

Texas State Affordable Housing Corporation Compliance Review Observation Report

Sandpiper Cove Apartments
3916 Winnie St., Galveston, TX 7750

Owner: Galveston 3916 Winnie Street LP **Date Built:** 1971
Management Company: Arnold Grounds Management, LLC **Property Manager:** Gail Johnson
Inspection Date & Time: September 25, 2024, at 8:30 AM **Inspector's Name:** Mercedes Moody

Number of Units: 192 **Number of required LI units:** 77 **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
16X	60%	
65F	60%	
107W	60%	
131V	60%	
151B	60%	

COMMENTS:

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 – see comment	
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: Based on a review of TSAHC's online compliance system per calendar quarter in 2024, there were only 9 services offered in Q1 and only 11 services in Q2 which does not meet the resident service requirement. The reviewer also determined management is not following the Resident Service Plan as submitted to TSAHC in December 2023. According to management, management is hosting community meetings to determine what services to provide in the future.

Observation:

- Per Section 4 of the Asset Oversight, Compliance, and Security (AOC) Agreement, the owner must provide 4 resident services each month. Additionally, management must submit monthly resident service reports via TSAHC's Online Compliance System by the 10th day of each month for the previous month. For example, service provided in November must be submitted via Online compliance system no later than December 10th. Management is reminded failure to submit monthly reports will result in a compliance penalty fee of \$250. A non-exhaustive list of services can be found on the Resident Services Guidelines located here: <https://www.tsahc.org/property-managers/property-manager-downloads> Note: This issue was noted as an Observation in last year's report.

Finding:

- Management is not meeting the resident services requirement. Per Section 4 of the AOC Agreement, the owner must provide 4 resident services each month... The owner/manager must submit the Resident Service Plan for 2025 no later than 12/13/2024.

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 and TSAHC required forms?	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: On the day of review, sixteen tenant files were reviewed. Twelve of the sixteen tenant files resulted in findings which are identified in the chart below. Per management, the compliance department audits the files but does not have an approval process. The site team uploads the files to Onsite, and compliance conducts spot file reviews.

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Observations:

- **Unit transfers:** During the tenant file review, the reviewer was unable to determine a clear and consistent policy for unit transfers. Management stated the policy is to process a move-out and move-in. However, this policy was not consistently followed. TSAHC strongly encourages management to implement a written transfer policy that outlines how transfers will be treated.
- **HOTMA:** Management stated site staff has not taken HOTMA training as of the date of review. Management advised the training would be scheduled with the compliance manager; however, no dates have been confirmed. HOTMA changes became effective 1/1/2024. It is imperative for management to attend training specific to LIHTC and Tax-Exempt Bonds to ensure program compliance as eligibility program requirements for tax-exempt bonds have changed. For example, verification of assets. Management is advised that findings will be issued if HOTMA changes are not fully implemented by July 1, 2025. Please refer to the following free training materials:
 - TSAHC's updated Compliance Manual effective 1/1/2024 located here: <https://www.tsahc.org/property-managers/property-manager-downloads>
 - TDHCA HOTMA Recap & Observations can be found here: https://youtu.be/DDO9hoo-E_Y?si=jbqoZvHySR0Xaq-A

Findings:

- **Incomplete Forms:** Throughout the tenant files it is apparent management is not completing forms in their entirety, specially forms with the management contact header sections (i.e., applications, recertification questionnaires, student status affidavit, etc.). Management must submit to TSAHC a written certification implementing a written certification to address this issue no later than 12/13/2024. Note: This was noted as an Observation in last year's report.
- **Unit Status Report (USR):** When comparing tenant data from the Tenant Income Certification (TIC) form to the USR, it was apparent that the USR had not been updated to reflect the new tenant rent, housing assistance payments, and incomplete recertifications. Management must complete a full review of the rent roll and update the USR to reflect current tenant rent and housing assistance payment amounts accordingly. TSAHC will review the October USR no later than 12/11/2024 to ensure completion.

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
16X	Several forms in the tenant file are missing or not completed to its entirety.	- Management must submit a completed tenant release and consent form and a signed TSAHC Health and Safety form.
32H	Asset verification is missing from the file.	- Management must include and verify the cash app account which is not listed on the Under \$50,000 form. No further action needed.
50G	The tenant file contains missing forms.	- Management must submit the completed Under \$50,000 Asset Certification, rental application, and TSAHC Health and Safety form and file accordingly. No further action needed.
68E	The Under \$50,000 Asset Certification is not completed to its entirety.	- Management must submit the completed Under \$50,000 Asset Certification - No further action needed.
10O	Several forms in the tenant file are missing or not completed to its entirety.	- Management must submit the completed recertification questionnaire. - Management must submit the completed tenant release and consent form, student status affidavit, Under \$50,000 Asset Certification, and TSAHC Health and Safety form.
98M	The child support income was not properly verified and reflected on the TIC.	- Management must verify the household's income from child support and add the child support debit card to the TIC.
104K	The tenant file is missing the recertification questionnaire.	- The recertification questionnaire was missing from the file, Management must submit a completed recertification questionnaire to TSAHC for review.
126C	Several forms in the tenant file are missing or not completed to its entirety.	- Management must submit a completed tenant release and consent form, child support affidavit, Under \$50,000 Asset

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		<p>Certification, student status forms. No further action needed.</p> <ul style="list-style-type: none"> - Management must submit a completed recertification questionnaire to TSAHC for review. No further action needed.
156B	Several forms in the tenant file are not completed to its entirety.	<ul style="list-style-type: none"> - Management must submit a completed student affidavit form. Management must also have household member number 2 date the lease rider. - Management must update the TIC to match the income presented in the file.
166Q	Several forms in the tenant file are not completed to its entirety.	<ul style="list-style-type: none"> - Management must submit a completed Under \$50,000 Asset Certification form with all questions answered. No further action needed. - Management must submit a completed student status affidavit form. No further action needed.
172R	The 2024 annual recertification is missing from the file.	<ul style="list-style-type: none"> - Management must submit the 2024 annual recertification for TSAHC review. No further action needed.
176S	Several forms in the tenant file were not completed to its entirety.	<ul style="list-style-type: none"> - Management must submit a completed student status affidavit and tenant release and consent form.
177T	Household income was not verified or calculated correctly on the TIC.	<ul style="list-style-type: none"> - Management must submit a revised TIC with supporting income verification (social security award letter) for review.

COMMENTS: Corrective action for units 16X, 100, 98M, 104K, 156B, 176S, and 177T remain outstanding and are due to TSAHC no later than 12/13/2024.

SUMMARY OF FINDINGS AND OBSERVATIONS

Observation:

- Per Section 4 of the Asset Oversight, Compliance, and Security (AOC) Agreement, the owner must provide 4 resident services each month. Additionally, management must submit monthly resident service reports via TSHAC's Online Compliance System by the 10th day of each month for the previous month. For example, service provided in November must be submitted via Online compliance system no later than December 10th. Management is reminded failure to submit monthly reports will result in a compliance penalty fee of \$250. A non-exhaustive list of services can be found on the Resident Services Guidelines located here: <https://www.tsahc.org/property-managers/property-manager-downloads> Note: This issue was noted as an Observation in last year's report.
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Note: Per Appendix C of the AOC agreement, failure to correct Findings under the Asset Oversight and Compliance Report may result in a penalty fee.