

Texas State Affordable Housing Corporation Compliance Review Observation Report

Walnut Creek Apartments 6409 Springdale Rd, Austin, Texas 78723				
Owner: LEDG Capital	Date Built: 1971			
Management Company: Rainey Property Management	Property Manager: Deena Fuller			
Inspection Date & Time: April 12, 2023, at 9:00 am	Inspector's Name: Mercedes Dunmore			
Number of Units: 98	Number of required LI units: 40	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
145	50%	194 days vacant – Unit Ready
201	50%	317 days vacant – Unit Ready
113	50%	30 days vacant – Unit Make Ready Status
COMMENTS: At the time of the review, unit 201 was vacant a total of 317 days, however the unit is rent ready. Management advised there has been multiple eligibility related issues, which have resulted in the denial of several applications.		

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:				

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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 – see comment	
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: During the site visit the reviewer discussed the noncompliance issues regarding resident services via the online compliance system. The observation is outlined below. Management confirmed tenants are notified of services via a monthly service calendar that are hand delivered to each tenant's door.

Observation:

- **Resident Services:** In Q4 of the 2022 calendar year, Walnut Creek received a notice of non-compliance for Resident Services. During this quarter, the property did not meet the required number of services set forth in section 4 of the Asset Oversight and Compliance (AOC) Agreement. While the property was able to meet the minimum requirement for Q1 of 2023 calendar year, the reviewer noted the report was submitted a few days after the due date of 03/10/2023. TSAHC will closely monitor Walnut Creek's monthly resident report submissions to ensure they are submitted timely moving forward.

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

COMMENTS: One the day of the site visit, the front office was clean and clear of clutter. Conversely, the manager's office was extremely disorganized with tenant files lying around the office and out of place. Additionally, management is reminded to keep all tenant files secured for safety and for the protection of tenant data. Lastly, the site visit the office hours was not posted for the convenience of the tenants and site visitors. Refer to Asset Oversight Observation Report for the office findings.

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 – see comment		
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 – see comment		
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: Based on the tenant files reviewed, the reviewer was able to determine management is taking the proper steps to ensure program compliance for initial certification. The reviewer also recognizes management attempts to recertify all households. Additionally, the reviewer was able to determine management's practices for verifying income and assets and would like to note the reviewer was able to determine there are no eligibility infractions, resulting in all households meeting the property's set-aside requirements. Although program eligibility was determined a non-issue, the reviewer would like to note the following tenant file discrepancies that resulted in the following observations and findings.

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Observation:

- **Program training:** Management advised they have hired Karen Graham Consulting company to assist with the compliance oversight for their properties. This includes tenant file review of initial and annual certifications and training of onsite staff. Per management, since hiring the consulting firm, site staff has started compliance training to become more proficient with tenant files and property compliance. In addition to the consulting training, TSAHC recommends staff watch the TAA/TDHCA income determination training presented on 12/6/2022. A recording of the training is free and 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. TSAHC will review the proficiency of the new consulting company and new management practices during next year's review.
- Management mentioned their efforts in improving their online monthly compliance report submissions by implementing a plan of action (property manager submit the monthly compliance report to the property's compliance department for review prior to final submission). TSAHC will monitor the progress during next year's review.

Findings:

- **Annual Recertification:** For the tax-exempt bond purposes, the property is required to complete annual recertification of income and assets within 120 days of the anniversary date of the move-in. Based on a review of the tenant files, the property is only completing annual eligibility certification (AEC) which is not compliant. Because this property is 100% affordable with tax credits, the owner can request a waiver from the requirement to complete annual recertification of income and assets and instead complete annual eligibility certification (AEC). However, the waiver must be requested on an annual basis by March 31st of each year. To date, a Waiver Request has not been submitted to TSAHC for review. In order to complete AECs, the owner must submit a signed copy of the IRS Form 8703 for the 2022 year along with the Waiver Request letter (attached) to TSAHC no later than 06/09/2023. If a Waiver Request is not submitted, annual recertifications of income and assets for units must be completed and copies of the annual recertification for units 109, 132 and 227 must be submitted by 06/09/2023.
- **TSAHC's Notice of Health and Safety form:** The TSAHC Health and Safety form must be signed by the head of the household at the time of initial certification. However, only one tenant file contained the signed form (unit 206). Management must conduct a 100% file audit to ensure this form is signed by all households. Signed, written certification stating all households have executed the TSAHC Health and Safety form must be submitted to TSAHC no later than 06/09/2023.
- **Tenant File Record Keeping:** During a follow up meeting with the Property Manager on 04/24/2023, it was determined the files reviewed on the day of the site visit were HUD files and not the Tax Credit files. This resulted in multiple file-related issues. Management has since supplied the reviewer with the tax credit file for review with the exception of units 109 and 207. Findings identified are listed in the chart below. Because the property maintains two separate tenant files for each household, management must submit signed, written certification to TSAHC that the files will be properly labeled and stored moving forward. In addition, the tax credit tenant files for units 109 and 207 must be submitted for review no later than 06/09/2023.
- **Unit Status Report (USR):** The USR for March 2023 showed several tenants with late recertifications. While conducting the tenant file review, the reviewer notes additional inconsistencies to the USR. Management must conduct a thorough review of the USR home page to ensure it accurately reflects all current household compositions. Additionally, since last year's review Walnut Creek received two non-compliance notices for failure to report the Unit Status Report (USR) as outlined in the AOC agreement. The first notice of non-compliance was issued 05/20/2022 which reflects, several AECs had not been completed by their due dates resulting in a large number of past due certifications. The second notice was issued on 01/12/2023 and reflects significant USR issues for the months of March 2022 through December 2022. In efforts to maintain compliance, management must provide a signed, written certification stating a thorough review of the USR and been completed and an accurate USR will be submitted via TSAHC's online compliance system. In addition, the property must submit a written statement detailing who will be responsible for updated and submitted the USR moving forward. Both of these actions must be taken and submitted to TSAHC no later than 06/09/2023.

