



April 8, 2016

Dalcor Affordable Housing I, LLC
Attn: Mr. Dale Dodson
15950 North Dallas Parkway, Suite 300
Dallas, Texas 75248

RE: **Ridgewood**

Dear Mr. Dodson,

On **March 22, 2016**, an Asset Oversight Review was performed at the above referenced property. Details of the review can be found in the enclosed Observation Report.

The results of this review may indicate items in need of correction in order to be in compliance with your TSAHC Multifamily Bonds. A list of Findings and/or Observations resulting from the review is enclosed. Each Finding will include Corrective Action dates for those items considered deficient. Properties with any Corrective Action Requirements will be placed on a Monitoring Status pending correction.

For Clarification:

Observations will address issues that can be improved upon, but do not require immediate action. An **Observation** will always be followed by a **Recommendation**. Management should consider **Recommendations** but there is no written response required. **Findings** address serious issues that need to be cured immediately. **Findings** will always be followed by **Corrective Action Requirements**. Management must complete the **Corrective Action Requirements** and send certification to TSAHC that they have been resolved as stipulated within each **Corrective Action Requirement**. This certification must be on company letterhead and address each item individually.

I appreciate the time and effort your staff allotted to our review. If you wish to discuss the report findings before preparing your response, please feel free to contact me at the number listed below.

Respectfully,

Celina Mizcles
Senior Multifamily Analyst
cmizcles@tsahc.org
512.334.2154

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Ridgewood Apartments

2830 Lake Road, Huntsville, Texas 77340

Owner: Dalcor Affordable Housing I, LLC

Date Built: 1996

Management Company: Dalcor Management

Property Manager: Cathy Newvine

Inspection Date & Time: March 22, 2016 at 8:00 a.m.

Inspector's Name: Celina Mizcles

Occupancy at Time of Report:	85%	Average Occupancy Over Last 12 Months:	89%
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: Based on visual observation of the property grounds, building structures, recreation and common areas, the property appears to be kept in great condition. The previous Asset and Oversight Report dated 3/10/15 recommended that management blow out or power wash the building breezeways.

Observation:

- **During this onsite visit, the hallways still appeared to look dingy; therefore, it is suggested that management blow or power wash the breezeways on a more regular basis.**

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		
Theft		
Criminal Mischief		
Personal Assault	1	
Drug Related Activity	2	Overdose - 2
Gun Related Activity		

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Domestic Violence	4	
Disturbance	2	Loud noise – 1 and Disturbance -1
Other	11	Harassment – 3, Threat – 1, Dispute – 5, and Suspicious Activity – 2
2) Does the property utilize a crime prevention agreement? <ul style="list-style-type: none"> ➢ Management uses a Notice of Curfew Hours, Zero Tolerance Addendum, Drug/Crime Free Addendum, and a Security Guidelines for Residents Addendum. Residents must sign each addendum as well as the lease contract upon initial occupancy. 		
3) What pro-active measures is the property taking to address crime on the property? <ul style="list-style-type: none"> ➢ Management continues to pro-actively address crime by working with the Huntsville Police Department who patrol the property periodically as a courtesy and host crime watch meetings for the residents. The property has 16 security cameras placed throughout the property grounds and has an onsite courtesy office (Walker County Sherriff) who conducts property walks and reports activity to management. 		
4) How often is a light check conducted on the property? Who performs light checks on the property? <ul style="list-style-type: none"> ➢ Light checks are performed periodically throughout the week at night by the Property Manager or the courtesy officer. 		
COMMENTS: A review of the weekly police department call logs dated 12/1/2015 through 2/29/2016 indicated there were a total of 70 incidents logged. 20 of the 70 calls are listed above. In the previous Asset and Oversight Report dated 3/10/15; the reviewer noted that there were a total of 22 domestic incidents reported however this year the number decreased to 4. According to management, all incidents whether they are reported by the courtesy officer or listed on the Huntsville Police Department's call sheets are reviewed by management. When applicable, incidents are discussed with resident(s), and necessary action(s) are taken, if necessary. It appears that management is taking steps in a positive direction to decrease the amount of activity reported onsite as reflected on the property's Reason for Move-Out report which states 3% of move outs in the last 12 months were due to crime free housing violations.		

