

Texas State Affordable Housing Corporation

Peppertree Acres Apartments

6555 Sheridan Circle, Fort Worth, Texas 76134

Owner: RHAC – Peppertree Acres, LLC

Date Built: 1982

Management Company: Capstone Real Estate Services

Property Manager: Chiquita Gulley

Inspection Date & Time: August 8, 2016 at 12:00 p.m.

Inspector's Name: James Matias

Occupancy at Time of Report:	99.3%	Average Occupancy Over Last 12 Months:	98.9%
Number of Units: 148			
Number of One Bedrooms:	N/A	Number of Two Bedrooms:	126
Number of Three Bedrooms:	18	Number of Four Bedrooms:	4

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: Peppertree Acres Apartments is a scattered site development which is located at 6500 Sheridan (management office), 1000 Oak Grove, 1900 Ephriham, and 5200 South Crest. Property monument signs at all sites were visible and in good condition. The property grounds and landscaping, including recreational areas, were in acceptable condition and a minimal amount of trash was found on the ground at the communities. While the building exteriors have several areas of mismatched paint, the structure appears to be in good condition. One of the buildings at the Sheridan location has numerous walls painted with different colors. Management explained that they were testing different colors because the communities received approval to get fully painted. In regards to the dumpsters, all dumpsters were found to be properly placed inside the enclosures and no trash was found in or around the dumpsters. However, on a few different occasions, dumpsters were filled with large bulky items such as mattresses. It is recommended that management remind residents that these items need to be disposed in a different manner so they do not cause the dumpsters to overflow.

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	6	
Theft		
Criminal Mischief	3	
Personal Assault	12	

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Drug Related Activity	1	1 (Overdose)
Gun Related Activity		
Domestic Violence		
Disturbance	20	2 (Disturbance). 18 (Domestic disturbance)
Other	3	1 (Prowler), 2 (Suicide attempt)
2) Does the property utilize a crime prevention agreement? ➤ Management continues to use the Multi-housing Crime Addendum which is executed by each resident to address crime preventions.		
3) What pro-active measures is the property taking to address crime on the property? ➤ Pro-active measures to address crime at the property include frequent follow up on all known criminal activity, neighborhood watch meetings given by area neighborhood watch patrol officer and the courtesy officers for Signal 88 Security patrol 3 times per week after 7:00 P.M.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ Light checks are conducted quarterly by maintenance staff.		
COMMENTS: The police reports provided reflect incident and 911 calls from April 1, 2016 through July 23, 2016.		
Observation: • Out of 45 incidents, 22 of them (48.8%) are for the location on Southcrest. It is recommended that you try to focus the security patrols efforts towards the Southcrest location.		

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: Management stated that she recently received notification of some graffiti on the side of a building at the Oak grove location. She said the maintenance team is aware and is working on getting this covered up. Management stated that they are not aware of any risk assessments that have recently been conducted.			

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) sports court at 2 of the 4 locations	X		
8) When are property licenses and permits renewed?			
➤ There are no property licenses and/or permits that need to be renewed at these sites.			
9) Where are vendor insurance records/binders maintained?			
➤ Vendor insurance records and binders are maintained at the property's 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		

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3) Is the key code list kept separate from the key box?			X
4) Are locks being changed during unit turnovers?	X		
COMMENTS: The property utilizes the Handitrack System.			

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) On average, how many days does it take to complete a work order? ➤ Based on the Service Request Activity report dated 7/1/2016 through 7/31/2016 it takes 6.9 days to complete a work order. See observation below.			
5) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		
6) How often are Pest Control services provided? ➤ The exterminator visits the properties every other Monday. Each unit should get sprayed 4 times per year			
7) What is the policy for following up on completed service requests? ➤ Management stated they call on recurring items and about 20% of all work orders.			
8) What is the property's after-hours emergency policy? ➤ Residents are provided with an after-hours number. A central answering service will answer and will dispatches calls to maintenance technicians that are on-call.			
9) What capital improvements have been scheduled or completed for this budget year? ➤ All locations are scheduled to have the parking lot resurfaced and the exterior of the buildings repainted.			

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

10) Unit Interior and Appliance upgrades ➤ Unit interiors and appliance upgrades (flooring and HVAC) were completed as needed.			
11) Building Exterior and Curb Appeal repairs ➤ The parking lot at the Ephriham location was re-stripped.			
12) Amenity upgrades ➤ There were no amenity upgrades completed in 2015.			
13) Other repairs or replacements ➤ There were no repairs or replacements completed in 2015.			
Number of service requests received:	65		
Number of requests open from prior periods:	0		
Number of service requests completed:	65		
Number of service requests completed within 24 hours:	6		
Number of outstanding service requests:	0		

COMMENTS: The Service Request Activity Report dated 7/01/2016 through 7/31/2016 was used to complete the section above.

