

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 29, 2017 at 10:00 A.M.

Inspector's Name: James Matias

Occupancy at Time of Report:	99.3%	Average Occupancy Over Last 12 Months:	98.6%
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?			

COMMENTS: Peppertree Acres Apartments is a scattered site development which is located at 6500 Sheridan (management office), 1000 Oak Grove, 1900 Ephraim, 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 very minimal amount of trash found on the ground at the communities. In regards to the dumpsters, all were found to be properly placed inside the enclosures and no trash was found in or around the dumpster areas. 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. Most of the parking lots examined were in good condition with the handicap spaces clearly marked. All property locations appeared to have a large number of windows with damaged blinds.

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	1 (Oak Grove)
Theft	1	1 (Sheridan)
Criminal Mischief	1	1 (Sheridan)
Personal Assault	7	3 (Southcrest), 2 (Oak Grove), 1 (Sheridan) 1 (Ephraim)
Drug Related Activity	1	1 (Oak Grove)

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Gun Related Activity	1	1 (Weapon Violation at Oak Grove)
Domestic Violence		
Disturbance		
Other	4	2 (Drunkenness at Oak Grove) 2 (Destruction & vandalism – 1 at Oak Grove & 1 at Sheridan)
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, Signal 88 Security patrols 3 times per week after 7:00 P.M. In addition, call out sheets and sex offender list are pulled and reviewed monthly.		
4) How often is a light check conducted on the property? Who performs light checks on the property? ➤ Light checks are conducted daily by maintenance and the manager		
COMMENTS: The police reports provided reflect incident and 911 calls from 5/1/2017 through 7/31/2017.		

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 they are not aware of any risk assessments that have recently been conducted. Management is encouraged to check with ownership regarding why insurance has not done this in a few years.			

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?			
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		
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 for keeping track of and checking out keys.			

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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? <div style="margin-left: 20px;">➤ Based on the Service Request Activity report dated 6/28/2017 through 8/28/2017 it takes 9.9 days to complete a work order. See observation below.</div>			
5)	Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		
6)	How often are Pest Control services provided? <div style="margin-left: 20px;">➤ The exterminator visits the properties every other Monday. Each unit should get serviced 4 times per year.</div>			
7)	What is the policy for following up on completed service requests? <div style="margin-left: 20px;">➤ Management stated they call on recurring and major items.</div>			
8)	What is the property's after-hours emergency policy? <div style="margin-left: 20px;">➤ Residents are provided with an after-hours number. After hours the voicemail will give the maintenance number for the maintenance staff member on call.</div>			
9)	What capital improvements have been scheduled or completed for this budget year? <div style="margin-left: 20px;">➤ Capital improvements that have been scheduled or completed for this budget year include the parking lot which is scheduled to be restriped (all locations) and get new asphalt and sealcoat. In addition, the repair and replacement of a dumpster pad at Southcrest, and retaining walls at Southcrest and Oak Grove are scheduled.</div>			
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year				
10)	Unit Interior and Appliance upgrades <div style="margin-left: 20px;">➤ Unit Interior and appliance upgrades were completed as needed. A few units received new flooring.</div>			
11)	Building Exterior and Curb Appeal repairs <div style="margin-left: 20px;">➤ All building for all locations were painted since the last site visit. The painting started in 2016 and was completed in 2017.</div>			
12)	Amenity upgrades <div style="margin-left: 20px;">➤ No amenity upgrades have been completed according to management.</div>			
13)	Other repairs or replacements <div style="margin-left: 20px;">➤ No other repairs or replacements have been completed.</div>			
Number of service requests received:		166		
Number of requests open from prior periods:		0		
Number of service requests completed:		83		
Number of service requests completed within 24 hours:		24		
Number of outstanding service requests:		83		
COMMENTS: The Service Request Activity Report dated 6/28/2017 through 8/28/2017 was used to complete the section above. I would like to note that 52 of the 166 work orders created were for HVAC issues. Although it is summer, 31% of the work orders related to HVAC appears to be a high percentage. Observation: <ul style="list-style-type: none"> Service requests are not being opened or closed daily in the software system. The service Request Activity Report reflects that 46 of the 83(55%) work orders opened in in the time frame mentioned above took longer than 7 days to complete. The report also reflects that only 24 work orders out of 166 were completed within 24 hours of being received. 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	0	0
Resident Referral	\$0	0	0
Locator Service	\$0	0	0
Printed Advertising	\$0	0	0
Internet Advertising	\$0	0	0
Other Source (Local Housing Authority and Referral companies/merchants)	\$0	30	11
TOTAL	\$0	30	11
The rental activity reflected in the above table was for the month of: August 2017			

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	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. The wait for a unit is currently about 6 month to a year.

