



October 9, 2023

Midland Leased Housing Development II, LLC

Attn: Mr. Spicer
2905 Northwest Blvd. Suite 150
Plymouth, MN 55441

RE: **Scharbauer Flats**

Dear Owner,

On **September 1, 2023**, an Asset Oversight Review was performed at the above referenced property. Details of the review can be found in the enclosed Observation Report.

The results of this review may indicate items in need of correction in order to be in compliance with your TSAHC Multifamily Bonds. A list of Findings and/or Observations resulting from the review is enclosed. Each Finding will include Corrective Action dates for those items considered deficient. Properties with any Corrective Action Requirements will be placed on a Monitoring Status pending correction.

For Clarification:

Observations will address issues that can be improved upon, but do not require immediate action. An **Observation** will always be followed by a **Recommendation**. Management should consider **Recommendations** but there is no written response required. **Findings** address serious issues that need to be cured immediately. **Findings** will always be followed by **Corrective Action Requirements**. Management must complete the **Corrective Action Requirements** and send certification to TSAHC that they have been resolved as stipulated within each **Corrective Action Requirement**. This certification must be on company letterhead and address each item individually.

I appreciate the time and effort your staff allotted to our review. If you wish to discuss the report findings before preparing your response, please feel free to contact me at the number listed below.

Respectfully,

Celina Mizcles Stubbs
Senior Manager, Asset Oversight and Compliance
cstubbs@tsahc.org
512.334.2154

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Scharbauer Flats Apartments

1915 E. Scharbauer Dr., Midland, Texas 79705

Owner: THF Midland Housing Associates II, LP

Date Built: 2022

Management Company: Dominion Management Services

Property Manager: Brenda Guidry

Inspection Date & Time: September 1, 2023 at 9:00 am

Inspector's Name: Celina Mizcles Stubbs

Occupancy at Time of Report:	98%	Average Occupancy Over Last 12 Months:	46.7% - see comment
Number of Units: 300			
Number of One Bedrooms:	84	Number of Two Bedrooms:	108
Number of Three Bedrooms:	108	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) Are parking lots clean, in good repair with handicap parking spaces clearly marked?	X		
9) Are all recreational, common areas and amenity areas clean, maintained, and accessible?	X		
10) Is facility equipment operable and in acceptable condition?	X		
11) Is the area around the waste receptacles clean and are the enclosures in good repair?	X		
12) Is the exterior of the buildings in acceptable condition?	X		
14) Are hallways/breezeways 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. Management did not provide occupancy rates over the last 12 months as the property was completing the initial lease up phase.

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	Burglary of Vehicle – 3
Theft		
Criminal Mischief		
Personal Assault	1	Assault - 1
Drug Related Activity		
Gun Related Activity	1	Shots Fired -1
Domestic Violence	6	Domestic Disturbance – 2, Family Violence – 4,
Disturbance	7	Disturbance – 7
Other	16	Loud Music – 9, Vandalism – 1, Vandalism to Vehicle – 2, Graffiti – 1, Stolen Vehicle – 1, Stalking - 2

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	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 chart above lists 34 of the 127 total calls logged with the Midland Police Department between June – August 2023. Management states there were an additional 4 security surveillance cameras installed (at pool and 3 buildings) for a total of 10 cameras now. The property does not have a contract with a courtesy officer; however, they are obtaining bids for one in the next budget year.			

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		
4) Are criminal background checks being conducted on residents as they age to be 18 while living in the unit?		X	
5) Has a risk assessment been conducted to determine risk liabilities at the property? If yes, when?		X	
COMMENTS: The development's insurance provider, Greystone, conducted the last risk assessment in August 2023.			

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		
➤ Swimming pool	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: Yoga room, gym, playroom and a newly installed bus stop.	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 key fobs that are maintained electronically. All mailbox keys and storage door keys are changed during unit turnover.			

MAINTENANCE PROGRAM	YES	NO	N/A
1) Does the property have a preventative maintenance program that is being followed?	X		

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2) Is the maintenance shop clean and organized?	X		
3) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		
4) How often are Pest Control services provided? ➢ Services are provided bi-monthly. Units are treated at least annually.			
5) What is the policy for following up on completed service requests? ➢ Management software provides site management with a report of completed work orders that are required to be followed up on.			
6) What is the property's after-hours emergency policy? ➢ The after-hours answering services contacts the appropriate staff member when emergency work orders are received.			
7) What capital improvements have been scheduled or completed for this budget year? ➢ The following capital improvements were completed during the current budget year, installation of new cameras and a dog park. The onsite courtesy officer expense is being scheduled for next year's budget.			

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

8) Unit Interior and Appliance upgrades ➢ No interiors or appliances were upgraded.			
9) Building Exterior and Curb Appeal repairs ➢ No exteriors or curb appeals were repaired.			
10) Amenity upgrades ➢ None.			
11) Other repairs or replacements ➢ None.			
Number of service requests received:	196		
Number of requests open from prior periods:	0		
Number of service requests completed:	179		
Number of service requests completed within 24 hours:	65		
Number of outstanding service requests:	17		
12) On average, how many days does it take to complete a work order? ➢ On average, it takes 2.5 days to complete work orders.			

COMMENTS: The Work Order Directory dated July 2023 indicates there were 17 outstanding work orders. Management confirmed the 17 pending work orders were labeled "on hold" to indicate they are being processed through the respective warranties and status updates were provided to TSAHC for review.

