

Texas State Affordable Housing Corporation Compliance Review Observation Report

The Willows Apartments				
1332 Lamar Square Dr., Austin Texas 78704				
Owner: Mary Lee Foundation	Date Built: 2010			
Management Company: Mary Lee Foundation	Property Manager: William Whitley			
Inspection Date & Time: December 7, 2022, at 9:00 am	Inspector's Name: Mercedes Dunmore			
Number of Units: 64	Number of required LI (80%) units: 51	Number of required VLI (50%) units:	13	
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
107	50%	Unit has not been made ready and has been vacant for 181 days.
214	30%	Unit has not been made ready and has been vacant for 251 days.
315	30%	
408	50%	
COMMENTS: Units 107 and 214 are considered Down Units. Please refer to the Finding listed in the "Vacant/Make-Ready Units" section of the Asset Oversight Report.		

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RESIDENT SERVICES	YES	NO	N/A
1) Do the resident services appear to cater to the resident profile of the property?	X		
2) Is the property meeting the Resident Service requirements as required by the Regulatory Agreement and Asset Oversight and Compliance Agreement?	X		
3) Is management monitoring the following:			
a) Resident attendance	X		
b) Frequency of service provided	X		
c) Notification to residents of services	X		
d) Number or type of services	X		
e) Survey of residents	X		
5) Is management properly submitting monthly Resident Service reports through the Compliance System?	X		
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.		X	
COMMENTS:			

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 – see comment		

COMMENTS: All 13 of the tenant files reviewed on the day of the onsite review resulted in a Findings which require corrective action. Below is a summary of observation followed by the Finding chart. During the close out interview, management mentioned they hired a new outsourced compliance specialist to review files and maintain the properties compliance. Unfortunately, they have a tight budget and have a cap as to how many files they can send to the outsources compliance specialist. Because of this, and the discloses changes in staff (new property manager to start in January 2023 and the new assistance property manager), TSAHC recommends the site staff attend the TAA/TDHCA income determination training. See Observation below.

Observations:

- **Unit Status Report (USR):** The reviewer found unit designation discrepancies between the Unit Status Report (USR) and the Tenant Income Certification (TIC). Management is required to update the USR to reflect the accurate annual income, rent split amounts, number of households and unit designation. This information is how TSAHC monitors program compliance. Management must update the USR to reflect accurate information, specifically unit designations on next month's USR submission.

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- **Tenant Income Certification (TIC):** Management needs to complete the TICs to its entirety. There were several sections of the TIC that were incomplete. Management is advised to thoroughly review all section of the TIC to ensure it is complete moving forward.

- **Asset Verifications:** For tax-exempt bond program purposes, assets under \$5,000 can be self-certified by using an Under \$5,000 Asset Certification form (bank statements are not required). Asset amounts must be added to the Income Certification form and any interest income made from an asset that are self-disclosed by the household must be added to the total household income. Assets over \$5,000 must be verified via third party (bank statements are acceptable) and the greater of the actual income of the asset or the imputed income, must be added to the total household income. Please note if management chooses to required bank statements, it must be applied consistently, and management must obtain 6 consecutive statements for checking accounts and the most recent statement for savings accounts. Management should decide what practice they want to continue with as soon as possible and apply it moving forward.

- **Full Recertifications:** TSAHC encourages the use of a recertification questionnaire at the time of recertification. The recertification questionnaire will require tenants to disclose any changes of income, asset, student status, or household composition changes.

- **Program Verification Forms:** Part 1 of most verification forms were incomplete. All verification forms require the owner/management's contact information. Management must ensure this section of the forms are complete moving forward.

- **Program Training:** TSAHC recommends the site staff watch the TAA/TDHCA income determination training. On December 6, Texas Department of Housing and Community Affairs' (TDHCA) Compliance staff virtually hosted Income Determination Training. A recording of the training is now available online at <https://www.tdhca.state.tx.us/pmcomp/presentations.htm>. Any staff members that are part of the tenant eligibility process should watch the training.

