

**SUPPLEMENTAL BOARD BOOK
OF
March 11, 2021**



Leo Vasquez III, Chair
Leslie Bingham, Vice-Chair
Paul Braden, Member
Sharon Thomason, Member
Ajay Thomas, Member
Brandon Batch, Member

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
GOVERNING BOARD MEETING

A G E N D A
9:00 AM
March 11, 2021

Meeting Location: In light of the March 13, 2020, disaster declaration by the Office of the Governor, and the subsequent waivers of portions of Tex. Gov't Code, Ch. 551*, this meeting of the TDHCA Governing Board will be accessible to the public via the telephone and web link information, below. In order to engage in two-way communication during the meeting, persons must first register (at no cost) to attend the webinar via the link provided. Anyone who calls into the meeting without registering online will not be able to ask questions or provide comments, but the meeting will still be audible. A recording of the meeting will be made available to the public as soon as possible following the meeting.

Governing Board Webinar registration:

<https://attendee.gotowebinar.com/register/6928266171630811404>

Dial-in number: +1 (631) 992-3221, access code 362-515-779 (persons who use the dial-in number and access code without registering online will only be able to hear the Board meeting and will not be able to ask questions or provide comments). Note, this meeting will be proceeding as a videoconference under Tex. Gov't Code §551.127, as modified by waiver.

If the GoToWebinar terminates prior to adjournment of the meeting (i.e. if the webinar session "crashes") the meeting will be recessed. A new link to the meeting will be posted immediately on the TDHCA Board meetings web page (<https://www.tdhca.state.tx.us/board/meetings.htm>) along with the time the meeting will resume. The time indicated to resume the meeting will be within six hours of the interruption of the webinar. Please note that in this contingency, the original meeting link will no longer function, and only the new link (posted on the TDHCA Board meetings web page) will work to return to the meeting.

CALL TO ORDER

ROLL CALL

CERTIFICATION OF QUORUM

Leo Vasquez, Chair

Pledge of Allegiance - I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Texas Allegiance - Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

Resolution Recognizing April as Fair Housing Month

* The list of Open Meeting laws subject to temporary suspension effective March 16, 2020, is available at: <https://www.texasattorneygeneral.gov/sites/default/files/images/admin/2020/Press/Open%20Meeting%20Laws%20Subject%20to%20Temporary%20Suspension.pdf>

CONSENT AGENDA

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Tex. Gov't Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

ASSET MANAGEMENT

- a) Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Land Use Restriction Agreement

Rosalio Banelos
Director of Asset
Management

02004	Williams Trace Apartments	Cameron
03070	Bay Ranch Apartments	Bay City
04018	Terrace Pines	College Station
05164	Ridge Pointe Apartments	Killeen

- b) Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application

19410	Eisenhower II	El Paso
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- c) Presentation, discussion, and possible action regarding a waiver of 10 TAC §11.101(b)(4)(I) for Lago de Plata (HTC #19600)
- d) Presentation, discussion, and possible action on loan modification for Mission Village of Pecos (HOME #1002030)

MULTIFAMILY FINANCE

- e) Presentation, discussion, and possible action regarding the issuance of Determination Notices for 4% Housing Tax Credits

Teresa Morales
Director of
Multifamily Bonds

21406	Midpark Towers	Dallas
21401	Cowan Place	Fort Worth
20708	Copernicus Apartments	San Antonio
20709	Watson Road	San Antonio

RULES

- f) Presentation, discussion, and possible action on an order adopting the repeal, and new 10 TAC Chapter 2 Enforcement, Subchapter A General, Subchapter C Administrative Penalties, and Subchapter D Debarment

Wendy Quackenbush
Director
of Compliance Monitoring

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

Report on Activities Related to the Department's Response to COVID-19 Pandemic

Brooke Boston
Deputy Director
of Programs

ACTION ITEMS

ITEM 3: EXECUTIVE

Executive Director's Report

Bobby Wilkinson
Executive Director, TDHCA

ITEM 4: INTERNAL AUDIT

- a) Review and possible acceptance of the State Auditor's Office audit of the TDHCA Financial Statement

State Auditor's Office

- b) Report on the meeting of the Internal Audit and Finance Committee

Sharon Thomason
Chair of the Audit and
Finance Committee

ITEM 5: DEPARTMENT OF POLICY & PUBLIC AFFAIRS

Media Analysis and Outreach Report January 2021

Michael Lyttle
Director of
External Affairs

ITEM 6: SINGLE FAMILY & HOMELESS PROGRAMS

- a) Presentation, discussion, and possible action on proposed amendments to 10 TAC Chapter 7 Subchapter C, Section 7.33, Apportionment of ESG Funds, concerning the Emergency Solutions Grants, and directing their publication for public comment in the Texas Register
- b) Presentation, discussion, and possible action on a transfer and change of final eligible use for property purchased under the Neighborhood Stabilization Program to the City of Dallas for creation and expansion of municipal parkland

Abigail Versyp
Director of Single Family &
Homeless Programs

Abigail Versyp
Director of Single Family &
Homeless Programs

ITEM 7: TEXAS HOMEOWNERSHIP

Housing Finance Activity Report

Cathy Gutierrez
Director of Texas
Homeownership
Monica Galuski
Director
of Bond Finance

ITEM 8: BOND FINANCE

- a) Presentation, discussion, and possible action on Resolution No. 21-017 authorizing the filing of one or more applications for reservation with the Texas Bond Review Board with respect to qualified mortgage bonds, authorizing state debt application, and containing other provisions relating to the subject
- b) Presentation, discussion, and possible action on Resolution No. 21-018 authorizing the issuance, sale and delivery of Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2021A and Residential Mortgage Revenue Refunding Bonds, Series 2021B (Taxable), approving the form and substance of related documents, authorizing the execution of documents and instruments necessary or convenient to carry out the purposes of this resolution, and containing other provisions relating to the subject
- c) Presentation, discussion, and possible action on Inducement Resolution No. 21-019 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Applications for Private Activity Bond Authority

Monica Galuski
Director
of Bond Finance

Teresa Morales
Director of
Multifamily Bonds

21610 Delafield Villas Dallas

- d) Presentation, discussion, and possible action regarding the Issuance of Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Pineview at Grogan’s Mill Apartments) Series 2021, Resolution No. 21-020, and a Determination Notice of Housing Tax Credits
- e) Presentation, discussion, and possible action regarding the Issuance of Multifamily Green Tax-Exempt Bonds (Green M-TEBS – Ridgewood at Panther Creek Apartments) Series 2021, Resolution No. 21-021, and a Determination Notice of Housing Tax Credits

ITEM 9: MULTIFAMILY FINANCE

- a) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits and an Award of Direct Loan Funds (#21407 Espero Austin at Rutland, Austin)

Marni Holloway
Director of
Multifamily Finance

b) Presentation, discussion, and possible action regarding the issuance of a Determination Notice for 4% Housing Tax Credits for Sandpiper Cove (#20705) in Galveston

Teresa Morales
Director of
Multifamily Bonds

ITEM 10: COMMUNITY AFFAIRS

- a) Presentation, discussion, and possible action approving actions taken by the Executive Director, and authorizing the Executive Director to take further special actions to meet the emergency needs of low-income Texans economically impacted by Winter Storm Uri using federal funds administered by the Community Affairs Division
- b) Presentation, discussion, and possible action on approval of the draft 2021 Department of Energy Weatherization Assistance Program state plan for public comment
- c) Presentation, discussion and possible action on the amendment of Community Services Block Grant CARES Act discretionary contracts from the Texas Eviction Diversion Pilot program to Community Services Block Grant CARES Act direct service activities
- d) Presentation, discussion, and possible action regarding termination of Galveston County Community Action Council, Inc.'s Low Income Home Energy Assistance Program Comprehensive Energy Assistance Program contracts and future funding; award of 24.99% of the 2020 and CARES Act Comprehensive Energy Assistance Program awards for the service area covered by Galveston County Community Action Council, Inc., to temporary provider(s); and the authorization of staff to identify a permanent provider(s), through release and subsequent award of a Request for Application or through a direct designation, to administer the Comprehensive Energy Assistance Program in Brazoria, Fort Bend, Galveston, and Wharton counties (the areas served by Galveston County Community Action Council, Inc.)
- e) Presentation, discussion, and possible action on initiation of proceedings to remove the eligible entity status of Galveston County Community Action Council, Inc. and terminate Community Services Block Grant contracts and future funding

Michael De Young
Director of
Community Affairs

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public):

Leo Vasquez
Chair

The Board may go into Executive Session Pursuant to Tex. Gov't Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;

Pursuant to Tex. Gov't Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;

Pursuant to Tex. Gov't Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code Chapter 551; including seeking legal advice in connection with a posted agenda item;

Pursuant to Tex. Gov't Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or

Pursuant to Tex. Gov't Code §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

OPEN SESSION

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on Twitter.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Nancy Dennis, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

9b

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
MARCH 11, 2021

Presentation, discussion, and possible action regarding the issuance of a Determination Notice for 4% Housing Tax Credits for Sandpiper Cove (#20705) in Galveston

RECOMMENDED ACTION

WHEREAS, an application for Sandpiper Cove, sponsored by The ITEX Group, requesting 4% Housing Tax Credits (HTC) was submitted to the Department on October 30, 2020;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on October 20, 2020, and will expire on April 18, 2021;

WHEREAS, the proposed issuer of the bonds is the Texas State Affordable Housing Corporation;

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated a Category 3 and deemed acceptable by Executive Award and Review Advisory Committee (EARAC) with conditions as noted in Exhibit B; and

WHEREAS, EARAC recommends the issuance of a Determination Notice for Sandpiper Cove;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,721,660 in 4% HTC, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department's website for Sandpiper Cove, along with compliance conditions as noted Exhibit B, is hereby approved as presented to this meeting.

BACKGROUND

General Information: The project proposes the acquisition and rehabilitation of 192 units located at 3916 Winnie Street in Galveston, Galveston County. The multifamily development was originally built in 1971, and a rehabilitation was completed after receiving an award of 9% Housing Tax Credits (#70129) on December 19, 1990. The general population will continue to be served and all of the units will be rent and income restricted at 60% of AMFI, which is consistent with the existing restrictions in the Housing Tax Credit LURA. The Section 8 HAP contract is

expected to continue for all of the units as well. The Texas State Affordable Housing Corporation is serving as the bond issuer.

The entire site is located in the 100-year floodplain. As part of the renovation, the applicant proposes to build a 2,700 linear foot flood wall around the perimeter of the development. The flood wall will be approximately one foot underground, and approximately six feet above ground with approximately two feet of wrought iron fence on top to bring the wall height to eight feet. There will be approximately eight (8) pedestrian gate openings and three (3) vehicle gate openings, which would be closed off with flood gates ahead of a severe storm. Egress ladders will be installed to allow resident evacuation out of the development once the flood wall has been sealed shut. Since the community building is at the boundary line of the property, the flood wall will terminate at each side of the building and flood gates would be installed to protect the portion of the building that is not inside the flood wall. Additional information with respect to the flood wall/gates can be found in the underwriting report attached hereto.

There are two Neighborhood Risk Factors (NRF) associated with Sandpiper Cove, relating to poverty rate and blight, and an Undesirable Site Feature. Pursuant to the rule, if staff has determined that sufficient mitigation under the rule was provided such that staff can find the site eligible despite the presence of such factors, then a separate finding by the Board of eligibility is not required. However, staff still believes the Board should be aware of these factors as it considers an award and a description of each is included herein.

Poverty: The development is located in a census tract (246.00) that has a poverty rate of 57.4%, according to the 2020 Site Demographic Characteristics Report, which exceeds the threshold of 40% allowed under 10 TAC §11.101(a)(3). The 2020 QAP allows for a resolution from the Governing Body of the appropriate municipality or county that acknowledges the high poverty rate and authorizes the development to move forward, to serve as acceptable mitigation for a poverty rate that exceeds the threshold. A resolution from the City of Galveston has been provided that meets the requirements of 10 TAC §11.101(a)(3)(D)(i).

Blight: The applicant disclosed that within 1,000 feet in proximity to Sandpiper Cove are two structures that could be considered blight. The structures, an older home and small retail building, appear to be vacant and have been boarded-up. The applicant noted that a dumpster filled with construction debris is adjacent to the subject retail building, indicating that some work has been occurring, and the home appears to have a notice from the City of Galveston posted on the front door. The applicant believes that these structures are not characteristic of the neighborhood, whose boundaries are defined as those of the census tract. Data obtained from Neighborhood Scout by the applicant indicates that the general land use in the neighborhood includes 37.8% single family homes and 59.6% multifamily, with 45.9% of the housing having been built within the last 20 years. The applicant believes that while there are a limited number of buildings that may be considered blight scattered throughout the neighborhood, the area is generally maintained and there is evidence of repair and redevelopment. To illustrate this point, the applicant identified three additional structures via Google Earth and visual inspection that could have been considered blight, but these buildings have now been demolished and removed,

repair has been completed, or repair is in process. Staff believes this risk factor is sufficiently mitigated and does not believe the two structures noted are of a nature and severity that should render the site ineligible.

Undesirable Site Feature – High Voltage Transmission Line: The development site will be located within 100 feet of an overhead high voltage transmission line, which violates 10 TAC §11.101(a)(2)(D) of the 2020 QAP. The transmission line is located along the southern boundary of the subject site. Pursuant to 10 TAC §11.101(a)(2) of the 2020 QAP, an exemption may be granted for a rehabilitation development with ongoing and existing federal assistance from HUD, USDA, or Veterans Affairs. The applicant has provided evidence that the existing property is supported by financial and rental assistance from HUD. Staff recommends the exemption be granted.

Organizational Structure: The Borrower is Galveston 3916 Winnie Street, LP, and includes the entities and principals as illustrated in Exhibit A. The applicant's portfolio is considered a Category 3 and was approved by EARAC with conditions as noted in Exhibit B.

Public Comment: The Department has received letters of support from the following: Mayes Middleton (State Representative); the U.S. Department of Housing and Urban Development (two letters); Craig Brown (Mayor Pro Tem of the City of Galveston); Brian Maxwell (City Manager of the City of Galveston); Anthony Brown (President, Board of Trustees with the Galveston Independent School District); Jeffrey Sjostrom (President, Galveston Economic Development Partnership); and Rev. Ray Pinard (Moody Methodist Church). The Department also received a petition that was represented by the applicant to have been signed by residents who support the proposed rehabilitation.

The Department received a letter of opposition from Ericka Bowman, of Texas Housers, on behalf of the Tenants Council at Sandpiper Cove in Galveston. Eleven tenants expressed a desire to stop the proposed rehabilitation of the project so that they may instead make a request to HUD for safe living conditions. The tenants state that the property is damaged beyond minimum repair and photographs of the present living conditions were provided, which reflect mold on the ceilings and floors, water damage, and insect infestation. Also received in opposition is a letter from Lone Star Legal Aid along with attachments as referenced therein.

Also worth noting is a pending law suit that was filed June 30, 2020 by the Sandpiper Residents Association against HUD. HUD is the only defendant and the relief being sought is against HUD – specifically to allow the residents to take their Housing Choice Vouchers and move elsewhere. The property or the owners are not the subject of this suit. A copy of this law suit is included herein as an exhibit referenced in the opposition letter from Lone Star Legal Aid.

All of the public comment received is included herein as Exhibit C.

EXHIBIT A

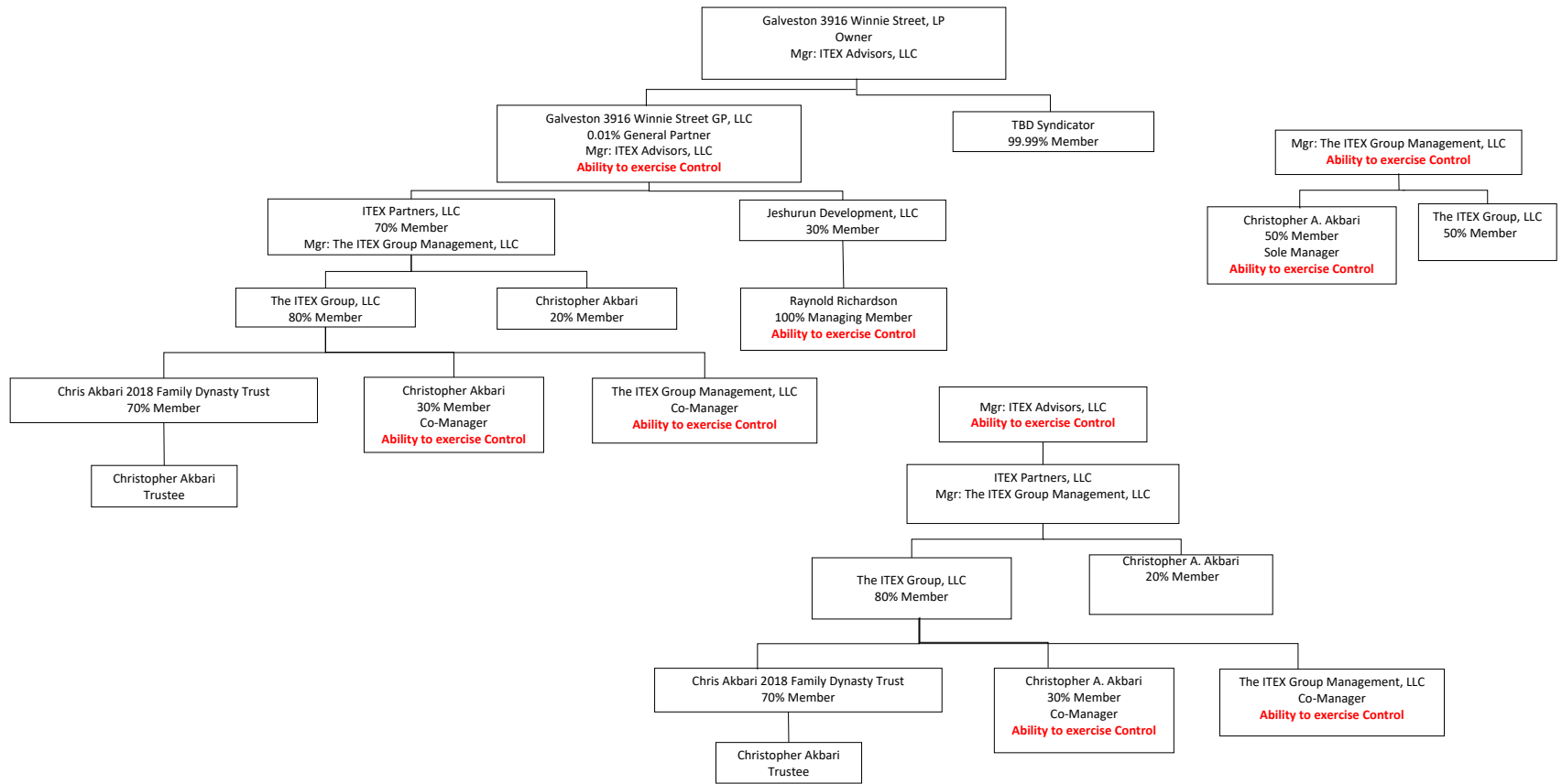


EXHIBIT B

COMPLIANCE CONDITIONS

1. ITEX agrees to replace the existing management company, consultant, or management personnel with another of its choosing, for any of their properties identified with new Events of Noncompliance on any Audits notified from March 1, 2021 through December 31, 2022.
2. ITEX will hire a third party compliance auditor to review their existing portfolio on a quarterly basis and have them provide reports and guidance to ITEX and independent reports to TDHCA upon request, through December 31, 2022.
3. ITEX will hire a Director of Compliance and Asset Management at the corporate and development level by July 1, 2021 to oversee the existing Affordable Housing Compliance Department to ensure they continue to move forward on resolving compliance issues.
4. ITEX will actively engage with TDHCA compliance staff to use better processes and best practices to reduce compliance issues through December 31, 2022.
5. Owner has designated the Senior Vice President of Property Management (until a new Director of Compliance and Asset Management is hired) to receive Compliance correspondence and provide timely responses to the Department on behalf of the proposed Development and all other Developments subject to a TDHCA LURAs over which the Owner has the power to exercise Control.
6. ITEX will require that at least on the of the following employees: VP of Operations, Compliance Director, Compliance Auditor(s), Regional Manager(s), or Site Staff annually attend the trainings listed and provide certifications to TDHCA upon request through December 31, 2022.
 - a. Housing Tax Credit Trainings sponsored by the Texas Apartment Association;
 - b. 1st Thursday Income Eligibility Training conducted by TDHCA;
 - c. Review one or more of the TDHCA Compliance Training Webinars:
 - i. 2012 Income and Rent Limits Webinar Video;
 - ii. 2012 Supportive Services Webinar Video;
 - iii. Income Eligibility Presentation Video;
 - iv. 2013 Annual Owner's Compliance Report (AOCR) Webinar Video;
 - v. Most current Tenant Selection Criteria Presentation;
 - vi. Most current Affirmative Marketing Requirements Presentation;
 - vii. Fair Housing Webinars (including but not limited to the 2017 FH Webinars)

20705 Sandpiper Cove - Application Summary

REAL ESTATE ANALYSIS DIVISION
March 4, 2021

PROPERTY IDENTIFICATION	
Application #	20705
Development	Sandpiper Cove
City / County	Galveston / Galveston
Region/Area	6 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1971)

