

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: February 5, 2016 at 8:30AM

Inspector's Name: James Matias

Occupancy at Time of Report:	100%	Average Occupancy Over Last 12 Months:	98.2%
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.

Finding:

- On the day of the site visit the dumpsters were found to be overflowing and many large items were found on the ground. (Pictures attached) Management explained that some of the large items are from their residents, but mentioned that strangers often dump items in their community as well. Management stated they do not have access to a truck or trailer but often borrow one from a sister community in the area. The reviewer strongly encouraged more frequent trash pickup or an additional dumpster. It is also suggested that management find a way to get the large items picked up more frequently (weekly or biweekly). Notices to residents, lease violations, and/or fines may also deter this activity from continuing or getting worse. This issue was an observation in 2015. Management must provide TSHAC with an action plan for resolution on or before March 22, 2016.

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	1	
Criminal Mischief	1	

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Personal Assault	1	
Drug Related Activity		
Gun Related Activity		
Domestic Violence		
Disturbance	3	
Other	2	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. The property does not have a crime prevention agreement.		
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 host regular crime watch meetings, provides Zapata security patrols for 32 hours per month, and maintains a 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 weekly.		
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 in September 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 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 reviewer provided the manager with additional Equal Housing stickers.			

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:			

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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?				
➤ On average, it appears that all work orders are completed the same day they are created.				
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 monthly and as needed. Each unit is serviced quarterly.				
7) What is the policy for following up on completed service requests?				
➤ Management stated that follow ups are done for items that are paint or leak related and reoccurring.				
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?				
➤ No capital improvements have been completed to date for this budget year. Scheduled capital improvements include five roof replacements and the replacement of wood rot and new pain throughout the entire community.				
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year				
10) Unit Interior and Appliance upgrades				
➤ In 2015 window and appliances were replaced as needed.				
11) Building Exterior and Curb Appeal repairs				
➤ Building exterior and curb appeal upgrades include asphalt repairs, new sod, and replacement of the trim and fascia.				
12) Amenity upgrades				
➤ There were not any amenity improvements in 2015.				
13) Other repairs or replacements				
➤ No additional repairs or replacements were completed in the last budget year.				
Number of service requests received:		38		
Number of requests open from prior periods:		0		
Number of service requests completed:		38		
Number of service requests completed within 24 hours:		38		
Number of outstanding service requests:		0		
COMMENTS: The maintenance staff appears to be doing an outstanding job opening and closing work orders, as well as completing work in a timely manner. Observation: <ul style="list-style-type: none"> On the day of the site visit, management or maintenance did not provide a preventive maintenance schedule. Management stated that preventive maintenance is being completed, but it is not documented. It is strongly recommended that the maintenance staff have a written preventive maintenance log to keep track of the preventive maintenance performed. 				

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0	11	9
Flyers	\$10	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	0	0
TOTAL	\$10	11	9
The rental activity reflected in the above table was for the month of January 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		

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COMMENTS: The property spends very little money on advertising because there is a lengthy waiting list to gain occupancy at the property. Management stated the vast majority of their traffic comes from walk-ins or phone calls.

LEASE RENEWAL		YES	NO	N/A
1)	Does it appear that an effective lease renewal program is in place? If no, please comment below.			
2)	What percentage of residents renewed last month, past 6 months, and past 12 months?	Current:	6 months:	12 months: 77%
3)	What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or “skip”?			
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 Onsite.			
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? ➤ None			
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:			0		
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:			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				
2D	1x1 Occupied,				
3D	1x1 Occupied				
14A	2x1 Occupied				
16A	2x1 Occupied, One inoperable smoke detector (kitchen)				
21A	4x2 Occupied, One inoperable smoke detector (master bedroom) and the dishwasher needs to be fastened to the cabinets				
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? ➤ No units are 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 16A and 21A prior to the completion of this report.

