

Texas State Affordable Housing Corporation

Saddlewood Apartments

3625 Wellborn Rd., Bryan, Texas 77801

Owner: Dalcor Affordable Housing I, LLC

Date Built: 1995

Management Company: Dalcor Management

Property Manager: Kristin Horn

Inspection Date & Time: October 15, 2020 at 10:00 a.m.

Inspector's Name: James Matias

| | | | |
|-------------------------------------|-------|---|-------|
| Occupancy at Time of Report: | 75.9% | Average Occupancy Over Last 12 Months: | 79.7% |
| Number of Units: 232 | | | |
| Number of One Bedrooms: | 48 | Number of Two Bedrooms: | 112 |
| Number of Three Bedrooms: | 72 | 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 |

COMMENTS: The property was in overall good condition on the day of the onsite visit. The property's grounds were clean and free of debris. The parking lot was recently re-stripped, and all common areas were clean, maintained and accessible. The building exteriors appeared to be in good condition and the foundations and roofs did not appear to show any visual signs of distress.

| 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 | Robbery (1) |
| Theft | 2 | Stolen Vehicle (2) |
| Criminal Mischief | 3 | |
| Personal Assault | 2 | Assault in Progress (1), Assault (1) |
| Drug Related Activity | | |
| Gun Related Activity | 1 | Disturbance with a weapon (1) |
| Domestic Violence | | |
| Disturbance | 10 | |
| Other | 20 | Music/Noise (10), Harassment (3), Criminal Trespassing (1), Animal Cruelty (2), Prowler |

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| | | (1), Disorderly Conduct (2), Child Abuse (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: The call logs dated July 2020 through September 2020 show a decrease in the total number of calls logged. In order to keep criminal activity at a low, tenants are required to sign the property's crime prevention policies and lease addendums. Site management also monitors the security surveillance cameras that are placed through the community and uses the footage to follow-up with tenant and/or issue lease violation, if necessary. Management confirmed that there was not a courtesy office in place at the time of the onsite review. The community recently added four new cameras bringing the community total to twenty. Light checks are conducted weekly by the maintenance team. | | | | | |

| 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 of 2020. | | | | |

| 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 | | |
| | ➤ Annual licenses are required for the swimming pool. | | | |
| 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: Volleyball Court and Fitness Center | X | | |
| COMMENTS: | | | | |

| 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 uses the Handytrack key system. | | | | |

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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) 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"> ➢ Pest control services a portion of the building weekly; 100% of the buildings are serviced every 4 months. | | | |
| 6) What is the policy for following up on completed service requests? <ul style="list-style-type: none"> ➢ Management follows up on completed work orders for major work completed. | | | |
| 7) What is the property's after-hours emergency policy? <ul style="list-style-type: none"> ➢ The Call Max answering service takes all after-hour calls and transfers each call to the appropriate person(s), if needed. | | | |
| 8) What capital improvements have been scheduled or completed for this budget year? <ul style="list-style-type: none"> ➢ Capital improvements completed in this budget year include: Four cameras installed near buildings 14, 18, and 19, and the parking lot was restriped. For the next budget year, the property has upgraded flooring scheduled. | | | |
| Detail of Ongoing Repairs and Replacements Completed in Last Budget Year | | | |
| 9) Unit Interior and Appliance upgrades <ul style="list-style-type: none"> ➢ N/A | | | |
| 10) Building Exterior and Curb Appeal repairs <ul style="list-style-type: none"> ➢ Last year the property had the parking lot restriped and added mulch to much of the landscaping. | | | |
| 11) Amenity upgrades <ul style="list-style-type: none"> ➢ N/A | | | |
| 12) Other repairs or replacements <ul style="list-style-type: none"> ➢ No other repairs or replacements were completed in 2019. | | | |
| Number of service requests received: | 91 | | |
| Number of requests open from prior periods: | 31 | | |
| Number of service requests completed: | 60 | | |
| Number of service requests completed within 24 hours: | 27 | | |
| Number of outstanding service requests: | 31 | | |
| 13) On average, how many days does it take to complete a work order? <ul style="list-style-type: none"> ➢ On average takes the maintenance team about 4.5 days to complete a work order. This calculation was determined using the closed work orders only. | | | |
| COMMENTS: The information above was obtained from the Work Order Directory from 9/5/2020 through 10/5/2020. The property currently has 31 work orders open. Management stated that the open work orders are both recent and deferred maintenance due to the pandemic. The deferred maintenance consists of minor items only. The first half of the year was difficult for the maintenance team, in July they had no staff and in May in June they only had two maintenance team members. Currently they are back at 3 team members. | | | |

