

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: Mitzi Moore

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

Inspector's Name: James Matias

Occupancy at Time of Report:	92%	Average Occupancy Over Last 12 Months:	96.8%
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 onsite visit, the property appeared to be in acceptable condition. The landscaping and grounds were found to be clean and inviting. The exterior of the buildings appeared to be in good condition and the trash receptacle areas were clean and free of debris.

Observations:

- On the day of the site visit, two units appeared to have a large amount of items on the patio and in front of the entrance. Picture attached. In an effort to improve curb appeal, it is suggested that management post warning letters of lease violations as needed and administer lease violations when necessary.
- While walking the unit, the reviewer noticed a broken window that was replaced with card board. Picture attached. Management stated that the window replacement has been ordered and will be completed within the next week.

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	2	
Theft	1	Auto (1)
Criminal Mischief	1	
Personal Assault	1	

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Drug Related Activity		
Gun Related Activity	2	Shots fired (2)
Domestic Violence		
Disturbance	14	Domestic (11), Civil (3)
Other	8	Fight in progress (5), Harassment (3)
2) Does the property utilize a crime prevention agreement? ➤ Management has house rules and a community policy 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? ➤ Universal Protection Services, a security company, patrols the property daily to address crime on the property.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ Light checks are conducted weekly by security.		
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 the Fall of 2015.			

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		

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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? ➤ The Service Request List Report provided indicates that it takes less than one day 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 completed once per month and as needed.			
7) What is the policy for following up on completed service requests? ➤ Management stated they follow up on about half of the work orders.			
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 parking lot patches for any existing pot holes or cracks.			

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

10) Unit Interior and Appliance upgrades ➤ Appliances were repaired or replaced as needed.			
11) Building Exterior and Curb Appeal repairs ➤ Roof repairs were completed as needed.			
12) Amenity upgrades ➤ No amenity upgrades were completed in 2015.			
13) Other repairs or replacements ➤ No other repairs or replacements were completed in the last budget year.			
Number of service requests received:	16		
Number of requests open from prior periods:	5		
Number of service requests completed:	21		
Number of service requests completed within 24 hours:	12		
Number of outstanding service requests:	0		

COMMENTS: The service request information above was entered from a Maintenance Summary Report dated 2/1/2016 through 2/29/2016.

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	\$25	0	0
Resident Referral	\$0	0	0
Locator Service	\$0	0	0
Printed Advertising	\$0	0	0
Internet Advertising	\$0	0	0
Other Source	\$0	1	0
TOTAL	\$25	1	0

The rental activity reflected in the above table was for the month February 2016.

	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:

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: 72%

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3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	50%		
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. The last gross rent change was in March of 2015.			
9) How many households are currently on month-to-month leases? ➤ Due to the nature of the HUD lease, all residents utilize a month-to-month lease.			
10) What is the charge for month-to-month leases? ➤ N/A			

COMMENTS:

Observation:

- **The Reasons for Move OUT Report provided shows that 50% of the move outs are due to "skip". A high skip percentage for move outs leads to larger expenses to turn a unit, longer turn times, and more delinquency. It is strongly suggested that management research the high skip percentage and do its best to determine why residents are not giving proper notice when they vacate.**

VACANT/MAKE READY UNITS					
1) Number of vacant units at time of activity report:			4		
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:			4		
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:			4		
9) Number of uncompleted three bedroom units at time of activity report:			0		
Units Walked					
Unit #	Brief Description				
36	2x1, vacant, flooring repairs needed upstairs				
37	2x1, vacant, flooring repairs needed upstairs				
39	2x1, vacant, full turn needed				
41	2x1, vacant, full turn needed				
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? ➤ Management uses Onesite's Availability Report to monitor the timely preparation of units.					
6) How often are occupied units inspected? ➤ Occupied units are inspected twice 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? ➤ Four vacant units are in the process of being made ready.					

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- 9) What is the company policy on the number of days to turn vacant units?
- The company policy for turning vacant units is 3-5 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 36, 37, 39, and 41.

Observation:

- Management stated that company policy is to turn vacant units within 3-5 business days. There are currently five units that have been vacant for more than 11 days that are not made ready for lease. Two of the five units have been vacant for 75 and 96 days. The 2 units that are vacate and made ready have been vacant for 75 and 84 days. The company policy is clearly not being followed. TSAHC suggests management implement a Make Ready Plan that will help the maintenance staff be able to complete make readies in the appropriate amount of time or revise the number of days it takes to turn a unit on the current management policy. During the discussion regarding marketing, management stated they are filling units off of a waiting list. The sooner units are turned, the sooner a new resident can move in which will decrease the community's vacancy loss and increase the overall annual revenue.

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

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
Salaries & Benefits	\$117,225	\$98,441	(\$16,784)	(19.1%)	Group health insurance, Salaries Maintenance
Administrative Expenses	\$16,018	\$12,880	(\$3,138)	(24.4%)	Telephone/Pagers, Employee Reimbursements, Real Page
Leasing Expenses	\$119	\$800	\$681	85.1%	Promotions & Entertainment
Maintenance Expense	\$7,526	\$8,490	\$964	11.4%	Plumbing, Fence/Gate
Turnover Expense	\$3,363	\$2,850	(\$513)	(18.0%)	Materials – Painting, Painting Contractor

COMMENTS: The Regional Vice President was asked to explain some of the large variances during the onsite visit, see below:

- 1) **Why did Salaries and benefits go over budget by so much for 2015?**
An extra maintenance person was hired but not budgeted for. His hours are charged to the property where he works. Most of his time was spent at Garden. His benefits or payroll taxes were not budgeted for either. In addition, overtime hours were necessary to complete service requests in a timely manner.
- 2) **Why is more not being spent for leasing expenses when the property has high turnover and a lot of vacancies?**
The property does free advertising through Craigslist and the local housing authority. More advertising is being considered in 2016 through other measures.
- 3) **Why did Administrative Expenses go over by so much for 2015?**
Administrative expenses were over budget due to phone expenses not budgeted correctly and training expenses incurred but not budgeted.
- 4) **Why did Turnover Expense go over by so much for 2015?** Turnover expenses were over budget due to higher turnover than budgeted at 28%. There were 14 move-ins at an average cost of \$240 per move-in, which is similar to the industry cost.

