

Texas State Affordable Housing Corporation

Asset Oversight Observation Report

Pine Club

5015 Pine Street Beaumont, TX 77703

Date Built: 1996

Management Company: Dalcor Management, LLC

Owner: Dalcor Affordable Housing I, LLC

Property Manager: LeQuischia Bobb

Inspection Date/Time: April 11, 2013 at 8:30

Inspector's Name: James Matias & Mindy Green

Occupancy at Time of Report:	85%	Average Occupancy Over Last 12 Months:	92.5%
Number of Units: 232			
Number of One Bedrooms:	48	Number of Two Bedrooms:	111
Number of Three Bedrooms:	73	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 curb appeal of the property was good. Landscaping throughout the property is not in stellar condition due to very large trees that block the ground from sunlight. Zeroscape landscaping is suggested to increase curb appeal and help drainage in areas where grass is unable to grow. The exterior of the units was in great condition having new roofs, gutters, and paint throughout.

Observation:

- The night prior to the site visit produced significant amounts of rain which pooled in certain areas of the property. A significant amount of pooled water was found in the parking lot near the office that leads into the woods (see picture below). It is suggested that Management research potential solutions to the drainage issues to decrease standing water when and where possible.

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	1	
Theft	14	4(auto), 10(other)

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Criminal Mischief	5	
Personal Assault	2	
Drug Activity	2	1(overdose), 1(narcotics violation)
Gunfire	1	
Domestic Violence		
Disturbance	38	35(other), 3(loud music)
Other	16	1(trespassing), 7(threats), 1(Indecency with a child), 4(Harassment), 1(deadly conduct), 1(stabbing), 1 (Weapons offense)

- 2) Is the property currently following a crime prevention plan/program?
 Management utilizes the community policies, resident handbook and crime free addendum to address crime prevention.
- 3) What pro-active measures is the property taking to address crime on the property?
 Management stated that crime watch meetings are being held on the property. In addition, management stated that they are making an effort to create a relationship with the Beaumont Police Department to increase the police presence on the property.
- 4) How often is a light check conducted on the property? Who performs light checks on the property?
 A light check is conducted nightly.

COMMENTS:

Finding:

- According to the police reports for the last three months, there have been burglaries, thefts, assaults, and gun violence on the property that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to decrease the criminal activity from occurring on the property monthly. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous month's activities, explaining what was done to prevent crime. These results should continue until TSAHC gives written notice that reporting is no longer required. The first Crime Prevention report will be due on July 10, 2013. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on June 2, 2013.

SECURITY PROGRAM Part II	YES	NO	N/A
1) Is the Staff trained in addressing crime on the property?	X		
<input checked="" type="checkbox"/> Does the Management Policy or the Resident Services Program address any of the following activities responding to the needs of the community?			
<input checked="" type="checkbox"/> Violent Crime	X		
<input checked="" type="checkbox"/> Drug Activity	X		
<input checked="" type="checkbox"/> Family Violence	X		
<input checked="" type="checkbox"/> Other	X		
2) Is the property free of graffiti and vandalism?		X	
3) Are criminal background checks being conducted on all residents over 18 years of age?	X		
4) Has a risk assessment been conducted to determine (risk) liabilities at the property?	X		

COMMENTS: Management is unaware when the last risk assessment was performed.

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?			
<input checked="" type="checkbox"/> Fair Housing Poster	X		
<input checked="" type="checkbox"/> 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 eligibility requirements are being maintained?	X		
9) Which of the following community amenities are provided for resident use?			
<input checked="" type="checkbox"/> Playground	X		
<input checked="" type="checkbox"/> Community Room	X		
<input checked="" type="checkbox"/> BBQ/Picnic Area		X	
<input checked="" type="checkbox"/> Laundry Facility		X	
<input checked="" type="checkbox"/> Business Center	X		

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<input type="checkbox"/> Pool	X		
<input type="checkbox"/> Other (fitness center)		X	
COMMENTS: The city of Beaumont does not require the property to possess a pool permit.			