| MARKETING | | | |
|--|----------------|----------------|---------------------------------------|
| 1) Complete the table below with the most recent information available. | | | |
| SOURCE | COST | # of Prospects | # of Leases/ Approved Applications |
| Drive-By/Word of Mouth \$220 / quarter | \$880 | 13 | 1 |
| Flyers: \$150/month | \$1,800 | | |
| Resident Referral: \$50 referral fee – 1 / qtr | \$200 | 1 | |
| Locator Service | | | |
| Printed/Internet Advertising: Apartments.com (\$385 monthly). Property Website (38), Website (1) | \$4,620 | 39 | |
| Other Source: section 8 - \$399 annually Housing Agency (2), newspaper (\$600 / year) | \$999 | 2 | 1 |
| TOTAL | \$8,499 | 55 | 2 |
| The rental activity reflected in the above table was for the month of August 15, 2020 through September 15, 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 | | |
| COMMENTS: | | | |

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| 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: 100% | 6 months: 79.2% | 12 months: 81.8% |
| 3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"? | | 15% (14 move-outs) | | |
| 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., Yardi, 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 was May 2020 with a rent increase of about \$20. | | | | |
| 10) How many households are currently on month-to-month leases? > N/A | | | | |
| 11) What is the charge for month-to-month leases? > N/A | | | | |
| <p>COMMENTS: Based on conversation and review of several reports including the Renewal Report and Reasons for Move Out, it is apparent that resident turnover is a concern for the property. The property had 93 move outs in the last year, an average of almost 8 per month. In addition, the last year they renewed about 80% of the leases that ended. Management stated they are very much aware of the high vacancy and turn over and they are increasing the marketing efforts to fill the high volume of vacant units and checking with current residents to get a handle on resident satisfaction. In addition, management is providing a resident appreciation gift bag for current residents.</p> | | | | |

| VACANT/MAKE READY UNITS | | | | |
|---|-------------------------------|------------|-----------|------------|
| 1) Number of vacant units at time of activity report: | | | | 56 |
| 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: | | | | 1 |
| 4) Number of completed two bedroom units at time of activity report: | | | | 11 |
| 5) Number of completed three bedroom units at time of activity report: | | | | 6 |
| 6) Number of uncompleted made ready units at time of activity report: | | | | 38 |
| 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: | | | | 22 |
| 9) Number of uncompleted three bedroom units at time of activity report: | | | | 15 |
| Units Walked | | | | |
| Unit # | Brief Description | | | |
| 110 | (2x2) Vacant 169 days: Ready. | | | |
| 801 | (2x2) Vacant 209 days: Ready. | | | |
| 806 | (3x2) Vacant 286 days: Ready. | | | |
| 1404 | (2x2) Vacant 180 days: Ready. | | | |
| 1705 | (3x2) Vacant 286 days: Ready. | | | |
| 1804 | (2x2) Vacant 526 days: Ready. | | | |
| Down Units Walked (units vacant and unready for extended period of time and all down units) | | | | |
| Unit # | Brief Description | | | |
| | | 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 | | |

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| 6) How often are occupied units inspected? ➤ Occupied units are inspected: Quarterly |
| 7) How often are vacant units inspected? ➤ Vacant units are inspected: Bi-Weekly |
| 8) How many vacant units are in progress of being made ready? ➤ There are 56 vacant units, 38 of which are in the make-ready process. |
| 9) What is the company policy on the number of days to turn vacant units? ➤ The company policy is 7-10 business days. Turn times often get extended as they install vinyl plank flooring in place of the carpeting. |
| COMMENTS: Based on a review of the current availability report, dated 10/21/2020 there were a total of 56 vacant units. When compared with last year's report, which had 38 vacant units, vacancy has increased 67.8%. On the day of the onsite visit, the units with the longest vacancy period were reviewed. All the units with a vacancy above 180 days (listed above) were confirmed to be ready. Management is aware of the high vacancy and they are taking efforts to combat the issue. The Regional Manager wanted to note that the local universities being closed due to Covid-19 have affected their occupancy. Saddlewood does not allow full time students without an exemption; however, the lack of students in the area has caused market rate units to lower their rates making them much more competitive with affordable housing. |
| Observations: <ul style="list-style-type: none"> • Currently the property has 15 units that have been vacant for more than 4 months and some of those units have been vacant for almost a year. When possible, management is strongly encouraged to lease out the oldest vacancies first. • The high volume of vacant units makes it very difficult for the maintenance team to turn units according to the company policy (7-10 business days). Management is encouraged to make a concerted effort to keep a full maintenance team, outsource contractors when needed (i.e. interior painting), and complete the oldest vacancies first. These items, in addition to regular inspections and an up-to-date vacancy report, should help the manager and maintenance team continue to handle the high turnover. |

BUDGET MANAGEMENT

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|--|
| 1) Are three bids solicited in order to obtain materials, supplies, and services? ➤ Three bids are required to obtain materials, supplies and services. |
| 2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? ➤ None, other than high vacancy. |
| 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 |
|----------------------|-----------|-----------|----------|-------|--|
| Payroll Expense | \$142,562 | \$168,252 | \$25,690 | 15.3% | Bonuses, Payroll Taxes, Health Insurance, Payroll |
| Redecorating Expense | \$48,693 | \$62,688 | \$13,995 | 22.3% | Carpet Cleaning & Repair, Contract Cleaning, Contract Painting Labor |
| Advertising Expense | \$10,223 | \$14,112 | \$3,889 | 27.6% | Advertising, Promotional Expenses, Resident Referrals |

COMMENTS: Management stated they will likely spend the remainder of the marketing budget in the last quarter of 2020.