If a new household moves into 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
105	The Tenant Income Certification is incomplete. The reviewer is unable to determine correct move in date. In addition, the reviewer is also unable to determine the Household's income.	<ul style="list-style-type: none"> • Management will need to confirm the correct move in date and update the TIC, Lease and/or USR with the correct date to ensure all documents match. • Tenant named Evelyn needs to provide the 2/24/2022 paystub to properly verify income. • Tenant Susan: their income needs to be annualized by by averaging the gross pay for the six paystubs and multiple by the frequency of the pay periods. • Able Bank Cash Savings Account: Management needs to include the interest amount of .03% on the TIC and Under \$5,000 Asset Certification. • Tenant Evelyn: Management will need to remove any asset bank statements from the tenant file OR the tenant needs to provide three additional checking account statements dated from 1/2022 through 3/2022 for a total of 6 statements. Management will take the average of 6 statements and update the TIC. • Once all calculations have been made as noted above, management must determine the total household income for all household members and update this amount to the TIC and USR • Management will need to update the unit designation on the USR to 80%.

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112	The Tenant Income Certification is incomplete due to the reviewer being unable to determine assets.	<ul style="list-style-type: none"> The tenant will need to add the missing stock account to the Under \$5,000 Asset Certification form using the September 2022 statement. Management will also need to update the account on the TIC. Management will need to remove bank statements from the file OR the tenant needs to provide additional checking account statements to have a total of 6. If bank statements are used, Management will need to update the TIC with the corrected 6-month average balance for any checking accounts.
115	The Tenant Income Certification is incomplete, the reviewer is unable to determine income, and the USR needs to be updated.	<ul style="list-style-type: none"> Page 2 of the TIC needs to have section 6 completed by Management. The file documented the Household received a loan repayment in the amount of \$150. Clarify if the loan repayment of \$150 is a one-time payment to the tenant. If this is a one-time payment this amount will need to be removed from the TIC and not counted as annual income. The tenant needs to answer the questions 2 - 4 and the final net income question on the Under \$5,000 Asset Certification form. Management will need to remove bank statements from the file OR the tenant needs to provide additional checking account statements to have a total of 6. If bank statements are used, Management will need to update the TIC with the corrected 6-month average balance for any checking accounts. Management will need to update the student status to part-time (P/T) on the TIC as disclosed on the Student Eligibility Form. Management will need to update the unit designation on the USR to 50%.
202	The tenant file is missing the required forms to properly assess household assets and the USR needs to be updated.	<ul style="list-style-type: none"> Management needs have the tenant complete the Under \$5,000 Asset Certification form thoroughly by answering all questions and completing cash value, interest, and income amounts the tenant discloses. Management will need to remove bank statements from the file OR the tenant needs to provide additional checking account statement to have a total of 6. If bank statements are used, management will need to update the TIC with the correct 6-month average balance for any checking accounts. Management will need to update the unit designation on the USR to 30%.
211	The reviewer was unable to determine eligibility due to income not being properly verified. The tenant file has incomplete paperwork.	<ul style="list-style-type: none"> Management needs to clarify how the employment verification was received. Management needs to complete the top Management section of the Student Eligibility form.
213	The review was unable to determine eligibility due to the excess of pay statements in the file and assets not properly disclosed.	<ul style="list-style-type: none"> Management needs to use paystubs dated between 3/25-4/29 to calculate the income and update the TIC with the corrected annual income. The tenant will need to complete an Under \$5,000 Asset Certification form and update the TIC with any new assets and income from assets that are disclosed. Once all corrections are made the tenant needs to sign the TIC.
220	The reviewer was unable to determine eligibility due to the income not being properly calculated.	<ul style="list-style-type: none"> Management will need to recalculate the Social Security by using COLA increase. $\\$1561.30 \times 2 \text{ months} + \\$1697.12 \times 10 \text{ months}$ and update the TIC with the updated annual income.

