

Texas State Affordable Housing Corporation

Salem Village

5201 John Stockbauer, Victoria, TX 77904

Owner: RHAC-Salem Village, LLC

Date Built: 1981

Management Company: J. Allen Management Co.

Property Manager: Rachel Medrano

Inspection Date & Time: January 19, 2018 at 8:30 A.M.

Inspector's Name: James Matias

Occupancy at Time of Report:	97.1%	Average Occupancy Over Last 12 Months:	96.3%
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 (see comments)	
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 comments)	
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		X (No Gutters)
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 (see comments)	
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 property grounds and common areas were found to be well kept and in good condition. The parking lot has a lot of pot holes and it appears that it will need to be restriped and topped in the near future. The fence was currently being installed on the south perimeter of the property. The recent hurricane that hit Victoria destroyed it. The new fence appears to be adequate and it will likely look good and provide the necessary privacy. The entire exterior of the property is currently being painted. The new paint looks great and the work is about 90% complete at this time. The regional manager informed me that the doors were done in the wrong color and all doors will be repainted.

Observation:

- On the day of the site visit a large amount of blinds were found to be broken or missing. In an effort to increase the properties curb appeal, it is strongly suggested the blinds are replaced for units 17C, 18A, 19A, 19C, 25C, 25D, 27B, 26A, and 27C.

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	
Theft	2	1 (Theft of services) 1 (Stolen vehicle)
Criminal Mischief	1	
Personal Assault		

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Drug Related Activity	1			
Gun Related Activity				
Domestic Violence				
Disturbance	8	6 (Disturbances) 2 (Loud Noise)		
Other	4	2 (Refusing to leave), 1 (Harassment), 1 (Fight)		
		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: To address crime on the property Zapata Security patrols 24 hours total per week. Light checks are conducted weekly by the property manager.				

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 regional and property manager do not recall when the last risk assessment was 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)	Does the property require licenses or permits?		X	
➤	(Describe)			
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 (Pergola)	X		
COMMENTS:				

KEY CONTROL		YES	NO	N/A
1)	Does the property use an electronic key tracking system? If not, answer questions 2-4.	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 Blackhorse key system is used at the property.				

