

Texas State Affordable Housing Corporation

T. H. F Palladium Midland

2300 South Lemesa Rd., Midland, TX 79701

Owner: THF Palladium Midland. Ltd

Date Built: 2016

Management Company: Omnium Management

Property Manager: Robbie Amerson

Inspection Date & Time: February 23, 2017 at 8:30 A.M.

Inspector's Name: James Matias

Occupancy at Time of Report:	40%	Average Occupancy Over Last 3 Months:	35.5%
Number of Units: 264			
Number of One Bedrooms:	84	Number of Two Bedrooms:	120
Number of Three Bedrooms:	60	Number of Four 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) 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: The community is newly constructed and during the site visit the property was in the process of obtaining certificates of occupancy for the final 2 buildings (buildings 5 and 6). On the day of the site visit, the landscaping around the office and throughout the community was well maintained and the grounds appeared to be in great condition. The common areas and amenities appeared clean and well kept. During the on-site review, it was recommended that a smoke detector be installed in the laundry room and the maintenance shed. Prior to the end of the review management provided completed work orders that reflect both smoke detectors have been installed. The roofs, stairs, and foundations are new and appear to be in acceptable condition. The overall curb appeal is exquisite and the site staff appears to be doing an incredible job with the upkeep of the community even though some construction is being finalized.

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	1	Construction materials during construction (1)
Criminal Mischief		
Personal Assault		
Drug Related Activity		
Gun Related Activity		

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Domestic Violence		
Disturbance	8	Loud (5), Domestic (1), Disturbance (2)
Other		
2) Does the property utilize a crime prevention agreement? ➤ The Property Manager confirmed that residents sign a community policy addendum about safety awareness.		
3) What pro-active measures is the property taking to address crime on the property? ➤ In an effort to deter crime, the property has a courtesy officer that lives on site, patrols regularly, and writes a report daily.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ Property light checks are conducted by the courtesy officer weekly.		
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 (see comment)		
4) Has a risk assessment been conducted to determine risk liabilities at the property?		X (see comment)	

COMMENTS: Criminal background checks for residents who turn 18 years of age while living in the unit are conducted at renewal. A risk assessment has not been conducted at this time because the property is new construction.

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 (2.5 per person)	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 (Basketball court, 24 hour fitness center, fire pit, garage parking, and a play room)	X		
8) When are property licenses and permits renewed?			
➤ The pool requires a permit that must be renewed annually. In addition, the lead maintenance must be a certified pool/spa operator.			
9) Where are vendor insurance records/binders maintained?			
➤ All vendor records are maintained in the corporate office.			

COMMENTS: The amenities at the community look amazing and they should assist the community with retaining its residents long-term.

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: The Keytrack system is being utilized for organization of the keys.

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		

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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 2.4 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 services are provided monthly and as needed. Each building is treated at least quarterly.			
7) What is the policy for following up on completed service requests? ➢ The maintenance staff will follow up with major or recurring items.			
8) What is the property's after-hours emergency policy? ➢ Residents are instructed to call the property phone number which is answered by an answering service. The answering service immediately contacts the Maintenance Manager or the Courtesy Officer and the Property Manager, if needed.			
9) What capital improvements have been scheduled or completed for this budget year? ➢ NA (see comments)			
Number of service requests received:	48 (see comment)		
Number of requests open from prior periods:	0		
Number of service requests completed:	36		
Number of service requests completed within 24 hours:	15		
Number of outstanding service requests:	8		
COMMENTS: The Service Request Activity Report provided ranged from 1/23/2017 through 2/23/2017. The 8 outstanding work orders are all work orders that have recently been opened. No capital improvements have been scheduled or completed because the property is just now completing initial construction. Regarding the construction development, the reviewer evaluated a continuation worksheet that provided insight into the description of work completed, the time frame that it was or will be completed, and the total cost associated with each line item. The Accounting Manager is in the process of completing the final hard cost draw at this time and she will circulate this as needed upon completion.			

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	Cost / Month	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$167	33	2
Flyers	\$50	0	0
Resident Referral (1/month)	\$100	1	2
Locator Service (do not currently use)	NA	0	0
Printed Advertising	See comment	0	0
Internet Advertising (apartments.com, rentpath, apartment guide, apartment finder, rentals, and mynewplace through real page)	\$1,000	7	3
Other Source (Transfer, other, lives in area)	\$0	38	6
TOTAL	\$1,317	79	13
	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: Market surveys are done monthly by ALN Apartment Data Inc. Internet and printed advertising are often a combination, meaning for each provider you pay one fee to get both.			