REVENUE

| FOR THE MONTH ENDING: AUGUST 2020 | | YEAR TO DATE AS OF: AUGUST 2020 | |
|-----------------------------------|------------|---------------------------------|-------------|
| Gross Potential | \$197,840 | Gross Potential | \$1,582,716 |
| Budgeted Rental Income | \$163,394 | Budgeted Rental Income | \$1,293,467 |
| Actual Rental Income Collected | \$132,241 | Actual Rental Income Collected | \$1,152,190 |
| Variance + (-) | (\$31,153) | Variance + (-) | (\$141,277) |
| Other Revenue | \$5,019 | Other Revenue | \$21,729 |
| Total Collected | \$137,260 | Total Collected | \$1,173,919 |
| Budgeted | \$167,402 | Budgeted | \$1,325,531 |
| Variance + (-) | (30,142) | Variance + (-) | (\$151,612) |

COMMENTS: The end of July had 10 move outs and the high vacancy in August led to a large negative variance when comparing August with the rest of the year (\$30,000 compared to \$19,000).

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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 Payable Aging report reviewed was dated 10/21/2020. The Regional Manger stated that two larger balances beyond 30 days have reasonable explanations. Konica Minolta is a copy machine contract with a \$1,638 balance; this will be deleted from the system because they have switched carriers and copy machines. In addition, Premier Logitech, who is installing new computers for the community, has a balance of \$14,299. The balance has not been paid because they are waiting for all computers to be installed before paying. | 0-30 Days: | | \$27,355 |
| | 30-60 Days: | | \$2,788 |
| | 60 Days and Over: | | \$16,809 |
| | TOTAL | | \$46,952 |

| 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 on the 6 th . Three day notices to vacate are sent on or around the 10 th of each month. | | | |
| 3) When is legal action taken against delinquent accounts? ➤ Legal action is taken around the 20 th unless a repayment agreement has been signed. | | | |
| 4) Does the property currently have any resident(s) under eviction? | | X | |
| 5) Does Housing have any outstanding balances? | X | | |
| COMMENTS: Management appears to be doing a good job collecting rent due beyond 30 days. Management stated they are doing what they can to work with residents during these trying times (covid-19). They currently set-up payment plans and refer residents to local charities. Currently four units have high balances over 30 days. Unit 1615 has not responded to inquiries and eviction will be filed when allowed, units 1414 and 1507 have high housing subsidy balances, and unit 204 is reaching out to local charities to help with delinquent rent. | 0-30 Days: | | \$15,065 |
| | 30-60 Days: | | \$2,350 |
| | 60 Days and Over: | | \$762 |
| | TOTAL | | \$18,177 |

| RETURNED CHECKS | YES | NO | N/A |
|--|-----|----|-----|
| 1) Total number of returned checks in the past 3 months: | | 4 | |
| 2) Has the manager collected and deposited all returned checks? | X | | |
| 3) Is the manager following company policy on returned checks? | X | | |
| COMMENTS: Management has followed the NSF policy for all four NSF payments. | | | |

| 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. ➤ All staff members are required to participate in various trainings provided through local apartment association. In addition, staff takes a tax credit courses and Grace Hill courses. | | | |
| COMMENTS: In the last year, the property had the full 3 team maintenance staff replaced. In addition, the manager started on September 1, 2020 and they are in the process of hiring a new leasing agent at this time. | | | |

| 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 reports and reviews or pulls reports when needed. | | | |
| 3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ The Property Manager must seek approval for all amounts over \$100. | | | |

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|---|---|--|--|
| 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:

- Currently the property has 15 units that have been vacant for more than 4 months and some of those units have been vacant for almost a year. When possible, management is strongly encouraged to lease out the oldest vacancies first.
- The high volume of vacant units makes it very difficult for the maintenance team to turn units according to the company policy (7-10 business days). Management is encouraged to make a concerted effort to keep a full maintenance team, outsource contractors when needed (i.e. interior painting), and complete the oldest vacancies first. These items, in addition to regular inspections and an up-to-date vacancy report, should help the manager and maintenance team continue to handle the high turnover.



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