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 turnover expense was over budget due to using a contracted service to complete the floors. The maintenance staff could not keep up with completing the floors because the property unexpectedly had a large number of move outs at the same time.					
<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
Leasing Expenses	\$648.33	\$935.82	\$287.49	30.7%	Promotions and Entertainment
Maintenance Expenses	\$12,548.07	\$9,936	(\$2,612.07)	(26.3%)	Doors/Locks/Keys, Pool Furniture/Safety Equipment, Cleaning Supplies
Turnover Expense	\$3,093.56	\$1,200	(\$1,893.56)	(157.8%)	Materials – Painting, Cleaning (Contract)
Utility Expense	\$56,575.81	\$45,508.89	(\$11,066.92)	(24.3%)	House Electric, Water, Sewer
COMMENTS:					

REVENUE					
FOR THE MONTH ENDING: November 2015			YEAR TO DATE AS OF: November 2015		
Gross Potential		\$67,569	Gross Potential		\$732,417
Budgeted Rental Income		\$66,819	Budgeted Rental Income		725,014
Actual Rental Income Collected		\$65,080	Actual Rental Income Collected		\$713,261
Variance + (-)		(\$1,738)	Variance + (-)		(\$11,753)
Other Revenue		\$714	Other Revenue		\$9,735
Total Collected		\$65,794	Total Collected		\$722,996
Budgeted		\$68,330	Budgeted		\$741,915
Variance + (-)		(\$2,536)	Variance + (-)		(\$18,919)
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? ➤ Management stated that invoices are processed weekly.			
COMMENTS: Finding: <ul style="list-style-type: none"> The accounts payable balance aged over 60 days is \$12,739.94, which is \$9,000 greater than the total reported on the 2015 Asset Oversight Report dated January 30, 2015. Management stated they have had some accounting changes and that the delinquent balances will be paid within the next few weeks. The regional manager stated she would submit an updated report prior to the end of February. Management provided an aged payable report on February 15, 2016 as requested above. The new report reflects an outstanding balance for items over 90 days in the amount of \$13,093.81. Management must provide a detailed explanation for the 6 unpaid accounts greater than \$50 and provide an updated Accounts Payable Report. The items requested are due to TSAHC on or before <u>March 22, 2016</u>. 		0-30 Days:		\$1,579.54
		30-60 Days:		(\$58.18)
		60 Days and Over:		\$12,769.94
		TOTAL		\$14,291.30

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 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 20th of the month.			
4)	Does the property currently have any resident(s) under eviction?		X	
5)	Does Housing have any outstanding balances?	X		
COMMENTS: Finding: <ul style="list-style-type: none"> On the day of the site visit, management was still collecting rent; therefore the reviewer did not request a current Delinquent and Prepaid Report. However, the reviewer did request that a report be sent within the next two weeks. On February 15, 2016 the regional manager turned in a current Delinquent and Prepaid Report. The report reflects that \$7,554 is unpaid for the month of January 2016. The unpaid amount accounts for more than 11% of the total unpaid January rent. Management must provide TSAHC an explanation for the unpaid balance and an up-to-date report on or before <u>March 22, 2016</u>. 		0-30 Days:		\$7,554
		30-60 Days:		\$1,216
		60 Days and Over:		\$779.37
		TOTAL		\$9,549.37

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 (see comment)		
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, fair housing,			

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conflict resolution.

COMMENTS: The leasing associate has been replaced in the last 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.			
3)	What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ \$200 is the maximum a regional manager can spend without approval if an item is over budget or unbudgeted.			
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

No observations.

Findings:

- On the day of the site visit the dumpsters were found to be overflowing and many large items were found on the ground. (Pictures attached) Management explained that some of the large items are from their residents, but mentioned that strangers often dump items in their community as well. Management stated they do not have access to a truck or trailer but often borrow one from a sister community in the area. The reviewer strongly encouraged more frequent trash pickup or an additional dumpster. It is also suggested that management find a way to get the large items picked up more frequently (weekly or biweekly). Notices to residents, lease violations, and/or fines may also deter this activity from continuing or getting worse. This issue was an observation in 2015. Management must provide TSHAC with an action plan for resolution on or before March 22, 2016.
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