

Texas State Affordable Housing Corporation

Asset Oversight Observation Report

Ridgewood Apartments

2830 Lake Road

Huntsville, TX 77340

Owner: Dalcor Affordable Housing I, LLC Date Built: 1996

Management Company: Dalcor Management Property Manager: Mandy McCain

INSPECTION DATE/ TIME: March 20, 2013 at 8:30 AM

Inspector's Name: Mindy Green

Occupancy at Time of Report:	77%	Average Occupancy Over Last 12 Months:	88%
Number of Units: 232			
Number of One Bedrooms:	48	Number of Two Bedrooms:	112
Number of Three Bedrooms:	72	Number of Four Bedrooms:	0

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 was in good condition with construction and exterior painting in the process of being completed on a few buildings. The landscaping around the leasing office was in good condition. However, there were areas of tree root exposure throughout the property that should be addressed. The access gate has a new modem, but it is not currently functioning for residents. Management stated that once residents receive new access cards the gates will be fully operable. Building numbers and unit numbers had been painted over and were difficult to view. Management shared that building and unit numbers would be repainted to be more visible. Management stated that all roofs are being replaced, as well as repairs to fascia boards and soffits.

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	Burglary of Vehicle
Theft	4	
Criminal Mischief		
Personal Assault		

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Drug Activity		
Gunfire		
Domestic Violence	1	
Disturbance	1	Loud Noise
Other	1	Threat (1)
2) Is the property currently following a crime prevention plan/program? <input checked="" type="checkbox"/> The property just began a Neighborhood Watch program with their residents.		
3) What pro-active measures is the property taking to address crime on the property? <input checked="" type="checkbox"/> The property created a neighborhood watch program to create community awareness. In addition, the property has an on-site security officer that walks the property daily, responds to after-hours and courtesy calls, and attends crime watch meetings monthly.		
4) How often is a light check conducted on the property? Who performs light checks on the property? <input checked="" type="checkbox"/> The courtesy officer performs a light check weekly.		
COMMENTS:		

SECURITY PROGRAM Part II	YES	NO	N/A
1) Is the Staff trained in addressing crime on the property?	X		
2) Does the Management Policy or the Resident Services Program address any of the following activities responding to the needs of the community?			
3) Violent Crime	X		
4) Drug Activity	X		
5) Family Violence	X		
6) 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: A risk assessment was performed in December of 2012.			

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		
<input checked="" type="checkbox"/> Pool	X		
<input checked="" type="checkbox"/> Other (fitness center & dog park)	X		
COMMENTS: On the day of site visit the leasing office had been recently painted and management stated that the kitchen area will be upgraded as well as the addition of new furniture and flooring.			

KEY CONTROL	YES	NO	N/A
1) Are all property keys properly coded?	X		
2) Is key box locked and secured?	X		

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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: The property currently uses a lock box with a coded system. However, management stated that they will begin using HandyTrak in the near future.			

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? Ø Pest control services are provided weekly.			
5) Does the maintenance area have properly documented MSDS material and chemicals labeled properly? Ø The staff was not able to produce any MSDS documentation.			
6) What is the policy on follow ups for completed service requests? Ø Office staff calls residents after the completion of all work orders.			
7) What is the property's after hours emergency policy? Calls received after hours are forwarded to a live answering service who contacts office staff when emergencies arise.			
8) What capital improvements have been scheduled or completed for this budget year? Ø Management stated that exterior painting, restriping the parking lot, minimal landscaping, the addition of picnic areas, and resurfacing the pool have been or will be completed in 2013.			

The following information was reported for the month of February 20, 2013-March 20, 2013:

Number of service requests received:	31		
Number of service requests completed:	24		
Number of service requests completed within 24 hours:	12		
Number of outstanding service requests:	7		

COMMENTS: On the day of the site visit Management did not have a preventative maintenance program in place. Management stated that during rehab preventative maintenance was not necessary and that a new preventative maintenance program would be implemented within the month.

