

Texas State Affordable Housing Corporation

Salem Village

5201 John Stockbauer Victoria, TX 77904

Owner: RHAC-Salem Village, LLC

Date Built: 1981

Management Company: : Capstone Real Estate Services

Property Manager: Rachel Medrano

Inspection Date & Time: January 30, 2015 at 9:00AM

Inspector's Name: James Matias

Occupancy at Time of Report:	99%	Average Occupancy Over Last 12 Months:	98.7%
Number of Units: 105			
Number of One Bedrooms:	40	Number of Two Bedrooms:	46
Number of Three Bedrooms:	17	Number of Four Bedrooms:	2

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 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. The buildings, roofs, stairs, and foundations appear to be in acceptable condition. The parking lots examined were found to be well kept with the handicap spaces clearly marked.

Observation:

- On the day of the site visit three of the four dumpsters were found to be overflowing. (Pictures attached) Management explained that the residents cleaned their units in preparation for the inspection and that overfilled dumpsters are very uncommon. The reviewer encouraged more frequent trash pickup or an additional dumpster if the trash load for the community dictates it.
- The fences around the perimeter of the property have a few holes and are missing pickets. Management stated that they are aware of the fence issues and they are set to be fixed in the very near future.

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	2	
Criminal Mischief	3	
Personal Assault	1	

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Drug Related Activity		
Gun Related Activity		
Domestic Violence		
Disturbance	6	
Other	4	Intoxicated subject (2), Prowler (1), Subject refusing to leave (1)
2) Does the property utilize a crime prevention agreement? ➤ The property utilizes the community rules within its lease to address crime on the property.		
3) What pro-active measures is the property taking to address crime on the property? ➤ In an effort to address crime on the property, the community has annual neighborhood watch, Zapata security patrols 30 hours per week, and the Victoria Police Department whom occasionally drives through the property.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ The manager stated that she completes the light checks nightly.		
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: The Regional Manager stated that the last risk assessment was completed summer 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 any facilities that require licenses or permits.			
9) Where are vendor insurance records/binders maintained?			
➤ Vendor compliance records are maintained at the corporate office.			
COMMENTS: On the day of the site visit the staff was well prepared for the site visit.			

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
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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? ➤ Approximately 79% of work orders were completed in more than 72 hours.			
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 quarterly and as needed.			
7) What is the policy for following up on completed service requests? ➤ Management contacts residents to ensure satisfaction of work on leaks, chronic items or items that can cause further damage to the unit and/or other units.			
8) What is the property's after-hours emergency policy? ➤ All calls made after office hours roll over to the manager's cell phone.			
9) What capital improvements have been scheduled or completed for this budget year? ➤ Capital improvements scheduled for this budget year include asphalt for the entry way which will be put down in May.			
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year			
10) Unit Interior and Appliance upgrades ➤ In 2014 there were not any unit interior upgrades and appliances were replaced as needed.			
11) Building Exterior and Curb Appeal repairs ➤ No building exterior or curb appeal upgrades were completed.			
12) Amenity upgrades ➤ There were not any amenity improvements in 2014.			
13) Other repairs or replacements ➤ No additional repairs or replacements were completed in the last budget year.			
Number of service requests received:	34		
Number of requests open from prior periods:	34		
Number of service requests completed:	53		
Number of service requests completed within 24 hours:	4		
Number of outstanding service requests:	15		
COMMENTS:			
Observation:			
<ul style="list-style-type: none"> The 2013 asset oversight report reflected that 71% of work orders were being completed in more than 72 hours after they were opened. The Maintenance Summary Report provided during the 2015 site visit reflects that 79% of work orders are being completed in more than 72 hours after they are opened. In addition, only 4 work orders, less than 8%, were completed in less than 24 hours. It appears that the maintenance program is trending negatively regarding turn times on work orders. Resident satisfaction and retention often ties directly into the maintenance program, therefore it is strongly suggested that a more diligent effort is made towards completing work orders timely. In addition, opening and closing work orders daily will help the maintenance program monitor itself properly. 			