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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 (see observation)		
3) Is the maintenance shop clean and organized?	X		
4) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?		X (see finding)	
5) How often are Pest Control services provided? <div style="margin-left: 20px;">➤ The buildings are treated for pest control according to a schedule. The exterior of each building gets treated once per quarter and the interior of each unit is treated once annually. Units can also be treated upon request.</div>			
6) What is the policy for following up on completed service requests? <div style="margin-left: 20px;">➤ The property manager stated they follow up with one or two work orders per week.</div>			
7) What is the property's after-hours emergency policy? <div style="margin-left: 20px;">➤ Ring Central answers all after-hours calls. The calls are directed to the property manager.</div>			
8) What capital improvements have been scheduled or completed for this budget year? <div style="margin-left: 20px;">➤ A new fence is currently being constructed. The property is almost completed with a full exterior paint.</div>			
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year			
9) Unit Interior and Appliance upgrades <div style="margin-left: 20px;">➤ Units 22A and 28D had interior damage from the hurricane that was completed. Appliances were installed as needed.</div>			
10) Building Exterior and Curb Appeal repairs <div style="margin-left: 20px;">➤ Due to hurricane Harvey, the property completed some side walk repairs outside of units 3C and 24B. The uprooted trees that damaged the sidewalks were also removed.</div>			
11) Amenity upgrades <div style="margin-left: 20px;">➤ The property had no amenity upgrades in the last budget year.</div>			
12) Other repairs or replacements <div style="margin-left: 20px;">➤ Storage units had to be rebuilt for 19B and 19C due to the hurricane.</div>			
Number of service requests received:	139		
Number of requests open from prior periods:	77		
Number of service requests completed:	94		
Number of service requests completed within 24 hours:	See comments		
Number of outstanding service requests:	122		
13) On average, how many days does it take to complete a work order? <div style="margin-left: 20px;">➤ Based on the Work Order Reports provided, the reviewer is unable to determine the exact amount of time that it takes to complete work orders. Using a small sample size (month of December), it appears that most of the work orders were completed after 10 days. See finding below for more information.</div>			
<p>COMMENTS: The above data was derived from a 3 month period leading up to the site visit (10/1/2017 to 1/19/2018). The property is currently in the process of finding a lead maintenance person. The prior employee is no longer with the property.</p> <p>Observation:</p> <ul style="list-style-type: none"> On the day of the site visit management could not locate the preventive maintenance schedule or binder. Management stated that the prior lead maintenance kept a schedule and performed preventive maintenance. Management also stated they are behind on preventive maintenance because they lost the lead maintenance a few months back. An effective preventive maintenance schedule and program are very important factors into the longevity and upkeep of the property. It is recommended that a well-documented and valid preventive maintenance plan is implemented and those services are logged. <p>Finding:</p> <ul style="list-style-type: none"> Based on a review of the work order reports provided, the staff does not appear to be doing an adequate job of meeting the maintenance needs for its residents and the property. A few items are alarming and they include the following: <ul style="list-style-type: none"> ➤ The property currently has 122 outstanding service requests. ➤ No work orders have been opened in the month of January and the report provided was dated through January 19th. Based on the age, unit count and condition of the property, it is very unlikely that no work has been requested or performed in those 19 days. ➤ It appears that over the last few months the small percentage of work orders that have been completed (37.8%) have been completed with an average turn time of more than 2 weeks. ➤ Many of the outstanding items include things like plumbing clogs, inoperable electrical outlets, insecure doors, and heating/HVAC. According to the work order report provided, units 15C, 23B, 24D, 25D, and 28D have issues with doors or door knobs that need to be addressed immediately. These doors are safety concerns and the work needs to be completed immediately. Please provide TSAHC with proof that the work has been completed no later than <u>February 3rd, 2018</u>. ➤ A few of the outstanding work orders date back 6- 8 months. ➤ The maintenance program and online reporting system last year at this time appeared to be in excellent condition. It had 5 open work orders and turn times with an average of 4.5 days. The maintenance program is instrumental to the overall satisfaction of the residents and the upkeep and financial stability of the 			

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community. Failing to complete maintenance effectively and efficiently will lead to more turnover, which will be detrimental to the budget, and can lead to additional major repair expenses. For example, not unclogging a drain can end up having major floor expenses because of saturation. By March 2nd, 2018 the community must provide TSHAC with a plan-of-action to address the maintenance concerns outlined above. This plan will include the efforts to complete any outstanding work orders, maintain a good maintenance program moving forward, and information about the hiring of the lead maintenance position. It is possible that some of this work is completed and the work order closure dates are not being entered, but there is no way for the reviewer to know that. If this is the case, proof must be provided. In an effort to catch up and handle emergency work orders it is strongly suggested that a reliable 3rd party company is contracted.

MARKETING

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

SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	0		
Flyers	0		
Resident Referral	0		
Locator Service	0		
Printed/Internet Advertising	0		
Other Source	0		
TOTAL	0	See observation	

The rental activity reflected in the above table was for the month of: *note report dates*

	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:

Observation:

- The property is not currently logging the source for traffic in the Onesite system. The zip codes of the traffic are the only thing being logged. The reviewer is unable to determine the source of traffic or the amount of leases resulting from each source. Although the property is nearly 100% occupied and has a waiting list, it is essential to know when and where your traffic comes from. It is suggested that management start entering all traffic onto a report and identifying the source that drove the prospect to the community so management will know how to properly market the property if the future demands it.