Finding:

- On the day of the site visit, the staff was not able to produce any Material Safety Data Sheets. It is imperative that these materials be made available in any areas where chemicals are kept in case of emergency. Management must obtain MSDS information for all necessary chemicals. The MSDS information should be kept in a binder in any area where chemicals and materials are kept. Management must provide all compiled documents to TSAHC by May 18, 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		
	DATE		AMOUNT
3) Were unit interior upgrades performed? Ø New water heaters, new plumbing fixtures, countertop resurfacing, and new flooring were added in all units. In addition several units were rehabbed to become fully ADA compliant.	As of February 28, 2013		\$1,877,065
4) Were appliances purchased/replaced? Ø Refrigerators, dishwashers, microwaves, and ovens were replaced in all units.	As of February 28, 2013		\$0*
5) Were building exteriors repaired? Ø Wood repairs (soffit, fascia, and trim), exterior painting of all of the buildings, fence and stairwell repairs have been completed or are scheduled to be completed.	As of February 28, 2013		\$69,319
5) Were amenities upgraded/repared? Ø The leasing office and business center are going to be remodeled, grills will be installed at picnic areas, and the property created a dog park.	As of February 28, 2013		\$19,362
6) Were HVAC systems installed or repaired? Ø All HVAC systems were replaced.	As of February 28, 2013		\$636,761
7) Were plumbing or electrical repairs made? Ø Electrical and plumbing repairs have been completed as needed.	As of February 28, 2013		\$0
8) Were any repairs made to the parking area, including carports? Ø Drainage and parking lot repairs were made.	As of February 28, 2013		\$24,344
9) Were any additional repairs made? Ø Draftstop and pedestrian bridge repairs were completed.	As of February 28, 2013		\$29,951

COMMENTS: Funds spent to replace appliances were included in the amount of funds spent under the "unit interior upgrades" section.

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MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$70	29	7
Flyers/Outreach	\$40		
Resident Referral (approximately 3/month)	\$600	10	5
Locator Service	\$0	0	0
Printed Advertising (For Rent and Apartment Guide, direct mail)	\$1000	10	1
Internet Advertising (rent.com, apt guide, facebook, craigslist)	\$0	16	3
Other Source (Housing Authority, "N/A")	\$0	39	19
TOTAL	\$1,710	104	35
The rental activity reflected in the above table was for the time frame from February 20, 2013 to March 20, 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? <div style="margin-left: 20px;">Ø Management stated that competitors are physically shopped monthly.</div>			
5) How often is a market survey completed? <div style="margin-left: 20px;">Ø A market survey is completed bi-weekly.</div>			
COMMENTS:			
Observations:			
<ul style="list-style-type: none"> The marketing source for approximately 31% of the prospective residents was listed as "n/a" on the Traffic Sheet Report. It is suggested that management require a marketing source be selected during the leasing process to accurately capture the effectiveness of all marketing sources. Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator's commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review. It is suggested that management adhere to the Section 535.20(a) of the TREC rules. 			

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: 50%	6 months: 42%	12 months: 57%
3) When are the lease renewal/rent increase notices sent to residents? <div style="margin-left: 20px;">Ø Lease renewal and income recertification notices are sent to residents 120 days prior to lease expiration and every 30 days thereafter.</div>			
4) Are individual files being reviewed to determine renewal/non-renewal status?	X		
5) How are renewals tracked and monitored? <div style="margin-left: 20px;">Ø Renewals are tracked through Yardi.</div>			
6) Are rent increases being implemented?	X		
7) What is the number of month-to-month leases?		X	
8) What is the month-to-month charge?			X
COMMENTS: The property is transitioning into zero tolerance on month to month rents.			

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	58
2) Number of completed made ready units at time of activity report:	55
3) Number of completed one bedroom units at time of activity report:	5
4) Number of completed two bedroom units at time of activity report:	31
5) Number of completed three bedroom units at time of activity report:	19
6) Number of uncompleted made ready units at time of activity report:	3
7) Number of uncompleted one bedroom units at time of activity report:	1

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8) Number of uncompleted two bedroom units at time of activity report:	2
9) Number of uncompleted three bedroom units at time of activity report:	0

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

Unit #	Brief Description (See Unit Inspection Sheet for details)
111	3x2 Nearly Made Ready - Rehabbed
204	1x1 Made Ready – Rehabbed
623	2x2 Nearly Made Ready – Rehabbed
806	2x2 Under construction – ADA unit
1206	3x2 Made Ready – Rehabbed
1313	1x1 Made Ready - Rehabbed

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? Ø Management uses Yardi to track make ready progress.			
6) How often are occupied units inspected? Ø Inspections are performed quarterly during preventative maintenance checks.			
7) How often are vacant units inspected? Ø Vacant units are inspected prior to resident move in.			
8) How many vacant unready units are in progress of being made ready? Ø On the day of the site visit three units were in progress of being made ready.			
9) What is the company policy on the number of days to turn vacant units? Ø Management requires units to be made ready within 5 days of becoming vacant.			