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		<ul style="list-style-type: none"> • Management will need to remove bank statements from the file OR the tenant needs to provide additional checking account statement to have a total of 6. If bank statements are used, management will need to update the TIC with the corrected 6-month average balance for any checking accounts. • Management will need to clarify counter deposits with the tenant. If it is determined to be additional income, management must annualize and include it to the total household income and update TIC and USR. • Management will need to update the unit designation on the USR to 50%.
304	The Tenant file has incomplete forms, and the reviewer is unable to properly determine the Household's assets.	<ul style="list-style-type: none"> • Management needs to date the second page of the TIC. • The tenant needs to remove the Income listed on the Under \$5,000 Asset Clarification form on the "Other" line. This form is only for assets under \$5000. • Management needs have the tenant complete the Under \$5,000 Asset Certification form thoroughly by answering all questions and completing cash value, interest, and income amounts the tenant discloses. • Certification of Student Eligibility Form needs to be completed by tenant. • The top management portion of the Special Needs Form and Acknowledgement form needs to be completed by management. • Management will need to update the unit designation on the USR to 30%.
307	The Tenant Income Certification and tenant file are incomplete. The reviewer is unable to determine the household's date of eligibility.	<ul style="list-style-type: none"> • Page 2 of the TIC needs to have section 6 completed by Management. • The tenant needs to date the original application. • Tenant must complete Student Eligibility form. • Management needs to confirm move in date and update the USR if needed.
309	The Tenant file is incomplete due to missing and incomplete tenant certification paperwork. The reviewer is unable to determine the student's eligibility.	<ul style="list-style-type: none"> • The application was blank. The tenant needs to complete entire application and sign and date. • Management needs to complete part 1 of the Release and Consent Form. • The tenant will need to complete an Under \$5,000 Asset Clarification and update the TIC with any new assets and income from assets that are disclosed. • The tenant needs to circle A on the Student Eligibility form.
314	The Tenant file and the USR needs to be updated.	<ul style="list-style-type: none"> • The tenant needs to circle A on the Student Eligibility form. • Management will need to update the income on the USR to reflect \$12,330.
319	The Tenant Income Certification is incomplete, the household assets are over \$5,000 and not properly verified and/or calculated. Also, the USR needs to be updated.	<ul style="list-style-type: none"> • Page 2 of the TIC needs to have section 6 completed by Management. • Management will need to remove bank statements from the file OR the tenant needs to provide an additional checking account statement to have a total of 6 to properly calculate the 6-month average balance. Management will need to update the TIC with the corrected balance. • Management will need to update the USR income to \$17,291.41.

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404	The Tenant Income Certification is incomplete, the tenant file has a missing Income Certification, and the USR needs to be updated.	<ul style="list-style-type: none"> Page 2 of the TIC needs to have section 6 completed by Management. The tenant will need to circle A on the Student Eligibility Form. Management needs to supply the initial Tenant Income Certification as it is missing from the file. Management will need to update the unit designation on the USR to 30%.
<p>COMMENTS: Finding: If the corrective action to the Findings noted above result in a change to the household income, management must update the USR. Corrective action to all units noted above is due to TSAHC no later than 2/6/2023.</p>		

SUMMARY OF FINDINGS AND OBSERVATIONS

Observations:

- Unit Status Report (USR):** The reviewer found unit designation discrepancies between the Unit Status Report (USR) and the Tenant Income Certification (TIC). Management is required to update the USR to reflect the accurate annual income, rent split amounts, number of households and unit designation. This information is how TSAHC monitors program compliance. Management must update the USR to reflect accurate information, specifically unit designations on next month's USR submission.
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Findings:

- Units 107 and 214 are considered Down Units. Please refer to the Finding listed in the "Vacant/Make-Ready Units" section of the Asset Oversight Report.
- If the corrective action to the Findings noted above result in a change to the household income, management must update the USR.
- Corrective action to all units noted above is due to TSAHC no later than 2/6/2023.