Texas State Affordable Housing Corporation

<table>
<tr><td colspan="4" align="center">Pine Club Apartments
5015 Pine Street Beaumont, TX 77703</td></tr>
<tr><td colspan="2">Owner: Dalcor Affordable Housing I, LLC</td><td colspan="2">Date Built: 1996</td></tr>
<tr><td colspan="2">Management Company: Dalcor Management, LLC</td><td colspan="2">Property Manager: Rene Farrell</td></tr>
<tr><td colspan="2">Inspection Date & Time: April 20, 2018 at 8:30 a.m.</td><td colspan="2">Inspector's Name: James Matias</td></tr>
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Occupancy at Time of Report:	91.4%	Average Occupancy Over Last 12 Months:	88.62%

Number of Units: 232			
Number of One Bedrooms:	48	**Number of Two Bedrooms:**	112
Number of Three Bedrooms:	72	**Number of Four Bedrooms:**	NA

PHYSICAL INSPECTION	YES	NO	N/A
1) Are the access gates in operable condition?			X
2) Is the community monument sign in acceptable condition?	X		
3) Is the perimeter fence surrounding the property in acceptable condition?	X		
4) Are the grounds and landscaping in acceptable condition?	X		
5) Are trees and shrubs properly trimmed?	X		
6) Are the grounds free of erosion, foot paths and tree root elevation?	X		
7) Are sidewalks clean and in good repair?	X		
8) Is parking lot clean and in good repair with handicap parking clearly marked?		X (see observation)	
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 was well maintained and the parking lot appeared to be in great condition. The monument and office signs were in good condition and visible. The common areas and amenities were clean and well kept. The buildings, roofs and foundations appear to be in acceptable condition. During the site visit the property had some glass in front of building four. The Compliance Manager sent correspondence prior to the issuance of this report showing the glass has been cleaned up.

Observation:

- **On the day of the site visit the reviewer observed a lot of trash being picked up prior to the office opening. Litter appears to be an ongoing problem for this community from year to year. It is strongly suggested that lease violation are implemented for individuals who litter or leave trash outside their unit on non-trash pickups days. In addition, more trash cans in the community and frequent cleanup is recommended.**

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	3	Burglary(2), Attempted Burglary (1)	
Theft	7	Theft (6), Auto Theft (1)	
Criminal Mischief	8		
Personal Assault	3		

Drug Related Activity	3	Narcotics Violation (1), Drug Overdose (2)
Gun Related Activity	5	Weapons Offense (1), Shots Fired (4)
Domestic Violence		
Disturbance	21	Disturbance (19), Loud Music (2)
Other	5	Trespassing (4), Animal Cruelty (1)

	YES	NO	N/A
2) Does the property utilize a crime prevention agreement?	X		
3) Does the property take pro-active measures to address crime on property? If so, add comment	X		
4) Are light checks conducted by management staff on a weekly basis? If not, add comment.	X		
COMMENTS: Management stated that light checks are conducted every 2 weeks by the security officer and weekly by the maintenance staff. In an effort to deter crime, 2 courtesy officer's patrol daily and the community hosts crime meetings. In addition the property also has security cameras that get monitored by 3rd Eye, the company who installed the system, after hours.			

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? If yes, when?	X		
COMMENTS: The last risk assessment was conducted in March 2018.			

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) Does the property require licenses or permits? ➢ Alarm and fire panel	X		
8) Are property licenses and permits renewed as required?	X		
9) Are vendor insurance records/binders properly maintained?	X		
10) Are vendors properly screened to ensure proper insurance documents are being maintained?	X		
11) 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	
COMMENTS: The fire system and security system is renewed by the City of Beaumont annually. The City of Beaumont does not require the property to possess a pool permit.			

KEY CONTROL	YES	NO	N/A
1) Does the property use an electronic key tracking system? If not, answer questions 2-5.	X		
2) Are all property keys properly coded?			X
3) Is key box locked and secured?			X
4) Is the key code list kept separate from the key box?			X
5) Are locks being changed during unit turnovers?	X		

COMMENTS: The property utilizes the Handy Trac key control 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 (see comment)		
4) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		

5) How often are Pest Control services provided?
  ➤ Pest control services are provided for three buildings twice per month. All buildings are serviced at least twice per year and residents can get their unit treated as needed.

6) What is the policy for following up on completed service requests?
  ➤ Management stated they follow up on major or reoccurring work orders.

7) What is the property's after-hours emergency policy?
  ➤ Residents call the phone number posted at the property. If the call comes after hours or when the staff is unavailable, the answering service receives the call and distributes the call to the property manager or lead maintenance dependent upon the nature of the call.