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: NA	6 months: NA	12 months: NA
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? ➢ The first lease renewal notice is sent out 120 days prior to the move-in anniversary date. If the resident fails to respond to the 120 day notice, a 90 day notice will be sent, followed by a 60 day notice, and a final 30 day notice is sent should there still be no response. Rent increase notices are sent 35 days in advance of the lease expiration.			
5) Are individual files being reviewed to determine renewal/non-renewal status?	X		

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6) How are renewals and re-certifications tracked and monitored? ➤ Renewals and re-certifications are tracked through Onesite and an in house spreadsheet.			
7) Are rent increases being implemented?		X (see comment)	
8) When was the last rent increase implemented? What was the average rent increase? ➤ To this point, no affordable units have renewed. However a few market rate units have renewed and small rent increases have been implemented at that time.			
9) How many households are currently on month-to-month leases? ➤ There are no household on a month-to-month lease.			
10) What is the charge for month-to-month leases? ➤ NA			
COMMENTS: Management stated that rent increases are only being implemented on units at market rate.			

VACANT/MAKE READY UNITS

1) Number of vacant units at time of activity report:	142
2) Number of completed made ready units at time of activity report:	138
3) Number of completed one bedroom units at time of activity report:	64
4) Number of completed two bedroom units at time of activity report:	39
5) Number of completed three bedroom units at time of activity report:	35
6) Number of completed four bedroom units at time of activity report:	NA
7) Number of uncompleted made ready units at time of activity report:	4
8) Number of uncompleted one bedroom units at time of activity report:	2
9) Number of uncompleted two bedroom units at time of activity report:	2
10) Number of uncompleted three bedroom units at time of activity report:	0
11) Number of completed four bedroom units at time of activity report:	NA

Units Walked

Unit #	Brief Description
136	1x1, Vacant, Ready
232	2x2, Vacant, Ready
324	1x1, Vacant, Ready
828	3x2, Vacant, Ready
915	2x2 (ADA), Vacant, Ready

Down Units Walked (units vacant and unready for extended period of time and all down units)

Unit #	Brief Description
N/A	

	YES	NO	N/A
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? If so, please comment below.		X	
5) What system is used by management to monitor the timely preparation of units? ➤ The Property Manager confirmed Onesite reports and the make-ready board are utilized to monitor make ready progress.			
6) How often are occupied units inspected? ➤ Occupied units are inspected annually by management.			
7) How often are vacant units inspected? ➤ Vacant units are inspected at least monthly by staff.			
8) How many vacant units are in progress of being made ready? ➤ There are 4 vacant units in the process of being made ready.			
9) What is the company policy on the number of days to turn vacant units? ➤ Management's policy is to turn vacant units in 5 business days or less.			

COMMENTS: The vast majority of the vacant units have never been occupied and many of them are located in buildings that have recently received

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their certificate of occupancy.

BUDGET MANAGEMENT
1) How many bids are solicited in order to obtain materials, supplies, and services? <ul style="list-style-type: none"> ➤ Three bids must be solicited in order to obtain material, supplies, and services. In the case of an emergency, management would likely need to move forward with the first bid.
2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? <ul style="list-style-type: none"> ➤ 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.

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
Property Expense	\$25,191	\$29,963	\$4,772	15.9%	Courtesy Officer, Staff Apartment. Group Insurance
Repairs & Maintenance Expense	\$4,593	\$5,434	\$841	15.4%	Pool Supplies, Landscape Contract, Pest Control
Advertising Expenses	\$1,223	\$3,867	\$2,644	68.3%	Signage, Printed Material, Internet Advertising
Resident Retention Expenses	\$498	\$1,520	\$1,022	67.2%	Activities Coordinator (see comment) , Other
Other Marketing Expenses	\$1,980	\$5,687	\$3,707	65.1%	Training & Education, Other
General & Administrative Expenses	\$7,705	\$4,520	(\$3,185)	(70.4%)	Office Supplies, Professional Fees, Travel Cost (see comment)

COMMENTS: The Regional Manager explained that the community is in search of an activity coordinator to assist with resident services. The Resident Retention Expense shows that much more is budgeted than being spent because the activities coordinator has not been identified to this point but they have been budgeted for. The travel cost for the Regional Manager and Vice President went over budget because they have made more trips than expected to the property this year.