Observation:

- According to the Primary Advertising Source Evaluation (PASE) 30 new prospects resulted in 11 new leases. All 30 prospects had an advertising source listed as "other" on the PASE. The reviewer is unsure if "other" means applicants that are being pulled from the waiting list or prospects coming through the door. None the less, management should be determining where that traffic is coming from and entering it on the waiting list and 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. This is especially important because currently only 35% of leases are renewing. 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: 35%
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? ➤ 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:

Observation:

- The Reasons for Move Outs Report for the last year reflects that 49 residents have moved out prior to the end of the lease. Of those 49 move outs, 29 of them were owner initiated; 21 for nonpayment of rent and 8 for reasons other than rent. It is strongly recommended that management review its screening guidelines and uphold its criteria when reviewing applications. High turnover and a low renewal percentage can be detrimental to the budget for a community and also put a strain on the maintenance staffs ability to complete work orders timely.

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:		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:		1
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:		1
Units Walked		
Unit #	Brief Description	
5216	Southcrest location, 2x1, Occupied, The HVAC needs new tape around the duct near the interior unit.	

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6528	Sheridan location, 2x1, Occupied, 3 smoke detectors were found to be missing or inoperable. The upstairs bedroom window was cracked. The subfloor in the kitchen cabinet under the sink was rotten and sunken.			
6549	Sheridan location, 2x1, Occupied			
0900	Oak Grove location, 2x1, Occupied. The cabinet doors in front of the kitchen need to be replaced or repaired.			
0904	Oak Grove location, 4x2, Occupied			
2306	Ephriham location, 2x1, Occupied. 1 smoke detector was found to be missing or inoperable in the downstairs hall.			
2342	Ephriham location, 2x1, Occupied. 1 smoke detector was found to be missing or inoperable in the master bedroom upstairs.			
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 is almost complete for the one current vacancy.			
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 orders for the repairs mentioned above in units 6528, 0900, 2342, 2306, and 5216.				

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? ➤ Management stated that a busted water line is the one item that has negatively affected the current budget.					
3) Explain YTD variances of 10% or greater.					
<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
Salaries & Benefits Expenses	\$16,018	\$24,048	\$8,030	33.4%	Salaries Maintenance, Group Health Insurance, & Contract labor
Maintenance Expenses	\$8,339	\$3,402	(\$4,937)	(145%)	Electrical/Lights, HVAC, & Tools/Equipment
Administrative Expenses	\$5,553	\$3,078	(\$2,476)	(80.4%)	Professional fees, Credit checks
COMMENTS: Management stated the large negative variance for the maintenance expense was due to having to upgrade the Freon in the HVAC units when maintenance is being performed. In addition, several exterior lights were replaced that also affected the Maintenance Expenses. Administrative expenses are way over because Windsor, a third-party compliance file review company, was not budgeted for. In addition, there was a large amount of evictions and some attorney's fees that forced the Administrative Expense over budget.					

REVENUE			
FOR THE MONTH ENDING JULY 31, 2017		YEAR TO DATE AS OF JULY 31, 2017	
Gross Potential	\$110,315	Gross Potential	\$758,073
Budgeted Rental Income	\$103,588	Budgeted Rental Income	\$716,566
Actual Rental Income Collected	\$109,429	Actual Rental Income Collected	\$730,690

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Variance + (-)	\$5,841	Variance + (-)	\$14,124
Other Revenue	\$1,356	Other Revenue	\$2,191
Total Collected	\$110,785	Total Collected	\$732,881
Budgeted	\$104,261	Budgeted	\$721,278
Variance + (-)	\$6,523	Variance + (-)	\$11,603

COMMENTS: Compared with prior years, the revenue appears to be performing much better. High occupancy is likely contributing largely to the increase in revenue.

ACCOUNTS PAYABLE	YES	NO	N/A
1) Is the payable report up to date?			
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: The Vendor Aging Report provided for review and discussed below is dated as of 7/31/2017. Currently (0-30 days) 22 vendors have an outstanding balance. The average balance for the 22 vendors is around \$1,100. One vendor has a balance of \$2,410 that is 30-60 days old. This invoice was for an attorney who was used to fight an eviction appeal. One vendor has a balance of \$7,118 that is more than 60 days old. This invoice was for an engineering company that completed the repairs for the major water leak. If this was invoiced on time, it is strongly recommended that accounting look into paying this invoice as soon as possible.	0-30 Days:	\$24,609	
	30-60 Days:	\$2,105	
	60 Days and Over:	\$4,942	
	TOTAL	\$31,565	