REVENUE

FOR THE MONTH ENDING: December 31, 2015		YEAR TO DATE AS OF: December 31, 2015	
Gross Potential	\$37,210	Gross Potential	\$445,764
Budgeted Rental Income	\$37,210	Budgeted Rental Income	\$445,764
Actual Rental Income Collected	\$36,957	Actual Rental Income Collected	\$441,114
Variance + (-)	(\$253)	Variance + (-)	(\$4,650)
Other Revenue	(\$1,160)	Other Revenue	(\$13,693)
Total Collected	\$35,797	Total Collected	\$427,421
Budgeted	\$35,652	Budgeted	\$427,066
Variance + (-)	\$145	Variance + (-)	\$355

COMMENTS: The Regional vice President Stated that "Other Revenue" is negatively budgeted to account for bad debt write-offs for delinquent rent and other fees/charges currently delinquent.

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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? ➤ Invoices are processed weekly.			
COMMENTS:	0-30 Days:		\$144.95
	30-60 Days:		\$0
	60 Days and Over:		\$652
	TOTAL		\$796.95
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 balance due notices are sent on the 6 th day and three day notices to vacate are sent between the 16 th and 20 th of the month. See comment below.			
3) When is legal action taken against delinquent accounts? ➤ Management stated that evictions are filed on or around the 21 st of each month. See comment below.			
4) Does the property currently have any resident(s) under eviction?		X	
5) Does Housing have any outstanding balances?	X		
COMMENTS: Observation: <ul style="list-style-type: none">The Delinquent and Prepaid Report dated February 23, 2016 reflects \$8,802.59 in delinquent tenant rent and late fees. The majority of delinquent tenant rent is more than 60 days past due and has a balance of \$5,495.09. Five households have a balance greater than \$400, and four of the five households have the majority or entire balance that is listed as "over 90 days". Management provided a document explaining the delinquency for the five households. The document shows that four of the five delinquent households have been served 10 day notices to vacate and that the other remaining delinquent household is on a payment plan. The rent collection and eviction policies mentioned above do not appear to be followed, and a chronic delinquent rent issue continues to appear on our asset oversight review year after year. It is strongly recommended 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. Management provided an explanation after the site visit reflecting that the above suggestions are already being implemented.	0-30 Days:		(\$1,806.92)
	30-60 Days:		\$720.97
	60 Days and Over:		\$6,120.96
	TOTAL		\$5,035.01
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		
11) List training staff has received in the past year. ➤ In the past year staff has completed a series of Grace Hill trainings. These include; fair housing, sexual harassment, and conflict resolution.			

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COMMENTS:

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 stated that 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

Observations:

- On the day of the site visit, two units appeared to have a large amount of items on the patio and in front of the entrance. Picture attached. In an effort to improve curb appeal, it is suggested that management post warning letters of lease violations as needed and administer lease violations when necessary.
- While walking the unit, the reviewer noticed a broken window that was replaced with card board. Picture attached. Management stated that the window replacement has been ordered and will be completed within the next week.
- The Reasons for Move OUT Report provided shows that 50% of the move outs are due to "skip". A high skip percentage for move outs leads to larger expenses to turn a unit, longer turn times, and more delinquency. It is strongly suggested that management research the high skip percentage and do its best to determine why residents are not giving proper notice when they vacate.
- Management stated that company policy is to turn vacant units within 3-5 business days. There are currently five units that have been vacant for more than 11 days that are not made ready for lease. Two of the five units have been vacant for 75 and 96 days. The 2 units that are vacate and made ready have been vacant for 75 and 84 days. The company policy is clearly not being followed. TSAHC suggests management implement a Make Ready Plan that will help the maintenance staff be able to complete make readies in the appropriate amount of time or revise the number of days it takes to turn a unit on the current management policy. During the discussion regarding marketing, management stated they are filling units off of a waiting list. The sooner units are turned, the sooner a new resident can move in which will decrease the community's vacancy loss and increase the overall annual revenue.
- The Delinquent and Prepaid Report dated February 23, 2016 reflects \$8,802.59 in delinquent tenant rent and late fees. The majority of delinquent tenant rent is more than 60 days past due and has a balance of \$5,495.09. Five households have a balance greater than \$400, and four of the five households have the majority or entire balance that is listed as "over 90 days". Management provided a document explaining the delinquency for the five households. The document shows that four of the five delinquent households have been served 10 day notices to vacate and that the other remaining delinquent household is on a payment plan. The rent collection and eviction policies mentioned above do not appear to be followed, and a chronic delinquent rent issue continues to appear on our asset oversight review year after year. It is strongly recommended 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. Management provided an explanation after the site visit reflecting that the above suggestions are already being implemented.



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