COMMENTS: Units that have been vacant for an extended amount of time are made ready and have been vacant due to lack of interest in those particular units.

BUDGET MANAGEMENT	YES	NO	N/A
1) Is management using the current budget to monitor and control operating expenses?	X		
2) How many bids are solicited in order to obtain materials, supplies, and services? Ø Three bids are collected to obtain materials and services.			
3) Have there been any large unexpected repairs or purchases that have negatively affected the budget? Ø NA			
4) 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
Payroll	\$13,902	\$16,650	\$2,748	17%	Payroll
Utilities	\$24,731	\$20,675	-\$4,056	-20%	Water & Sewer
Redecorating Expense	\$47	\$3,190	\$3,143	99%	Contract Painting
Repairs & Maintenance	\$471	\$2,024	\$1,553	77%	Plumbing, Electrical
Advertising Expense	\$1,024	\$2,992	\$1,968	66%	Resident Retention, Advertising, Locator Fees

COMMENTS:

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REVENUE			
FOR THE MONTH OF January, 2013		YEAR TO DATE	
Gross Potential	\$115,645	Gross Potential	\$115,645
Budgeted	\$133,224	Budgeted	\$133,224
Variance + (-)	-\$17,579	Variance + (-)	-\$17,579
Collected to Date	\$93,755	Collected to Date	\$93,755
Other Revenue	\$17,979	Other Revenue	\$17,979
Total Collected	\$111,734	Total Collected	\$111,734
Budgeted	\$128,900	Budgeted	\$128,900
Variance + (-)	\$17,166	Variance + (-)	\$17,166
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 NA			
COMMENTS:	Current:		\$3,192
	30 Days:		\$0
	60 Days and Over:		\$0
	TOTAL		\$3,192

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?			
2) What is the collection policy for outstanding rents? Ø Rent is late on the 6 th day of the month. Management calls residents and works late on Tuesdays and Thursdays to be available for each resident's schedule.			
3) When is legal action taken against delinquent accounts? Ø Eviction is filed around the 10 th unless payment agreements have been made with the resident.			
4) Does the property currently have any resident(s) under eviction?		X	
5) Does Housing have any outstanding balances?		X	
COMMENTS:	Current:		\$16,109
	30 Days:		\$1,337
	60 Days and Over:		\$1,229
	TOTAL		\$18,675

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:		2	
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		

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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 at least weekly.			
9) Have personnel been trained in Fair Housing?	X		
10) List training staff has received in the past year. Ø Property staff receives monthly safety training, they attend Housing Tax Credit courses, local apartment association courses, and red book trainings.			
COMMENTS: The property is short staffed by one leasing agent and a part time porter. The maintenance staff wears Dalcors shirts and name tags have been ordered.			

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 NA			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? Ø All expenses over budget or unbudgeted require approval from the 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>Finding:</p> <ul style="list-style-type: none"> On the day of the site visit, the staff was not able to produce any Material Safety Data Sheets. It is imperative that these materials be made available in any areas where chemicals are kept in case of emergency. Management must obtain MSDS information for all necessary chemicals. The MSDS information should be kept in a binder in any area where chemicals and materials are kept. Management must provide all compiled documents to <u>TSAHC by May 18, 2013.</u> <p>Observations:</p> <ul style="list-style-type: none"> The marketing source for approximately 31% of the prospective residents was listed as “n/a” on the Traffic Sheet Report. It is suggested that management require a marketing source be selected during the leasing process to accurately capture the effectiveness of all marketing sources. Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator’s commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review. It is suggested that management adhere to the Section 535.20(a) of the TREC rules.

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