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0	13	3
Flyers	\$0	0	0
Resident Referral	\$0	0	0
Locator Service	\$0	0	0
Printed Advertising	\$58	0	0
Internet Advertising	\$0	0	0
Other Source (other property)	\$0	1	0
TOTAL	\$58	14	3
The rental activity reflected in the above table was for the month of January 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		

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5) Does the property complete a market survey at least monthly?	X		
COMMENTS: The property spends very little money on advertising because there is a lengthy waiting list to gain occupancy at the property. Management stated that they shop competitors via phone monthly.			

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: 60.0%	6 months: 73.6%	12 months: 78.1%
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? ➤ Recertification notices are sent to residents 120 days prior to their annual recertification. Recertification reminders are sent at 90, 60 and 30 days. Rent increase notices are sent 30 days in advance.			
5) Are individual files being reviewed to determine renewal/non-renewal status?	X		
6) How are renewals and re-certifications tracked and monitored? ➤ The Capstone compliance department monitors the renewal and recertification process through Onesite.			
7) Are rent increases being implemented?	X		
8) When was the last rent increase implemented? What was the average rent increase? ➤ Gross rent changes are implemented annually according to the HUD regulated rent limits.			
9) How many households are currently on month-to-month leases? ➤ Due to the nature of the financing of this property, all residents are on month to month leases.			
10) What is the charge for month-to-month leases? ➤ N/A			
COMMENTS:			

VACANT/MAKE READY UNITS					
1) Number of vacant units at time of activity report:			1		
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:			0		
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:			0		
7) Number of uncompleted one bedroom units at time of activity report:			0		
8) Number of uncompleted two bedroom units at time of activity report:			0		
9) Number of uncompleted three bedroom units at time of activity report:			0		
Units Walked					
Unit #	Brief Description				
1C	1x1 Occupied, One inoperable smoke detector				
3D	1x1 Occupied				
9A	2x1 Occupied, One inoperable smoke detector				
16A	2x1 Occupied, Repair to kitchen drawer needed.				
28A	2x1 Vacant, Upstairs toilet not working				
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		
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 a make ready board and Onsite's availability report to monitor the timely preparation of units.					

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6) How often are occupied units inspected? ➤ Management stated that occupied units are inspected quarterly.
7) How often are vacant units inspected? ➤ Management stated that vacant units are inspected weekly.
8) How many vacant units are in progress of being made ready? ➤ One 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 on the number of days to turn a vacant unit is 3-5 business days.
COMMENTS: Management provided corrective action in the form of completed work orders for units 1C, 9A, and 28A prior to the completion of this report. Unit 16A appeared to be almost fully moved out and a work order for the broken drawer will be opened and completed with the upcoming make-ready.

BUDGET MANAGEMENT					
1) How many bids are solicited in order to obtain materials, supplies, and services? ➤ Management collects three bids to obtain materials and services.					
2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? ➤ There have not been any major repairs that have negatively affected the budget.					
3) Explain YTD variances of 10% or greater. ➤ Management stated that the administrative expense item was over budget because the Real Page contract billed each property separately after the asset management responsibilities changed in 2014.					
<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
Administrative Expenses	\$23,036	\$20,018	-\$3,018	-15.1%	Office Equipment Services, Evictions, Telephone/Pagers, Real Page, Internet Access
Leasing Expenses	\$1,041	\$2,200	\$1,159	52.7%	Promotions & Entertainment
Maintenance Expenses	\$9,518	\$10,872	\$1,354	12.5%	Glass/Screens, Electrical/Lights, Cleaning Supplies
Turnover Expenses	\$1,881	\$4,220	\$2,339	55.4%	Painting Materials, Painting Contract
Utility Expenses	\$54,635	\$42,136	-\$12,499	-29.7%	Water, Sewer
COMMENTS:					