Observation:

- Service requests are not being opened or closed daily in the software system. The work order directory reflects that 39 of the 6 (60%) work orders opened in July took longer than 7 days to complete. The report also reflects that only 6 work orders in July were completed with 24 hours of being received. It appears that work orders are mostly being closed on Fridays. It is strongly recommended that the work order software is used at least every other day so a true depiction of how quickly work orders are being completed can be determined. Resident retention/satisfaction is often strongly related to the maintenance program and it is very important to know exactly how the maintenance program is performing.

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	\$0	NA	NA
Resident Referral	\$0	0	0
Locator Service	\$0	NA	NA
Printed Advertising	\$0	NA	NA
Internet Advertising	\$0	NA	NA
Other Source (Local Housing Authority and Referral companies/merchants)	\$0	14	14

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TOTAL	\$0	14	14
The rental activity reflected in the above table was for the month of: July 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: The property is not currently spending any money on advertising. Ownership has not requested that a market survey be completed. The property is currently working off of a waiting list which is used each time notice is given or a unit is determined to be vacant. Observation: <ul style="list-style-type: none"> According to the Primary Advertising Source Evaluation (PASE) all 14 new prospects resulted in new leases. The 14 prospects/leases had an advertising source listed as "other" on the PASE. Based on the information provided it is very likely that all prospects are not being entered. In addition, the source type from each prospect is not being determined. In the event that the waiting list dwindles and marketing becomes a need for the community it would be instrumental to know where the current traffic is coming from. It is recommended that all traffic gets entered in the system and when possible, the source of that traffic is determined. 			

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: N/A	6 months: N/A	12 months: 88%
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	17.5%		
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 lease renewal 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 finally a 30 day notice should there still be no response.			
5) Are individual files being reviewed to determine renewal/non-renewal status?	X		
6) How are renewals and re-certifications tracked and monitored? > Management utilizes Onesite software to track renewals and recertifications.			
7) Are rent increases being implemented?	X		
8) When was the last rent increase implemented? What was the average rent increase? > Rent increases are implemented in May, per HUD regulation.			
9) How many households are currently on month-to-month leases? > At the end of the initial term, leases convert to a month-to-month lease.			
10) What is the charge for month-to-month leases? > There is no charge for month-to-month leases.			
COMMENTS: This property is financed with HUD funds and therefore all leases convert to month-to-month leases after the completion of the initial 12 month lease. On the previous year's onsite visit, management was advised that the annual recertification certification requirement had changed. The reviewer noticed that several annual eligibility recertifications are being completed within the required time frame. Management is reminded that regardless of the date the resident(s) sign the AEC form, the AEC effective date is the anniversary date of the move in.			

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	2
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:	2
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:	2
9) Number of uncompleted three bedroom units at time of activity report:	0
Units Walked	
Unit #	Brief Description
5201	Southcrest location, 3x2, Occupied, Right burner not working on the stove and one electrical outlet is out in the living room
5208	Southcrest location, 2x1, Vacant, Full turn needed
6520	Sheridan location, 3x2, Occupied, The back door lock needs to be repaired, the door is off the hinges on the half bath downstairs
1000	Oak Grove location, 2x1, Vacant, Full turn needed

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1012	Oak Grove location, 4x2, Occupied, The toilet is leaking in the bathroom downstairs. Both cabinets in the bathrooms appear to be damaged by water leaks.
2302	Ephriham location, 2x1, Occupied, Fan motor for the interior HVAC does not appear to be working
2312	Ephriham location, 2x1, Occupied

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 and the maintenance make-ready board to monitor preparation of vacant units.			
6)	How often are occupied units inspected? ➤ According to management, occupied units are inspection quarterly. See comment.			
7)	How often are vacant units inspected? ➤ According to management, vacant units are inspected weekly.			
8)	How many vacant units are in progress of being made ready? ➤ As of the date of the onsite visit, the make-ready process had not started on the 2 vacant units. However, management confirmed that the make-ready process would start in the next few days.			
9)	What is the company policy on the number of days to turn vacant units? ➤ According to management, it is company policy to turn units within 3 to 5 business days.			

COMMENTS: Prior to the completion of this report, management provided photos and completed work order for the repairs mentioned above in units 5201, 6520, 1012, and 2302.

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.

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
Maintenance Expenses	\$28,870	\$23,955	(\$4,915)	(20.5%)	Building/Structures, Appliances, Electrical/Lights
Turnover Expenses	\$19,653	\$6,003	(\$13,650)	(227%)	Painting and cleaning contracts
Administrative Expenses	\$26,066	\$12,113	(13,952)	(115%)	Office equipment, Office equipment services, Employee Reimbursements
Services Expenses	\$66,377	\$58,955	(\$7,422)	(12.6%)	Courtesy Patrol, Plumbing Contractor

COMMENTS: Management explained that a recent REAC inspection led to large expenses for paint and cleaning contracts. Mileage reimbursements for the various communities led to large variance in administrative expenses.