8) What capital improvements have been scheduled or completed for this budget year?
  ➤ Fire stops were added to the ranges throughout the community (2 per unit) and all toilets were upgraded to water conservation toilets. In addition, the entry doors on 20 to 25 units were replaced and the community had some sidewalk repairs. Scheduled capital improvement items include restriping the parking lot.

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

9) Unit Interior and Appliance upgrades
  ➤ Appliance upgrades were made as needed.

10) Building Exterior and Curb Appeal repairs
  ➤ None

11) Amenity upgrades
  ➤ No amenity upgrades were completed in the last budget year.

12) Other repairs or replacements
  ➤ No other repairs or replacements were noted for 2017.

Number of service requests received:	113		
Number of requests open from prior periods:	0		
Number of service requests completed:	100		
Number of service requests completed within 24 hours:	13		
Number of outstanding service requests:	13		

13) On average, how many days does it take to complete a work order?
  ➤ According to the Work Order Directory provided, it takes 8.2 days to complete a work order. (see observation)

COMMENTS: Materials are being stored outside the maintenance shed. It is recommended that these materials are used, disposed, or stored inside one of the maintenance areas. (picture attached)

Observation:
- **According to the Work Order Directory, dated 3/17/2018 through 4/17/2018 113 work orders were opened and the vast majority of them were closed on three days 3/27/2018, 4/10/2018 and 4/29/2018. It is apparent that work orders are being closed in clusters. With the report not indicating when the work was actually completed, it is very likely that the average completion time recorded in item 3 above is incorrect. This practice of closing work orders once every 2 to 3 weeks is discouraged. It is important to document when work orders are opened and completed and to enter this information frequently. Resident retention and satisfaction is often strongly related to the maintenance program. Diligent use of the software system and accuracy of the information entered is strongly recommended. Following these recommendations will create a record showing the effectiveness of the maintenance staff.**

MARKETING

1) Complete the table below with the most recent information available.

SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth (bandit signs $120 for the year)	$10	10	2
Flyers	$40		
Resident Referral ($50 each)	$10	8	
Locator Service			
Printed/Internet Advertising ($369 / month for Apartment Guide / Rent Path and property website)	$369	26	1
Other Source (Housing Agency)		11	1
TOTAL	**$429**	**55**	**4**

The rental activity reflected in the above table was for the following period: 3/19/2018 – 4/19/2018

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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: Management stated that market surveys are completed monthly.			

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: 99%	6 months: 80%	12 months: 78%
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	18%		
4) Are lease renewal/rent increase notices sent to residents at the 120-day, 90-day, 60-day and 30-day timeframes prior the end of the lese contract? If not, comment below.	X		
5) Are rent increase notices sent to residents at least 30-days prior to the rent increase implementation?	X		
6) Are individual files being reviewed to determine renewal/non-renewal status?	X		
7) Are renewals and re-certifications tracked and monitored with property management software? I.e., Yadri, Onesite, or Owner/Agent created software?	X		
8) Are rent increases being implemented?	X		
9) When was the last rent increase implemented? What was the average rent increase? ➢ The last rent increase started in April of 2017 in accordance with recently released HUD rent limits.			
10) How many households are currently on month-to-month leases? ➢ Management does not allow or approve month-to-month leases.			
11) What is the charge for month-to-month leases? ➢ NA			
COMMENTS: After review of the Reasons for Move Out Report for the last 12 months, the report indicates that 15 units (18%) skipped and 10 units (12%) moved because they were unhappy. It is often hard to determine the exact reason or situation for a skip, but management is strongly encouraged to investigate or survey the residents that indicate they were "unhappy" living at the community. If you can identify items to keep your residents happy, it will likely be recognized in the properties retention.			

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	17
2) Number of completed made ready units at time of activity report:	5
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:	3
5) Number of completed three bedroom units at time of activity report:	2
6) Number of uncompleted made ready units at time of activity report:	12
7) Number of uncompleted one bedroom units at time of activity report:	1
8) Number of uncompleted two bedroom units at time of activity report:	3
9) Number of uncompleted three bedroom units at time of activity report:	8

Units Walked

Unit #	Brief Description
508	1x1, Vacant, Not Ready, Full turn needed. 2 smoke detectors were inoperable. (28 Days vacant)
801	2x2, Vacant, Ready (50 Days vacant)
1006	3x2, Vacant, Almost Ready (140 Days vacant) See Observation
1212	1x1, Vacant, Almost ready (50 Days vacant)
1314	2x2, Vacant, Not Ready (25 Days vacant)

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 (see comments)	

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)	Is management utilizing property software (i.e., Yardi, Onesite, or an owner/agent created) to monitor the timely preparation of units? If not, comment.	X		
6)	How often are occupied units inspected? ➢ Occupied units are inspected: Once annually			
7)	How often are vacant units inspected? ➢ Vacant units are inspected: Weekly			
8)	How many vacant units are in progress of being made ready? ➢ Twelve 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. (see observation)			

COMMENTS: Prior to the completion of this report a completed work order for the smoke detectors in unit 508 were turned in.

