

Texas State Affordable Housing Corporation

T.H.F Palladium Midland

2300 South Lemesa Rd., Midland, Texas 79701

Owner: T.H.F. Palladium Midland

Date Built: 2016

Management Company: Omnium Management

Property Manager: Jesus Chavira

Inspection Date & Time: September 24, 2020 at 10:00 AM

Inspector's Name: James Matias

Occupancy at Time of Report:	84%	Average Occupancy Over Last 12 Months:	90.6%
Number of Units: 264			
Number of One Bedrooms:	84	Number of Two Bedrooms:	120
Number of Three Bedrooms:	60	Number of Four Bedrooms:	N/A

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
23)			

COMMENTS: On the day of the review, the landscaping was well maintained and the grounds appeared to be in good condition. The dumpster area and enclosures were all in good condition and clean. In addition, the amenities, mailbox gazebo, and sidewalks were all found to be clean and inviting. The reviewer noticed some tree stakes on some mature trees and suggested that Management consider removing them.

SECURITY PROGRAM Part I		
1) After review of the prior 3 months of police reports, the following incidents were noted and includes the number of times incidents occurred:		
Incident Type	# of Occurrences	Comments:
Burglary		
Theft		
Criminal Mischief		
Personal Assault		
Drug Related Activity		
Gun Related Activity		
Domestic Violence		
Disturbance		

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Other	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 – see comment		
COMMENTS: According to management, the property continues to utilize a community policy addendum regarding safety awareness. In addition, the property has a courtesy officer that patrols daily. Daily activity reports, including exterior light check status, are emailed to the Property Manager.			
Observation:			
<ul style="list-style-type: none"> Management provide proof that they tried to obtain Police reports and/or call logs prior to the review. The request is pending with the City of Midland at this time and Management will send these reports to TSAHC once they are received. Management should also provide TSAHC with the daily patrol logs noted in the comments above. Please provide these patrol logs for August and September (2020). 			

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: According to management, that last risk assessment was completed in in the third calendar quarter of 2019.			

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		
➤ The property is required to have pool and backflow permits.	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: Basketball Court, Conference Center, Children's Playroom, and the Gym	X		
COMMENTS: The amenities were all found to be well kept and working. The reviewer noticed the interior side of the laundry room door needs some paint and mentioned it to management.			

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		

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COMMENTS: The property utilizes the Keytrack 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		
4) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		
5) How often are Pest Control services provided? <ul style="list-style-type: none"> ➢ Management stated pest control services are provided bi-monthly. 			
6) What is the policy for following up on completed service requests? <ul style="list-style-type: none"> ➢ The Property Manager follows up on 100% of the completed work orders to ensure the work was completed satisfactorily. 			
7) What is the property's after-hours emergency policy? <ul style="list-style-type: none"> ➢ If the emergency answering service is reached, the answering service will contact the following persons in the following order; the Maintenance Manager, the Property Manager, followed by the Courtesy Officer. 			
8) What capital improvements have been scheduled or completed for this budget year? <ul style="list-style-type: none"> ➢ The parking lot will be restriped and repaired in the current budget year. 			
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year			
9) Unit Interior and Appliance upgrades <ul style="list-style-type: none"> ➢ Appliance upgrades are completed as needed. 			
10) Building Exterior and Curb Appeal repairs <ul style="list-style-type: none"> ➢ None 			
11) Amenity upgrades <ul style="list-style-type: none"> ➢ No amenity upgrades were completed in 2019. 			
12) Other repairs or replacements <ul style="list-style-type: none"> ➢ N/A 			
Number of service requests received:	67		
Number of requests open from prior periods:	0		
Number of service requests completed:	65		
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? <ul style="list-style-type: none"> ➢ On average is take 3.7 days to complete an open work order. 			
COMMENTS: After a review of the Service Request Activity Report dated 8/1/2020 through 8/31/2020 the reviewer noted that 2 work orders were canceled, and 65 work orders were completed. Maintenance appears to be doing a good job completing work orders timely and closing them in the system.			