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? <ul style="list-style-type: none"> ➢ 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 last property risk assessment was conducted in February 2016.			

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? <ul style="list-style-type: none"> ➢ Fair Housing Poster ➢ 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? <ul style="list-style-type: none"> ➢ Playground (two playgrounds) ➢ Community Room ➢ BBQ/Picnic Area ➢ Laundry Facility ➢ Business Center ➢ Pool ➢ Other (Sand Volleyball court and a Fitness Center) 	X	X	
8) When are property licenses and permits renewed? <ul style="list-style-type: none"> ➢ The swimming pool requires a property license that is renewed annually. 	X		
9) Where are vendor insurance records/binders maintained? <ul style="list-style-type: none"> ➢ All vendor insurance records are maintained in the corporate office. 	X		
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		

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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) On average, how many days does it take to complete a work order? <ul style="list-style-type: none"> ➢ According to the Work Order Directory, it takes an average of 3.4 days to close 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? <ul style="list-style-type: none"> ➢ Pest Control services are provided weekly and all buildings are set on a quarterly schedule. Unit re-treatments are conducted on a monthly basis. 			
7) What is the policy for following up on completed service requests? <ul style="list-style-type: none"> ➢ Management follows up on work orders at random to ensure completeness. 			
8) What is the property's after-hours emergency policy? <ul style="list-style-type: none"> ➢ Residents are instructed to call the emergency number which connects the resident to an answering service call center. The answering service then contacts the appropriate staff personnel. 			
9) What capital improvements have been scheduled or completed for this budget year? <ul style="list-style-type: none"> ➢ According to management, improvements to the security cameras, updates to the perimeter gate system, the restriping of parking lot and speed bumps, as well as power washing the hallways is scheduled to be completed in this budget year. 			

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

10) Unit Interior and Appliance upgrades <ul style="list-style-type: none"> ➢ Unit interior/appliance upgrades were completed as needed. 			
11) Building Exterior and Curb Appeal repairs <ul style="list-style-type: none"> ➢ Building exterior and/or curb appeal improvements were completed as needed. 			
12) Amenity upgrades <ul style="list-style-type: none"> ➢ There were no amenity upgrades during the last budget year. 			
13) Other repairs or replacements <ul style="list-style-type: none"> ➢ Management stated there were no other repairs or replacements completed during the last budget year. 			
Number of service requests received:	99		
Number of requests open from prior periods:	0		
Number of service requests completed:	96		
Number of service requests completed within 24 hours:	21		
Number of outstanding service requests:	3		

COMMENTS: The three outstanding work orders listed on the Work Order Directory have each been open for one day as of the date of the onsite visit.

MARKETING

1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0	28	4
Flyers	\$0	0	0
Resident Referral: \$50.00 Resident Referral Fee	\$100	10	2
Locator Service	\$0	0	0
Printed Advertising: For Rent \$180/monthly and Newspaper \$77/monthly	\$257	2	0
Internet Advertising: Apartment Finder , Apartment.com, Craigslist, and property website	\$0	41	6
Other Source : Housing Authority and Local Street Fair booth \$500	\$500	1	1
TOTAL	\$857	82	13

The rental activity reflected in the above table was for the month of 2/15/16 through 3/21/16.

	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: During the exit interview of this onsite visit, management discussed their efforts in marketing this property. Management stated that the

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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? > Yardi software and a make ready board are used to monitor the make ready status.			
6) How often are occupied units inspected? > Management stated that occupied units are inspected semi-annually.			
7) How often are vacant units inspected? > Vacant units are inspected daily.			
8) How many vacant units are in progress of being made ready? > Twenty-one vacant units are in the process of being made ready.			
9) What is the company policy on the number of days to turn vacant units? > Management policy is to turn a vacant unit in 7- 10 business days.			

COMMENTS: The five units listed above were inspected due to the length of vacancy reported. Together, the five units were vacant for an average of 157 days which is an extended amount of time. TSAHC defines a Down Unit as a vacant unit that meets one of more of the following requirements: i) uninhabitable due to infestation, sewer backups, foundation and subfloor issues, missing cabinets and appliances, mold, significant water damage not caused by a natural disaster ii) uninhabitable and "not made ready" for over 180 calendar days. During the exit interview, management disclosed that there were 38 move-outs between January and February 2016, and stated that they are short staffed. Management is currently seeking to fill there open Porter/Make-Ready position.