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:	6 months:	12 months:
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	10.7% (3 of 28 units)		72%
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 lease 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? ➢ Gross rent changes are implemented annually according to the HUD regulated rent limits.			
10) How many households are currently on month-to-month leases? ➢ None			
11) 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:	3
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

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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:	3
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:	3
9) Number of uncompleted three bedroom units at time of activity report:	0

Units Walked

Unit #	Brief Description
15A	3x1, Occupied, three light globes were missing (2 Bedrooms and 1 Bath), and three smoke detectors were inoperable.
20C	2x1, Vacant (80 days), Almost ready, all smoke detector missing, unit needs appliances.
21B	4x2, Occupied.
22C	2x1, Vacant (61 days), Full turn needed.
25B	2x1, Vacant (54 days), Full turn needed.

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) 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: Quarterly				
7) How often are vacant units inspected? ➤ Vacant units are inspected: Daily				
8) How many vacant units are in progress of being made ready? ➤ Three units are in progress 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: Prior to the submission of this report, completed work orders were provided for units 15A and 20C.

Observation

- **Management stated that company policy is to turn vacant units within 3-5 business days. There are currently 3 units that have been vacant for more than 50 days that are not made ready for lease. The company policy is clearly not being followed. As noted above, the reviewer walked these vacant units. The units do not appear to have any unexpected or grave situation causing them to warrant a greater turn time. It is suggested that 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 change the policy on the number of days to turn a unit.**

BUDGET MANAGEMENT

1) Are three bids 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? ➤ The hurricane related items mentioned above in the Maintenance Program section were handled using the replacement reserves. Therefore the budget was not negatively affected.
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
Leasing Expenses	\$0	\$1,571	\$1,571	100%	Newspaper, Promotions & Entertainment
Maintenance Expenses	\$18,759	\$13,646	(\$5,113)	(37.5%)	Appliances, Doors/Locks/Keys, Electrical/Lights, Plumbing, safety Equipment
Turnovers Expenses	\$8,054	\$3,265	\$4,789	(147%)	Materials – Painting, Cleaning (Contract)

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COMMENTS: The regional manager stated that she was unsure about the variances mentioned above because the prior management company created this budget. She did say that the maintenance and turnover expenses were likely over because of the staff turnover in the maintenance area.

REVENUE			
FOR THE MONTH ENDING: November 30, 2017		YEAR TO DATE AS OF: November 30, 2017	
Gross Potential	\$69,970	Gross Potential	\$759,188
Budgeted Rental Income	\$69,599	Budgeted Rental Income	\$756,518
Actual Rental Income Collected	\$69,969	Actual Rental Income Collected	\$763,532
Variance + (-)	(\$1,413)	Variance + (-)	(\$27,007)
Other Revenue	(\$17)	Other Revenue	\$7,666
Total Collected	\$67,242	Total Collected	\$726,974
Budgeted	\$69,554	Budgeted	\$755,062
Variance + (-)	(\$2,313)	Variance + (-)	(\$28,088)

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 (see comment)	
3) Are invoices processed weekly?	X		
COMMENTS: The property has a few small balances due to vendors in the last 30 days. The total for these four vendors is \$1,152.22. The negative balances (receivables) are due to utility balances for move outs.	0-30 Days:	\$1,135.22	
	30-60 Days:	(\$81.73)	
	60 Days and Over:	(\$2,114)	
	TOTAL	(\$1,059.51)	

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 (NTV) is sent.			
3) When is legal action taken against delinquent accounts?			
➤ Management stated evictions are filled around the 20th of the month.			
4) Does the property currently have any resident(s) under eviction?		X (see comment)	
5) Does Housing have any outstanding balances?	X		
COMMENTS: The majority of the housing balances (\$3,546) are due to interims that are being processed at this time. The remaining tenant balances greater than 30 days and more than \$500 are in the process of being evicted.	0-30 Days:	\$7,098.96	
	30-60 Days:	\$3,032.08	
	60 Days and Over:	(\$775.75)	
	TOTAL	\$9,355.29	

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 (see comment)	
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) 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. ➤ The manager stated that she has attended the following: EIV training, fair housing through Grace Hill, and periodic managers meetings through Go-To-Meetings with the regional manager.			
COMMENTS: The community has a new assistant manager that has been with the property for a few months. The property manager is currently interviewing and trying to hire a lead maintenance technician. As you can see from the maintenance section above, filling this position soon is critical for the maintenance program.			