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth (balloons, signs, etc.)	\$500	7	3
Flyers (\$200 quarterly)	\$800		
Resident Referral \$750 – 7 leases	\$5,250	6	3
Locator Service			
Printed/Internet Advertising: apartments.com, rentpath, apartment guide, apartment finder, rentals, and mynewplace.com through real page, Google \$649/month	\$7,788	35	8
Other Source: Resident Transfers, Other, Housing Authority (\$101 for 1 quarter), thrifty nickel (\$300 one time) direct mailer (\$2,200 / year)	\$2,601	5	3
TOTAL	\$16,939	53	17
The rental activity reflected in the above table was for the month of: 8/14/2020 through 9/13/2020.			
	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: Management stated that market surveys are completed monthly. Management identified that the local economy has changed leading to a high turnover rate. In an effort to combat the high turnover and increase occupancy, Management has increased the marketing efforts by spending 10 times as much as the prior year and trying new marketing strategies and/or sources.

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: 47%	6 months: 46%	12 months: 52%
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	20.1% - see comment		
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., Yabri, 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? <ul style="list-style-type: none"> ➢ The last rent increase for market units was 2019 and in 2020 market units received a significant decrease. Affordable units did not see a change, and rents were not raised to max rents. 			
10) How many households are currently on month-to-month leases? <ul style="list-style-type: none"> ➢ There is 1 month-to-month lease on a market unit. 			
11) What is the charge for month-to-month leases? <ul style="list-style-type: none"> ➢ There is no increase in rent for the one month-to-month market rate rental. 			

COMMENTS: To complete this portion of the report the Reasons for Move out Report and Lease Renewal reports for the last year were reviewed. Two items stand out as a concern; one, the property had 164 move out in the last year and has a renewal percentage of 52%. Two, 20% (33) of the move outs were due to skip or eviction for non-payment of rent. Regarding my first concern, the Regional Manager explained the current economy is struggling due to the oil industry in the city of Midland. My second concern regards a high percentage of "skips," see observation below.

Observation:

- **Management is encouraged to perform frequent occupancy checks for extended delinquency and stay in constant communication with all residents that they are aware are struggling. When possible, having prior knowledge of a possible vacancy will help the property plan accordingly regarding make ready maintenance, marketing, and revenue.**

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	39
2) Number of completed made ready units at time of activity report:	18
3) Number of completed one bedroom units at time of activity report:	6
4) Number of completed two bedroom units at time of activity report:	9
5) Number of completed three bedroom units at time of activity report:	3
6) Number of uncompleted made ready units at time of activity report:	21
7) Number of uncompleted one bedroom units at time of activity report:	12
8) Number of uncompleted two bedroom units at time of activity report:	7
9) Number of uncompleted three bedroom units at time of activity report:	2

Units Walked

Unit #	Brief Description
237	(2x2) Vacant: Unit is made ready with the exception of the final walk through.
514	(1x1) Vacant: Unit is made ready with the exception of the final walk through.
925	(2x2) Vacant: The unit is in the make-ready process.
927	(2x2) Vacant: Unit is made ready with the exception of the final walk through.

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 (see comments)		

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3) Are there any down units?		X	
4) Are there vacant units that have been vacant for an extended period of time? If so, please comment below.		X	
5) 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? <ul style="list-style-type: none"> ➢ Occupied units are inspected: Annually. 			
7) How often are vacant units inspected? <ul style="list-style-type: none"> ➢ Vacant units are inspected: Weekly. 			
8) How many vacant units are in progress of being made ready? <ul style="list-style-type: none"> ➢ According to the Availability report, there are 21 units were vacant and in the process of being made-ready. 			
9) What is the company policy on the number of days to turn vacant units? <ul style="list-style-type: none"> ➢ Management's policy is to turn vacant units within 5 business days. 			
COMMENTS: Management is experiencing a much higher turnover rate than expected. On occasion, the maintenance team cannot turn all vacancies within the 5-day company policy. Management is encouraged to complete the older vacancies prior to a new vacancy.			