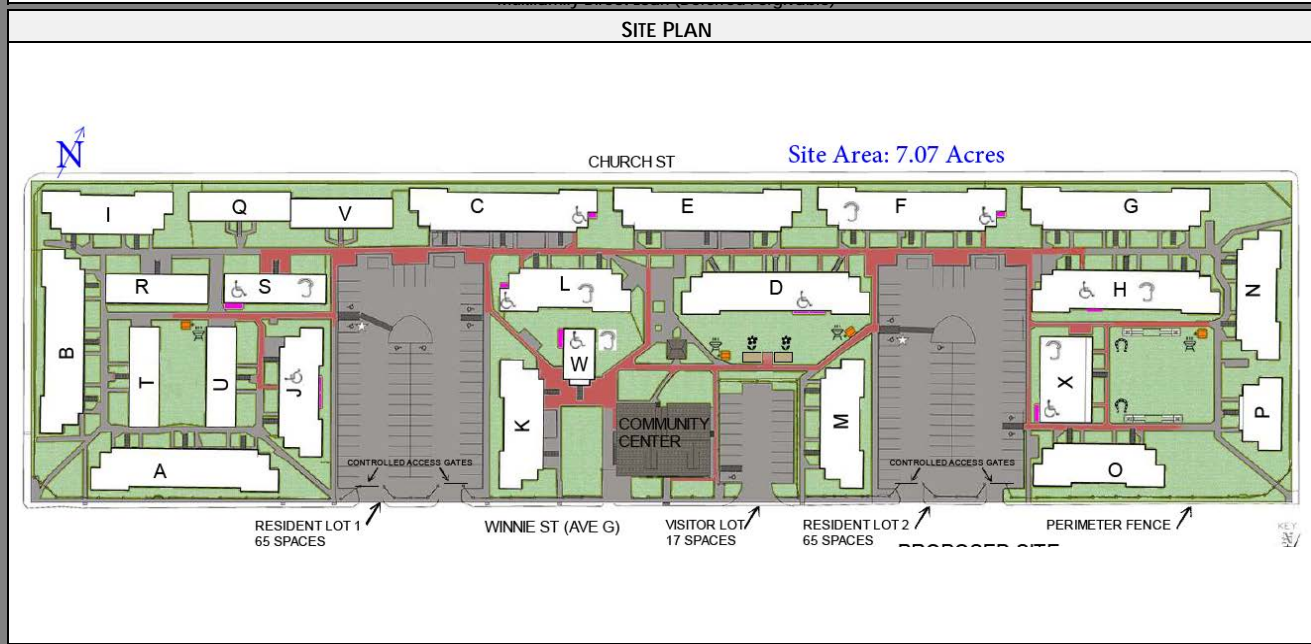
RECOMMENDATION			
TDHCA Program	Request	Recommended	
LIHTC (4% Credit)	\$1,721,660	\$1,721,660	\$8,967/Unit \$0.88

KEY PRINCIPALS / SPONSOR		
<ul style="list-style-type: none"> • Christopher Akbari / ITEX Development, LLC (70% of Fee) • Raynold Richardson / Jeshurun Development, LLC (30%) 		
Related Parties	Contractor - Yes	Seller - No



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	10	5%	40%	-	0%
2	92	48%	50%	-	0%
3	64	33%	60%	192	100%
4	24	13%	MR	-	0%
TOTAL	190	100%	TOTAL	192	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.26	Expense Ratio	48.5%
Breakeven Occ.	82.6%	Breakeven Rent	\$1,125
Average Rent	\$1,262	B/E Rent Margin	\$137
Property Taxes	\$1,122/unit	Exemption/PILOT	0%
Total Expense	\$6,908/unit	Controllable	\$3,399/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (0% Maximum)			3.0%
Highest Unit Capture Rate	N/A	N/A	N/A
Dominant Unit Cap. Rate	N/A	N/A	N/A
Premiums (↑60% Rents)	N/A		N/A
Rent Assisted Units	192	100% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten		TDHCA's Costs - Based on PCA	
Avg. Unit Size	821 SF	Density	27.2/acre
Acquisition	\$88K/unit		\$16,627K
Building Cost	\$61.66/SF	\$51K/unit	\$9,714K
Hard Cost		\$76K/unit	\$14,393K
Total Cost		\$237K/unit	\$45,102K
Developer Fee	\$5,248K	(25% Deferred)	Paid Year: 5
Contractor Fee	\$2,015K	30% Boost	Yes

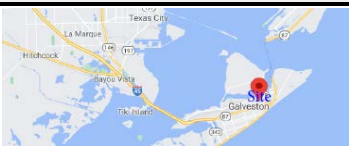
Site Work	\$15K	20%	Finishes/Fixture	\$14K	19%
Building Shell	\$22K	29%	Amenities	\$3K	4%
HVAC	\$12K	16%	Total Exterior	\$39K	58%
Appliances	\$2K	3%	Total Interior	\$29K	42%

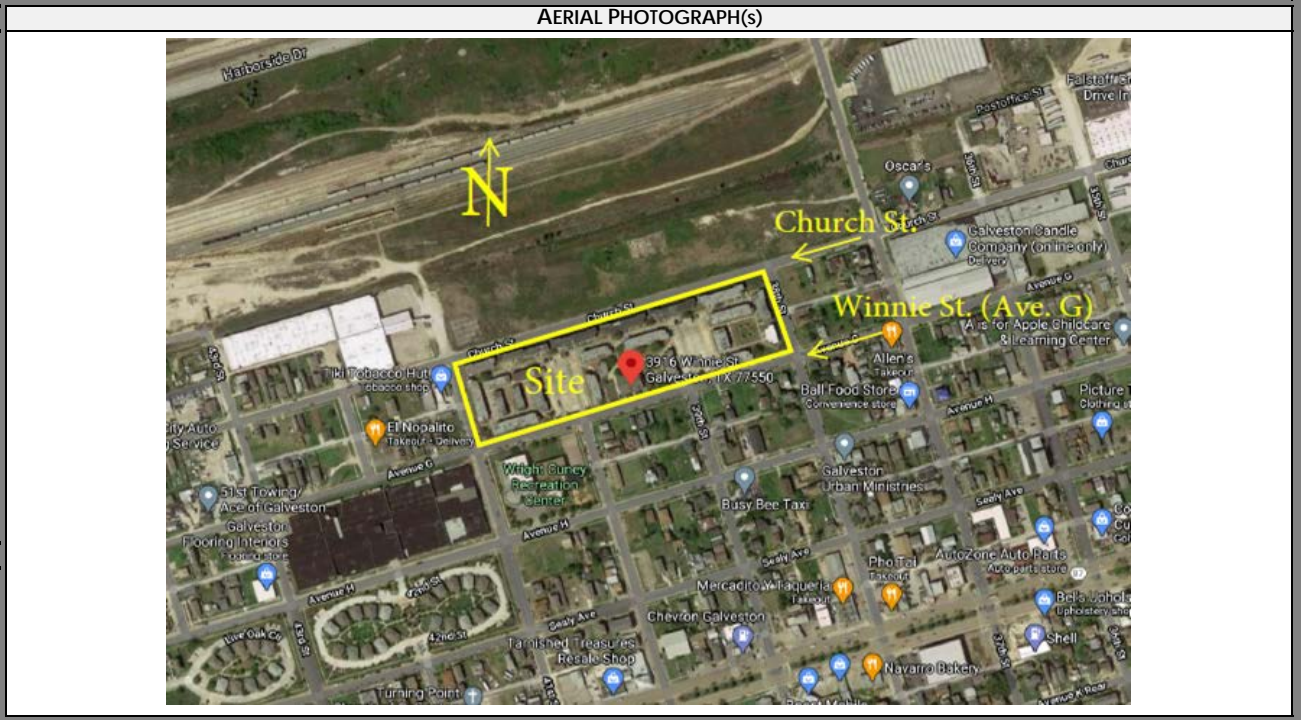
DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES		
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount	
CitiBank - Tranche A	18/35	4.03%	\$20,500,000	1.26						AHP	\$15,149,089	
										AHP - Federal Historic Equity	\$3,222,793	
										Foss - State Historic Equity	\$4,929,601	
										Galveston 3916 Winnie Street Developer, LLC	\$1,300,562	
										TOTAL EQUITY SOURCES	\$24,602,045	
										TOTAL DEBT SOURCES	\$20,500,000	
TOTAL DEBT (Must Pay)			\$20,500,000		CASH FLOW DEBT / GRANTS				\$0		TOTAL CAPITALIZATION	\$45,102,045

CONDITIONS

- 1 Receipt and acceptance before Determination Notice:
 - Certification that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.
- 2 Receipt and acceptance by Cost Certification:
 - a: Certification of comprehensive testing for asbestos ; that any appropriate abatement procedures were implemented; and that any remaining asbestos-containing materials are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.
 - b: Certification of comprehensive testing for lead-based paint; that any appropriate abatement procedures were implemented; and that any remaining lead-based paint is being managed in accordance with an acceptable Operations and Maintenance (O&M) program.
 - c: Certification of comprehensive testing for mold; that any appropriate abatement procedures were implemented by a qualified abatement company; and that Mold, Moisture & Minimization Plan has been implemented.
 - d: Certification that comprehensive soil and groundwater sampling and analysis was performed to determine the impact to the subject property from documented hazardous material releases associated with transformers located at the subject property (as specified in the ESA), and that any recommended mitigation measures were fully implemented.
 - e: If original plumbing is to remain in place, certification that testing for lead in the drinking water was performed, and that any recommended mitigation measures were fully implemented.
 - f: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
 - g: For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering both the buildings and the residents' personal property; and certification from the owner that flood insurance for the buildings and for the residents' personal property will remain in force as long as the site remains a designated floodplain.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Texas State Affordable Housing Corporation
Expiration Date	4/18/2021
Bond Amount	\$37,500,000
BRB Priority	Priority 3
Bond Structure	Private Placement
% Financed with Tax-Exempt Bonds	80.8%
RISK PROFILE	
STRENGTHS/MITIGATING FACTORS	
o	100% of units covered under project-based HAP contract at market rents
o	Gross Capture Rate of 3%
o	Existing occupied property poses no lease-up risk
o	Significant contingency
WEAKNESSES/RISKS	
o	50 year old development may have less appeal
o	Older design limitations with all units (including 3, 4 and 5 bedroom floor plans) only having one bathroom
o	Potential cost overruns if unknown rehabilitation issues are present
AREA MAP	
	





DEVELOPMENT IDENTIFICATION

TDHCA Application #: 20705 Program(s): 4% HTC

Sandpiper Cove

Address/Location: 3916 Winnie Street

City: Galveston County: Galveston Zip: 77550

Population: General Program Set-Aside: General Area: Urban

Activity: Acquisition/Rehab Building Type: Garden (Up to 4-story) Region: 6

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (4% Credit)	\$1,721,660				\$1,721,660				

CONDITIONS

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- 2 Receipt and acceptance by Cost Certification:
 - a: Certification of comprehensive testing for asbestos ; that any appropriate abatement procedures were implemented; and that any remaining asbestos-containing materials are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.
 - b: Certification of comprehensive testing for lead-based paint; that any appropriate abatement procedures were implemented; and that any remaining lead-based paint is being managed in accordance with an acceptable Operations and Maintenance (O&M) program.
 - c: Certification of comprehensive testing for mold; that any appropriate abatement procedures were implemented by a qualified abatement company; and that Mold, Moisture & Minimization Plan has been implemented.
 - d: Certification that comprehensive soil and groundwater sampling and analysis was performed to determine the impact to the subject property from documented hazardous material releases associated with transformers located at the subject property (as specified in the ESA), and that any recommended mitigation measures were fully implemented.
 - e: If original plumbing is to remain in place, certification that testing for lead in the drinking water was performed, and that any recommended mitigation measures were fully implemented.
 - f: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
 - g: For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering both the buildings and the residents' personal property; and certification from the owner that flood insurance for the buildings and for the residents' personal property will remain in force as long as the site remains a designated floodplain.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	192

PROJECT SUMMARY

Renovation of an existing 192-unit, 2- story, garden style development built in 1971. Located on the northern part of Galveston Island, subject is less than a quarter mile north of Hwy 87 where it transitions into IH 45, providing convenient access to Houston and surrounding communities.

All 192 units are covered under an existing HAP contract that will be renewed based on updated market rents concluded by a 6/19/2020 Rent Comparability Study prepared by Appraisal Unlimited, with confirmation that those rents have been found acceptable by Southwest Housing Compliance Corporation (third party administrator).

The project is also expected to receive Federal and State Historic Tax Credits based on the following criteria:

- The District is locally significant under National Register Criterion A in the area of Community Planning/Development as the first and only known example of Federal Housing Administration Section 221 (d)(3) private affordable housing in the City of Galveston dating to the mid-20th century period.
- The complex, originally called the Parkland Apartments, was developed from 1968-1970 by local developer, Galveston Central Area Incorporated (GCA), in partnership with the Eliza and Harris Kempner Foundation, a local non-profit organization.
- It was designed by Herbert Hudler Jr., a Galveston-based architect.
- Project was built to house low and moderate-income level family units, with preference given to handicapped individuals, or single persons 62 years or older, or families displaced by government actions.
- It was a private sector response to the growing need for quality affordable family housing in Galveston at a time when the City was experiencing a housing crisis and the local housing authority had ceased the construction of housing complexes.
- The period of significance extends from 1968 to 1971.

Rehab scope of work is budgeted at \$68K/unit. High occupancy will require temporary resident relocation during renovation.

RISK PROFILE

STRENGTHS/MITIGATING FACTORS	
▫	100% of units covered under project-based HAP contract at market rents
▫	Gross Capture Rate of 3%
▫	Existing occupied property poses no lease-up risk
▫	Significant contingency

WEAKNESSES/RISKS	
▫	50 year old development may have less appeal
▫	Older design limitations with all units (including 3, 4 and 5 bedroom floor plans) only having one bathroom
▫	Potential cost overruns if unknown rehabilitation issues are present
▫	

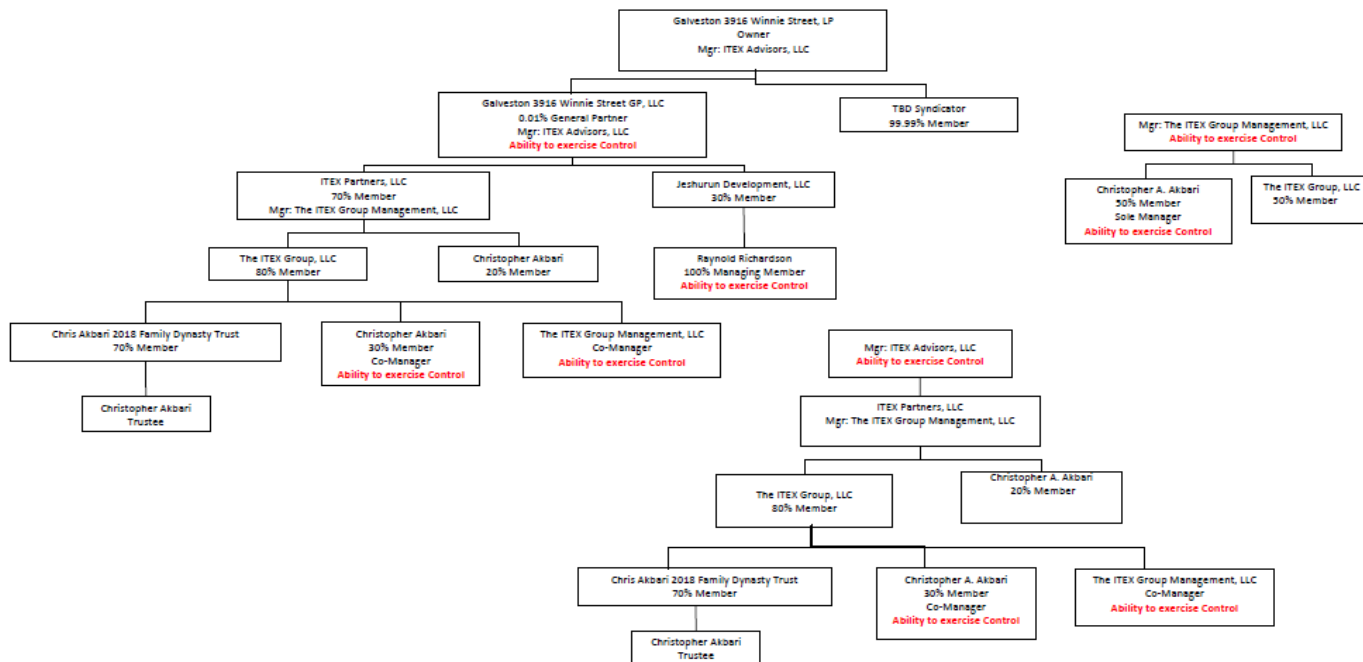
DEVELOPMENT TEAM

PRIMARY CONTACTS

Name: Miranda Sprague
 Phone: (409) 853-3681
 Relationship: Applicant/Developer

Name: Michelle Harder
 Phone: (409) 201-4462
 Relationship: Applicant/Developer

OWNERSHIP STRUCTURE

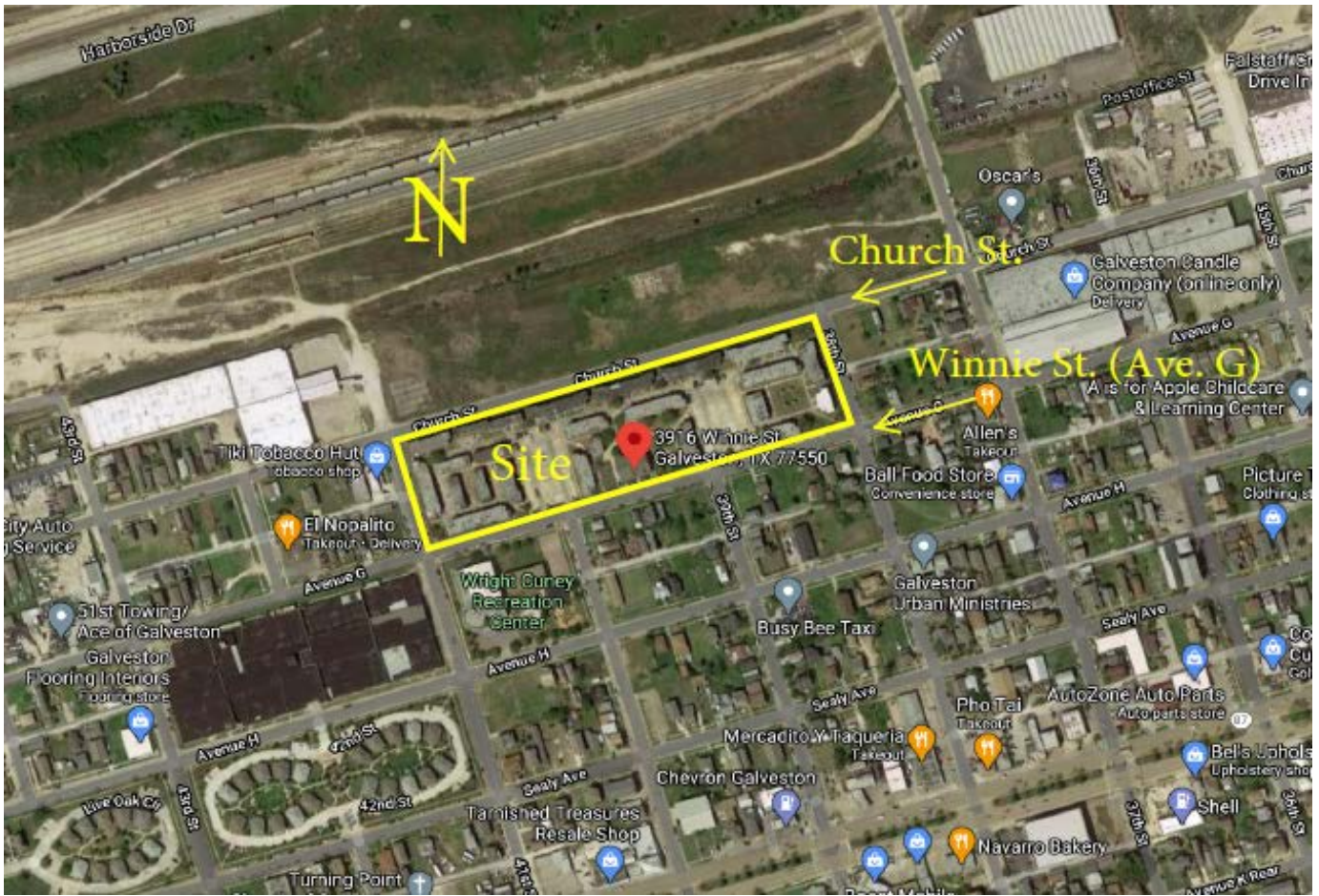


- Sponsor, Developer, General Contractor and Cost Estimator are related entities.
- ITEX has built a current portfolio of over 6,500 units encompassing over \$800M in developments located in Texas, Louisiana, Colorado and Arkansas. As part of their portfolio, they have been involved in the development of over 23 HTC properties in Texas.

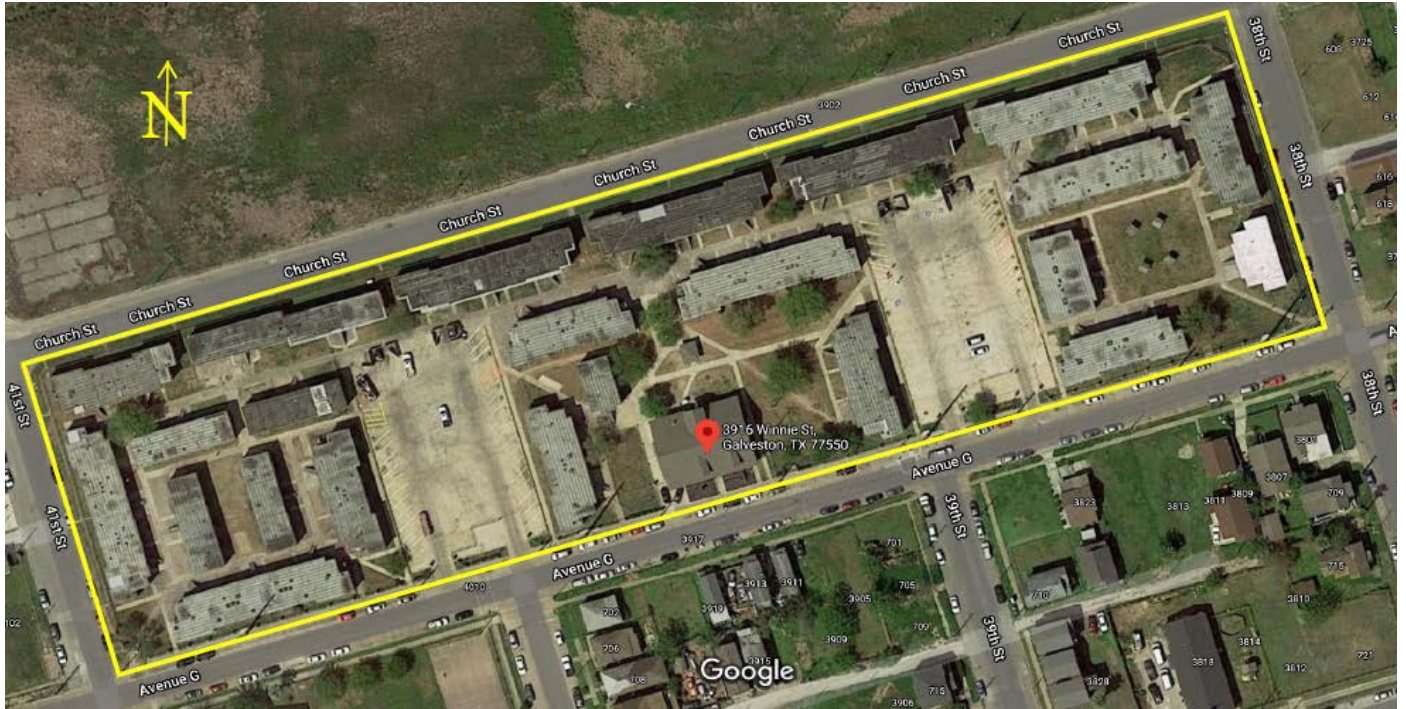
For more information, visit itexgrp.com.