Observation:

- **As of the date of the onsite visit, unit 1015 has been vacant for 174 days and unit 818 had been vacant for 162 days. TSAHC strongly suggest management create and implement a make ready completion plan that provides a detailed list of units that need to be made-ready and in what order. The plan may help assist the maintenance staff or contractors complete units with longer vacancy length than those with low vacancy length or those considered easy to turn.**

Finding:

- **Unit 1014 is considered a Down Unit because the unit was vacant for 189 days as of the date on the onsite visit and is not made ready for occupancy. The owner must submit proof that the unit is back on-line and available for rent by submitting invoices, work orders, and picture to TSAHC no later than 05/08/2016.**

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 service.			
2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? > According to management, there have not been any 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
Redecorating Expenses	\$3,765	\$5,125	\$1,359	26.5%	Contract cleaning, Contract painting labor, Appliance part and repairs
Repairs and Maintenance	\$3,369	\$2,600	-\$769	-29.6%	Carpet Wet Vacs and Building & Structures

COMMENTS:

REVENUE

FOR THE MONTH ENDING: JANUARY 2016		YEAR TO DATE AS OF JANUARY 2016	
Gross Potential	\$137,274	Gross Potential	\$137,274
Budgeted Rental Income	\$132,976	Budgeted Rental Income	\$132,976
Actual Rental Income Collected	\$129,389	Actual Rental Income Collected	\$129,389
Variance + (-)	-\$1,874	Variance + (-)	-\$1,874
Other Revenue	\$18,856	Other Revenue	\$18,856
Total Collected	\$148,245	Total Collected	\$148,245
Budgeted	\$151,102	Budgeted	\$151,102
Variance + (-)	-\$2,856	Variance + (-)	-\$2,856

COMMENTS:

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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: The property's Payable – Aging Summary report as of 3/21/16 reflects \$3,477 over 61-days past due. Management explained that \$3,063 of the \$3,477 is in dispute with The Steamers of Huntsville and therefore the amount remains on the payable report.	0-30 Days:		\$17,696
	30-60 Days:		\$2,821
	60 Days and Over:		\$3,477
	TOTAL		\$23,994

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?	X		
2) What is the rent collection policy? ➤ Management policy states rent is due on the 1 st and considered late on the 6 th of the month. Three-day Notice to Vacate letters are issued after the 6 th day of the month, followed by a final 24-hour notice.			
3) When is legal action taken against delinquent accounts? ➤ Legal action is taken after all appropriate notices have been delivered, typically within the 10 th – 20 th day of the month if payment plans are not agreed to.			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS: According to management there is currently one household under eviction (unit 820).	0-30 Days:		\$3,814
	30-60 Days:		\$85.00
	60 Days and Over:		\$125
	TOTAL		\$4,024

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 every morning.			
10) Have personnel been trained in Fair Housing?	X		
11) List training staff has received in the past year. ➤ Onsite staff attends annual Housing Tax Credit and Uniform Physical Conditions Standards trainings provided by TDHCA.			
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 reviews and pulls reports on a regular basis.			

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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? ➤ Owner approval is required for any amount that is unbudgeted or over budget.			
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"> During this onsite visit, the hallways still appeared to look dingy; therefore, it is suggested that management blow or power wash the breezeways on a more regular basis. The Reasons For Move Out report also lists 17% for “other.” Management stated they would remove the “other” option from the report in order to select the appropriate reason for a households’ move-out. TSHAC strongly encourages management remove the “other” option. This change may assist management better identify the reason for move-outs. As of the date of the onsite visit, unit 1015 has been vacant for 174 days and unit 818 had been vacant for 162 days. TSAHC strongly suggest management create and implement a make ready completion plan that provides a detailed list of units that need to be made-ready and in what order. The plan may help assist the maintenance staff or contractors complete units with longer vacancy length than those with low vacancy length or those considered easy to turn. <p>Finding:</p> <ul style="list-style-type: none"> Unit 1014 is considered a Down Unit because the unit was vacant for 189 days as of the date on the onsite visit and is not made ready for occupancy. The owner must submit proof that the unit is back on-line and available for rent by submitting invoices, work orders, and picture to TSAHC no later than <u>05/08/2016</u>. 	
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