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) How often are Pest Control services provided? <input type="checkbox"/> Pest control is provided weekly, in addition each building is treated every 7 months.			
5) Does the maintenance area have properly documented MSDS material and chemicals labeled properly? <input type="checkbox"/> A binder with Material Safety Data Sheets was found in the Maintenance shop.			
6) What is the policy on follow ups for completed service requests? <input type="checkbox"/> Management stated that they follow up with a few work orders each day.			
7) What is the property's after hours emergency policy? <input type="checkbox"/> Residents call the office phone numbers and the calls are forwarded to an answering service who determines who needs to be contacted, maintenance staff or management.			
8) What capital improvements have been scheduled or completed for this budget year? <input type="checkbox"/> In 2013 exterior lights are going to be repaired and additional lights will be added, trees will be trimmed, the parking lot will be re-stripped, sidewalks will be repaired to be ADA compliant and additions will be made to the landscaping.			

The following information was reported for the month of March 10, 2013-April 10, 2013:

Number of service requests received:	156		
Number of service requests completed:	41		
Number of service requests completed within 24 hours:	32		
Number of outstanding service requests:	115		

COMMENTS: Preventative Maintenance is currently being tracked in Yardi. However, management stated that a binder system will be implemented soon. Management stated that when the new Property Manager began working at this property, there were more than 500 outstanding work orders that are being sifted through to determine whether or not work was actually completed.

Finding:

- According to the Work Order Directory report, it appears management is not creating or closing service requests in the software system. The report reflects that 73% of the work orders remain open and not completed in the last 30 days. In addition there haven't been any work orders completed since March 22, 2013. 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. Management must begin to appropriately utilize the software system; Management must submit a copy of the work order report for the past 30 days reflecting all service request activity by June 2, 2013.

REHABILITATION DETAIL	YES	NO	N/A
1) Has rehab been completed according to the schedule?	X		
2) Were materials and repairs completed according to the detail provided during the application process?	X		
	AMOUNT		
3) Were unit interior upgrades performed? <input type="checkbox"/> ADA rehabilitation, cabinets, countertops, hardware, blinds, and carpet			\$1,266,095.55
4) Were appliances purchased/replaced? <input type="checkbox"/> Dishwasher, Oven, Microwave, Water Heater, & Refrigerator in all units			\$380,508.14
5) Were building exteriors repaired? <input type="checkbox"/> Roofs, gutters, some exterior doors, and full exterior paint			\$289,022.66
5) Were amenities upgraded/repaired? <input type="checkbox"/> Rubber mulch for the playground			\$26,667.67
6) Were HVAC systems installed or repaired? <input type="checkbox"/> All new HVAC systems			\$567,785.62
7) Were plumbing or electrical repairs made? <input type="checkbox"/> Electrical trim and plumbing repairs			\$222,414.85

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8) Were any repairs made to the parking area, including carports? <input type="checkbox"/> Carport, parking lot, and entry gate repairs	\$19,043.50
9) Were any additional repairs made? <input type="checkbox"/> Fence repairs, new security cameras, and draftstop repairs	\$59,819.88
	TOTAL: \$2,831.357.87

COMMENTS:

MARKETING

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

SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0	5	3
Flyers	\$50		
Resident Referral (1 per month)	\$50	7	5
Locator Service	\$0		
Printed Advertising (For Rent)	\$250	1	0
Internet Advertising (apptguide.com, go section 8, craigslist, & property website)	\$125	13	2
Other Source (list)	\$0	6	3
TOTAL	\$475	32	13

The rental activity reflected in the above table was for the month of: **March 10, 2013-April 10, 2013**

	YES	NO	N/A
2) Is the property doing bilingual advertising?		X	
3) Does the property have any competitors nearby?	X		
4) How often are competitors shopped? <input type="checkbox"/> Management stated that they are shopping their competitors 3 times a week.			
5) How often is a market survey completed? <input type="checkbox"/> A market survey is completed monthly.			