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: Compared to prior year reviews, management appears to be doing a great job collecting tenant rent, following the rent collection policy, and administering non-payment of rent evictions when needed. Observation: <ul style="list-style-type: none"> Housing subsidy accounts for \$8,444 (81.2%) of the total balance due. Some of the housing balances stretch out from 1-3 months. 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 a diligent approach with collecting necessary documents from resident for annual and interim housing renewals is recommended. 	0-30 Days:	\$7,859	
	30-60 Days:	\$1,404	
	60 Days and Over:	\$1,136	
	TOTAL	\$10,399	

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: For the most part, the community rarely accepts a personal check.			

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		

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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 weekly.			
10) Have personnel been trained in Fair Housing?	X		
11) List training staff has received in the past year. ➤ Management stated that staff is trained on Fair Housing annually.			

COMMENTS:

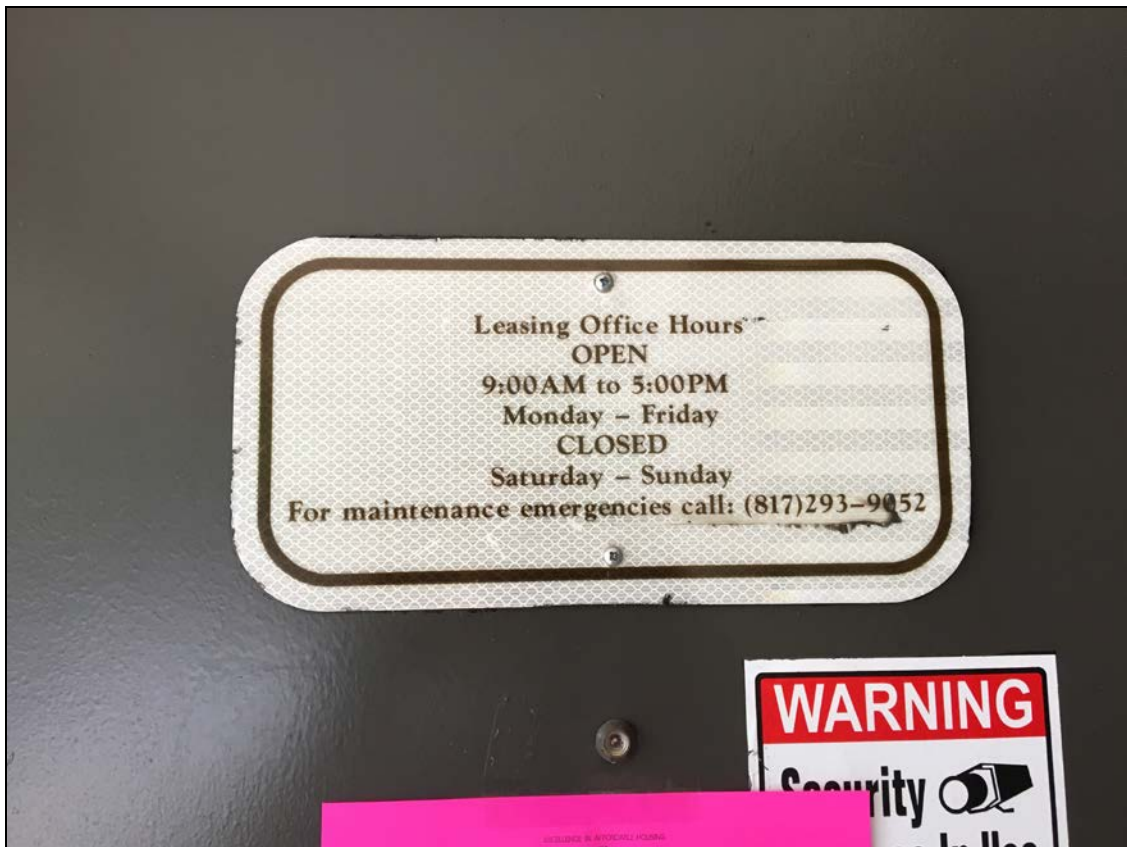
OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to the software system utilized to manage the property?	X		
2) How often are reports submitted to the owner? ➤ The owner has access to pull reports at any time.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Management must get approval for any unbudgeted or over budgeted expense. The regional manager can spend up to \$1500 for unbudgeted items.			
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>No Findings.</p> <p>Observations:</p> <ul style="list-style-type: none"> Service requests are not being opened or closed daily in the software system. The service Request Activity Report reflects that 46 of the 83(55%) work orders opened in in the time frame mentioned above took longer than 7 days to complete. The report also reflects that only 24 work orders out of 166 were completed within 24 hours of being received. 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) 30 new prospects resulted in 11 new leases. All 30 prospects had an advertising source listed as "other" on the PASE. The reviewer is unsure if "other" means applicants that are being pulled from the waiting list or prospects coming through the door. None the less, management should be determining where that traffic is coming from and entering it on the waiting list and 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. This is especially important because currently only 35% of leases are renewing. It is recommended that all traffic gets entered in the system and when possible, the source of that traffic is determined. The Reasons for Move Outs Report for the last year reflects that 49 residents have moved out prior to the end of the lease. Of those 49 move outs, 29 of them were owner initiated; 21 for nonpayment of rent and 8 for reasons other than rent. It I strongly recommended that management review its screening guidelines and uphold its criteria when reviewing applications. High turnover and a low renewal percentage can be detrimental to the budget for a community and also put a strain on the maintenance staffs ability to complete work orders timely. Housing subsidy accounts for \$8,444 (81.2%) of the total balance due. Some of the housing balances stretch out from 1-3 months. 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 a diligent approach with collecting necessary documents from resident for annual and interim housing renewals is recommended.