DEVELOPMENT SUMMARY

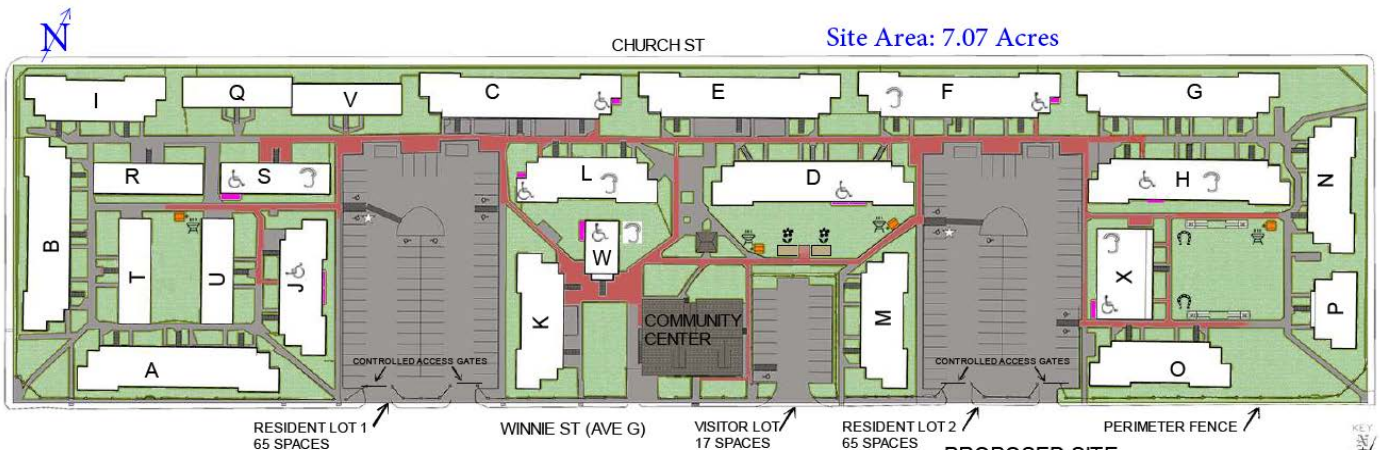
AERIAL



SITE PLAN



SITE PLAN SCHEMATIC



Comments:

Site area is relatively flat with no on-site detention. Storm water flows into on-site inlets and catch basins with underground piping connected to the municipal storm water management system. Entire site is located in the 100 year floodplain (Zone A).

There are 3 points of ingress/egress off of Winnie St. (Ave. G). The 2 resident lots have gated access while the visitor/community center lot has open access. The 3 lots provide a total of 147 open surface spaces, available at no charge to the residents. However, the parking ratio is only 0.8 spaces/unit.

BUILDING PLAN (Typical)



Comments:

Two-story, walk-up garden style buildings. Design does not have breezeways since buildings are not back loaded. Two(2), three (3) and four (4) bedroom units are all non-rectangular. Ceiling height is 8 feet typical of this era construction. Units do not have washer/dryer connections, but a laundry facility is located in the community center. All units, including those with 3, 4 and 5 bedrooms, only have one (1) bathroom.

BUILDING ELEVATION (Typical)



Comments:

Built in 1971, subject is comprised of 24 two-story garden-style buildings with a stand-alone community center. All buildings are wood-framed on reinforced concrete foundations with flat, built-up roofs. Exteriors are 85% brick veneer.

RELOCATION PLAN

Renovation is expected to take approximately 15 months. Due to existing high occupancy and the scope of work, it will be necessary to move some tenants off site. Residents will be moved off-site in Phases I and III to renovate those entire buildings on time and within budget. This will allow tenants affected in Phases II and IV to be moved directly and permanently to a newly renovated unit on-site. Residents slated to be moved off-site will be provided a survey well in advance of the start of the renovation to determine their needs, preferences and specific moving concerns regarding their temporary relocation.

It is anticipated that approximately 25% of the residents will need to be temporarily moved off-site. All temporary moves are anticipated to be for 4-6 months and all costs associated with the temporary moves will be covered by the development.

The development entity will be responsible for providing benefits to any households who may become displaced as a result of the project. However, no displacement is anticipated.

Sponsor has budgeted \$768K (\$4K/unit) to cover possible relocation expenses.

This budget assumes a pass through with respect to HAP funds for any apartment units leased for temporary off-site housing resources and a minimal additional leasing cost per tenant to cover the costs associated with off-site rental units.

UNDESIRABLE SITE FEATURE(S)

• High voltage transmission line



Comments:

Pursuant to §11.101(a)(2) of the QAP, Applicant identified the presence of a high voltage transmission line with centrifugal spun concrete support columns running along the southern boundary of the property along Winnie St. (Ave. G).

The application requests an exemption based on the subject being a rehabilitation development with ongoing HUD assistance. In conjunction, Applicant pointed out that the existing development is subject to a TDHCA land use restriction agreement and has been subject to compliance requirements for the last 31 years. The Applicant went on to state that they are "... unaware of any time during this period that the presence of these power lines caused any kind of health or safety hazard for the tenants of Sandpiper Cove or was otherwise identified as a problem by TDHCA compliance staff for any reason."

• 100% of site in Flood Zone A

Comments:

As part of the renovation, Applicant is going to build a 2,700 linear foot flood wall around the perimeter of the development. The flood wall will be approximately one foot underground, and approximately six feet above ground with approximately two feet of wrought iron fence on top to bring the wall height to eight feet. There will be approximately eight (8) pedestrian gate openings and three (3) vehicle gate openings, which would be closed off with flood gates ahead of a severe storm. Egress ladders will be installed to allow for resident evacuation out of the development once the flood wall has been sealed shut. Since the community building is at the boundary line of the property, the flood wall will terminate at each side of the building and flood gates would be installed to protect the portion of the building that is not inside the flood wall.

In addition to the perimeter flood wall and gates, there will be shut offs to the existing on-site storm drains and manhole covers will be placed over the drains ahead of severe storms to ensure no back flow will occur. To prevent flooding on the property during excessive rain, there will be approximately eight sump pumps with emergency generators to run them, allowing water to be relocated outside of the flood wall. Furthermore, an extensive and thorough Severe Storm Plan will be implemented and provided to existing and new residents, and also provided to residents ahead of expected severe storms that would result putting the plan into action.

Since the development is receiving Historic credits, Applicant must receive Texas Historic Commission and National Park Service approval in order to implement the flood wall and its components . The amendment request to both entities will be filed to confirm approval.

Pursuant §11.101(a)(1) of the QAP, rehabilitation developments with existing and ongoing federal funding assistance from HUD or USDA are exempt from the requirements imposed on new construction or reconstruction projects.

Since the site is in a flood zone, §11.302(g)(2)(B) requires that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.

BUILDING CONFIGURATION

Building Type	1	1.1	1.2	1.3	2	2.1	2.2	3	4	4.1	5.1	6.1	Total Buildings
Floors/Stories	2	2	2	2	2	2	2	2	2	2	2	2	
Number of Bldgs	4	2	1	1	5	1	1	1	5	1	1	1	24
Units per Bldg	12	12	12	12	8	8	8	4	4	4	2	10	
Total Units	48	24	12	12	40	8	8	4	20	4	2	10	192
Avg. Unit Size (SF)	821 sf		Total NRA (SF)				157,552		Common Area (SF)*			2,840	

*Common Area Square Footage as specified on Architect Certification

SITE CONTROL INFO

Site Acreage: Development Site: 7.07 acres Density: 27.2 units/acre
Site Control: 7.066 **Site Plan:** 7.066 **Appraisal:** 7.066 **ESA:** 7.066

Control Type: Purchase and Sale Agreement Contract Expiration: 4/16/2021

Development Site: 7.07 acres Cost: \$16,627,000 \$86,599 per unit

Seller: Compass Pointe Apartments Texas, LLC

Buyer: ITEX Acquisitions, LLC

Assignee: Galveston 3916 Winnie Street GP, LLC

Related-Party Seller/Identity of Interest: No

Comments:

The original purchase price was \$16,350,000. However, in the Third Amendment to the Purchase and Sale Agreement, the price was increased by \$277,000 to \$16,627,000. The Third Amendment also extended the contract expiration date from 12/31/20 to 4/16/21.

Seller likely increased the price due to the delay in closing as well as the pending increase in HAP rents that makes the property more valuable.

APPRAISED VALUE

Appraiser: Valbridge Property Advisors Date: 8/21/2020

Land as Vacant: 7.07 acres	<u>\$1,920,000</u>	Per Unit:	<u>\$10,000</u>
Existing Buildings: (as-is)	<u>\$14,360,000</u>	Per Unit:	<u>\$74,792</u>
Total Development: (as-is)	<u>\$16,280,000</u>	Per Unit:	<u>\$84,792</u>

Comments:

Land value was derived using the sales comparison approach. Five (5) comparable land sales were used in the analysis ranging from 0.12 acres to 4.90 acres. Three (3) of the properties were single-family residential lots and two (2) were industrial tracts. Adjustments were made for elapsed time from date of sale, location, size and floodplain designation. At \$10K/unit, concluded land value is higher than new construction developments recently underwritten (\$7.5K to \$8.5K/unit). If more of a downward adjustment was made for subject land's higher acreage while keeping total value constant, allocation to the buildings would increase. This would increase eligible basis and the tax credit award. There would be no impact to the bonds.

Appraised value was derived using the income capitalization approach. Appraiser determined a 6.00% market capitalization rate based on analysis of improved sales, the market, historic low interest rates and the subject, as well as the consideration of any additional risk or benefit from the affordable restrictions. Ten (10) comparable properties were used in the analysis. Three (3) out of the ten (10) comparable sales were restricted properties. Nine (9) of the comparable properties were built from 1970 to 1981 and one (1) was built in 1940. Size ranged from 73 to 240 units.

The appraised value is based on the proposed increased HAP rents, which have been conditionally approved and will take effect at Closing.

SITE INFORMATION

Flood Zone:	<u>A</u>	Scattered Site?	<u>No</u>
Zoning:	<u>Urban Neighborhood (UN)</u>	Within 100-yr floodplain?	<u>Yes</u>
Re-Zoning Required?	<u>No</u>	Utilities at Site?	<u>Yes</u>
Year Constructed:	<u>1971</u>	Title Issues?	<u>No</u>

Current Uses of Subject Site:

192 unit general family development.

Surrounding Uses:

Subject is in a mixed-use area with vacant land and railroad tracks to the north, Wright Cuney Recreation Center and single-family residences to the south, single-family residences and a cotton compress industrial building to the east, and single-family residences between vacant industrial buildings to the west.

Other Observations:

Subject development is in the 100-year Floodplain and was built with slab-on grade. Surrounding single-family residences were built with elevated pier and beam to mitigate flood potential.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/6/2020

Recognized Environmental Conditions (RECs) and Other Concerns:

- Indication of potential impact to the subject property as a result of past documented hazardous substance release(s) from former transformers located at the subject property that may have contained PCBs.
- Asbestos containing materials.
- Lead-based paint.
- Recommended testing for lead in drinking water if original plumbing is to remain in place.
- Projected Day/Night Noise Level (DNL) of 72.4 decibels (dB) exceeds HUD threshold of 65 dB.

Comments:

Phase Engineering, Inc. stated that: "...additional appropriate investigation is necessary to detect the presence or likely presence of hazardous materials and/or petroleum products at the subject property under conditions that indicate an existing release or a material threat of a release. Further investigation including soil and groundwater sampling and analysis would be necessary to determine likely impact to the subject property from documented hazardous material releases associated with transformers located at the subject property."

Since the development was built in 1971, there is a likelihood that asbestos containing materials and lead-based paint were used in construction. Report states that a separate asbestos inspection as well as a separate lead-based paint inspection were being conducted. Applicant has budgeted \$250K for asbestos abatement and \$331K for lead-based paint abatement.

Since the on-site buildings were constructed prior to 1986, testing for lead in the drinking water is recommended if any of the existing plumbing systems are planned for use in future development of the subject property.

High DNL likely a result of proximity to Galveston Railway North and South located within 3,000 feet of subject property.

A natural gas gathering pipeline operated by Wagner Oil Company traverses the northwest adjoining property along with a sidetrack surface well and a plugged gas well. Also, a directional/ transmission line is indicated traversing the subject property. However, these pipelines and wells do not pose any hazard concerns.

MARKET ANALYSIS

Provider: Valbridge Date: 8/4/2020

Market Analyst calculates a Gross Capture Rate of 3%, which is below the 10% maximum. Underwriter reviewed the market study for compliance. Capture rate limits do not apply to existing affordable housing that is at least 50% occupied and that provides a leasing preference to existing tenants. The Subject property is covered by a Housing Assistance Program contract, meaning that all households below the maximum income level are eligible. Subject is currently 90% occupied.

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)

NOI:	\$1,406,357	Avg. Rent:	\$1,262	Expense Ratio:	48.5%
Debt Service:	\$1,114,157	B/E Rent:	\$1,125	Controllable Expenses:	\$3,399
Net Cash Flow:	\$292,200	UW Occupancy:	92.5%	Property Taxes/Unit:	\$1,122
Aggregate DCR:	1.26	B/E Occupancy:	82.6%	Program Rent Year:	2020

All of the units are covered by a HAP contract. Applicant is seeking approval from HUD to terminate the existing contract and renew under a 20 year Mark-Up-To-Market contract.

Applicant's Pro Forma rents are based on a 6/16/20 Rent Comparability Study (RCS) performed by Appraisals Unlimited. Furthermore, concluded RCS rents were found to be acceptable by third party administrator Southwest Housing Compliance Corporation (SHCC) as stated in their 8/11/20 letter submitted by Applicant.

Sponsor's Pro Forma reflects the anticipated increase in HAP rents outlined as follows:

Unit Type	Current Net HAP Rent	Anticipated Net HAP Rent	Increase	Variance
1BR/1BA	\$736	\$915	\$179	24%
2BR/1BA	\$995	\$1,120	\$125	13%
3BR/1BA	\$1,243	\$1,390	\$147	12%
4BR/1BA	\$1,312	\$1,575	\$263	20%
5BR/1BA	\$1,397	\$1,970	\$573	41%

Average Pro Forma rent based on the RCS is \$108 higher than if the rents were only restricted by 60% AMI tax credit rents.

Average RCS rents are also \$108 higher than average rents concluded by Applicant's Market Study dated 8/04/20. If those rents were used in the Pro Forma, DCR would drop to 1.07, indicating that the project would be infeasible. However, HUD has typically approved conforming RCS concluded rents and these rents have also been found acceptable by SHCC as stated above.

If the HAP contract was canceled and the development no longer had project-based rental assistance, the underwriting analysis would have to be re-evaluated for feasibility and adjustment to the credit allocation could be warranted.

Applicant provided a staffing plan budget of \$1,088/unit that is consistent with other properties we have underwritten so TDHCA's underwriting also used their estimate for payroll & payroll tax expense. Otherwise, TDHCA's analysis relied heavily on historical operating expenses reported at the subject property.

Landlord paid water, sewer & trash expense was based on historical operations and is significantly higher than area comparables (\$963/unit vs. \$708/unit). However, the renovation scope includes water saving fixtures, a new irrigation system and a tenant water metering system which should reduce water expense.

Insurance expense is also significantly higher than area comparables (\$1.21/sf vs. \$0.86/sf) but includes flood coverage since subject is in the 100 year floodplain.

The Texas State Affordable Housing Corporation (TSAHC) is the Bond Issuer and has an annual Issuer Administration Fee of 10 basis points. Applicant budgeted \$22,500 as an operating expense based on 0.10% of the initial \$22,500,000 in bonds expected to be issued on this deal. However, TDHCA has reclassified the 10 basis point fee to be a component of annual debt service.

Applicant also included TSAHC's annual Asset Oversight and Compliance Fee of \$8,640 (\$45/unit) as an annual operating expense, TDHCA considers that fee a partnership expense and therefore removed it from operating expenses.

Applicant's underwritten NOI is within 2.1% of TDHCA's estimate. Controllable expenses are comparable.

Lower than typical expense ratio is primarily facilitated by high RCS rents.

As presented, average rent with 1 month concession is \$32 above break-even, but concessions should be unnecessary since all units are covered under HAP contract.

Breakeven occupancy occurs with 33 units vacant (underwritten at 14).

Pro Forma exhibits feasibility for over 35 years with a permanent loan rate of 4.03% fixed. Rate could increase by 71 basis points (to 4.74%) before first year DCR would drop below the minimum 1.15 threshold.

As underwritten, long-term Pro Forma exhibits a 15 year residual cash flow of \$4.8M after repayment of deferred developer fee.

Related-Party Property Management Company: TBD

Revisions to Rent Schedule:	0
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Revisions to Annual Operating Expenses:	2
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DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on SCR)					
Acquisition	\$271,720/ac	\$86,599/unit	\$16,627,000	Contractor Fee	\$2,014,959
Off-site + Site Work		\$17,552/unit	\$3,369,912	Soft Cost + Financing	\$5,343,276
Building Cost	\$61.66/sf	\$50,595/unit	\$9,714,252	Developer Fee	\$5,248,230
Contingency	10.00%	\$6,815/unit	\$1,308,416	Reserves	\$1,476,000
Total Development Cost		\$234,906/unit	\$45,102,045	Rehabilitation Cost	\$68,095/unit
Qualified for 30% Basis Boost?		Located in QCT with < 20% HTC units/HH			

Acquisition:

Original Purchase and Sale Agreement (PSA) had a purchase price of \$16,350,000. The contract has been amended 3 times. The 1st Amendment recognizes the assignment from ITEX Acquisitions, LLC to Galveston 3916 Winnie Street GP, LLC, while the 2nd Amendment extended closing to 12/31/20. Finally, the 3rd Amendment increased the purchase price by \$277,000 to \$16,627,000 and extended closing to 4/16/21.

Off-site:

Certified \$10K (\$52/unit) comprised of \$2.5K for removal/replacement of concrete on top of curb over existing storm drain inlet and \$7.5K for connecting a 24" storm sewer line to that inlet.

Site Work:

Certified Site Work cost of \$2.8M (\$14.7K/unit) is comprised of \$16K for fine grading (walks & asphalt preparation), \$330K for concrete (repair & replacement including ADA accessibility routes), \$128K for paving (parking lot & driveway repairs), \$1.36M for on-site utilities and electrical (replace telecom utility lines, repair/unblock sewer lines, new cold water supply lines and new main electrical distribution panel & wiring), \$40K for bumper stops, striping & signs, and \$948K for construction of a flood wall around the perimeter of the property.

Budgeted amenity cost of \$540K (\$2.8K/unit) is comprised of \$260K for landscaping, \$130K for playground equipment upgrades, \$31K for fencing repairs and \$119K for concrete trash enclosures, BBQ grills & picnic tables, mail kiosk refurbishment and new gazebo.

Building Cost:

Pursuant to §11.302(e) of the QAP, TDHCA's underwritten costs are based on the estimates provided in the Scope and Cost Review (SCR) for the proposed renovation scope of work.

Applicant's budgeted costs are also consistent with costs determined by the SCR provider.

Renovation must comply with Federal and State Historic guidelines. The following is an excerpt from the Historic Preservation Certification Application:

"The rehabilitation of this property as described in the Historic Certification Application will meet the Secretary of the Interior's Standards for Rehabilitation provided that the following condition(s) is/are met:

1. Community Center Floorplan: Details and evidence about past alterations to the floor plan in the community center are needed to understand the impact of proposed revisions included in this application. Any walls that are original to the building should be kept in place and minimally impacted by alterations.
2. Community Center Windows: The proposed window at the front elevation is inappropriate at such a prominent location. There are presently alternate locations of windows that appear to be boarded up that may be used for getting light into the community center.
3. Additions: The exterior cladding materials and detailing of the ADA additions should be very similar to (if not match) the historic buildings. The historic buildings are simplistic, symmetrical, and experienced from all directions. By detailing the additions to be similar to the existing buildings - with subtle variation - the visual impact of these small additions will be minimized. Cladding details as well as final floor plans of the ADA addition revisions must be submitted for review and approval."

REHABILITATION COSTS / UNIT / % HARD COST							
Site Work	\$2,830,087	\$14,740/unit	20%	Finishes/Fixtures	\$2,758,459	\$14,367/unit	19%
Building Shell	\$4,162,030	\$21,677/unit	29%	HVAC	\$2,347,572	\$12,227/unit	16%
Amenities	\$539,825	\$2,812/unit	4%	Appliances	\$446,191	\$2,324/unit	3%
Total Exterior	\$7,531,942	\$39,229/unit	58%	Total Interior	\$5,552,222	\$28,918/unit	42%

SCOPE & COST REVIEW

Provider: _____ Phase Engineering, Inc. _____ Date: _____ 11/2/2020 _____

Site and Exterior renovations will include:

Off-Site Work

- Connect 24" storm sewer line to existing storm drain inlet
- Remove/replace concrete on top of curb over the inlet

Site & Amenity Improvements

- Sidewalk repair/replacement (including ADA accessibility routes)
- Parking lot & driveway repair
- Bumper stops, striping & signs
- New monument sign
- Replace telecom utility lines
- Repair/unblock sewer lines
- New cold water supply lines
- New main electrical distribution panel & wiring
- New floodwall around development perimeter
- Landscaping & new irrigation system
- Playground improvements
- Fencing repair/replacement
- New BBQ grills & picnic tables
- New concrete trash enclosures
- Mail Kiosk refurbishment
- New gazebo

Community Building & Laundry Facility Renovation

- Interior/exterior painting
- New HVAC
- New hot water heating
- Replace plumbing
- New flooring
- Doors/windows

Building Envelope

- Brick pointing & minor repairs
- Siding & soffit repairs
- New exterior doors & hardware
- Lead-based paint abatement
- Exterior painting (all buildings)
- Repair metal stairs
- Roofing replacement (all buildings)
- Replace gutters, downspouts and splash blocks
- Install security system & cameras
- Install emergency lighting

Interior renovations will include:

All units

- Asbestos abatement
- General drywall repairs
- Interior painting
- New interior doors & hardware
- New cabinets & countertops
- New appliances
- New flooring
- New ceramic tub surrounds
- New sinks, tubs, toilets, faucets and fixtures
- New hot and cold water plumbing pipes
- New bathroom exhaust fans
- New window coverings
- New HVAC air handlers & condenser units
- New thermostats
- Install water meters
- New water heaters
- New smoke/CO detectors
- New fire extinguishers
- Fire alarm system
- Fire suppression system
- Termite & pest control
- Convert/update selected units to current ADA standards
- Convert selected units to vision and hearing impaired units

Contingency:

Full 10% contingency is budgeted.