COMMENTS:

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: 9%	6 months: 25%	12 months:
3) When are the lease renewal/rent increase notices sent to residents? <input type="checkbox"/> Recertification notices are sent 120 days and then 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 type="checkbox"/> Renewals are tracked in Yardi and manually in a renewal binder.			
6) Are rent increases being implemented?		X	
7) What is the number of month-to-month leases?	35		
8) What is the month-to-month charge?			X

COMMENTS: Management stated that of the 35 month-to-month leases approximately half of the renewals have been completed but not updated in the software system and the other half have not been completed.

Observation:

- Management stated that renewals have not been entered into the software system (Yardi) therefore they currently show 35 residents with month-to-month leases. Because renewals have not been "completed" in Yardi, the resident retention program could not be evaluated. It is suggested that Management begin completing renewals in "Yardi" so that the resident retention program can be properly managed and evaluated.

VACANT/MAKE READY UNITS

1) Number of vacant units at time of activity report:	29
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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 completed three bedroom units at time of activity report:	0
6) Number of uncompleted made ready units at time of activity report:	29
7) Number of uncompleted one bedroom units at time of activity report:	4
8) Number of uncompleted two bedroom units at time of activity report:	20
9) Number of uncompleted three bedroom units at time of activity report:	5

Units Walked (model and minimum of 3 make ready units)

Unit #	Brief Description (See Unit Inspection Sheet for details)
110	2x2 Nearly Made Ready
608	2x2 Nearly Made Ready
808	2x2 Nearly Made Ready
1507	2x2 Made Ready
1514	1x1 Made Ready
1616	2x2 Nearly Made Ready

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) 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? <input checked="" type="checkbox"/> Management utilizes a make ready board to monitor make ready's.			
6) How often are occupied units inspected? <input checked="" type="checkbox"/> Occupied units are inspected approximately 3 times per year.			
7) How often are vacant units inspected? <input checked="" type="checkbox"/> Vacant units are inspected weekly.			
8) How many vacant unready units are in progress of being made ready? <input checked="" type="checkbox"/> On the day of the site visit there were units in various stages of rehab and all of the units were listed as not made ready on the Availability report. The reviewer is unable to determine how many units are in progress of being made ready.			
9) What is the company policy on the number of days to turn vacant units? <input checked="" type="checkbox"/> Management policy is to complete and turn a vacant unit 3-5 days after it has been vacated.			

COMMENTS:

Observation:

- Management stated that make-ready's have not been entered into the software system (Yardi) therefore they do not show any made ready units. Because make-ready's have not been entered in Yardi, the make-ready process cannot be evaluated and it may be difficult for the leasing staff to lease units that are actually made ready. It is suggested that Management begin completing make-ready's in "Yardi" so that the make ready process can be properly managed and evaluated.

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? <input checked="" type="checkbox"/> Management is required to obtain three bids to obtain materials and services.			
3) Have there been any large unexpected repairs or purchases that have negatively affected the budget? <input checked="" type="checkbox"/> There have been major water leaks that required extensive repair work.			
4) Explain YTD variances of 10% or greater.			

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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
Payroll Expense	\$31,344	\$36,816	\$5,472	14.9%	Payroll, Bonuses, Health Insurance
Redecorating Expenses	\$503	\$6,380	\$5,877	92.1%	Carpet Cleaning & Repair, Contract Cleaning, Contract Paint Labor, Paint & Supplies
Repairs & Maintenance	\$829	\$1,134	\$305	26.9%	Plumbing, Fire Protection, Common area Maintenance
Advertising Expenses	\$1,011	\$3,334	\$2,323	69.7%	Promotional Expenses, Resident retention
Administrative Expenses	\$4,447	\$5,636	\$1,189	21.1%	Travel lodging, Patrol & Alarm Services