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? ➤ Owners have access to Onesite. A variance reports is done monthly by the property manager.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ The property managers can approve \$500 and the regional managers can approve \$5,000.			
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"> On the day of the site visit a large amount of blinds were found to be broken or missing. In an effort to increase the properties curb appeal, it is strongly suggested the blinds are replaced for units 17C, 18A, 19A, 19C, 25C, 25D, 27B, 26A, and 27C. On the day of the site visit management could not locate the preventive maintenance schedule or binder. Management stated that the prior lead maintenance kept a schedule and performed preventive maintenance. Management also stated they are behind on preventive maintenance because they lost the lead maintenance a few months back. An effective preventive maintenance schedule and program are very important factors into the longevity and upkeep of the property. It is recommended that a well-documented and valid preventive maintenance plan is implemented and those services are logged. The property is not currently logging the source for traffic in the Onesite system. The zip codes of the traffic are the only thing being logged. The reviewer is unable to determine the source of traffic or the amount of leases resulting from each source. Although the property is nearly 100% occupied and has a waiting list, it is essential to know when and where your traffic comes from. It is suggested that management start entering all traffic onto a report and identifying the source that drove the prospect to the community so management will know how to properly market the property if the future demands it. Management stated that company policy is to turn vacant units within 3-5 business days. There are currently 3 units that have been vacant for more than 50 days that are not made ready for lease. The company policy is clearly not being followed. As noted above, the reviewer walked these vacant units. The units do not appear to have any unexpected or grave situation causing them to warrant a greater turn time. It is suggested that 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 change the policy on the number of days to turn a unit. <p>Finding:</p> <ul style="list-style-type: none"> Based on a review of the work order reports provided, the staff does not appear to be doing an adequate job of meeting the maintenance needs for its residents and the property. A few items are alarming and they include the following: The property currently has 122 outstanding service requests. No work orders have been opened in the month of January and the report provided was dated through January 19th. Based on the age, unit count and condition of the property, it is very unlikely that no work has been requested or performed in those 19 days. It appears that over the last few months the small percentage of work orders that have been completed (37.8%) have been completed with an average turn time of more than 2 weeks. Many of the outstanding items include things like plumbing clogs, inoperable electrical outlets, insecure doors, and heating/HVAC. According to the work order report provided, units 15C, 23B, 24D, 25D, and 28D have issues with doors or door knobs that need to be addressed immediately. These doors are safety concerns and the work needs to be completed immediately. Please provide TSAHC with proof that the work has been completed no later than <u>February 3rd, 2018</u>. A few of the outstanding work orders date back 6- 8 months. The maintenance program and online reporting system last year at this time appeared to be in excellent condition. It had 5 open work orders and turn times with an average of 4.5 days. The maintenance program is instrumental to the overall satisfaction of the residents and the upkeep and financial stability of the community. Failing to complete maintenance effectively and efficiently will lead to more turnover, which will be detrimental to the budget, and can lead to additional major repair expenses. For example, not unclogging a drain can end up having major floor expenses because of saturation. By <u>March 2nd, 2018</u> the community must provide TSHAC with a plan-of-action to address the maintenance concerns outlined above. This plan will include the efforts to complete any outstanding work orders, maintain a good maintenance program moving forward, and information about the hiring of the lead maintenance position. It is possible that some of this work is completed and the work order closure dates are not being entered, but there is no way for the reviewer to know that. If this is the case, proof must be provided. In an effort to catch up and handle emergency work orders it is strongly suggested that a reliable 3rd party company is contracted.

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