Soft Costs:

As expected on a rehab, A&E costs are lower than typical at \$1.4K/unit, as are total soft costs at \$10.8K/unit (only 4.59% of total development cost).

Reserves:

Sponsor's total capital reserves represent approximately 7 months of operating expenses and debt service. No reserves are being transferred with the acquisition of the property.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
\$45,102,045	\$40,223,781	\$1,721,660

Related-Party Contractor: Yes

Related-Party Cost Estimator: Yes

Revisions to Development Cost Schedule:	3
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UNDERWRITTEN CAPITALIZATION

BOND RESERVATION

Issuer	Amount	Reservation Date	Priority
Texas State Affordable Housing Corporation	\$37,500,000	10/20/2020	Priority 3
Closing Deadline		Bond Structure	
4/18/2021		Private Placement	

Percent of Cost Financed by Tax-Exempt Bonds	80.8%
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Comments:

The tax exempt bonds are projected to finance approximately 81% of the aggregate basis of the development, which significantly exceeds the minimum 50% requirement to qualify for 4% tax credits under IRC§142.

TSAHC will charge an annual Asset Oversight and Compliance Fee of \$8.6K (\$45/unit).

Bonds will be privately placed.

INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
CitiBank - Tranche A	Tax Ex Bonds-Other Issuer	\$22,500,000	4.03%	50%
CitiBank - Tranche B	Tax Ex Bonds-Other Issuer	\$8,000,000	2.95%	18%
CitiBank - Taxable Tranche C	Conventional Loan	\$5,600,000	3.50%	13%
AHP	HTC	\$3,029,818	\$0.88	7%
Galveston 3916 Winnie Street Developer, LLC	Deferred Developer Fee	\$5,488,342	0.00%	12%
		\$44,618,160	Total Sources	

Comments:

The higher interim construction financing bridges the capitalization prior to when the remaining HTC equity, Federal Historic Equity and State Historic Equity are funded.

PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
CitiBank - Tranche A	\$20,500,000	4.03%	35	18	\$20,500,000	4.03%	35	18	45%
Total	\$20,500,000				\$20,500,000				

Comments:

Interim construction financing gets reduced by \$15.6M before conversion through equity contributions.

TSAHC will charge a 10 basis point annual Bond Administration Fee.

Equity & Deferred Fees	PROPOSED			UNDERWRITTEN			
	Amount	Rate	% Def	Amount	Rate	% TC	% Def
AHP	\$15,149,089	\$0.88		\$15,149,089	\$0.88	34%	
AHP - Federal Historic Equity	\$3,222,793			\$3,222,793		7%	
Foss - State Historic Equity	\$4,929,601			\$4,929,601		11%	
Galveston 3916 Winnie Street Developer, LLC	\$1,300,561		24.78%	\$1,300,562		2.88%	24.78%
Total	\$24,602,045			\$24,602,045			
				\$45,102,045	Total Sources		

Comments:

Project qualifies for Federal and State Historic Tax Credits. Applicant has received the requisite Part 1 and 2 approvals for the proposed building renovations. Part 1 and 2 approvals for the addition of the perimeter flood wall are pending. The final Part 3 approval remains, but cannot be granted until after all project renovations are completed.

The Federal Historic Equity proceeds of \$3,222,793 have been excluded from eligible basis.

Credit Price Sensitivity based on current capital structure	
\$0.955	Maximum Credit Price before the Development is oversourced and allocation is limited
\$0.651	Minimum Credit Price below which the Development would be characterized as infeasible

Revisions to Sources Schedule: 3

CONCLUSIONS

Recommended Financing Structure:

Gap Analysis:	
Total Development Cost	\$45,102,045
Permanent Sources (debt + non-HTC equity)	\$28,652,394
Gap in Permanent Financing	\$16,449,651

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	\$15,149,089	\$1,721,660
Needed to Balance Sources & Uses	\$16,449,651	\$1,869,466
Requested by Applicant	\$15,149,089	\$1,721,660

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
Tax Credit Allocation	\$15,149,089	\$1,721,660

Deferred Developer Fee	\$1,300,562	(24.78% deferred)
Repayable in	5 year	

Comments:

Credit allocation is limited to \$1,721,660 as requested by Applicant.

Applicant's original credit request was calculated using an applicable percentage of 3.23% under the 2020 guidelines. The application schedules have since been revised pursuant to the Consolidated Appropriations Act for 2021, under Section 42(b)(3), whereby the applicable percentage for LIHTC allocations made after Dec. 31, 2020, shall not be less than 4%.

Underwriter:	<u>Gregg Kazak</u>
Manager of Real Estate Analysis:	<u>Thomas Cavanagh</u>
Director of Real Estate Analysis:	<u>Brent Stewart</u>

UNIT MIX/RENT SCHEDULE
Sandpiper Cove, Galveston, 4% HTC #20705

LOCATION DATA	
CITY:	Galveston
COUNTY:	Galveston
Area Median Income	\$78,800
PROGRAM REGION:	6
PROGRAM RENT YEAR:	2020

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	10	5.2%	10	0
2	92	47.9%	92	0
3	64	33.3%	64	0
4	24	12.5%	24	0
5	2	1.0%	2	0
TOTAL				
	192	100.0%	192	-

60%	Average Income	
Income	# Units	% Total
20%	-	0.0%
30%	-	0.0%
40%	-	0.0%
50%	-	0.0%
60%	192	100.0%
70%	-	0.0%
80%	-	0.0%
MR	-	0.0%
TOTAL	192	100.0%

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	4.00%
Average Unit Size	821 sf

UNIT MIX / MONTHLY RENT SCHEDULE																						
HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS			
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mkt Analyst		
TC 60%	\$887	Section 8	\$999	9	1	1.0	576	\$999	\$84	\$915	\$0	\$1.59	\$915	\$8,235	\$8,235	\$915	\$1.59	\$0	\$700	\$1.22	\$700	
TC 60%	\$887	Section 8	\$999	1	1	1.0	675	\$999	\$84	\$915	\$0	\$1.36	\$915	\$915	\$915	\$915	\$1.36	\$0	\$700	\$1.04	\$700	
TC 60%	\$1,065	Section 8	\$1,242	87	2	1.0	720	\$1,242	\$122	\$1,120	\$0	\$1.56	\$1,120	\$97,440	\$97,440	\$1,120	\$1.56	\$0	\$1,030	\$1.43	\$1,030	
TC 60%	\$1,065	Section 8	\$1,242	5	2	1.0	742	\$1,242	\$122	\$1,120	\$0	\$1.51	\$1,120	\$5,600	\$5,600	\$1,120	\$1.51	\$0	\$1,030	\$1.39	\$1,030	
TC 60%	\$1,230	Section 8	\$1,510	61	3	1.0	904	\$1,510	\$120	\$1,390	\$0	\$1.54	\$1,390	\$84,790	\$84,790	\$1,390	\$1.54	\$0	\$1,260	\$1.39	\$1,260	
TC 60%	\$1,230	Section 8	\$1,510	3	3	1.0	943	\$1,510	\$120	\$1,390	\$0	\$1.47	\$1,390	\$4,170	\$4,170	\$1,390	\$1.47	\$0	\$1,260	\$1.34	\$1,260	
TC 60%	\$1,372	Section 8	\$1,745	23	4	1.0	1,038	\$1,745	\$170	\$1,575	\$0	\$1.52	\$1,575	\$36,225	\$36,225	\$1,575	\$1.52	\$0	\$1,485	\$1.43	\$1,485	
TC 60%	\$1,372	Section 8	\$1,745	1	4	1.0	1,140	\$1,745	\$170	\$1,575	\$0	\$1.38	\$1,575	\$1,575	\$1,575	\$1,575	\$1.38	\$0	\$1,485	\$1.30	\$1,485	
TC 60%	\$1,514	Section 8	\$1,791	1	5	1.0	1,129	\$1,791	\$91	\$1,700	\$0	\$1.51	\$1,700	\$1,700	\$1,700	\$1,700	\$1.51	\$0	\$1,790	\$1.59	\$1,790	
TC 60%	\$1,514	Section 8	\$1,791	1	5	1.0	1,227	\$1,791	\$91	\$1,700	\$0	\$1.39	\$1,700	\$1,700	\$1,700	\$1,700	\$1.39	\$0	\$1,790	\$1.46	\$1,790	
TOTALS/AVERAGES:				192			157,552				\$0	\$1.54	\$1,262	\$242,350	\$242,350	\$1,262	\$1.54	\$0	\$1,154	\$1.41	\$1,154	

ANNUAL POTENTIAL GROSS RENT:	\$2,908,200	\$2,908,200
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Avg. 60% HTC Rent

STABILIZED PRO FORMA

Sandpiper Cove, Galveston, 4% HTC #20705

STABILIZED FIRST YEAR PRO FORMA														
	COMPARABLES			Rolling 12 Mos. 8/31/19 to 8/31/20	APPLICANT				TDHCA				VARIANCE	
	Database	Expense Comps			% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT						\$1.54	\$1,262	\$2,908,200	\$2,908,200	\$1,262	\$1.54		0.0%	\$0
Laundry, Vending, Pet Fees, Late Fees							\$20.00	\$46,080						
Total Secondary Income							\$20.00	\$46,080	\$46,080	\$20.00			0.0%	\$0
POTENTIAL GROSS INCOME								\$2,954,280	\$2,954,280				0.0%	\$0
Vacancy & Collection Loss							7.5% PGI	(221,571)	(221,571)	7.5% PGI			0.0%	-
Rental Concessions								-	-				0.0%	-
EFFECTIVE GROSS INCOME								\$2,732,709	\$2,732,709				0.0%	\$0

General & Administrative	\$79,019	\$412/Unit	\$63,412	\$330/Unit	\$98,427	\$513/Unit	2.32%	\$0.40	\$330	\$63,429	\$63,412	\$330	\$0.40	2.32%	0.0%	17
Management	\$78,672	5.1% EGI	\$75,498	2.8% EGI	\$61,648	2.3% EGI	5.00%	\$0.87	\$712	\$136,635	\$136,635	\$712	\$0.87	5.00%	0.0%	-
Payroll & Payroll Tax	\$259,961	\$1,354/Unit	\$248,161	\$1,293/Unit	\$143,108	\$745/Unit	7.65%	\$1.33	\$1,088	\$208,940	\$208,940	\$1,088	\$1.33	7.65%	0.0%	-
Repairs & Maintenance	\$141,707	\$738/Unit	\$165,566	\$862/Unit	\$184,326	\$960/Unit	5.13%	\$0.89	\$729	\$140,061	\$124,800	\$650	\$0.79	4.57%	12.2%	15,261
Electric/Gas	\$41,031	\$214/Unit	\$35,188	\$183/Unit	\$54,262	\$283/Unit	1.99%	\$0.34	\$283	\$54,262	\$54,262	\$283	\$0.34	1.99%	0.0%	-
Water, Sewer, & Trash	\$120,521	\$628/Unit	\$134,996	\$703/Unit	\$185,847	\$968/Unit	6.80%	\$1.18	\$968	\$185,849	\$185,847	\$968	\$1.18	6.80%	0.0%	2
Property Insurance	\$76,584	\$0.49 /sf	\$135,363	\$0.86 /sf	\$191,094	\$1.21 /sf	6.99%	\$1.21	\$995	\$191,094	\$191,094	\$995	\$1.21	6.99%	0.0%	-
Property Tax (@ 100%) 2.261973	\$146,787	\$765/Unit	\$81,936	\$427/Unit	\$65,760	\$343/Unit	7.89%	\$1.37	\$1,122	\$215,514	\$259,655	\$1,352	\$1.65	9.50%	-17.0%	(44,141)
Reserve for Replacements							2.11%	\$0.37	\$300	\$57,600	\$57,600	\$300	\$0.37	2.11%	0.0%	-
Cable TV							0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
Supportive Services							0.18%	\$0.03	\$26	\$5,000	\$5,000	\$26	\$0.03	0.18%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)							0.28%	\$0.05	\$40	\$7,680	\$7,680	\$40	\$0.05	0.28%	0.0%	-
Bond Trustee Fees							0.18%	\$0.03	\$26	\$5,000	\$5,000	\$26	\$0.03	0.18%	0.0%	-
Security							2.02%	\$0.35	\$288	\$55,288	\$55,288	\$288	\$0.35	2.02%	0.0%	-
Issuer Admin Fee							0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
TSAHC Fees							0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
TOTAL EXPENSES							48.54%	\$8.42	\$6,908	\$1,326,352	\$1,355,213	\$7,058	\$8.60	49.59%	-2.1%	\$ (28,861)
NET OPERATING INCOME ("NOI")							51.46%	\$8.93	\$7,325	\$1,406,357	\$1,377,496	\$7,174	\$8.74	50.41%	2.1%	\$ 28,861

CONTROLLABLE EXPENSES								\$3,399/Unit				\$3,319/Unit				
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Sandpiper Cove, Galveston, 4% HTC #20705

DEBT / GRANT SOURCES															
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	Cumulative	
		UW	App											DCR	LTC
CitiBank - Tranche A	0.10%	1.26	1.29	1,093,657	4.03%	35	18	\$20,500,000	\$20,500,000	18	35	4.03%	\$1,114,157	1.26	45.5%
				\$1,093,657	TOTAL DEBT / GRANT SOURCES			\$20,500,000	\$20,500,000	TOTAL DEBT SERVICE			\$1,114,157	1.26	45.5%
NET CASH FLOW		\$283,839	\$312,700					APPLICANT	NET OPERATING INCOME			\$1,406,357	\$292,200	NET CASH FLOW	

EQUITY SOURCES											
APPLICANT'S PROPOSED EQUITY STRUCTURE						AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
AHP	LIHTC Equity	33.6%	\$1,721,660	0.88	\$15,149,089	\$15,149,089	\$0.88	\$1,721,660	33.6%	\$8,967	Applicant Request
AHP - Federal Historic Equity		7.1%			\$3,222,793	\$3,222,793			7.1%		
Foss - State Historic Equity		10.9%			\$4,929,601	\$4,929,601			10.9%		
Galveston 3916 Winnie Street Developer, LLC	Deferred Developer Fees	2.9%	(24.8% Deferred)		\$1,300,561	\$1,300,562	(24.8% Deferred)		2.9%	Total Developer Fee: \$5,248,230	
Additional (Excess) Funds Req'd		0.0%			\$0	\$0			0.0%		
TOTAL EQUITY SOURCES		54.5%			\$24,602,045	\$24,602,045			54.5%		
TOTAL CAPITALIZATION						\$45,102,045	\$45,102,045				15-Yr Cash Flow after Deferred Fee: \$4,789,013

DEVELOPMENT COST / ITEMIZED BASIS													
APPLICANT COST / BASIS ITEMS						TDHCA COST / BASIS ITEMS						COST VARIANCE	
	Eligible Basis		Total Costs			Total Costs			Eligible Basis		%	\$	
	Acquisition	New Const. Rehab							New Const. Rehab	Acquisition			
Land Acquisition			\$10,213 / Unit	\$1,960,924	\$1,920,000	\$10,000 / Unit					2.1%	\$40,924	
Building Acquisition	\$14,666,076		\$76,386 / Unit	\$14,666,076	\$14,707,000	\$76,599 / Unit			\$14,666,076		-0.3%	(\$40,924)	
Off-Sites		\$0	\$52 / Unit	\$10,000	\$10,000	\$52 / Unit		\$0			0.0%	\$0	
Site Work		\$2,820,087	\$14,688 / Unit	\$2,820,087	\$2,820,087	\$14,688 / Unit		\$2,820,087			0.0%	\$0	
Site Amenities		\$539,825	\$2,812 / Unit	\$539,825	\$539,825	\$2,812 / Unit		\$539,825			0.0%	\$0	
Building Cost		\$9,714,252	\$61.66 /sf	\$50,595/Unit	\$9,714,252	\$9,714,252	\$50,595/Unit	\$61.66 /sf	\$9,714,252		0.0%	\$0	
Contingency		\$1,307,416	10.00%	10.00%	\$1,308,416	\$1,308,416	10.00%	10.00%	\$1,307,416		0.0%	\$0	
Contractor Fees		\$2,013,419	14.00%	14.00%	\$2,014,959	\$2,014,959	14.00%	14.00%	\$2,013,419		0.0%	\$0	
Soft Costs	0	\$1,294,418	\$10,794 / Unit	\$2,072,418	\$2,072,418	\$10,794 / Unit		\$1,294,418	\$0		0.0%	\$0	
Financing	0	\$2,621,708	\$17,036 / Unit	\$3,270,858	\$3,270,858	\$17,036 / Unit		\$2,621,708	\$0		0.0%	\$0	
Developer Fee	\$2,199,911	\$3,046,669	15.00%	15.00%	\$5,248,230	\$5,248,230	15.00%	15.00%	\$3,046,669	\$2,199,911	0.0%	\$0	
Reserves			7 Months	\$1,476,000	\$1,476,000	7 Months					0.0%	\$0	
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	\$16,865,987	\$23,357,794	\$234,906 / Unit	\$45,102,045	\$45,102,045	\$234,906 / Unit		\$23,357,794	\$16,865,987		0.0%	\$0	
Acquisition Cost	\$0			\$0									
Contingency		\$0		\$0									
Contractor's Fee		\$0		\$0									
Financing Cost		\$0		\$0									
Developer Fee	\$0	(\$0)		\$0									
Reserves				\$0									
ADJUSTED BASIS / COST	\$16,865,987	\$23,357,794	\$234,906/unit	\$45,102,045	\$45,102,045	\$234,906/unit		\$23,357,794	\$16,865,987		0.0%	\$0	
TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY SCR/CNA				\$45,102,045									

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Sandpiper Cove, Galveston, 4% HTC #20705

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	\$16,865,987	\$23,357,794	\$16,865,987	\$23,357,794
Deduction of Federal Grants	\$0	(\$3,222,793)	\$0	(\$3,222,793)
TOTAL ELIGIBLE BASIS	\$16,865,987	\$20,135,001	\$16,865,987	\$20,135,001
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$16,865,987	\$26,175,501	\$16,865,987	\$26,175,501
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	\$16,865,987	\$26,175,501	\$16,865,987	\$26,175,501
Applicable Percentage	4.00%	4.00%	4.00%	4.00%
ANNUAL CREDIT ON BASIS	\$674,639	\$1,047,020	\$674,639	\$1,047,020
CREDITS ON QUALIFIED BASIS	\$1,721,660		\$1,721,660	

Method	ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS		FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds	Credit Price \$0.8799	Variance to Request	
			Credit Allocation	Credits	Proceeds
Eligible Basis	\$1,721,660	\$15,149,089	----	----	----
Needed to Fill Gap	\$1,869,466	\$16,449,651	----	----	----
Applicant Request	\$1,721,660	\$15,149,089	\$1,721,660	\$0	\$0

50% Test for Bond Financing for 4% Tax Credits					
Tax-Exempt Bond Amount	\$30,500,000		Percent Financed by Tax-Exempt Bonds	Applicant	TDHCA
	Applicant	TDHCA		80.8%	80.8%
Land Cost	\$1,960,924	\$1,920,000	amount aggregate basis can increase before 50% test fails	\$23,271,335	\$23,271,335
Depreciable Bldg Cost	\$35,767,741	\$35,808,665		61.7%	61.7%
Aggregate Basis for 50% Test	\$37,728,665	\$37,728,665			

Long-Term Pro Forma

Sandpiper Cove, Galveston, 4% HTC #20705

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	\$2,732,709	\$2,787,363	\$2,843,110	\$2,899,973	\$2,957,972	\$3,265,840	\$3,605,751	\$3,981,041	\$4,395,391	\$4,852,867	\$5,357,957
TOTAL EXPENSES	3.00%	\$1,326,352	\$1,364,777	\$1,404,326	\$1,445,035	\$1,486,936	\$1,715,603	\$1,979,841	\$2,285,228	\$2,638,219	\$3,046,289	\$3,518,092
NET OPERATING INCOME ("NOI")		\$1,406,357	\$1,422,587	\$1,438,784	\$1,454,938	\$1,471,037	\$1,550,237	\$1,625,910	\$1,695,813	\$1,757,172	\$1,806,577	\$1,839,865
EXPENSE/INCOME RATIO		48.5%	49.0%	49.4%	49.8%	50.3%	52.5%	54.9%	57.4%	60.0%	62.8%	65.7%
MUST -PAY DEBT SERVICE												
TOTAL DEBT SERVICE		\$1,114,157	\$1,113,884	\$1,113,601	\$1,113,305	\$1,112,998	\$1,111,261	\$1,109,136	\$1,106,538	\$1,103,362	\$1,099,477	\$1,094,727
DEBT COVERAGE RATIO		1.26	1.28	1.29	1.31	1.32	1.40	1.47	1.53	1.59	1.64	1.68
ANNUAL CASH FLOW		\$292,200	\$308,702	\$325,183	\$341,633	\$358,039	\$438,977	\$516,774	\$589,275	\$653,810	\$707,100	\$745,138
Deferred Developer Fee Balance		\$1,008,363	\$699,660	\$374,477	\$32,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$325,194	\$2,359,084	\$4,789,013	\$7,592,996	\$10,736,768	\$14,170,930	\$17,827,550

