

Texas State Affordable Housing Corporation Compliance Review Observation Report

Scharbauer Flats Apartments
1915 E Scharbauer Dr., Midland, Texas 79705

Owner: THF Midland Leased Housing Associates II, Limited Partnership **Date Built:** 2022
Management Company: Dominion Management Services **Property Manager:** Brenda Guidry
Inspection Date & Time: October 18, 2022 at 8:30 AM **Inspector's Name:** Celina Mizcles Stubbs

Number of Units: 300 **Number of required LI units:** 120 **Number of required VLI units:** N/A

COMPLIANCE AUDIT		YES	NO	N/A
1)	Are procedures that ensure compliance with the set aside requirements and rent requirements effective?	X		
2)	Is the property accepting Section 8 households?	X		
3)	Is the income to rent ratio for Section 8 households less than 2.5?	X		
4)	Are the rent increases smaller than 5%?			X
5)	Does the Application for Tenancy or Occupancy Qualifications exclude language that may appear to be discriminatory?	X		
6)	Does the lease or rental agreement inform the resident of Very Low Income/Low Income Recertification requirements?	X		
7)	Is additional monitoring by TSAHC recommended?		X	

COMMENTS:

SET-ASIDES		YES	NO	N/A
1)	Is the property meeting all occupancy restrictions required by the property's Regulatory Agreement and Asset Oversight and Compliance Agreement?	X		
2)	If either of the set asides have not been met, are any units:			
a)	Rented for less than 30 days, not including month-to-month?		X	
b)	Utilized as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, or trailer court or park?		X	
c)	Leased to a corporation, business or university?		X	
d)	Owned by a cooperative housing corporation?		X	
e)	Not available for rental on a continuous basis to members of the general public?		X	

COMMENTS:

UNITS WALKED

Unit #	USR Designation	Comments
1-108	Vacant Unit	
2-110	Vacant Unit	
2-208	Vacant Unit	
3-108	Vacant Unit	

COMMENTS:

RESIDENT SERVICES		YES	NO	N/A
1)	Do the resident services appear to cater to the resident profile of the property?			X – see comment
2)	Is the property meeting the Resident Service requirements as required by the Regulatory Agreement and Asset Oversight and Compliance Agreement?			
3)	Is management monitoring the following:			
a)	Resident attendance			

Texas State Affordable Housing Corporation Compliance Review Observation Report

b) Frequency of service provided			
c) Notification to residents of services			
d) Number or type of services			
e) Survey of residents			
5) Is management properly submitting monthly Resident Service reports through the Compliance System?			
6) In the last 12 months, has TSAHC provided any assistance regarding the monthly Resident Service reports submitted through the Compliance System? If so, comment below.			
COMMENTS: The property is currently 8.3% occupied therefore resident services have not commenced. Management is aware that 4 resident services are required per month when the property reaches 50% occupancy.			

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?	X		
2) Are accurate office hours posted?	X		
3) Are the following displayed in full view:			
a) Occupancy Qualifications?	X		
b) Fair Housing Poster?	X		
COMMENTS:			

RESIDENT FILE REVIEW	YES	NO	N/A
1) Does the owner maintain all records relating to initial resident income certifications, together with supporting documentation?	X		
2) Does the Owner/Agent make an effort to determine that the income certification provided by the resident is accurate?	X		
3) Does the file audit establish that residents are being recertified on an annual basis?			X
4) For mixed (low-income and market units) developments, are there any Next Available Unit Rule Violations?	X		
5) Does the file audit indicate that staff needs additional training?		X	

COMMENTS: This is the first compliance review for Ventura at Tradewinds. The property's tax-exempt bond set-aside is 40% at 60% AMI. There were a few issues noted during the tenant files review, see Findings listed in the chart below.

Observation:

- **Applications:** Management staff must ensure applications are completed thoroughly prior to processing moving forward.
- **Income Calculations:** It did not appear that income is being calculated consistently. Files contained a different number of employment paystubs, and in a couple instances the self-employment forms were calculated differently. Discrepancies are noted below. *Note: The reviewers used the 4 most recent pay stubs in the tenant files to calculate household income for the tenant files that were reviewed on the date of the site visit. All households are program eligible. See Finding below regarding inconsistent practices.*

If a new household moves in to any of the units with Findings (listed below), instead of submitting the required Corrective Action documents, submit with your response: the application for tenancy, all income and asset verifications, the executed Income Certification, and the 1st page of the lease for the new household occupying the unit.