Observation:

- **Management stated that company policy is to turn vacant units in 7-10 business days. There are currently 4 units that have been vacant for more than 25 days that are not made ready for occupancy. The average days vacant for these four units is 34 days. In addition, after a physical review, one of the units (1006) is not ready and it shows up as ready on the Unit Availability Detail. It appears this unit has been incorrectly categorized and that may be what is leading to the delayed turn time. If units are being walked weekly as mentioned in item 7 above, the inconsistencies found in the availability report would be identified by staff. TSAHC suggests management implement a Make Ready Plan that will help the maintenance staff be able to complete make readies in the appropriate amount of time or revise the number of days it takes to turn a unit on the current management policy. In addition, the Manager should frequently check the Availability report to make sure the units are in the status in which they are categorized. The occupancy is high (97.9%), which means the sooner units are turned, the sooner a new resident can move in. Having tenants occupy units with less down time will decrease the community's vacancy loss and increase the overall annual revenue.**

BUDGET MANAGEMENT	YES	NO	N/A
1) Are three bids 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? ➢ Bed bugs in building 9 had to be treated and that affected the budget negatively.			
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	$7,723	$4,645	($3,078)	(66%)	Paint and Supplies, Appliance Parts and repairs, Interior Door Locks and Hardware
Repairs and Maintenance Expenses	$6,004	$2,941	($3,063)	(104%)	Electrical, HVAC, Plumbing, Pest Control, Fire Protection, Miscellaneous Maintenance/Equipment
Advertising Expenses	$924	$650	($274)	(42%)	Social recreation, resident Referrals

COMMENTS:

REVENUE			
FOR THE MONTH ENDING: February 2018		**YEAR TO DATE AS OF: February 2018**	
Gross Potential	$170,792	Gross Potential	$341,584
Budgeted Rental Income	$152,880	Budgeted Rental Income	$305,589
Actual Rental Income Collected	$155,259	Actual Rental Income Collected	$310,490
Variance + (-)	$2,379	Variance + (-)	$4,901
Other Revenue	$10,896	Other Revenue	$5,807
Total Collected	$166,155	Total Collected	$316,297
Budgeted	$160,287	Budgeted	$320,402
Variance + (-)	$5,868	Variance + (-)	($4,105)

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) Are invoices processed weekly?	X		
COMMENTS:	0-30 Days:		$12,794
	30-60 Days:		$369
	60 Days and Over:		$0
	TOTAL		$13,163

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?			
2) What is the rent collection policy? ➢ Management policy states rent is due on the 1st and considered late on the 6th of the month. Three-day Notice to Vacate letters are issued after the 6th 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 around the 15th 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:	0-30 Days:		$15,333
	30-60 Days:		$4,416
	60 Days and Over:		$6,118
	TOTAL		$25,867

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:	3		
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) Are weekly staff meetings held?	X		
10) Have personnel been trained in Fair Housing?	X		
11) List training staff has received in the past year. ➢ Fair housing, Red book seminar, and ongoing webinars through Grace Hill			
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 once per month.			
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 expenses in excess of $100 for an unbudgeted or over budget item.			
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?			7

COMMENTS:

SUMMARY OF OBSERVATIONS AND FINDINGS

Observations:

- On the day of the site visit the reviewer observed a lot of trash being picked up prior to the office opening. Litter appears to be an ongoing problem for this community from year to year. It is strongly suggested that lease violation are implemented for individuals who litter or leave trash outside their unit on non-trash pickups days. In addition, more trash cans in the community and frequent cleanup is recommended.

- According to the Work Order Directory, dated 3/17/2018 through 4/17/2018 113 work orders were opened and the vast majority of them were closed on three days 3/27/2018, 4/10/2018 and 4/29/2018. It is apparent that work orders are being closed in clusters. With the report not indicating when the work was actually completed, it is very likely that the average completion time recorded in item 3 above is incorrect. This practice of closing work orders once every 2 to 3 weeks is discouraged. It is important to document when work orders are opened and completed and to enter this information frequently. Resident retention and satisfaction is often strongly related to the maintenance program. Diligent use of the software system and accuracy of the information entered is strongly recommended. Following these recommendations will create a record showing the effectiveness of the maintenance staff.

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No Findings.