Location Map

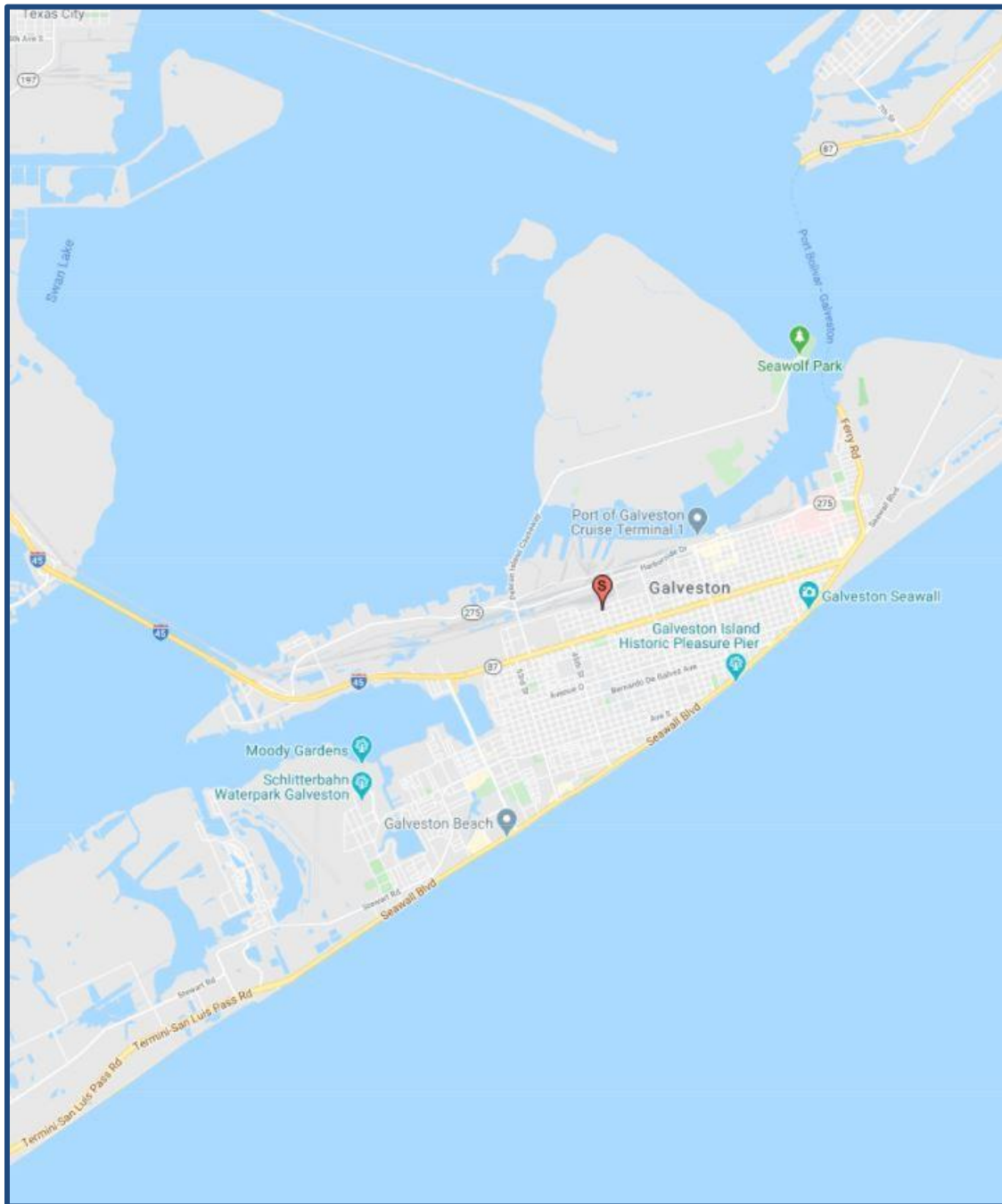


EXHIBIT C
PUBLIC COMMENT

SUPPORT



MAYES MIDDLETON



STATE REPRESENTATIVE • DISTRICT 23

January 22, 2021

Leo Vasquez, Chair
Texas Department of Housing & Community Affairs
221 E. 11th Street
Austin, Texas 78701

Re: Sandpiper Cove 3916 Winnie Street, Galveston, Texas 77550 Letter of Support for the LIHTC Funding

Dear Mr. Vasquez,

This letter is to express my support for a 4% Low-Income Housing Tax Credit application with the Texas Department of Housing and Community Affairs (TDHCA) for the rehabilitation of Sandpiper Cove Apartments. Sandpiper Cove, located at 3916 Winnie Street, Galveston, Texas, is a 192-unit Project-Based Voucher Section 8 development for low-income family population. The multi-family development was built in 1969 and is comprised of 1, 2, 3,4 and 5 bedroom units.

Leading the redevelopment plans for Sandpiper Cove is a collaborative effort between The ITEX Group, Jeshurun Development and J. Allen Management Company. The partnership plans to rehabilitate the development, which has fallen into disrepair, as evidenced by Sandpiper Cove's most recent HUD Real Estate Assessment Center failing inspection score of 33 out of 100 in May 2019. Dilapidated buildings, health and safety issues, and crime are a few of the many concerns regarding the current condition of the development.

The ITEX Group, Jeshurun Development and J. Allen Management Company have partnered on a number of multifamily housing developments in an effort to preserve and maintain affordable housing options across Texas, with plans to do the same for Sandpiper Cove.

The proposed rehabilitation has garnered the support of the community and serves some of the most vulnerable populations in Galveston and the county more broadly. For these reasons, I am in full support of the application for funding.

Sincerely,

A handwritten signature in black ink that reads "Mayes Middleton".

Mayes Middleton
Texas State Representative
House District 23



MAYES MIDDLETON

STATE REPRESENTATIVE • DISTRICT 23
P.O. BOX 2910 • AUSTIN, TEXAS 78768-2910

INTERAGENCY

RECEIVED
MAILROOM

JAN 27 2021

Texas Department of Housing
& Community Affairs

Texas Department of Housing & Community Affairs

Attention: Leo Vasquez

221 East 11th Street

Austin, Texas 78701



MAYES MIDDLETON



STATE REPRESENTATIVE • DISTRICT 23

May 8, 2020

Mr. David Long
President
Texas State Affordable Housing Corporation
2200 E. MLK Jr. Blvd.
Austin, TX 78702

Dear Mr. Long,

I write to express my support for a bond allocation from the Texas State Affordable Housing Corporation for the rehabilitation of Sandpiper Cove Apartments. Sandpiper Cove, located at 3916 Winnie Street, Galveston, TX, is a 192-unit, Project-Based Voucher Section 8 development for a low-income family population. The multi-family development was built in 1969 and is comprised of 1,2,3,4 and 5 bedroom configurations.

Leading the redevelopment plans of Sandpiper Cove is a joint effort between The ITEX Group, Jeshurun Development and J. Allen Management Company. The partnership plans to rehabilitate the development, which has fallen into disrepair, as evidenced by Sandpiper Cove's most recent HUD Real Estate Assessment Center failing inspection score of 33 out of 100 in May 2019. Dilapidated buildings, health and safety issues, and crime are a few of the many concerns regarding the current condition of the complex. The proposed request for financing by the partnership will be utilized to bring the property to code as well as to provide upgraded amenities for the residents to enjoy.

The ITEX Group, Jeshurun Development and J. Allen Management Company have partnered on a number of multifamily housing complexes in an effort to preserve and maintain affordable housing options across Texas, with plans to do the same for Sandpiper Cove.

The proposed rehabilitation has garnered the support of the community and serves some of the most vulnerable populations in Galveston and the county more broadly. For these reasons, I am in full support of the application for funding.

Thank you for your consideration, and if I can be of any further assistance, please do not hesitate to call me at (512) 463-0502 or email at mayes.middleton@house.texas.gov

Sincerely,

A handwritten signature in black ink, appearing to read "Mayes Middleton".

Mayes Middleton
State Representative District 23

CAPITOL OFFICE: P.O. BOX 2910 • AUSTIN, TEXAS 78768-2910 • (512) 463-0502 • FAX (512) 936-4260
GALVESTON: 2101 MECHANIC STREET, SUITE 245 • GALVESTON, TEXAS 77550
WALLISVILLE: 20136 B I-10, WALLISVILLE, TEXAS 77597 • (MAIL) P.O. BOX 15, WALLISVILLE, TEXAS 77597
MAYES.MIDDLETON@HOUSE.TEXAS.GOV



City of Galveston

OFFICE OF THE MAYOR
PO Box 779 | Galveston, TX 77553-0779
citycouncil@galvestontx.gov | 409.797.3510

October 1, 2020

Mr. David Long
President
Texas State Affordable Housing Corporation
2200 E. MLK Jr. Blvd.
Austin, Texas 78702

Re: Sandpiper Cove Support

Dear Mr. Long,

This letter is to express my support for a bond allocation from the Texas State Affordable Housing Corporation (TSAHC) for the rehabilitation of Sandpiper Cove Apartments. Sandpiper Cove, located at 3916 Winnie Street, Galveston, Texas, is a 192-unit Project-Based Voucher Section 8 development for a low-income family population. The multi-family development was built in 1969 and is comprised of 1,2,3,4 and 5 bedroom units.

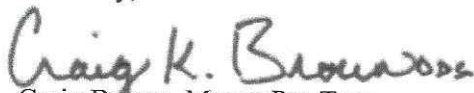
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The ITEX Group, Jeshurun Development and J. Allen Management Company have partnered on a number of multifamily housing developments in an effort to preserve and maintain affordable housing options across Texas, with plans to do the same for Sandpiper Cove.

The proposed rehabilitation has garnered the support of the community and serves some of the most vulnerable populations in Galveston and the county more broadly. For these reasons, I am in full support of the application for funding.

Thank you for your consideration, and if I can be of further assistance, please reach me at craigbrown@galvestontx.gov and 409-797-3510.

Sincerely,


Craig Brown, Mayor Pro Tem





City of Galveston

May 7, 2020

OFFICE OF THE CITY MANAGER

PO Box 779 | Galveston, TX 77553-0779

citymanager@galvestontx.gov | 409-797-3520

Mr. David Long, President
Texas State Affordable Housing Corporation
2200 E. MLK Jr. Blvd.
Austin, TX 78702

Dear Mr. Long,

I write to express my support for a bond allocation from the Texas State Affordable Housing Corporation for the rehabilitation of Sandpiper Cove Apartments. Sandpiper Cove, located at 3916 Winnie Street, Galveston, TX, is a 192-unit, Project-Based Voucher Section 8 development for a low-income family population. The multi-family development was built in 1969 and is comprised of 1, 2, 3, 4 and 5 bedroom configurations.

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The proposed rehabilitation has garnered the support of the community and serves some of the most vulnerable populations in Galveston and the county more broadly. For these reasons, I am in full support of the application for funding.

Thank you for your consideration, and if I can be of any further assistance, please do not hesitate to call me at (409)797-3520 or email at citymanager@galvestontx.gov.

Sincerely,

Brian Maxwell, City Manager
City of Galveston





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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February 25, 2021

Texas Department of Housing & Community Affairs

Attn: Bobby Wilkinson, Executive Director

Via email: Bobby.Wilkinson@tdhca.state.tx.us

221 E. 11th Street

Austin, Texas 78701

Re: Compass Pointe Apartments aka Sandpiper Cove / TX24M000018

3916 Winnie Street, Galveston, Texas 77550

Letter of Support for LIHTC Funding

Dear Mr. Wilkinson,

This letter is to confirm the U.S. Department of Housing and Urban Development's (HUD) support for rehabilitation of Compass Pointe Apartments (the "Development"). HUD was informed of the proposed sale of the Development and transfer of the Housing Assistance Payments (HAP) Contract to Galveston 3916 Winnie Street, LP (the "Proposed Owner") and has been working closely with all participants to ensure an efficient and positive transition for the property and residents.

The Development was built in 1969 and is located at 3916 Winnie Street, Galveston, Texas. There are 192 units within 24 residential buildings and a community building. The market for affordable housing is very limited on Galveston Island, and this Development is the only Project Based Section 8 housing on the Island. Therefore, it is vital and HUD is committed to, retaining and preserving this affordable housing on Galveston Island. HUD has no intention of terminating the affordable housing assistance to this Development, given the confidence HUD has in the Proposed Owner, who has a proven track record of successfully obtaining and turning around other similarly distressed and troubled affordable properties. This further warrants our support of rehabilitating the Development to provide decent, safe, and sanitary housing for the residents.

HUD has had serious concerns with the physical issues at the Development. Due to the multiple violations at the Development, HUD required the current owner, Compass Pointe Apartments Texas, LLC, to contract with a third-party property management company. This management company, J. Allen Management (the "Property Manager"), began in April 2020 and has worked tirelessly to properly address resident concerns and HUD's requirements. This Property Manager will continue as manager upon the Proposed Owner's purchase of the Development.

HUD is aware of the concerns related to the potential of flooding at the Development. The Proposed Owner has indicated specific measures will be put in place to mitigate this concern. Such measures include adding a 2,700 linear ft flood wall around the perimeter of the Development, with water pumps that will remove the water from the interior of the wall so that within the walls it does not flood.

*Fort Worth Regional Office
307 W. 7th St. Suite 1000
Fort Worth, Texas 76102*

*Kansas City Satellite Office
400 State Avenue, Suite 300
Kansas City, Kansas 66101*

This plan is contingent upon historical approval with SHPO and NPS. Additionally, the pedestrian and vehicle entrances/exits will have flood gates put in place when major events are expected to occur. There will also be covers for the drainage grates throughout the property so that the backflow does not occur.

As referenced herein, HUD is committed to preserving the affordable housing in this area. In addition to HUD's support, the Proposed Owner has also secured community support from the City of Galveston's Mayor and City Manager, the Galveston Independent School District's School Board President, the City of Galveston's Chamber of Commerce, State Representative Mayes Middleton, and Moody Church.

However, the approval from the Texas Department of Housing and Community Affairs (TDHCA) for funding of Low Income Housing Tax Credits (LIHTC) is necessary to complete the preservation of the Development to ensure better living conditions for the residents.

Thank you for your consideration of the submitted proposal. Should you have any questions or would like to discuss HUD's support further, please feel free to reach to me or Christie Newhouse, Division Director of Asset Management at Christie.M.Newhouse@hud.gov or 817-978-5972.

Sincerely,

Mary V. Walsh
Director
Multifamily Housing Southwest Region



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Southwest Multifamily Region

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New Mexico, Oklahoma, and Texas*

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www.hud.gov

January 7, 2021

Texas Department of Housing & Community Affairs
Attn: Leo Vasquez, Chair
221 E. 11th Street
Austin, Texas 78701

Re: Sandpiper Cove aka Compass Pointe/800021321
3916 Winnie Street, Galveston, Texas 77550
Letter of Support for LIHTC Funding

Dear Mr. Vasquez,

This letter is to confirm the U.S. Department of Housing and Urban Development's (HUD) support for rehabilitation of Sandpiper Cove (the "Development"). In March 2020, HUD was informed of the proposed sale of the Development and transfer of the Housing Assistance Payments (HAP) Contract to Galveston 3916 Winnie Street, LP (the "Proposed Owner").

The Development was built in 1969 and is located at 3916 Winnie Street, Galveston, Texas. There are 192 units within 24 residential buildings and a community building. The market for affordable housing is very limited on Galveston Island. Therefore, it is vital to retain and preserve affordable housing on Galveston Island, which further warrants our support of rehabilitating the Development to provide decent, safe, and sanitary housing for the residents.

HUD has had serious concerns over the physical issues at the Development. Due to the violations the current owner, Compass Pointe Apartments Texas, LLC, contracted a new third party property manager, J. Allen Management (the "Property Manager"), in April 2020 to properly address HUD's requirements. This Property Manager will continue as manager upon the Proposed Owner's purchase of the Development.

The Property Manager has provided biweekly updates to HUD since their takeover and HUD can confirm the Property Manager has worked diligently to resolve outstanding concerns and violations. However, the approval from the Texas Department of Housing and Community Affairs (TDHCA) for funding is necessary in completing the preservation of the Development to ensure better living conditions.

In addition to HUD's support, the Proposed Owner has secured community support from the City of Galveston's Mayor and City Manager, the Galveston Independent School District's School Board President, the City of Galveston's Chamber of Commerce, State Representative Mayes Middleton, and Moody Church.

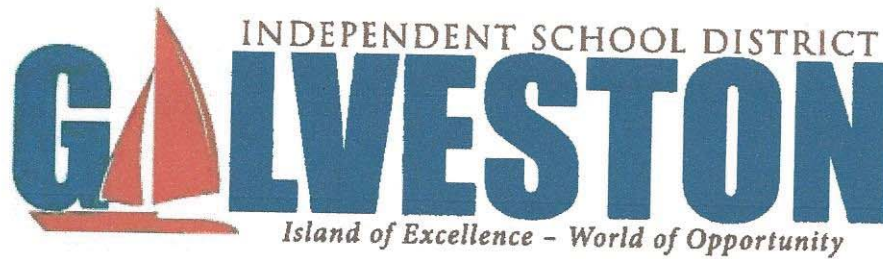
If you have any questions, please feel free to reach me at Michael.A.Gamez@hud.gov or 817-978-9419.

Sincerely,

Michael Gamez
Resolution Specialist Branch Chief

*Fort Worth Regional Office
307 W. 7th St. Suite 1000
Fort Worth, Texas 76102*

*Kansas City Satellite Office
400 State Avenue, Suite 300
Kansas City, Kansas 66101*



October 28, 2020

Mr. David Long, President
Texas State Affordable Housing Corporation
2200 E. MLK Jr. Blvd.
Austin, Texas 78702

Re: Sandpiper Cove Support

Dear Mr. Long,

I served as President of the Board of Trustees of the Galveston Independent School District. This letter is to express my support for a bond allocation from the Texas State Affordable Housing Corporation (TSAHC) for the rehabilitation of Sandpiper Cove Apartments. Sandpiper Cove, located at 3916 Winnie Street, Galveston, Texas, is a 192-unit Project-Based Voucher Section 8 development for a low-income family population. The multi-family development was built in 1969 and is comprised of 1,2,3,4 and 5 bedroom units.

Leading the redevelopment plans for Sandpiper Cove is a collaborative effort between The ITEX Group, Jeshurun Development and J. Allen Management Company. The partnership plans to rehabilitate the development, which has fallen into disrepair, as evidenced by Sandpiper Cove's most recent HUD Real Estate Assessment Center failing inspection score of 33 out of 100 in May 2019. Dilapidated buildings, health and safety issues, and crime are a few of the many concerns regarding the current condition of the development. The proposed request for financing by the partnership will be utilized to bring the property to code as well as provided upgraded amenities for the residents to enjoy.

The ITEX Group, Jeshurun Development and J. Allen Management Company have partnered on a number of multifamily housing developments in an effort to preserve and maintain affordable housing options across Texas, with plans to do the same for Sandpiper Cove.

The proposed rehabilitation has garnered the support of the community and serves some of the most vulnerable populations in Galveston and the county more broadly. For these reasons, I am in full support of the application for funding.

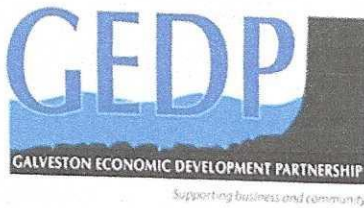
Thank you for your consideration, and if I can be of further assistance, please reach me at AnthonyBrown@gisd.org and (409) 795-2022.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony P. Brown", is written over a horizontal line.

Anthony P. Brown
President, Board of Trustees
Galveston Independent School District

3904 Avenue T
Galveston, TX 77550
(409)766-5121



May 28, 2020

Mr. David Long, President
Texas State Affordable Housing Corporation
2200 E. MLK Jr. Blvd.
Austin, TX 78702

RE: Letter Supporting the rehabilitation of Sandpiper Cove Apartments in Galveston, Texas

Dear Mr. Long,

I am writing to express support for an allocation from the Texas State Affordable Housing Corporation for the rehabilitation of Sandpiper Cove Apartments.

Located at 3916 Winnie Street in Galveston, this complex is comprised of 192 units – Project-Based Voucher Section 8 development for low-income family populations. This multi-family development was built in 1969 and is comprised of 1, 2, 3, 4 and 5 bedroom configurations.

This redevelopment will be coordinated between The ITEX Group, Jeshurun Development and the J. Allen Management Company. This partnership has proposed the rehabilitation of this development. Rehabilitation is greatly needed as this development has fallen into disrepair, as evidenced by the most recent HUD Real Estate Assessment Center failing inspection (33 out of 100 in May 2019). Dilapidated buildings, health and safety issues, and crime are a few of the many concerns regarding the current condition of this complex. The proposed request for financing by the partnership will be utilized to bring the property to code and upgrading of the amenities available within this development.

The Galveston Economic Development Partnership is a private non-profit, membership based organization. Through the years we have been able to see first-hand, the professionalism and commitment of the ITEX Group through their successful adaptive reuse of the former Jean LaFitte building that sat vacant for many years. Sandpiper Cove is a development that could be transformed into an asset for the community and this rehabilitation has received broad based support as a part of strategic reinvestment that would improve services for some of our most vulnerable population.

Thank you for your consideration, and if I can be of any further assistance, please do not hesitate to contact me at 409-770-0216, or by email at sjostrom@gedp.org.

Respectfully,

A handwritten signature in black ink, appearing to read "Jeffrey Sjostrom", is written over the typed name.

Jeffrey Sjostrom
President



MOODY METHODIST CHURCH

May 1, 2020

Mr. David Long, President
Texas State Affordable Housing Corporation
2200 E MLK Blvd.
Austin, Texas 78702

Dear Mr. Long,

Please regard this letter as our documented support for the rehabilitation of Sandpiper Cove, located at 3916 Winnie Street in Galveston. Sandpiper Cove is a 192 unit, Project-Based Voucher Section 8 development for a low-income family population. The multi-family development was built in 1969 and is comprised of 1, 2, 3, 4, and 5 bedroom configurations.

Moody United Methodist Church has been serving the needs of Galveston Citizens for over 175 years. Several of our Church members reside at Sandpiper Cove. The rehabilitation of this development which is entering its 51st year in operation is much needed and will enhance the lives of some of the most vulnerable populations in Galveston and Galveston County more broadly. For these reasons, I am in full support of the application for funding.

Please feel free to contact me with any questions.