Unit	Finding	Corrective Action Requirement
1101	Child support income was calculated by averaging one month's income. This is not consistent with child support calculation in other files.	<ul style="list-style-type: none"> • Review child support calculation and determine if the calculation is correct per company policy. • Submit copy of oral clarification form supporting current amount for review, or copies of corrections made to calculation and the Income

Texas State Affordable Housing Corporation

Compliance Review Observation Report

		Certification form, if necessary.
1102	Income was calculated incorrectly, and a couple of file documents were not completed entirely.	<ul style="list-style-type: none"> Clarify the different pay rate amounts on the pay stubs Clarify why the pay stub dated 7/29 is not included in the calculation Child support payment received, recalculate income. Self-employment is calculated incorrectly on the income summary page. Application is missing drivers license number Application is missing child support income Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary
1103	Income discrepancy noted in tenant file. The Exact Day Calculation needs to be clarified.	<ul style="list-style-type: none"> The Exact Day Calculation page shows a large variance between the pay stub earning and the YTD earnings. Please clarify and submit for review.
1204	The Head of household income on the application does not match Income Certification.	<ul style="list-style-type: none"> Please clarify and revise documents if needed. Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary
1206	Income calculated incorrectly and assets were not verified consistent with other files.	<ul style="list-style-type: none"> The gross amount was used instead of net amount for self-employment. An under \$5,000 asset was disclosed; however, bank statements were in the tenant file. Undisclosed income was discovered (i.e., Door Dash, Uber and other income that needs to be verified and added to the total household income). Submit copies of corrections made to calculation and the Income Certification form, if necessary
1305	Income clarification needed.	<ul style="list-style-type: none"> Two pay stubs were used in calculation that were not needed, please clarify. Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary
2105	Income calculated incorrectly	<ul style="list-style-type: none"> Calculate the pay stubs and take the higher income per company policy Add the confirmation page to the offer letter and add a clarification to the file to support how it was received. Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary
2108	Update Unit Status Report (USR)	<ul style="list-style-type: none"> Update USR to correct the number of household members.

Texas State Affordable Housing Corporation

Compliance Review Observation Report

2109	Update Unit Status Report (USR) and Income Certification form	<ul style="list-style-type: none"> Update USR with correct rent split (tenant rent and housing assistance payment) Update page 2 of the Income Certification from to the correct rent split.
2111	Income calculated inconsistent when compared to the other files.	<ul style="list-style-type: none"> File contained 6 paystubs, only 3 were used to determine income. Please clarify. Clarify why child support income is included in total household income. Applicant discloses she does not receive child support, and the AG print out shows no payments have been received. Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary
2209	Income calculation discrepancy.	<ul style="list-style-type: none"> The average bi-weekly tip amount should be used in the total household calculation.
2210	Income calculated incorrectly.	<ul style="list-style-type: none"> Recalculate income using the correct pay rate. Verify if the household receives a monetary contribution (for child support). Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary
3209	Income calculated inconsistent to other files.	<ul style="list-style-type: none"> Only 3 paystubs were used to calculate income. Please clarify. Submit copies of oral clarification form supporting current amounts, or copies of corrections made to calculation and the Income Certification form, if necessary

COMMENTS:

Finding:

- According to management, calculating employment income is completed by taking the higher of annualizing 4 paystubs or the year-to-date total. Child support is annualized by using the higher of the awarded amount or 3 months of payment history. These practices did not appear to be applied consistently. It is imperative that management follow standard practice of calculating income (i.e., requiring a specific number of recent consecutive pay stubs). The owner/manager must submit a signed, written certification outlining their employment and child support income calculation practices and certify that their practices will be followed consistently moving forward.
- Corrective actions (i.e., clarifications, revised calculations with supporting documentation and revised Income Certification) for all 13 units noted above must be completed. Copies of required corrective actions must be submitted, along with the written certification that all corrective action has been completed to TSAHC no later than 12/21/2022.

SUMMARY OF FINDINGS AND OBSERVATIONS

Observation:

- Applications:** Management staff must ensure applications are completed thoroughly prior to processing moving forward.
- Income Calculations:** It did not appear that income is being calculated consistently. Files contained a different number of

Texas State Affordable Housing Corporation

Compliance Review Observation Report

employment paystubs, and in a couple instances the self-employment forms were calculated differently. Discrepancies are noted below. *Note: The reviewers used the 4 most recent pay stubs in the tenant files to calculate household income for the tenant files that were reviewed on the date of the site visit. All households are program eligible. See Finding below regarding inconsistent practices.*

Finding:

- According to management, calculating employment income is completed by taking the higher of annualizing 4 paystubs or the year-to-date total. Child support is annualized by using the higher of the awarded amount or 3 months of payment history. These practices did not appear to be applied consistently. It is imperative that management follow standard practice of calculating income (i.e., requiring a specific number of recent consecutive pay stubs). The owner/manager must submit a signed, written certification outlining their employment and child support income calculation practices and certify that their practices will be followed consistently moving forward.
- Corrective actions (i.e., clarifications, revised calculations with supporting documentation and revised Income Certification) for all 13 units noted above must be completed. Copies of required corrective actions must be submitted, along with the written certification that all corrective action has been completed to TSAHC no later than 12/21/2022.