COMMENTS:

REVENUE

FOR THE MONTH OF FEBRUARY		YEAR TO DATE - 2013	
Gross Potential	\$135,526	Gross Potential	\$277,398
Budgeted	\$138,579	Budgeted	\$271,950
Variance + (-)	-\$3,053	Variance + (-)	\$5,448
Collected to Date	\$135,526	Collected to Date	\$277,398
Other Revenue	\$16,741	Other Revenue	\$39,509
Total Collected	\$152,268	Total Collected	\$316,908
Budgeted	\$162,280	Budgeted	\$319,352
Variance + (-)	-\$10,012	Variance + (-)	-\$2,444

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? Ø Invoices are processed weekly.			
4) If payments are a problem, what is management doing to correct the problem? Ø Payments do not appear to be an issue.			
COMMENTS:	Current:		\$371
	30 Days:		\$0
	60 Days and Over:		\$12,487
	TOTAL		\$12,858

DELINQUENCIES

	YES	NO	N/A
1) Is the delinquency report up to date?	X		
2) What is the collection policy for outstanding rents? Ø Rent is due on the 1 st and is late on the 5 th . On the 6 th day a \$60 late fee is charged and for every day after the 6 th a \$5 dailyfee is charged, not to exceed 15 days.			
3) When is legal action taken against delinquent accounts? Ø According to management evictions are filed on the 10-15 th depending on payment agreements.			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS:	Current:		\$17,705
	30 Days:		\$1,727
	60 Days and Over:		\$5,744
	TOTAL		\$25,176

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RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:	1		
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) How often are staff meetings held? Ø Staff meetings are held every other week.			
9) Have personnel been trained in Fair Housing?	X		
10) List training staff has received in the past year. Ø Property staff has courses in HTC, fair housing, operating maintenance, and MSDS.			
COMMENTS:			

OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to computer generated reports?	X		
2) How often are the reports submitted to the owner? Ø Reports are submitted to the owner weekly and the owner has daily access.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? Ø Any unbudgeted or over budget items require approval from the Regional Manager and Owner.			
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>Findings:</p> <ul style="list-style-type: none"> According to the police reports for the last three months, there have been burglaries, thefts, assaults, and gun violence on the property that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to decrease the criminal activity from occurring on the property monthly. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous month's activities, explaining what was done to prevent crime. These results should continue until TSAHC gives written notice that reporting is no longer required. The first Crime Prevention report will be due on July 10, 2013. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on <u>June 2, 2013</u>. According to the Work Order Directory report, it appears management is not creating or closing service requests in the software system. The report reflects that 73% of the work orders remain open and not completed in the last 30 days. In addition there haven't been any work orders completed since March 22, 2013. 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. Management must begin to appropriately utilize the software system; Management must submit a copy of the work order report for the past 30 days reflecting all service request activity by <u>June 2, 2013</u>. <p>Observations:</p> <ul style="list-style-type: none"> The night prior to the site visit produced significant amounts of rain which pooled in certain areas of the property. A significant amount of pooled water was found in the parking lot near the office that leads into the woods (see picture below). It is suggested that Management research potential solutions to the drainage issues to decrease standing water when and where possible. Management stated that renewals have not been entered into the software system (Yardi) therefore they currently show 35 residents with month-to-month leases. Because renewals have not been "completed" in Yardi, the resident retention program could not be evaluated. It is suggested that Management begin completing renewals in "Yardi" so that the resident retention program can be properly managed and evaluated. Management stated that make-ready's have not been entered into the software system (Yardi) therefore they do not show any made ready units. Because make-ready's have not been entered in Yardi, the make-ready process cannot be evaluated and it may be difficult for the leasing staff to lease units that are actually made ready. It is suggested that Management begin completing make-ready's in "Yardi" so that the make ready process can be properly managed and evaluated.

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