Note, failure to submit subsequent monthly compliance reports (Resident Service Report and USRs) may result in a compliance penalty fee as stated in Appendix C of the AOC Agreement.

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.

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Unit	Finding	Corrective Action Requirement
109	Tax credit file not submitted for review.	<ul style="list-style-type: none"> • Management must submit the tax credit tenant file for review. • Management must locate the correct file and its documents and submit it for TSAHC review. • The tenant file contains an AEC with a move in date of 12/31/19. The rent roll shows a move in date 12/16/2022. Management must provide clarification explaining the discrepancies. • Management must submit the initial certification in order for TSAHC to determine income meets the program requirements.
125	The file did not contain a signed Tenant Income Certification (TIC) , lease agreement, and tenant release and consent form. Unable to determine deposit on checking account statements.	<ul style="list-style-type: none"> • Upon review of the checking account, the following payments do not state payroll deposits and require further clarification: \$471.96 on 11/12/21 and \$769.41 on 12/10/21 management must have the tenant clarify deposits. • Additionally, management must have the tenant clarify the \$33.79 Uber Deposit on 1/23. • Once income has been verified, any changes if necessary, need to be made to the TIC. • Management must obtain the tenant's signature on page one of the initial TIC and management's signature on page two. Management must also obtain the tenant's signature on the lease and tenant release and consent form.
131	The tenant file does not contain a signed TIC. checking account was verified with an incorrect number of statements.	<ul style="list-style-type: none"> • Management must obtain the tenant's signature on page one of the initial TIC and management must sign page two of the TIC. • Checking account statements for May 2022 through September 2022 were used to calculate the checking account six-month average balance. Management must have the tenant supply the April 2022 checking account statement. Once received, management will need to recalculate the checking account average and update the TIC. A clarification record must be provided should the tenant not be able to supply this statement. • Management must have the tenant verify the \$1,225.79 secure account transfer on 9/1/2022. • Once income has been verified, any changes if necessary, need to be made to the TIC. • Management must obtain the tenant's signature on page one of the initial TIC and management's signature on page two.
132	The USR reflects an inaccurate household composition.	<ul style="list-style-type: none"> • Management needs to update the USR to reflect 3 household members, to include the newest household member.
206	The USR indicates a different household from the household listed on the Rent Roll Report. Income verification discrepancies were noted in the tenant file.	<ul style="list-style-type: none"> • The tenant file indicates a new move in on 1/4/2023. The USR indicates the household moved in on 3/9/2018. Management must update the USR to reflect correct household. • Management must submit a clarification explaining how the handwritten employment verification was verified. • The employment verification for job number one has both hourly and biweekly circled with different ink. Management must clarify with the employer the reason for the change. • Once income has been verified, any changes, if necessary, need to be made to the TIC.

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207	Tax credit file not submitted for review.	<ul style="list-style-type: none"> Management must submit the tax credit tenant file for review.
227	The asset verification disclosed several unidentified transfers.	<ul style="list-style-type: none"> The tenant must identify and clarify all online transfers for each checking account statement to determine if it is additional household income. Once the asset has been verified, any changes if necessary, need to be made to the TIC and submitted for review.

COMMENTS:

Observation:

- Due to the severity of organization of the tenant files, TSAHC recommends management conducts a 100% file audit to organize and restructure the tenant files.

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SUMMARY OF FINDINGS AND OBSERVATIONS

Observation:

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Findings:

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Corrective Action to all Findings are due to TSAHC no later than 06/09/2023.