REVENUE			
FOR THE MONTH ENDING: <u>DECEMBER 2014</u>		YEAR TO DATE AS OF: <u>DECEMBER 2014</u>	
Gross Potential	\$66,363	Gross Potential	\$787,509
Budgeted Rental Income	\$66,640	Budgeted Rental Income	\$797,144
Actual Rental Income Collected	\$63,525	Actual Rental Income Collected	\$775,190
Variance + (-)	-\$2,349	Variance + (-)	-\$12,786
Other Revenue	\$1,784	Other Revenue	\$15,282
Total Collected	\$65,309	Total Collected	\$790,472
Budgeted	\$67,951	Budgeted	\$811,741
Variance + (-)	-\$2,642	Variance + (-)	-\$21,269
COMMENTS:			
Observation:			
<ul style="list-style-type: none"> Bad debt for the month of December was budget at \$100 and the actual Bad debt totaled \$2,171. Year to Date Bad debt was budgeted at \$1200 and the actual Bad debt totaled \$2,890. Seventy-five percent of the community's bad debt for 2014 took place in December. Management stated that unexpected evictions are the cause for the majority of bad debt. It is strongly suggested that a more diligent effort is made towards enforcing rent collection, posting notices and filing timely evictions for non-payment of rent. Management stated that they had some issues with resident promising rent payments but not following through. It is recommended that the management policy regarding rent payment plans is reviewed and that a more stringent effort is made toward collecting late rent. 			

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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? ➤ Management stated that invoices are processed weekly.			
COMMENTS: The Accounts Payable report provided on the day of the site visit reflected an outstanding balance over 60 days of \$761. Of the three outstanding invoices, two were for vendors who the corporate office found non-compliant and one was for a vendor who invoiced earlier than they were supposed to. On 2/04/2015 management stated that all vendors with a balance over 60 days old will be paid in February.	0-30 Days:		\$4,244
	30-60 Days:		-\$1
	60 Days and Over:		\$761
	TOTAL		\$5,004

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 after the 5 th . On the 6 th a 10-DAY day notice is sent. Around the 17 th a 3-DAY Notice to vacate is sent.			
3) When is legal action taken against delinquent accounts? ➤ Evictions are filled around the 20 th			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS: The housing balance of \$3,874 makes up more than 60% of the total delinquent balance. Management stated that the housing balance is due to interim changes and new move in's.	0-30 Days:		-\$749
	30-60 Days:		\$576
	60 Days and Over:		\$2,892
	TOTAL		\$2,719

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		
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 (See comment below)		
9) How often are staff meetings held? ➤ Staff meetings are held daily.			
10) Have personnel been trained in Fair Housing?	X		
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; sexual harassment, curb appeal, preventive maintenance, leasing and marketing.			
COMMENTS: The assistant manager, who left to go to another property a few years ago, returned to Salem Village this 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? ➤ The owner obtains reports weekly and as they desire.			

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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 for a specific expense section 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

Observations:

- On the day of the site visit three of the four dumpsters were found to be overflowing. (Pictures attached) Management explained that the residents cleaned their units in preparation for the inspection and that overfilled dumpsters are very uncommon. The reviewer encouraged more frequent trash pickup or an additional dumpster if the trash load for the community dictates it.
- The fences around the perimeter of the property have a few holes and are missing pickets. Management stated that they are aware of the fence issues and they are set to be fixed in the very near future.
- Bad debt for the month of December was budget at \$100 and the actual Bad debt totaled \$2,171. Year to Date Bad debt was budgeted at \$1200 and the actual Bad debt totaled \$2,890. Seventy-five percent of the community's bad debt for 2014 took place in December. Management stated that unexpected evictions are the cause for the majority of bad debt. It is strongly suggested that a more diligent effort is made towards enforcing rent collection, posting notices and filing timely evictions for non-payment of rent. Management stated that they had some issues with resident promising rent payments but not following through. It is recommended that the management policy regarding rent payment plans is reviewed and that a more stringent effort is made toward collecting late rent.
- The 2013 asset oversight report reflected that 71% of work orders were being completed in more than 72 hours after they were opened. The Maintenance Summary Report provided during the 2015 site visit reflects that 79% of work orders are being completed in more than 72 hours after they are opened. In addition, only 4 work orders, less than 8%, were completed in less than 24 hours. It appears that the maintenance program is trending negatively regarding turn times on work orders. Resident satisfaction and retention often ties directly into the maintenance program, therefore it is strongly suggested that a more diligent effort is made towards completing work orders timely. In addition, opening and closing work orders daily will help the maintenance program monitor itself properly.



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