Sincerely,

Rev. Ray Pinard
Associate Pastor
Moody Methodist Church
EIN: 746-000914

Poll for Rehab or Remolded Sandpiper Cove Apartments

**What do you think about the rehabilitation of Sandpiper Cove /
Compass pointe Apartments? This is what I think:**

“I am also a resident living in #25 and I am all for rehabbing Sandpiper Cove apartments for the safety of our children, seniors, and families. I have been living here through three different names of this property, so that tells you that I have been here for at least 25 years. It matters to me that we have a decent place to live. Companies like restaurants who deliver and even some family members is scared to come here because of our past way of living and the way it has been here. I believe that the new management company should have the opportunity to change this apartment complex for the better. I know that I am not the only one who see new lights put on the buildings so that we could see at night. I have also noticed that there are companies like the a/c company, the electric company, and plumbing company here all of the time steadily working on stuff.

Please read this...if we all corporate together, we could get this community back together and feel safe. Please sign this if you agree with me. I have signed first just to let you know that I am serious.”

Thanks,

[REDACTED]

Poll for Rehab or Remolded Sandpiper Cove Apartments

Name	Apt. # <u>23</u>
Name	Apt. # <u>46</u>
Name	Apt. # <u>44</u>
Name	Apt. # <u>42</u>
Name	Apt. # <u>51</u>
Name	Apt. # <u>45</u>
Name	Apt. # _____
Name	Apt. # <u>40</u>
Name	Apt. # <u>49</u>
Name	Apt. # <u>161</u>
Name	Apt. # <u>39</u>
Name	Apt. # <u>39</u>
Name	Apt. # <u>51</u>
Name	Apt. # <u>31</u>
Name	Apt. # <u>1</u>
Name	Apt. # <u>3</u>
Name	Apt. # <u>0</u>
Name	Apt. # <u>10</u>

Poll for Rehab or Remolded Sandpiper Cove Apartments

Name

Apt. #

9

Name

Apt. #

41

Name

Apt. #

56

Name

Apt. #

60

Name

Apt. #

50

Name

Apt. #

142

Name

Apt. #

148

Name

Apt. #

98

Name

Apt. #

95

Name

Apt. #

33

Name

Apt. #

54

Name

Apt. #

26

Name

Apt. #

24

Name

Apt. #

99

Name

Apt. #

1

Name

Apt. #

29

Name

Apt. #

28

Name

Apt. #

32

Poll for Rehab or Remolded Sandpiper Cove Apartments

Name

Apt. #

61

Name

Apt. #

59

Name

Apt. #

82

Name

Apt. #

88

Name

Apt. #

71

Name

Apt. #

119

Name

Apt. #

117

Name

Apt. #

157

Name

Apt. #

187

Name

Apt. #

93

Name

Apt. #

13

Name

Apt. #

26

Name

Apt. #

21

Name

Apt. #

16

Name

Apt. #

18

Name

Apt. #

22

Name

Apt. #

25

Name

Apt. #

84

OPPOSITION

From: [Michael Lyttle](#)
To: [Teresa Morales](#)
Subject: FW: Sandpiper Cove photographs
Date: Friday, January 8, 2021 5:33:12 PM
Attachments: [Sandpiper Cove Apartments - Photographs.pdf](#)

From: Ericka Bowman <ebowman2926@gmail.com>
Sent: Friday, January 8, 2021 4:48 PM
To: Michael Lyttle <michael.lyttle@tdhca.state.tx.us>
Subject: Fwd: Sandpiper Cove photographs

Hello Mr. Lyttle,

I am submitting comments on behalf of Tenants at Sandpiper Cove. They have provided me with written consent to submit their comments to be placed on the record for the upcoming January 14th Board Meeting.

We, the Tenants Council at Sandpiper Cove in Galveston, have witnessed multiple developers come and lay out their plans for re-development and each time we have been bamboozled. We have heard many promises and have seen many plans and each time we are left disappointed and still living in painted-over and tar-filled hazardous conditions.

This property is terribly damaged beyond minimum repair. Refurbishing won't do! How many times must we be asked to believe in a process that never serves us fairly? We believe that those in a position to change the process must look at history and make decisions based on proof and facts. Things must be done differently if they aren't working for those in need, because we the tenants are the ones suffering.

We understand what we are asking. We ask that you understand why. We ask that you take in consideration of what has happened in the past. We ask that you hear our request for an opportunity for our families to live in safe conditions.

We know that this request will stop the proposal, BUT by doing so we believe that it will open up the ONLY opportunity for us to be able to request tangible safe living conditions from HUD and, hopefully, in the future make owners and developers understand that tax credits are to be used to provide safe homes for families and that *minimum bandaging will not be tolerated*.

Some of us have been here for 10 years. Some of us for 40. And, during this time, new owners, new developers and new managers have come and gone, and the conditions have continuously grown worse.

We have attached a few photos from our homes, and we hope that you not only see a disgrace in the neglect of management, but also the disgrace in those that

had been given significant funding and promised to you numerous amount of times to redevelop our housing, but failed to do so.

Below are our names:

Antonette Gray

Emily Hunter

Rays had a Simpson

Jessica Blanks

Cynthia Minix

Carluka Johnson

Tina Harris

Larry Brooks

Adrienne Littlejohn

Carr Smith

--

Ericka Bowman

--

Ericka Bowman



Sandpiper Cove Apartments - Mold and Insect Infestation



Sandpiper Cove Apartments – Mold on Walls and Ceilings



Sandpiper Cove Apartments – Mold on Walls and Ceilings



Sandpiper Cove Apartments – Mold on Walls and Floors



Sandpiper Cove Apartments – Mold and Damage to Floors



Sandpiper Cove Apartments – Water Damage to Walls



Sandpiper Cove Apartments – Exterior Sewage Overflow



Sandpiper Cove Apartments – Exterior Sewage Overflow



Sandpiper Cove Apartments – Water Damage and Mold on Walls



Sandpiper Cove Apartments – Mold in Elderly Woman’s Apartment



Sandpiper Cove Apartments – Mold and Water Damage in Elderly Woman’s Apartment



Sandpiper Cove Apartments – Mold and Water Damage in Elderly Woman’s Apartment



Sandpiper Cove Apartments – Mold in Elderly Woman’s Apartment



Sandpiper Cove Apartments – Flooding During Heavy Rains



Sandpiper Cove Apartments – Flooding During Heavy Rains



Sandpiper Cove Apartments – Flooding During Heavy Rains

PAUL FURRH, JR.
Attorney at Law
Chief Executive Officer

ROSLYN O. JACKSON
Directing Attorney

MARTHA OROZCO
Project Director
Directing Attorney



Lone Star Legal Aid
Equitable Development Initiative

AMY DINN
KIMBERLY BROWN MYLES
Managing Attorneys

RODRIGO CANTÚ
CAROLINE CROW
HEEJIN HWANG
ASHEA JONES
AMANDA POWELL
VELIMIR RASIC
RICHARD H. VINCENT
Staff Attorneys

CHASE PORTER
Equal Justice Works Fellow

Mailing Address:
P.O. Box 398
Houston, Texas 77001-0398

713-652-0077 x 8108
800-733-8394 Toll-free

March 4, 2021

Texas Department of Housing and Community Affairs
PO Box 13941
Austin, TX 78711

via e-mail

RE: Compass Pointe Apartments 4% Housing Tax Credit Application

I. Introduction

Lone Star Legal Aid is submitting these comments on behalf of a current client and Compass Pointe Apartments (also known as “Sandpiper Cove”) resident with a vested interest in the outcome of the presently pending application for Texas Department of Housing and Community Affairs (“TDHCA”) 4% tax credits and bonds. The current Compass Pointe Apartments owner applied for these credits and the matter is scheduled for the Board’s consideration on February 11, 2021.

Lone Star Legal Aid is a non-profit legal services law firm that offers civil legal aid to eligible, low-income Texans. Lone Star Legal Aid serves 72 counties in Texas and four in Arkansas. Our service area has nearly 1.5 million income-eligible Texas residents. For reasons listed below, on behalf of our client, we submit these public comments in opposition to the tax credit application.

Adverse Neighborhood and Property Conditions

We have serious concerns about undesirable neighborhood conditions in the area Compass Pointe is located in as well as insufficient mitigation measures proposed by the applicant to address the same. The pending application lists only two undesirable neighborhood conditions, (1) that the property is located in a census tract with a poverty level greater than 40% and (2) there are two blighted structures in the area. There is no mitigation plan in place for the

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serious concern of the property being located in a high-poverty area. The applicant includes a City of Galveston resolution which is required in order to apply for low income housing tax credits, but otherwise proposes no mitigating strategy to reduce or eliminate undesirable features. The resolution itself does not provide any measures to address the high level of poverty in the area. Furthermore, applicant claims the blighted structures near the property have no impact on the project and does not propose any mitigation measures for this adverse condition either.

While the cited neighborhood violent crime rate according to neighborhoodscout.com is 11 per 1,000 and hence below the standard that would require the applicant to undertake crime reducing measures, it is still above average for the City of Galveston. Again, the applicant proposes nothing to address this concern. Compass Pointe residents will continue to be exposed to a high crime rate with no possibility of moving to safer areas of the city. The application merely pays lip service to regulatory requirements without actually providing for any reasonable resolution benefitting the residents.

High crime and endemic poverty are not even the only concerns unaddressed by the property owner's application. The physical condition of the entire property is far below acceptable and presents hazards to human life and safety. The abhorrent conditions at Compass Pointe also form the basis for a federal lawsuit against the United States Department of Housing and Urban Development ("HUD"), which is currently pending in the District of Columbia federal court. A true and correct copy of the complaint filed in that matter is attached hereto as Exhibit 1. The property is in a serious state of disrepair and has failed several HUD-mandated inspections, which in turn led to the lawsuit filed on behalf of current residents who wish to move to habitable housing but are forced to stay on the property as their housing subsidy is tied to Compass Pointe. The application contains no proposals on remediating serious conditions on the property dangerous to resident life and health, including widespread mold. Residents report mold and microorganism growth inside apartments in both exterior and interior surfaces, further worsened by leaky roofs and moisture seeping into inhabited areas. Mold is far from the only health and safety hazard Compass Pointe residents are forced to live with. According to the inspection report, violations at the property include exposed electrical wires, missing smoke detectors, roach infestations and inoperable electric systems.

Despite shocking conditions on the property, the application does not even mention the existence of mold, its effects on residents' health or these other dangers to human life and health. The applicant is well-aware of the presence of these hazards. A HUD-mandated Real Estate Assessment Center ("REAC") inspection in 2019 resulted in a failing score of 33(c). Such a low REAC score is an indication that conditions at Compass Pointe pose an imminent health and safety risk to tenants. To quote the inspector's report, "[a] physical Inspection score below 60 indicates that the owner may not be fulfilling his/her contractual obligations to HUD and that the residents may not be receiving the quality of housing to which they are entitled." A true and correct copy of the inspection report is attached hereto as Exhibit 2. The inspection found a total of 122 health and safety deficiencies in the 24 buildings and units inspected. According to the report, a full inspection of all apartments is projected to uncover a total of 878 health and safety deficiencies, including 192 life-threatening ones at the property. Among these deficiencies, the report lists insect/roach infestations, damaged foundations, mold/mildew observed, blocked/unusable fire and/or emergency exits, electrical hazards including exposed wires, missing/inoperable smoke detectors and inoperable or non-lockable windows. The hazards listed are merely those observed from a small sample of 24 inspected units; nevertheless, the property fell well below a passing grade. While the applicant pledges to make some improvements to the property, the most serious threats to tenant health such as mold, remain unaddressed. Meanwhile, clients are forced to endure these substandard conditions on a daily basis, with little recourse or no option of safer housing. These unacceptable conditions were further confirmed

by a Management and Occupancy Review completed in 2019, which also found the conditions at the property to be unsatisfactory. A true and correct copy is attached hereto for your review.

High Incidence of Crime

Applicant relies on the rate of violent crime being somewhat lower than required by regulation to avoid implementing mitigation measures. Nevertheless, Compass Pointe Apartments is plagued by unacceptable levels of criminal incidents and property owner has done little or nothing to address this concern. The property lacks functioning security cameras, operational gates and fencing. Residents complain of broken windows and doors that cannot be secured and present safety hazards by inviting criminal activity. Galveston Police Department data marks the property as unsatisfactory and requests upgrades to be made. Since the 2019 inspection found unacceptable levels of crime at and near the property, Compass Pointe has continued to be one of the areas in Galveston with the highest rate of law enforcement assistance requests. There is no reason to believe that this situation will improve when the property owner does not even attempt to address or rectify the problems plaguing the property.

The high instance of violent and serious crimes at and near the premises has been a continuing threat to resident health and safety. In the time period between January 1, 2018 and December 31, 2019, Compass Pointe has experienced 75 assaults, 76 burglaries, 120 weapon offenses, 10 robberies/armed robberies, 12 fires and 8 sexual assaults. Even though the incidence of violent crime at or near the premises may be lower than required for mitigation, it is alarming to note that owner does not propose any steps to reduce threats to resident safety.

Conclusion

For the reasons stated above, Lone Star Legal Aid, on behalf of its Compass Pointe resident client, submits these comments in opposition to the property owner's application for tax credits. The unacceptable physical conditions and unaddressed crime rate at the site do not have a mitigation plan and cannot be satisfactorily addressed by the proposal submitted. TDHCA should deny the application as it is inadequate to ensure low-income residents of Compass Pointe can live in habitable housing and a safe, crime-free community.

Respectfully Submitted,

/s/ Kimberly Brown Myles
Kimberly Brown Myles
Managing Attorney
Lone Star Legal Aid
Equitable Development Initiative
Fair Housing/Community Advocacy Teams
PO Box 398
Houston, TX 77001-0398
713.652.0077 ext. 1206
kbrown@lonestarlegal.org

Velimir Rasic
Staff Attorney

Lone Star Legal Aid
Equitable Development Initiative
Fair Housing Team
PO Box 398
Houston, TX 77001-0398
713.652.0077 Ext. 1204
vrasic@lonestarlegal.org



Danse Lewis <dansel@shccnet.org>

Compass Pointe Apartments- MOR schedule date 5/1/19

1 message

Danse Lewis <dansel@shccnet.org>

Mon, Apr 1, 2019 at 11:55 AM

To: cbrookins@mhmltd.com, tshick@mhmltd.com, lblackburn@millenniahousing.com, mgee@mhmltd.com

Good morning,

See the attached letter and feel free to reach out with any questions. I look forward to meeting you and please reply to let me know that you have received this notification.

Thank you,

Danse Lewis

Compliance Specialist

Southwest Housing Compliance Corporation

A subsidiary of The Housing Authority City of Austin

1124 S IH 35, Austin, TX 78704


Office: (512) 767-7730

Fax: (512) 476-0346

dansel@shccnet.org

www.shccnet.org

Bringing Opportunity Home

 **MOR notification letter.pdf**
485K



A Subsidiary of the Housing Authority of the City of Austin

April 1, 2019

Transmitted Via Email

Cayrl Brookins, Affordable Housing Program Manager
Millennia Housing Management, LTD.
8111 Rockside Road, Ste. 200
Cleveland, OH 44125

Re: Compass Pointe Apartments / TX24M000018- MOR Notification

Dear Cayrl Brookins,

This letter serves as formal notice that Southwest Housing Compliance Corporation (SHCC), HUD's Contract Administrator for the State of Texas, will conduct the On-Site Review portion of a Management and Occupancy Review (MOR) at Compass Pointe Apartments on **5/1/2019**.

During the On-Site Review the following items **must be available and provided** to SHCC:

- A copy of the written notice given to your Section 8 residents. This notice must be dated at least 24 hours in advance and advise that their unit may be selected for review.
- All of the documents checked in form HUD-9834, Addendum C (pages 2-3 of this letter).

At the end of the On-Site Review, SHCC will conduct a close-out session with property staff. During the close-out session we will discuss the preliminary results of the MOR, including issues requiring immediate attention. Property staff will be provided an opportunity to explain or comment on any noted issues or concerns.

Feel free to contact me if you have any questions regarding the scheduled On-Site Review.

Sincerely,

**Sarah Danse
Lewis**

Danse Lewis
(512) 474-5332

Digitally signed by Sarah Danse
Lewis
DN: cn=Sarah Danse Lewis,
o=SHCC, ou,
email=dansel@shccnet.org,
c=US
Date: 2019.04.01 12:03:35 -05'00'

CC: Tracy Shick, Accounting Assistant Supervisor
Michelle Gee, Regional Manager
Lisa Blackburn, Manager

DOCUMENTS TO BE MADE AVAILABLE BY OWNER/AGENT

Instructions: Reviewers should place a check mark next to those items that must be available for review. Included in this list are FHEO staff instructions to provide MFH staff a list of requests for documents and special observations each year.

General Documents

- All Tenant Files and records, including rejected, transfer and move-out files
- Current waiting list
- Last advertisement and/or copies of apartment brochures
- HUD-approved Rent Schedule form HUD-92458
- Procurement Files
- Work Order Journals and Logs
- Cash
- Disbursement Journal
- Fidelity Bond
- Property and Liability Insurance
- Copies of the form HUD-52670 for the last twelve months, for each subsidy contract
- Current annual budget
- Quarterly budget variance reports
- Reserve for Replacement component analysis
- Copy of Rent Roll
- Copy of Application form
- Copy of lease, lease addenda and house rules
- Copy of Pet Policy
- Copy of Applicant Rejection Letter
- Annual Unit Inspections
- Fact Sheet “How Your Rent Is Determined”
- Copy of the “Resident Rights & Responsibility”
- Lead Based Paint Certifications
- EH&S Certifications
- All Operating Procedure Manuals
- Documentation for Elderly Preferences Under Sections 651 or 658
- Income Targeting and Tracking Log
- List of all current Principals and Board Members
- EIV Coordinator Access Authorization form(s) (CAAFs) – approved initial and current
- EIV User Access Authorization form(s) (UAAF) – approved initial and current
- EIV Owner Approval Letter(s)
- EIV Policies and Procedures
- Rules of Behavior for individuals without access to the EIV system
- Copy of TRACS Rules of Behavior, signed and dated
- Copy of TRACS and EIV requested Security Awareness Training Certificate, signed and dated
- Other
 - Safety Patrol Daily Activity Log and/or Police Department reports for the last 12 months, if any
 - Copy of current contract for safety patrol company/officers, if any
 - List of safety measures that are used on-site
 - Maintenance policies/procedures, including preventive maintenance, unit inspections, work order completion, and make-ready completion
 - Work Order Log (or individual Work Orders) for the last 30 days, including dates reported and completed, including number of open work orders as of the day of the on-site visit

MOR Notification

- Average unit make-ready time for the last 12 months
- Information regarding any units that have been vacant in excess of 60 days for the last 12 months, if any
- Factors that are contributing to vacancy problems (lack of demand, non-competitive amenities, project reputation, etc.) and the steps the owner/agent has taken to resolve the issue, if any
- Security Deposit Policy and recent Security Deposit dispositions
- Tenant rent ledgers reflecting rent and charges assessed and paid
- Number of evictions and terminations of assistance processed/completed in the last 12 months
- Property specific information regarding industry/property awards, positive news coverage, etc., if any
- Written procedures for resolving tenant complaint/concerns
- Social services provided at the project or within the neighborhood, if any. Identify provider (i.e. city/state, community group) and cost to project, if any
- List of formal ongoing staff training
- List of all on-site staff charged to the project: Staff person, date hired, % of time charged to site, annual salary. If staff is housed in a Section-8 unit, provide the unit number/size and whether employee is receiving subsidy. Please provide exact information; this information should not be estimated
- State Lifetime Sex Offender Statistics

Civil Rights Front End Limited Monitoring and Section 504 Review Documents

- Affirmative Fair Housing Marketing Plan
- Tenant Selection Plan, including any approved residency preference
- Recent advertising
- Fair Housing logo and Fair Housing poster



Danse Lewis <dansel@shccnet.org>

Compass Pointe aka Sandpiper Cove 2019 MOR report

1 message

Danse Lewis <dansel@shccnet.org>

Fri, May 31, 2019 at 2:59 PM

To: Kimberly Morales <kmorales@livemillennia.com>, cbrookins@mhmhmltd.com, tshick@mhmhmltd.com, Orleanais Minch <ominch@mhmhmltd.com>

Cc: Nicholas Vranes <nicholasv@shccnet.org>

Good afternoon,

See the attached report with a 30-day deadline of 7/1/2019. Please let me know if you have any questions. Have a good weekend!

Thank you,

Effective immediately, please forward all MOR responses to compliance@shccnet.org

Danse Lewis

Compliance Specialist

Southwest Housing Compliance Corporation

A subsidiary of The Housing Authority City of Austin

1124 S IH 35, Austin, TX 78704


Office: (512) 767-7730

Fax: (512) 476-0346

dansel@shccnet.org

www.shccnet.org

Bringing Opportunity Home

 **2019 MOR Sandpiper Cove.pdf**
817K



A Subsidiary of the Housing Authority of the City of Austin

May 31, 2019

Transmitted Via Email

Compass Pointe Apartments Texas, Llc
Tracy Shick, Accounting Assistant Supervisor
8111 Rockside Road, Suite 200
Cleveland , OH 44125

RE: Compass Pointe Apartments aka Sandpiper Cove / TX24M000018

Dear Tracy Shick, Accounting Assistant Supervisor:

Enclosed you will find your Management and Occupancy Review (MOR) Summary Report for the above referenced property. It includes a list of Observations, Errors, and Findings resulting from the MOR. Each Error and/or Finding will indicate a corrective action due date of 30 calendar days for each item needing correction. Properties with Errors and/or Findings will be placed on a monitoring status pending receipt of a complete corrective action response. If you do not have any Errors or Findings, no response is required.

Based on our observations and document analysis, your property's overall MOR Rating is: Unsatisfactory

For those properties receiving a rating of Below Average or Unsatisfactory on any specific category or on the overall rating on your HUD Form 9834 Summary Report page, you have a right to appeal your rating. Any appeal must be submitted in writing to Michael Cummings, Vice President, at the address listed below. Your written appeal must be postmarked within 30 days of this letter and must explain the factual basis for a change in rating, with specific examples provided. Mr. Cummings will review the appeal and determine whether the rating(s) should stand or be revised. If we are not in receipt of your written appeal within the allotted timeframe, you will forfeit your right to an appeal. The correction of other deficiencies which you do not dispute in your appeal must still be provided within the original 30 calendar day deadline. HUD Handbook 4350.1 Rev-1, Chapter 6 provides further guidance on the owner/agent appeal process.