REVENUE			
FOR THE MONTH ENDING: JANUARY 31, 2017		YEAR TO DATE AS OF: JANUARY 31, 2017	
Gross Potential	\$259,563	Gross Potential	\$259,563
Budgeted Rental Income	\$72,619	Budgeted Rental Income	\$72,619
Actual Rental Income Collected	\$84,298	Actual Rental Income Collected	\$84,298
Variance + (-)	\$11,679	Variance + (-)	\$11,679
Other Revenue	\$4,641	Other Revenue	\$4,641
Total Collected	\$88,939	Total Collected	\$88,939
Budgeted	\$76,482	Budgeted	\$76,482
Variance + (-)	\$12,457	Variance + (-)	\$12,457

COMMENTS:

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? <ul style="list-style-type: none"> ➤ Management stated that invoices are processed on a daily basis. 			
COMMENTS: Management stated that the final construction draw will take care of the majority of the unpaid accounts.	0-30 Days:	\$18,455	
	30-60 Days:	\$44,745	
	60 Days and Over:	\$1,512	
	TOTAL	\$64,712	

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?	X		
2) What is the rent collection policy?			

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➤ Rent is due on the 1 st late on the 4 th . On the 5 th a reminder letter is sent and on or shortly after the 10 th a 3 day Notice To Vacate is sent.			
3) When is legal action taken against delinquent accounts? ➤ If an arrangement is not made, the property files for eviction between the 15 th and the 20 th .			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS: Management stated that one unit is under eviction for non-payment of rent. Housing has a small outstanding balance as a result of new move-ins and interim recertifications that always change the subsidy portion of rent.	0-30 Days:	\$1,958	
	30-60 Days:	\$0	
	60 Days and Over:	\$0	
	TOTAL	\$1,958	

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:	4		
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 every Monday.			
10) Have personnel been trained in Fair Housing?	X		
11) List training staff has received in the past year. ➤ All employees received new hire orientation which includes non-certified fair housing training.			
COMMENTS: The Regional Manager who is also the Training Coordinator is looking into additional annual ongoing training for the site staff.			

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? ➤ Daily: Occupancy and Leasing Activity Reports. ➤ Weekly: Light inspections and Delinquency Reports. ➤ Monthly: Occupancy Reports, Pool logs, and a Market Survey.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Owner approval is required for unbudgeted and/or over budget items above \$500 for the Property Manager and \$2,500 for the Regional Manager.			
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
No Findings or observations.

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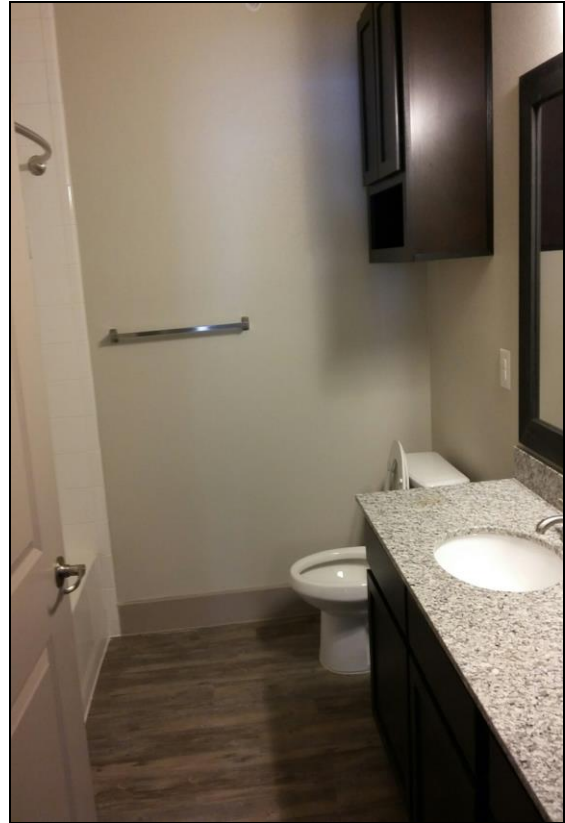
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