BUDGET MANAGEMENT

1) Are three bids solicited in order to obtain materials, supplies, and services? <ul style="list-style-type: none"> ➢ The owner requires three bids to be solicited prior to hiring contractors or buying supplies.
2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? <ul style="list-style-type: none"> ➢ Unexpected repairs that have negatively affected the budget include a water line that broke for building 6 and large palm trees that needed replacement at the front of the community.
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
Repairs and Maintenance – Maintenance	\$96,046	\$74,123	(\$21,923)	(29.6%)	Landscape Contracts, Keys & Locks, Light Bulbs/Fixtures
Repairs & Maintenance - Make Ready	\$62,713	\$34,432	(\$28,281)	(82.1%)	Painting Supplies, Contractor Paint, Cleaning Services
Marketing	\$13,546	\$19,862	\$6,316	31.8%	Training and Education, Advertising, Resident Retention

COMMENTS: The large negative variance for the Repairs and Maintenance Expense (both Maintenance and Make Ready) is largely due to the high turnover the property is currently experiencing.

REVENUE

FOR THE MONTH ENDING: AUGUST 2020		YEAR TO DATE AS OF: AUGUST 2020	
Gross Potential	\$319,114	Gross Potential	\$2,642,404
Budgeted Rental Income	\$299,665	Budgeted Rental Income	\$2,403,059
Actual Rental Income Collected	\$255,147	Actual Rental Income Collected	\$2,229,558
Variance + (-)	(\$44,518)	Variance + (-)	(\$173,501)
Other Revenue	\$8,392	Other Revenue	\$71,773
Total Collected	\$263,539	Total Collected	\$2,301,331
Budgeted	\$310,135	Budgeted	\$2,493,634
Variance + (-)	(\$46,596)	Variance + (-)	(\$192,303)

COMMENTS: The recent revenue losses outlined above are mostly due to a higher than normal vacancy rate. In addition, the property has been working with a few tenants who are struggling to pay rent due to the recent COVID-19 pandemic and the struggling economy in the Midland area.

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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: The entire balance for the Accounts Payable report is for one invoice. That invoice is for trash pickup. Management explained the recent disputes with the trash provider and provided insight that the contract has been reworked and resolved.	0-30 Days:		\$9,074
	30-60 Days:		\$0
	60 Days and Over:		\$0
	TOTAL		\$9,074

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 considered late on the 4 th day. On the 5 th day of each month, management provides late renters with a reminder letter. On the 10 th day of the month, management issues a Three-Day Notice to Vacate.			
3) When is legal action taken against delinquent accounts? ➤ If repayment agreements have not been executed, legal action against the late renters are taken between the 15 th - 20 th day of each month.			
4) Does the property currently have any resident(s) under eviction?		X	
5) Does Housing have any outstanding balances?	X		
COMMENTS: Management is aware of the high delinquency at the property. Management is working with tenants through payment plans and providing them with information on local resources to find additional help. As previously stated in this report the local economy, due to the recent oil bust and the Covid-19 pandemic, is struggling and leaving many residents in a position where they cannot afford the rent.	0-30 Days:	\$34,030	
	30-60 Days:	\$6,840	
	60 Days and Over:	\$8,357	
	TOTAL	\$49,227	

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:		6	
2) Has the manager collected and deposited all returned checks?	X		
3) Is the manager following company policy on returned checks?	X		
COMMENTS: After a review of the tenant ledgers for the 6 NSF incidents, it was determined that management is properly assessing NSF fees when a check is returned. Each household is allowed two NSF incidents, after that they can no longer pay by 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		
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. ➤ Omnium Management provides continual online training through RealPage. Onsite staff attends the online training one hour per week every Tuesday.			
COMMENTS: The property is in the process of hiring a new leasing agent currently.			

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? ➤ Management submits the Occupancy and Leasing Activity reports daily, the Light Inspections and Delinquency Report weekly, and the Occupancy Reports, Pool logs, and a Market Survey monthly.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds?			

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➤ The Property Manager is required to get owner approval for any amount over \$500 and the Regional Property Manager requires owner approval on amounts over \$2,500.

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 Findings.

Observations:

- Management provide proof that they tried to obtain Police reports and/or call logs prior to the review. The request is pending with the City of Midland at this time and Management will send these reports to TSAHC once they are received. Management should also provide TSAHC with the daily patrol logs noted in the comments above. Please provide these patrol logs for August and September (2020).
- Management is encouraged to perform frequent occupancy checks for extended delinquency and stay in constant communication with all residents that they are aware are struggling. When possible, having prior knowledge of a possible vacancy will help the property plan accordingly regarding make ready maintenance, marketing, and revenue.



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