Thank you for the time and effort your staff committed to this review. If you wish to discuss the report prior to preparing your response, please feel free to contact me at the number listed below.

Respectfully,

Danse Lewis
Compliance Specialist

Copy: Caryl Brookins, Affordable Housing Program Manager
Orleanais Minch, Regional Supervisor
Kimberley Morales, Property Manager

Attachment: HUD Form 9834- Summary Report

...

1124 South IH 35, Austin, Texas 78704
phone 512.474.5332 • fax 512.437.3882 • TTY 800.735.2988
www.shccnet.org

...

For Clarification:

In order to help you better understand the HUD Form 9834, we would like to provide an explanation of the terms we use to evaluate your property. On the MOR Summary Report there are three assessment columns for each numbered item, **A** (Acceptable), **C** (Corrective Action Required) and **TCD** (Target Completion Date). These assessments determine whether an issue will be classified as an **Observation, Error** or **Finding** in the Summary Report - Findings section.

Any numbered item marked as "**A**" is acceptable and no action is required by the owner/agent. Any numbered item marked as "**C**" requires Corrective Action and represents either an **Error** or a **Finding**.

Errors generally concern non-systemic deficiencies in the form of Housing Assistance Payment (HAP) calculation errors. **Errors** must generally be corrected within 30 days and repayment to tenant or HUD (if applicable) must be made within 60 days. **Findings** address other areas of non-compliance, and are typically more serious, systemic issues that need prompt correction. Generally, **TCDs** of 30 days will be issued for **Findings**.

Corrective Action Requirements will always follow **Errors and Findings**. Management must complete the Corrective Action Requirements and send required documentation of appropriate corrective action to your Asset Management Team within the timeframe specified by the **TCD**. Such written responses must be provided on company letterhead and must address each **Error** or **Finding** individually.

Observations will also be issued but will not be denoted by a designation in the Summary Report. **Observations** will be issued in instances where the reviewer feels improvement may be necessary based on industry standards or practices, but does not represent an issue that requires immediate action. In these instances, the **Observation** will be followed by a Recommendation. Management should strongly consider Recommendations but there is no written response required. **Recognitions** will also be issued to recognize exemplary owner/agent action in certain areas.

...

...

PURPOSE: To assess management and oversight of multifamily housing projects.

INSTRUCTIONS: This form is to be completed by HUD staff, Performance Based Contract Administrators/Traditional Contract Administrators (CAs) and Mortgagees of Coinsured Projects (Mortgagees). The Management Review form consists of three parts: Desk Review, On-site Review with Addendums, and Summary Report. All Reviewers of subsidized projects must complete all Addenda (A, B, C & D). Reviewers of unsubsidized projects must complete Addendums B & C only. If any questions on any given form are not relevant to the program under review or if the information is not available, notate with "N/A". FHEO staff provide MFH staff a list of requests for documents and special observations each year. Additional guidance regarding the management process can be found in HUD Handbooks 4350.1, REV-1 and 4566.2.

A. Prior to On-Site Review

Complete Part I – Desk Review

- To complete the Desk Review worksheet prior to the on-site visit, review the project files, system reports, other documents, and contact the HUD representative for any unavailable information needed to complete the desk review. This portion of the review will assist the Reviewer in identifying potential problem areas. HUD staff must complete the entire Desk Review for subsidized projects. For unsubsidized projects, HUD staff/mortgagees must complete all applicable sections. CAs must complete the entire Desk Review except where noted "This question applies only to HUD Staff/Mortgagees."
- Schedule a date for the on-site review with the owner/agent and confirm the review date in writing. The owner/agent should be given at least a two-week notice in writing and notified of the documents that need to be available the day of the review, as specified in Addendum C. Addendum C provides a list of documents notated by the Reviewer that the owner/agent must have available during the on-site review. Addendum C and Part A of Addendum B must be forwarded to the owner/agent with the letter confirming the scheduled on-site review. The Reviewer may request additional items as necessary.

B. Conducting the On-Site Review

Complete Part II – On-Site Review

- On-Site Reviews will be completed as follows:
 - (1) HUD staff and Mortgages must complete all applicable questions in Part II.
 - (2) CAs must complete all questions in Part II except where noted "This question applies only to HUD staff/Mortgagees."
 - (3) HUD staff completing a review of a project which is also reviewed by a CA will only complete questions not applicable to CAs.
- Use additional sheets as necessary to complete applicable questions.
- Upon completion of the on-site review, the Reviewer will hold a close-out session with the owner/agent to discuss observations and conclusions.

C. After On-Site Review

- The Reviewer will record deficiencies, findings and corrective actions. Findings must include the condition, criteria, cause, effect and required corrective action. The condition describes the problem or deficiency. The criteria should cite the statutory, regulatory or administrative requirements that were not met. The cause explains why the condition occurred. The effect describes what happened because of the condition. The corrective action provides what the owner/agent must do to eliminate the deficiency. The corrective action must include a requirement that the owner determine and correct not only the discovered errors and omissions, but also describe to the reviewer how and what systems, controls, policies and procedures were adjusted or changed to assure that the errors and omissions do not reoccur. In completing the Report of Findings, the Reviewer should also indicate the target completion date.
- The reviewer retrieves Addendum B and forwards the completed form to FHEO, along with the approved initial or updated Affirmative Fair Housing Marketing Plans in accordance with "General Operational Procedures for the Civil Rights Front-End and Limited Monitoring Reviews of Subsidized Multifamily Housing Projects", which may be found on FHEO's web site.
- Complete Summary Report as follows:

Based on the Report of Findings, the Reviewer will assess the overall performance for each applicable category. The Reviewer must indicate A (Acceptable) or C (Corrective action required) and include target completion dates (TCD) for all corrective action items. For those items not applicable, indicate "N/A" in the TCD column.

For each of the seven major categories (A, B, C, D, E, F, and G), rate each category by entering a score between 1 and 100. If a category was not reviewed, enter a score of zero (0). After rating the individual categories, an overall rating must be assessed. This rating should be based upon the ratings assigned in categories A through G. CAs will rate all sections except Category D. Category D is for HUD staff and Mortgagees only. Additional guidance for ratings can be found in HUD Handbook 4350.1, REV-1.
- Distribute the Summary Report and cover letter as follows:
 - (1) Project Owner (original)
 - (2) Management Agent (copy)
 - (3) HUD office for PBCA reviews rated below average or unsatisfactory
 - (4) HUD office for all traditional CA reviews.

*A copy of the completed Management Review Report, form HUD-9834 and supporting documents must be maintained in the project file.
- If a below average or unsatisfactory rating is determined, the owner/agent must be afforded an opportunity to appeal. Guidance on appeal procedures is provided in HUD Handbook 4350.1, REV-1.
- All Secure Systems users must document all required data in the Integrated Real Estate Management System (iREMS).

D. Management Review Deficiency Follow up:

- Reviewer must conduct follow-up activity until all corrective actions as required in the Summary Report have been completed. Enter applicable close-out dates in iREMS.
- Housing reviewers will Forward all completed FHEO checklists and attachments to FHEO within five (5) business days of their own on-site reviews or within 5 business days of receipt of the checklists from the CA, as applicable. Follow-up instructions may be found of FHEO's web site.

NOTE: The Fair Housing and Equal Opportunity (FHEO) checklist has been included as part of this management review form; however no determination of compliance with applicable Fair Housing laws and regulations is included in the summary report. CAs must forward the original checklist (Addendum B) to HUD staff. HUD staff must maintain the original checklist in the project file and forward a copy to the Office of FHEO in the appropriate jurisdiction for review.

Management Review for Multifamily Housing Projects

U.S. Department of Housing and Urban Development
Office of Housing – Federal Housing Commissioner

OMB Approval No. 2502-0178
Exp. 4/30/2018

Summary

Date of On-Site Review: 5/1/2019	Date of Report: 5/31/2019	Project Number: 800021321	Contract Number: TX24M000018
Section of the Act: 207 / 223(f) / 244 Co-Insurance	Name of Owner: Compass Pointe Apartments Texas, LLC	Project Name: Compass Pointe Apartments aka Sandpiper Cove	Project Address: 3916 Winnie Street Galveston, TX 77550
Loan Status: <input checked="" type="checkbox"/> Insured <input type="checkbox"/> HUD-Held <input type="checkbox"/> Non-Insured <input type="checkbox"/> Co-Insured	Contract Administrator: <input type="checkbox"/> HUD <input type="checkbox"/> CA <input checked="" type="checkbox"/> PBCA	Type of Subsidy: <input checked="" type="checkbox"/> Section 8 <input type="checkbox"/> PAC <input type="checkbox"/> Section 236 <input type="checkbox"/> Section 221(d)(3) BMJR <input type="checkbox"/> Rent Supplement <input type="checkbox"/> RAP <input type="checkbox"/> PRAC <input type="checkbox"/> Unsubsidized	Type of Housing: <input checked="" type="checkbox"/> Family <input type="checkbox"/> Disabled <input type="checkbox"/> Elderly <input type="checkbox"/> Elderly/Disabled <input type="checkbox"/> Other (please specify)

For each applicable category, assess the overall performance by checking the appropriate column. Indicate A (Acceptable) or C (Corrective action required). Include target completion dates (TCD) for all corrective action items. For those items not applicable, place N/A in the TCD column.

A. General Appearance and Security	A	C	TCD	Enter a score between 1 and 100 for the General Appearance and Security Rating. If this Section was not reviewed, enter 0. 40 is 10% of the overall score. This category is rated Unsatisfactory
1. General Appearance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
2. Security	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
B. Follow-up and Monitoring of Project Inspections	A	C	TCD	Enter a score between 1 and 100 for the Follow-up and Monitoring of Project Inspections Rating. If this Section was not reviewed, enter 0. 40 is 10% of the overall score. This category is rated Unsatisfactory
3. Follow-Up and Monitoring of Last Physical Inspection and Observations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
4. Follow-Up and Monitoring of Lead-Based Paint Inspection	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
C. Maintenance and Standard Operating Procedures	A	C	TCD	Enter a score between 1 and 100 for the Maintenance and Standard Operating Procedures Rating. If this Section was not reviewed, enter 0. 40 is 10% of the overall score. This category is rated Unsatisfactory
5. Maintenance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
6. Vacancy and Turnover	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
7. Energy Conservation	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
D. Financial Management/Procurement	A	C	TCD	Enter a score between 1 and 100 for the Financial Management/Procurement Rating. If this Section was not reviewed, enter 0. 0 is 25% of the overall score. This category is rated N/A
8. Budget Management	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
9. Cash Controls	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
10. Cost Controls	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
11. Procurement Controls	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
12. Accounts Receivable/Payable	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
13. Accounting and Bookkeeping	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
E. Leasing and Occupancy	A	C	TCD	Enter a score between 1 and 100 for the Leasing and Occupancy Rating. If this Section was not reviewed, enter 0. 55 is 25% of the overall score. This category is rated Unsatisfactory
14. Application Processing/ Tenant Selection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
15. Leases and Deposits	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
16. Eviction/Termination of Assistance Procedures	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
17. Enterprise Income Verification (EIV) System Access and Security Compliance	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
18. Compliance with Using EIV Data and Reports	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
19. Tenant Rental Assistance Certification System (TRACS) Monitoring and Compliance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
20. TRACS Security Requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
21. Tenant File Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
22. Summary of Tenant File Review	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
F. Tenant/Management Relations	A	C	TCD	Enter a score between 1 and 100 for the Tenant Services Rating. If this Section was not reviewed, enter 0. 55 is 10% of the overall score. This category is rated Unsatisfactory
23. Tenant Grievances	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
24. Provision of Tenant Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
G. General Management Practices	A	C	TCD	Enter a score between 1 and 100 for the General Management Practices Rating. If this Section was not reviewed, enter 0. 40 is 10% of the overall score. This category is rated Unsatisfactory
25. General Management Operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 days	
26. Owner/Agent Participation	<input type="checkbox"/>	<input type="checkbox"/>	N/A	
27. Staffing and Personnel Practices	<input checked="" type="checkbox"/>	<input type="checkbox"/>		

Overall Rating: Superior Above Average Satisfactory Below Average **Unsatisfactory** Overall Score: 47

To calculate an overall score: Multiply the derived performance value by the assigned percentage of the overall rating for each category. Once all listed categories have been calculated based on the performance indicator and performance indicator values, the total calculated points is divided by the total percentage of overall rating and rounded to the nearest whole number. For convenience, a utility is included with this form which will perform all of the necessary calculations.

Name and Title of Person Preparing this Report: (Please type or print):

Danse Lewis, Compliance Specialist
Signature: **Sarah Danse Lewis**
Digitally signed by Sarah Danse Lewis
DN: cn=Sarah Danse Lewis, o=SHCC, ou, email=dansele@shccnet.org, c=US
Date: 2019.05.31 14:53:29 -05'00'

Name and Title of Person Approving this Report: (Please type or print):

Nicholas Vranes, Compliance Manager
Signature: **Nicholas Vranes**
Digitally signed by Nicholas Vranes
DN: cn=Nicholas Vranes, o=SHCC, ou=Compliance, email=nicholasv@shccnet.org, c=US
Date: 2019.05.31 14:56:44 -05'00'

NOTE: If this review is conducted by a CA or PBCA as indicated above, the overall rating reflects a review as it relates to compliance with the Housing Assistance Payment Contract (HAP) only.

Summary

SUMMARY REPORT – FINDINGS

For each “C” item checked on the summary report, reference the appropriate citing, and target completion date. Findings must include the condition, criteria, cause, effect and required corrective action:

- The condition describes the problem or deficiency
- The criteria cites the statutory, regulatory or administrative requirements that were not met
- The cause explains why the condition occurred
- The effect describes what happened because of the condition

Corrective actions are required for all findings.

Item Number	Finding	Target Completion Date
<p>A. General Appearance and Security</p>	<p>Finding #1 – A.1</p> <p>Condition: The following deficiencies were identified during the exterior and common area review on the day of the Site Visit:</p> <ul style="list-style-type: none"> • Electrical boxes on exterior buildings are unsecured and/or have exposed wires – Buildings F, E, D, B, U, J, and the Office/Laundry. • Unfinished plywood paneling and/or exposed metal rebar/crumbling concrete – Landings near Units 118, 126, 132 and 95. • Damaged soffit/fascia – systemic throughout the property. For example, Buildings O, N, T and J. • Exterior stairwells, steps, risers and handrails are in disrepair throughout the property. The metal has corroded and the concrete is chipped. • Exterior doors- damaged and peeling paint- systemic throughout- for example, Units 13, 22, 34, 56, 86, 93, 95, 109, and 184. • Community Room – No functioning air conditioning and ceiling tile loose. • Damaged paving/parking lots – systemic throughout the property. For example, near Buildings K, M, and R. • Peeling window film and broken window blinds – systemic throughout the property. For example, Units 41, 65, 82, 85, 89, 109, 111, 117, 118, 132, 166, 167, and 181. • Spray Paint – Exterior wall of Units 80 and 181. • Rainwater downspout missing – The downspout was removed at building F, exposing an uncapped drain pipe and hole. The removes pieces were found stacked on the grounds. <p>Overall the property reflected a bleak appearance and poor curb appeal.</p> <p><u>Note:</u> This Finding addresses corrective maintenance. Preventive and ongoing maintenance is addressed in Category C.</p> <p>THIS IS A REPEAT FINDING FROM SHCC’S 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent stated that a 100% exterior review was completed, similar deficiencies (parking lot cracks, corroded stairwells, and damaged electrical boxes) were identified and either repaired or scheduled for repair. However, physical condition deficiencies have reoccurred or were not corrected.</p> <p>Criteria:</p> <ul style="list-style-type: none"> • 24 CFR 5.703 • Original HAP Contract, Section 14, a: Maintenance <p>Cause: The condition occurred because the Owner/Agent has not addressed all exterior/general appearance or common area concerns at the property.</p> <p>Effect: The effect is deferred maintenance at the property.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must:</p> <ul style="list-style-type: none"> • Complete a 100% exterior and common area inspection of the property to identify and correct physical condition deficiencies, including those identified in the Condition portion of this Finding. The Owner/Agent must log all deficiencies that are found in a chart format. The chart must include the following information/columns: 	<p>30 days</p>

Summary

Deficiency Location- Area/ Building/Unit	Specific Deficiency Identified	Date Work Order Created	Estimated work order completion date	Actual work order completion date
Bldg. 7	Downspout missing	xx/xx/xxxx	xx/xx/xxxx	xx/xx/xxxx
<ul style="list-style-type: none"> For systemic deficiencies, or any deficiency in which you do not list an estimated completion date on/before 9/1/2019, provide a Plan of Action (POA) that addresses how you plan to repair, replace or remove these deficiencies. The POA must address timelines, bids and contractors selected, and the source of funds. Due to the extent of the deficiencies identified, the Owner/Agent may be required to provide the chart at not only the 30-day MOR response deadline, but also at the 60-day deadline and the 90-day deadline to ensure repairs are being completed as initially anticipated. <p>Note: Subsequent to SHCC’s site visit a REAC inspection was performed on 5/9/2019 resulting in a score of 33c*. SHCC’s requirements noted above do not relieve the owner/agent of their obligation to respond accordingly to HUD regarding their 5/15/2019 Notice of Default letter issued as a result of the REAC score.</p>				
<p>Finding #2 – A.2</p> <p>Condition: The effectiveness of the property’s safety program continues to be of concern.</p> <ul style="list-style-type: none"> Review of law enforcement data from the Galveston Police Department over the last twelve months (1/5/19 to 12/3/19) revealed 646 Incident Reports; 430 of which were of a criminal nature. <ul style="list-style-type: none"> Weapon – 23 Assault – 18 Narcotics Violation – 13 Robbery – 1 Burglary – 15 Harassment / Threats – 12 Terroristic Threats – 12 Disturbance – 114 Trespassing – 46 Suspicious Activity/Person – 83 Theft – 14 Structure Fire – 1 Criminal Mischief – 10 Civil Problem Standby – 24 Assist by Law – 43 Assist Citizen – 1 Security cameras were found throughout the property. However, all cameras are non-functioning. The property was issued a safety program Finding in SHCC’s 2016 MOR Report. In a 12/16/2016 response, the owner/agent stated that they were creating an action plan for security at the property. The response also stated that the owner/agent would keep SHCC apprised of changes as they occurred and that the action plan would be implemented throughout the coming year and periodically reviewed for effectiveness. SHCC has not been provided with any updates since that 12/16/2016 response, and no documentation was provided regarding periodic reviews of the effectiveness of a plan. Additionally, SHCC was not provided with a crime action plan specific to Sandpiper Cove for this year’s review. The security information provided was a security policy for “all community types,” and the safety patrol contract provided is unchanged (signed 3/27/2015). Per the limited safety patrol logs provided; 82% of the property’s patrols end by 8 pm. <p>SHCC acknowledges that the Owner/Agent has implemented some safety/security measures, including</p> <ul style="list-style-type: none"> A contract for off-duty Galveston police officers to patrol the property for a maximum of 200 hours/ month. However, this is the same frequency as when SHCC last visited in 2016. Per review of the provided security logs from 1/3/2019- 4/27/2019, security patrolled an average of 122 hours over 12 days each month. The Agent’s Director of Security visits on a quarterly basis to perform random unit inspections and provide evidence to support eviction procedures. During the onsite visit, SHCC reviewed 11 move-out files over the past year documenting this practice. 				<p>30 days</p>

Summary

	<ul style="list-style-type: none"> The owner/agent has posted signs that state the property is covered by Power of Attorney by order of the Galveston Police Department and violators will be prosecuted. <p>Due to the number and types of police calls that continue to occur, the property’s safety/crime prevention program must be reassessed, reevaluated, and updated to not only address crime that has/is occurring, but also to prevent/deter future criminal events.</p> <p>NOTE: THIS IS A REPEAT FINDING FROM SHCC’s 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent certified that “The action plan will be implemented throughout the coming year and will be periodically reviewed for effectiveness.”</p> <p>Criteria:</p> <ul style="list-style-type: none"> Original HAP Contract, Section 14, a HUD Handbook 7460.4- Security Planning for HUD-Assisted Multifamily Housing Handbook: Chapter 2, (5)(c-e) <p>Cause: The condition occurred because the safety measures currently in place are not sufficiently deterring and/or addressing criminal activity.</p> <p>Effect: The effect is tenant safety concerns and increased risk of additional serious criminal activity.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must:</p> <ul style="list-style-type: none"> Perform an assessment of the safety measures and concerns at the property to include, but not limited to, reviewing and responding to the concerns outlined in the Condition portion of this Finding. Submit a plan of action to remove, repair, or replace the security cameras at the property. The plan must include timelines, bids, and source of funds. Create and implement a Sandpiper Cove -specific Safety/Crime Prevention Plan, based upon your assessment, to improve the safety at the property and decrease the level and severity of criminal activity occurring on-site. The plan should address key participants including the Owner/Agent, the Galveston Police Department, residents, and local agencies or resources. The plan must include the start dates for any additional or revised safety measures or equipment that have or will be implemented or repaired, and supporting documentation. For example, it could include items such as: periodic resident meetings to encourage safety and neighborhood watch like activities; a recurring review of the property’s night time lighting system to ensure all lighting is functioning properly and to assess any needs for additional lighting; the procurement and installation of a remote monitoring system; installation of limited access vehicular and/or pedestrian gates; or the procurement of additional or new safety patrol services, or the rotation of new off-duty officers. The plan should address deterring crime in addition to addressing crime once it occurs. A copy of the Sandpiper Cove -specific Safety/Crime Prevention Plan must be forwarded to SHCC. Provide a signed certification stating, “The Sandpiper Cove -specific Safety/Crime Prevention Plan will be reviewed and adjusted for effectiveness on a regular basis (minimum every 6 months).” 	
<p>B. Follow-up and Monitoring of Project Inspections</p>	<p>Finding #3 - B.3</p> <p>Condition: The day of the site visit, SHCC performed a site and unit review. The following deficiencies identified indicate a significant maintenance concern:</p> <ul style="list-style-type: none"> Units 65, 117, 129, 181: Broken or cracked windows. Unit 34: <ul style="list-style-type: none"> Exposed lightbulb socket in bathroom Substandard door repair/ door patch Damaged drywall underneath kitchen sink Unit 49: <ul style="list-style-type: none"> Substandard repair under sink. Unit 56: <ul style="list-style-type: none"> Broken countertop in kitchen Substandard hole patch under kitchen sink 	<p>30 days</p>