MARKETING

1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth			
Resident Referral (Current/Prior)			
Locator Service			
Printed/Internet Advertising: Zillow, RentCafe/Apartment List, Google and Property Website.	4,500	37	9
Other Source			
TOTAL	\$4,500	37	9

The rental activity reflected in the above table was for the month of July 2023.

	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:

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: 28.6%	6 months: N/A	12 months: N/A

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3) What percentage of move-outs in the last 12 months were due to eviction for non-payment of rent or "skip"?	48%		
4) Are lease renewal 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) When was the last rent increase implemented? What was the average rent increase? <ul style="list-style-type: none"> > Rent increases are implemented after HUD limits are published. However, there was a decrease therefore management was unable to implement a rent increase. 			
9) How many households are currently on month-to-month leases? <ul style="list-style-type: none"> > N/A – not applicable 			
10) What is the charge for month-to-month leases? <ul style="list-style-type: none"> > N/A 			
COMMENTS: Management provided a current lease renewal percentage. While low, the property just completed a lease up so this will be monitored more closely next year.			

VACANT/MAKE READY UNITS

1) Number of vacant units at time of activity report:	10
2) Number of completed made ready units at time of activity report:	3
3) Number of completed one-bedroom units at time of activity report:	0
4) Number of completed two-bedroom units at time of activity report:	1
5) Number of completed three-bedroom units at time of activity report:	2
6) Number of uncompleted made ready units at time of activity report:	7
7) Number of uncompleted one-bedroom units at time of activity report:	2
8) Number of uncompleted two-bedroom units at time of activity report:	4
9) Number of uncompleted three-bedroom units at time of activity report:	1

Units Walked

Unit #	Brief Description
1105	(2x1) Vacant, Made-ready
2204	(1x1) Vacant, Made-ready
2308	(2x1) Vacant, Made-ready
3303	(1x1) Vacant, Made-ready

Down Units Walked (units vacant and unready for extended period 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		
3) Are there any down units?		X	
4) Are there vacant units that have been vacant for an extended period? 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"> > There are 7 units were 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"> > Five days, according to management policy. 			

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COMMENTS:

BUDGET MANAGEMENT	YES	NO	N/A
1) Are three bids solicited to obtain materials, supplies, and services?	X		
2) Have there been any large, unexpected repairs or purchases that have negatively affected the current budget? If so, comment below.		X	
3) Explain YTD variances of 10% or greater in the charet below.			

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
Advertising - Print	\$4,229	\$2,257	-\$1,972	-87.4%	
Ground Contract	\$12,169	\$27,244	\$15,074	55%	
Ground Supplies	\$45	\$1,085	\$1,039	95%	
General Repairs Material	\$388	\$1,631	\$1,242	76%	
HVAC Repairs	\$553	\$7,616	\$7,062	92.7%	

COMMENTS: Based on a review of the Budget Comparison dated July 2023, it is apparent that management was still allocating expenses to the "Start Up" budget line items.

REVENUE

FOR THE MONTH ENDING: July 2023		YEAR TO DATE AS OF: July 2023	
Gross Potential	\$297,705	Gross Potential	\$2,083,935
Budgeted Rental Income	\$297,705	Budgeted Rental Income	\$2,083,935
Actual Rental Income Collected	\$377,340	Actual Rental Income Collected	\$1,556,136
Variance + (-)	\$79,635	Variance + (-)	-\$527,799
Other Revenue	0.00	Other Revenue	0.00
Total Budgeted	\$297,705	Total Budgeted	\$2,083,935
Total Collected	\$377,340	Total Collected	\$1,556,136
Variance + (-)	\$79,635	Variance + (-)	-\$527,799

COMMENTS:

ACCOUNTS PAYABLE

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: Based on the Payable Aging Report dated 8/2023. According to management, the balance that is past due over 60-days, in the amount of \$21,469, is due to the vendor changing the business name during invoice processes. Management and vendor are working to get this resolved.	0-30 Days:		\$21,299
	30-60 Days:		-\$1
	60 Days and Over:		\$3,939
	TOTAL		\$25,237

DELINQUENCIES

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 1st and late on the 4 th . On the 4th day, a 10% late fee is assessed and a 3-Day Notice to Vacate is issued.			
3) When is legal action taken against delinquent accounts? ➤ Legal action is taken on delinquent accounts that have not signed a repayment plan prior to the 15 th .			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS: According to the Aged Receivable report dated July 2023, there are slightly high delinquency. Management stated they are working with all tenants before legal action is taken. Management also said the balance are high due to evictions, repayment plans, concessions and HUD's	0-30 Days:		\$17,117
	30-60 Days:		\$16,477

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housing assistance payments that have not been received.

60 Days and Over:		\$23,661
TOTAL		\$57,255

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: Non-sufficient fess were applied according to policy.			

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) Was management staff prepared for the site visit?	X		
7) Has staff turnover occurred since the last site review?	X		
8) Are weekly staff meetings held?	X		
9) Have personnel been trained in Fair Housing?	X		
10) List training staff has received in the past year. ➤ Site staff is required to attend various Dominion University trainings.			
COMMENTS: There is a new community manager that is shadowing the current property manager that will be leaving soon.			

OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to the software system utilized to manage the property?	X		
2) Is site management required to submit weekly reports to the owner?	X		
3) 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		
4) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Any amount over \$500 required owner approval.			
COMMENTS:			

SUMMARY OF OBSERVATIONS AND FINDINGS
No Findings and no observations.

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