget needs owner 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

Observation:

- Based on a review of the Maintenance Summary Report, it appears management or maintenance is not creating or closing service requests in the software system. The report reflects that only 3 work orders have been closed in the last 30 days. Resident retention/satisfaction is often strongly related to the maintenance program. The software system in place can help with efficiency and decrease the possibility of lost or incomplete work orders. It is strongly suggested that management begin to appropriately utilize the software system and enter and close all work orders timely.
- According to the Primary Advertising Source report, 37 new prospects have been to or called the property in the last 30 days. The property does not appear to be entering the traffic properly on the report. Thirty-five of the thirty-seven entries are labeled as "other". Although the property has a high occupancy and a waiting list, turnover does appear to be high. It is essential to know when and where traffic is generated from. It is highly recommended that management begin entering all traffic into the report with a specific source so management will know how to properly market the property if the future demands it and to more effectively monitor the property's traffic activity.
- The Reasons for Move Out report provided reflects that in the last 12 months twenty-five residents have moved out (50%). Eleven of the twenty-five move-outs (44%) have been initiated by the tenant. Management stated that many of the tenant initiated move outs are due to the Housing Authority of Lubbock issuing tenant based vouchers through the Housing Choice Voucher program. It is recommended that management review the current resident retention program and determine if there are areas for improvement. A survey of the residents is recommended to assist with determining the high turnover rate.
- Management stated invoices are processed weekly; however, on the day of the review \$3,346 of the outstanding payables balance on the Vendor Aging Report was found to be aged more than 30 days. Management is encouraged to thoroughly review the current outstanding debt at the property regularly. Management provided an updated Vendor Aging report the day following the review. The numbers to the right are a reflection of the updated report and the community appears to be in good standing with all vendors that were initially a concern.
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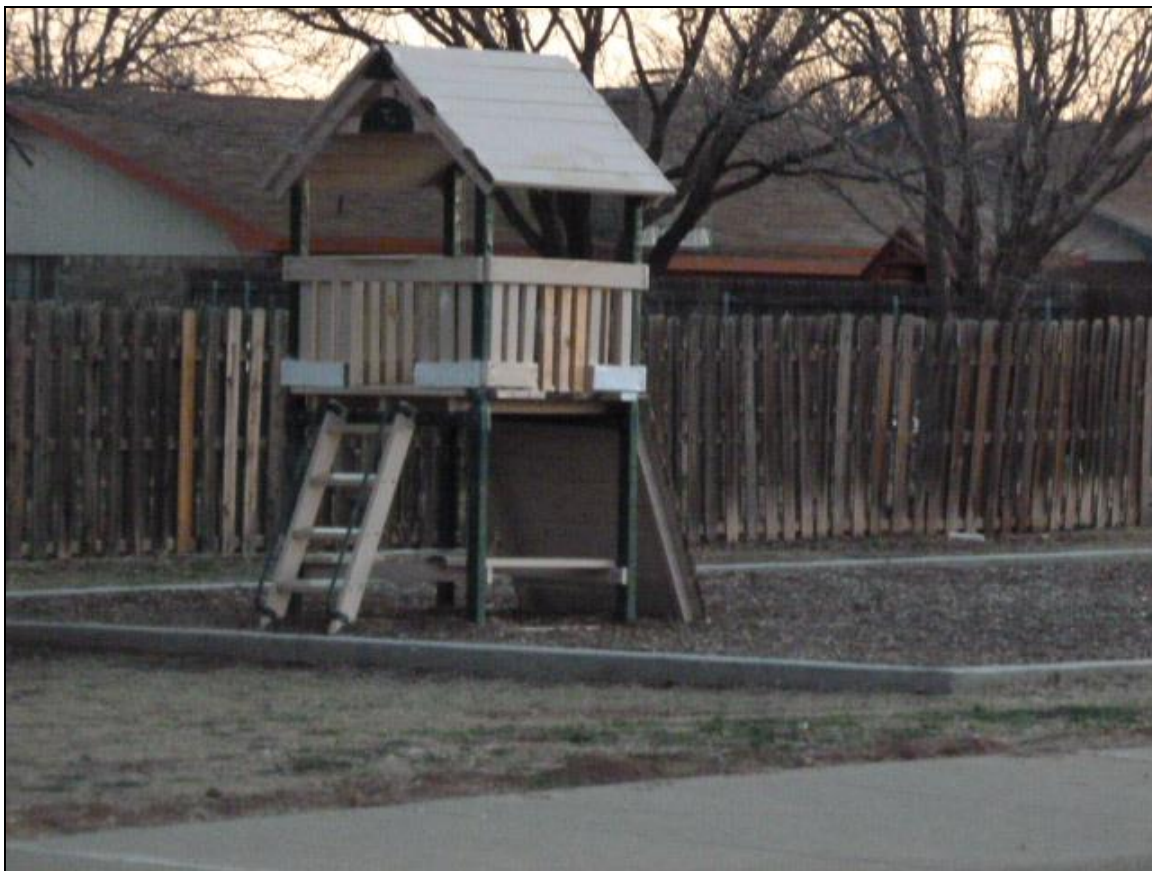
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