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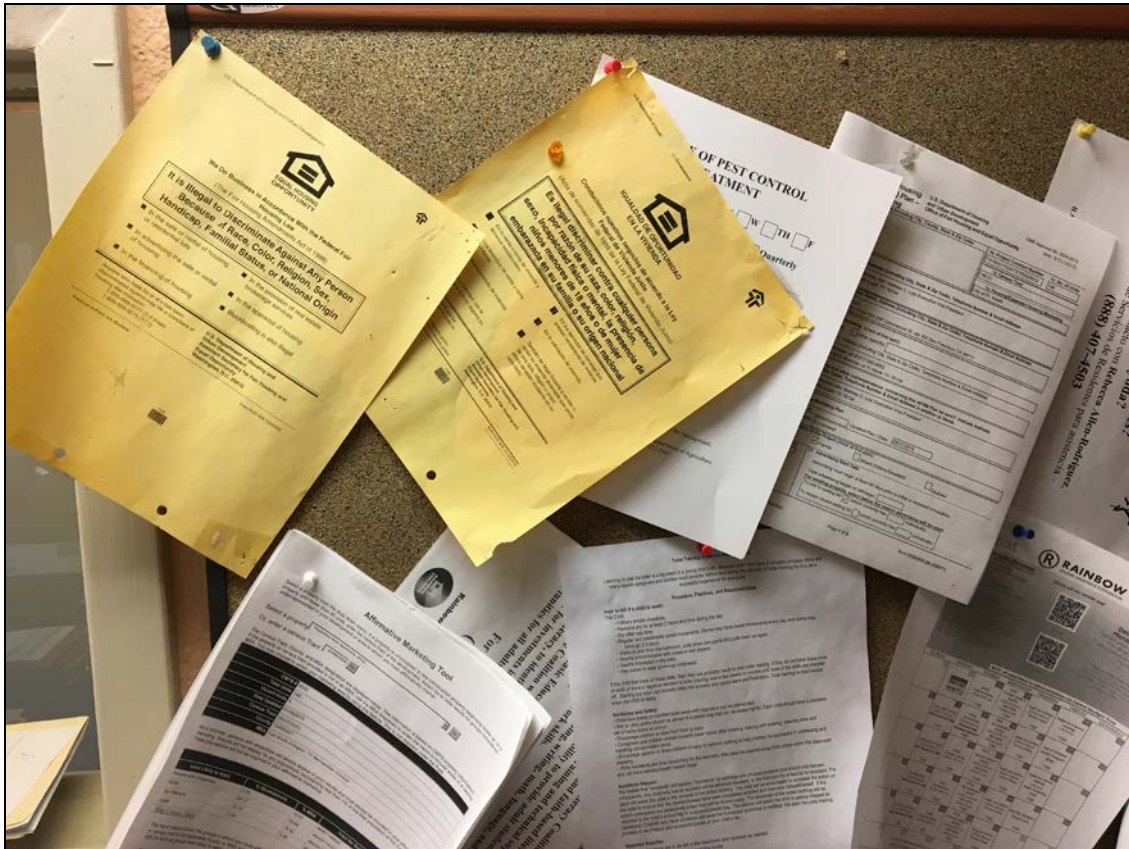
6500 Sheridan (Management office)



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1000 Oak Grove



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5200 South Crest



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1900 Ephriham