REVENUE

FOR THE MONTH ENDING JULY 31, 2016		YEAR TO DATE AS OF JULY 31, 2016	
Gross Potential	\$103,950	Gross Potential	\$725,888
Budgeted Rental Income	\$102,770	Budgeted Rental Income	\$698,257
Actual Rental Income Collected	\$101,886	Actual Rental Income Collected	\$674,997
Variance + (-)	(\$884)	Variance + (-)	(\$23,260)
Other Revenue	\$716	Other Revenue	\$1,245
Total Collected	\$102,602	Total Collected	\$676,241

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Budgeted	\$103,585	Budgeted	\$703,567
Variance + (-)	(\$983)	Variance + (-)	(\$27,415)

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? ➤ Management stated that invoices are processed daily.			
COMMENTS:	0-30 Days:	\$2,784.79	
	30-60 Days:	(\$18.47)	
	60 Days and Over:	(\$3,743.50)	
	TOTAL	(\$977.18)	

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?	X		
2) What is the rent collection policy? ➤ Rent payments are due by the 5 th day of each month. Rent collections letters are issued on the 6 th day of the on the month. After the 10 th day notice expires, a 3 day notice to vacate is issued.			
3) When is legal action taken against delinquent accounts? ➤ Legal action is usually taken around the 15th.			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS: The property has two units under eviction. One for rent and one for failure to complete an annual rectification. Observation: <ul style="list-style-type: none"> Housing subsidy accounts for \$10,686 (46.1%) of the total balance due. Some of the housing balances stretch out for 2 to 3 months. In addition, the community has 10 residents with high (above \$500) balances that are not due to housing. A few of the high balances are in excess of \$2,000. It is highly recommended that that someone is assigned to work closely with housing to work out the deficiencies and get the rent adjustments and new move in balances paid faster. In addition, it is strongly suggested that management uphold the rent collection policy outlined in item 2 above. This includes limiting the amount of payment plans, posting notices timely, and filing evictions promptly. 	0-30 Days:	\$9,847.28	
	30-60 Days:	\$7,798.03	
	60 Days and Over:	\$5,535.37	
	TOTAL	\$23,180.68	

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		

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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) Has staff turnover occurred since the last site review?	X		
9) How often are staff meetings held? ➤ Staff meetings are held weekly.			
10) Have personnel been trained in Fair Housing?	X		
11) List training staff has received in the past year. ➤ Management stated that they have all received the HUD EIV training.			
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? ➤ The owner has access to pull reports at any time.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Management must get approval for any unbudgeted or over budgeted expense.			
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>Observations:</p> <ul style="list-style-type: none"> Out of 45 incidents, 22 of them (48.8%) are for the location on Southcrest. It is recommended that you try to focus the security patrols efforts towards the Southcrest location. Service requests are not being opened or closed daily in the software system. The work order directory reflects that 39 of the 6 (60%) work orders opened in July took longer than 7 days to complete. The report also reflects that only 6 work orders in July were completed with 24 hours of being received. It appears that work orders are mostly being closed on Fridays. It is strongly recommended that the work order software is used at least every other day so a true depiction of how quickly work orders are being completed can be determined. Resident retention/satisfaction is often strongly related to the maintenance program and it is very important to know exactly how the maintenance program is performing. According to the Primary Advertising Source Evaluation (PASE) all 14 new prospects resulted in new leases. The 14 prospects/leases had an advertising source listed as "other" on the PASE. Based on the information provided it is very likely that all prospects are not being entered. In addition, the source type from each prospect is not being determined. In the event that the waiting list dwindles and marketing becomes a need for the community it would be instrumental to know where the current traffic is coming from. It is recommended that all traffic gets entered in the system and when possible, the source of that traffic is determined. Housing subsidy accounts for \$10,686 (46.1%) of the total balance due. Some of the housing balances stretch out for 2 to 3 months. In addition, the community has 10 residents with high (above \$500) balances that are not due to housing. A few of the high balances are in excess of \$2,000. It is highly recommended that someone is assigned to work closely with housing to work out the deficiencies and get the rent adjustments and new move in balances paid faster. In addition, it is strongly suggested that management uphold the rent collection policy outlined in item 2 above. This includes limiting the amount of payment plans, posting notices timely, and filing evictions promptly. <p>No Findings.</p>

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6500 Sheridan (Management office)



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Texas State Affordable Housing Corporation



1000 Oak Grove



Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation



5200 South Crest



Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation



1900 Ephriham



Texas State Affordable Housing Corporation



Texas State Affordable Housing Corporation



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