Summary

	<ul style="list-style-type: none"> ○ Roach infestation ○ Damaged door- water heater closet ○ Damaged bathroom cabinets ○ Mildew/ water drip- bathroom ○ Bathtub and bathtub surround needs resurfacing ○ Access point to bathroom plumbing not secure ○ Peeling paint- bedroom ○ Substandard repair- hallway wall surrounding light switch cover plate ○ Kitchen drawer missing (<i>noted on annual unit inspection checklist dated 1/15/19</i>) <ul style="list-style-type: none"> ● Unit 81: <ul style="list-style-type: none"> ○ Mildew near tub and on floor tile surrounding commode ○ Substandard repair under kitchen sink ● Unit 84: <ul style="list-style-type: none"> ○ Exposed outlet cover in bedroom next to bed ○ Blocked egress in bedroom ● Unit 86: <ul style="list-style-type: none"> ○ Exposed lightbulb sockets in bathroom ○ Vent not secure in bathroom ○ Mildew in bathtub and tile surround ○ Entry door strike plate loose/not locking ○ Holes in bedroom wall and living room wall (<i>noted on annual unit inspection checklist dated 1/7/19</i>) ● Unit 94: <ul style="list-style-type: none"> ○ Roach infestation ○ Exposed lightbulb outlets ○ Damaged tile near tub ○ Wall damage in living room ● Unit 95: <ul style="list-style-type: none"> ○ Roach infestation ○ Substandard repair under kitchen sink ● Unit 116: <ul style="list-style-type: none"> ○ Hole in wall near electrical cord for washer/ dryer ○ Broken metal landing at entry ○ Missing door number ● Unit 184: <ul style="list-style-type: none"> ○ Tripping hazard between hall and bedroom ○ Broken soap holder in bathtub surround ○ Mildew in bathtub ○ Closet doorknob missing ○ Peeling paint on wall ○ Mildew under kitchen sink and broken tile <p><i>All deficiencies listed below were also noted on annual unit inspection checklist dated 1/15/19:</i></p> <ul style="list-style-type: none"> ○ Multiple holes in doors ○ Infestation- roaches under kitchen sink. ○ Missing light covers in hall and bedroom ○ Bathroom doorknob missing ○ Damaged bathroom door ○ Missing fire extinguisher ○ Unauthorized entry lock installed 	
	<p><u>Note:</u> This Finding addresses corrective maintenance. Unit inspection and work order procedures are addressed in Category C.</p> <p>NOTE: THIS IS A REPEAT FINDING FROM SHCC's 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent stated that a 100% unit review was completed and deficiencies either repaired</p>	

Summary

	<p>or scheduled for repair. However, physical condition deficiencies have reoccurred or were not corrected.</p> <p>Criteria:</p> <ul style="list-style-type: none"> • Original HAP Contract, Section 14, a Maintenance • 24 CFR 5.703 • Inspector Notice 2016-03 <p>Cause: The condition occurred because of deferred maintenance.</p> <p>Effect: The effect is units not maintained in decent, safe and sanitary manner.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must:</p> <ul style="list-style-type: none"> • Provide a plan of action to address ongoing infestation issues at the property. This may include changing pest control vendors, incorporating a variety of pest control products, changing service frequency, etc. • Complete a 100% unit inspection to identify any and all physical condition deficiencies and substandard repairs, including those identified in the Condition portion of this Finding. The <u>inspection must</u> be completed, documented, and submitted to SHCC in chart format within 30 days from the date of this report. The chart must include all of the areas and/or items noted to have deficiencies and have the columns listed below. <table border="1" data-bbox="370 842 1386 968"> <thead> <tr> <th>Unit Number</th> <th>Deficiency Identified- location and description</th> <th>Date work order created</th> <th>Estimated work order completion date</th> <th>Actual work order completion date</th> </tr> </thead> <tbody> <tr> <td>34</td> <td>Exposed sockets</td> <td>xx/xx/xxxx</td> <td>xx/xx/xxxx</td> <td>xx/xx/xxxx</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • For systemic deficiencies, or any deficiency in which you do not list an estimated completion date on/before 9/1/2019, provide a Plan of Action (POA) that addresses how you plan to repair, replace or remove the deficiency. The POA must address timelines, bids and contractors selected, and the source of funds. • Due to the extent of the deficiencies identified, the Owner/Agent may be required to provide the chart at not only the 30-day MOR response deadline, but also at the 60-day deadline and the 90-day deadline to ensure repairs are being completed as initially anticipated. <p>Note: Subsequent to SHCC’s site visit a REAC inspection was performed on 5/9/2019 resulting in a score of 33c*. SHCC’s requirements noted above do not relieve the owner/agent of their obligation to respond accordingly to HUD regarding their 5/15/2019 Notice of Default letter issued as a result of the REAC score.</p>	Unit Number	Deficiency Identified- location and description	Date work order created	Estimated work order completion date	Actual work order completion date	34	Exposed sockets	xx/xx/xxxx	xx/xx/xxxx	xx/xx/xxxx	
Unit Number	Deficiency Identified- location and description	Date work order created	Estimated work order completion date	Actual work order completion date								
34	Exposed sockets	xx/xx/xxxx	xx/xx/xxxx	xx/xx/xxxx								
<p>C. Maintenance and Standard Operating Procedures</p>	<p>Finding #4- C.5</p> <p>Condition: Based upon the conditions observed during the exterior and interview review of the property’s physical condition, the maintenance procedures that were in place over the last 12 months were either not fully implemented or were ineffective. A significant amount of deferred maintenance was observed, so either deficiencies are not being identified on inspection checklists, or required repairs are not being completed. A preventive maintenance checklist was provided; however, this is for “All Community Types” and should be revised to reflect the particular issues occurring at Sandpiper Cove.</p> <p>Criteria:</p> <ul style="list-style-type: none"> • Original HAP Contract, Section 14, a Maintenance • 24 CFR 5.703 <p>Cause: The condition occurred because effective maintenance policies are not being followed.</p> <p>Effect: The effect is tenants were not consistently provided decent, safe and sanitary housing.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide:</p> <ul style="list-style-type: none"> • A signed certification stating, “Going forward, the property’s written preventive maintenance policy will be followed and performed at the times specified on the checklist.” • A revised preventive maintenance policy specific to Sandpiper Cove, that includes an inspection of the exterior electrical boxes to ensure there are no open panels or exposed wires. 	<p>30 days</p>										

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	<p>Finding #5- C.5</p> <p>Condition: Upon review of the property’s Work Order Detail report, there were 58 open work orders dated from 9/28/18 to 4/30/19; 43 of those had been pending for more than 7 days. The following pending and completed work orders are of particular concern, as they either reflect significant repairs that remain uncorrected, or they reflect completion dates of 120+ days:</p> <ul style="list-style-type: none"> • Work orders 35928-1, 36029-1, 36071-1, 36088-1, 36286-1 and 36332-1: The A/C does not cool properly yet these orders still remain open, the longest for 153 days. • Work orders 35985-1, 36049-4, 36080-1, 36087-1, 36330-1, and 36330-3: Classified as emergencies yet these orders remain open, the longest for 121 days. • Work order 35939-1 – Window leaks air or water reported on 10/25/18; completed in 133 days. • Work order 35971-1 – Window leaks air or water reported on 11/9/18; completed in 122 days. <p>Additionally, it was noted that since 3/20/2019, the property has been the subject of media reports for a lack of power and air conditioning, and significant maintenance concerns:</p> <ul style="list-style-type: none"> • 3/20/19: <i>“Isle apartment complex without power for third day.”</i> • 3/21/19: <i>“Apartment complex without power for day four.”</i> • 3/26/19: <i>“Sandpiper Cove to receive new power equipment.”</i> • 4/12/19: <i>“Sandpiper Cove residents in Galveston without air conditioning.”</i> • 4/22/19: <i>“Residents live with mold, sewage at low-income Galveston housing complex.”</i> <p>According to the property’s Service Request Procedures, “Service Requests are to be completed within 24 hours of the request. Priority of work orders will be based on safety to the resident and then cost to the property.” However, this is not occurring. The excessive work order completion dates and the media reports confirm that the maintenance policies at Compass Pointe (aka Sandpiper Cove) were either not fully implemented or were ineffective.</p> <p>Criteria:</p> <ul style="list-style-type: none"> • Original HAP Contract, Section 14, a Maintenance • 24 CFR 5.703 <p>Cause: The condition occurred because effective work order policies are not being followed.</p> <p>Effect: The effect is the potential that emergency work orders were not completed timely and tenants were not consistently provided decent, safe and sanitary housing.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide:</p> <ul style="list-style-type: none"> • A signed certification stating, “Management will consistently oversee the progress of active work orders and work orders will be documented accurately.” • A copy of a revised work order policy. The property’s current work order policy states that all service requests will be completed within 24 hours. For a property of this size, this policy is untenable. Emergency work orders must be completed within 24 hours but routine requests could have a more realistic timeframe. • A copy of the Work Order Detail report from 9/28/18 – 4/30/19 showing all items as closed. • A copy of the Work Order Detail report from 5/1/19 – 5/31/19. For any work orders still open, provide an explanation as to why and provide an anticipated completion date. 	<p>30 days</p>
	<p>Finding #6 - C.6</p> <p>Condition: The following vacancy concerns were identified:</p> <ul style="list-style-type: none"> • On the day of the Site Visit, 34 of Sandpiper Cove’s 192 units (18%) were vacant. This is despite the property having 284 active applicants on the waiting list. Review of the property’s TRACS data for the last 12 months reflects the property averaged 29 month-end vacancies (15% vacancy rate). • According to property management, Units #24, 30, 31, 32, 53, 54, 67, 68 and 118 are in need of significant repairs; therefore, the owner/agent has these units noted as “down” and they are no longer working to make these units ready for occupancy. The owner/agent has taken these 9 units offline without prior approval from HUD. • The average length of vacancy at Sandpiper Cove is 180 days, or 6-months, per TRACS data received over the last 12 months. Examples of significantly extended vacancies over the past 	<p>30 days</p>

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	<p>two years include:</p> <ul style="list-style-type: none"> ○ Unit 125: (465 days- still vacant) ○ Unit 144: (456 days- still vacant) ○ Unit 192: (450 days- still vacant) ○ Unit 128: (445 days- still vacant) ○ Unit 94 (259 days from move-out to move-in) ○ Unit 108 (258 days from move-out to move-in) ○ Unit 63 (223 days from move-out to move-in) ○ Unit 72 (216 days from move-out to move-in) <ul style="list-style-type: none"> • According to management and SHCC’s observations, the property’s maintenance department lacks the necessary personnel and other resources to complete make-ready repairs. It is incumbent on the Owner/Agent to repair and make vacant units ready for occupancy in a timely manner. <p>Criteria:</p> <ul style="list-style-type: none"> • HUD Handbook 4381.5, REV-2, 6.53 • Original HAP Contract, Section 14, a Maintenance • 24 CFR 5.703 <p>Cause: The condition occurred because units have not been made ready and reoccupied in a timely manner.</p> <p>Effect: The effect is extended vacancies, extended applicant wait times, and deferred maintenance.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide:</p> <ul style="list-style-type: none"> • A copy of HUD-approval to take the 9 units listed above as “down” offline, or signed certification that those 9 units are no longer listed as “down” and make-ready repairs have begun. • A Plan of Action documenting the steps the Owner will take to make-ready all 34 vacant units within the next 90 days, and re-occupy all 34 units within the next 120 days. The plan must include both the make-ready and lease-up steps and procedures that will be taken to repair and re-occupy all 34 vacant units. • A signed certification stating, “Going forward, the Owner will ensure vacancies are made-ready and reoccupied in a timely manner in accordance with HUD guidelines.” <p>SHCC will continue to track the Owner/Agent’s follow-through on the Plan of Action regarding these units, requiring updates at the 60-day, 90-day, and 120-day timelines to ensure the POA is on track. The Owner/Agent should consider contracting out make-ready tasks to ensure these units are made ready quickly</p>	
<p>E. Leasing and Occupancy</p>	<p>Finding #7 - E.14</p> <p>Condition: Deficiencies were identified on the property’s waiting list as follows:</p> <ul style="list-style-type: none"> • Gani, D. has been on the waitlist since 4/10/15 but does not appear to have been contacted and is currently in position #59 on the 1-bedroom waiting list. • The waiting list is not being maintained in accordance with the property’s Tenant Selection Plan which states that applicants will be removed within 10 days of being notified of availability. For example: <ul style="list-style-type: none"> ○ Hall, J. has failed to respond 6 times since 5/14/15 but remains on the 1-bedroom waiting list in position #1. ○ Wilson, H. has failed to respond 18 times since 5/28/15 but remains on the 1-bedroom waiting list. ○ Chance, L. has failed to respond 30 times since 7/28/17 but remains on the 2- and the 3-bedroom waiting list. There are also notes that they were rejected. • There are two Margaret Oneal’s on the waiting list, but one moved in 2/21/18 and the other remains on the 3-bedroom waiting list. • Hiley, J. moved-in 7/16/18 but remains active on the 2-bedroom waiting list. <p>The current waiting list is not properly managed, as many applicants have been skipped and/ or appear to be active on the waiting list although they have failed to respond, as required by the Tenant Selection Plan. There are currently 284 applicants in need affordable housing in Galveston, Texas and Sandpiper Cove has the capability to provide this housing yet has maintained an average 29-unit vacancy rate over</p>	<p>30 days</p>

Summary

	<p>the past 12 months.</p> <p>Criteria: HUD Handbook 4350.3 REV 1, CHG-4, 4-16, D, 3</p> <p>Cause: The condition occurred because the waiting list provided does not clearly support that applicants were selected in the correct order.</p> <p>Effect: The effect is potential skipping of eligible applicants.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must:</p> <ul style="list-style-type: none"> • Provide an explanation as to why Hall, Wilson, Chance, Oneal, and Hiley remain active on the waiting list. • Perform an audit of the property’s waiting list. The property must adhere to the Owner/Agent’s written policy regarding waiting list management and remove applicants as necessary- including those that have families to respond, as well as those that have already accepted units. An updated waiting list must be provided to SHCC. • Provide signed certifications stating, “Going forward, the Tenant Selection Plan will be followed and applicants will be removed from the waiting list after failure to respond within 10 days of notification of availability, after the annual update of the wait list, and selected in accordance with the Existing Tenant transfer preference in place.” 	
	<p>Finding #8 - E.14</p> <p>Condition: The following marketing concerns were noted:</p> <ul style="list-style-type: none"> • The owner/agent does not have a HUD-approved Affirmative Fair Housing Marketing Plan (AFHMP). <ul style="list-style-type: none"> ○ During the current 2019 MOR the owner/agent provided SHCC with an AFHMP signed by Jack Bonnette and dated 10/6/2014. ○ During SHCC’s prior MOR conducted in 2016 SHCC was provided with an AFHMP signed by Julie Bartold and dated 4/29/2016. <p>As noted above, neither of these AFHMP versions have HUD-approval. SHCC issued an Observation in our 2016 MOR advising the owner/agent to periodically follow-up with HUD until AFHMP approval was obtained. No documentation of follow-up was provided.</p> <p>Additionally, the property’s site sign is not compliant, in that the words “Equal Housing Opportunity” (EHO) do not appear under the house logo, as required by HUD regulations. The <i>complete</i> EHO logo, slogan or statement must be used.</p> <ul style="list-style-type: none"> • Logo: consists of both the house symbol and the words “Equal Housing Opportunity” • Slogan: “Equal Housing Opportunity” • Statement: “We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.” <p>NOTE: THIS IS A REPEAT FINDING FROM SHCC’S 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent certified that “the complete EHO insignia will be used in advertising.” A sign is considered advertising.</p> <p>Criteria: HUD Handbook 4350.3 REV-1, CHG-4, 4-12, B</p> <ul style="list-style-type: none"> • 24 CFR Appendix to Subpart M of Part 200 - Equal Housing Opportunity Logo • Form HUD-935.2A Affirmative Fair Housing Marketing Plan <p>Cause: The condition occurred because the property’s site sign is not compliant and the owner/agent has not performed and maintained follow-up on the AFHMP.</p> <p>Effect: The effect is potential applicants do not know this is an EHO property and there is not a current, HUD-approved AFHMP to follow.</p> <p>Required Corrective Action: Within 30 days from the date of this report, the owner/agent must provide:</p> <ul style="list-style-type: none"> • A picture showing that the <i>complete</i> Equal Housing Opportunity logo, slogan or statement has been added to the site sign. • A signed certification as to which is the correct version of the AFHMP (10/6/2014 or 	<p>30 days</p>

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	<p>4/29/2016), and provide documentation that that AFHMP version has been submitted to MFSouthwest@hud.gov. The Owner/Agent must also submit a signed certification that they will follow-up periodically until HUD approval is obtained, and maintain documentation of the follow-up efforts.</p>	
	<p>Finding #9- E.15</p> <p>Condition: The following rules and charges listed in the House Rules are unreasonable and/or do not reflect the actual cost incurred by the property:</p> <ul style="list-style-type: none"> • Page 11 states “Never leave trash bags outside your apartment door. Trash found anywhere outside of your home will be disposed of properly by staff and you will be billed a \$25 fee for this service.” This is unreasonable as it does not specify frequency of occurrence or timeframe given before the resident is charged. Furthermore it acts as a fine for bad behavior. Bad behavior must be addressed through lease enforcement and not the assessment of fines. • Page 12 states “Bikes are to be kept in an upright position on BACK patios ONLY.” This is unreasonable as there are no back patios at Sandpiper Cove and tenants have complained that there are no options for bike storage. During the site visit, many units had bicycles on the front porch and management made no mention of that being a violation. • Page 13 states “Proof of liability insurance covering personal injury and property damage caused by the satellite dish must be forwarded to management PRIOR to installation of the satellite dish.” This is not permitted as the Owner/Agent cannot require a tenant obtain insurance. • The receipt of House Rules form includes a pet policy, though the property does not allow pets. <p><i>Note: SHCC recommends the Owner/ Agent remove the ALL CAPITALIZED LETTERS to improve the tone of correspondence with tenants.</i></p> <p>Criteria:</p> <ul style="list-style-type: none"> • HUD Handbook 4350.3 REV-1, CHG-4, 6-9 B, 1 • HUD Handbook 4350.3 REV-1, CHG-4, 6-25 D <p>Cause: The condition occurred because the House Rules contain unreasonable policies and fees.</p> <p>Effect: The effect is tenants incurring non-compliant fees, or house rules being unreasonable or unenforceable.</p> <p>Corrective Action: Within 30 days of the date of this report, the Owner/Agent must provide:</p> <ul style="list-style-type: none"> • A copy of the revised House Rules with the above-noted provisions revised to remove not applicable, non-compliant or unreasonable language • Signed certification stating, “A 100% audit of ledgers for current households has been performed, and any tenants who have been charged the \$25 trash removal fee have been refunded.” <p><i>Note: A 30-day advance notice must be issued to all current residents prior to the implementation of the revised House Rules. SHCC reserves the right to request a sampling of ledgers to confirm that all \$25 trash removal fees have been refunded.</i></p>	<p>30 days</p>
	<p>Finding #10 – E.18</p> <p>Condition: The EIV Master File did not contain documentation to support consistent use of the New Hires Summary Report, Deceased Tenant Report, Multiple Subsidy Summary Report, or both Identity Verification Reports according to the EIV policies and procedures.</p> <ul style="list-style-type: none"> • The Identity Verification (both), New Hires Summary, Deceased Tenant and Multiple Subsidy Summary reports were not printed and reviewed for the months of August through November 2018 (4 months). Instead, the reports accessed on 12/4/18, were copied and put in the Master File for each of these months. The manager stated this is how the previous Regional Manager instructed to maintain the Master File. This is not in accordance with HUD requirements or the property’s EIV policy, which states that all reports will be run monthly. • Multiple Subsidy Summary reports placed in the file labeled for January, February, March, and April 2019 (4 months) did not have dates on the printouts, proving them not auditable for 	<p>30 days</p>

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appropriate access times. Additionally the reports placed in the Master File for January and April (2 months) did not contain notes on research or resolution.

- **Deceased Tenant reports** placed in the file labeled for January, February, March, and April 2019 (4 months) did not have dates on the printouts, proving them not auditable for appropriate access times. The report placed in the Master File for the section labeled April (1 month) did not contain notes on research or resolution.
- **New Hires Summary reports** are being used inconsistently.
 - The report in February 2019 was accessed correctly, and 11 of the 47 discrepancies were researched and contained notes about contacts and results.
 - However, the January, March and April 2019 reports (3 months) were run by the month of recertification date, instead of the required “All” month search. Additionally, these reports did not contain notes on research or resolution.
- **Identity Verification reports** from December 2018-March 2019 (4 months) contained at least three Failed Verifications but the reports did not contain notes on research or resolution.

Criteria:

- HUD Handbook 4350.3 REV-1, CHG-4, 9-11, D-1
- HUD Handbook 4350.3 REV-1, CHG-4, 9-12, B-C

Cause: The condition occurred because the owner/agent did not adhere to HUD’s requirements for using the EIV system.

Effect: The effect is the potential multiples subsidies, subsidies for deceased residents, and improper subsidy payments due to unreported or unverified tenant income.

Corrective Action: Within 30 days from the date of this report the Owner/Agent must provide:

- A signed certification stating “Going forward, all property-wide EIV reports (Failed Verification Report, Failed Pre-Screening Report, Deceased Tenant, New Hires Summary Report, and the Multiple Subsidy Summary Report) will be reviewed and resolved in accordance with HUD requirements and the property’s EIV policies and procedures, as well as maintained with documentation in the EIV Master File, with corresponding notes regarding resolution.”
- Copies of the June 2019 Master File EIV reports (Failed Verification Report, Failed Pre-Screening Report, Deceased Tenant Report, New Hires Summary Report, and Multiple Subsidy Summary Report). The Owner/Agent must print these reports and write or make notations or provide other documentation to show that the Owner/Agent is actively reviewing and resolving each potential discrepancy.
- Successful transmission of any new and/or corrected HUD-50059 for confirmed discrepancy corrections resulting from the review of the Failed Verification Report, Failed Pre-Screening Report, Deceased Tenant Report, New Hires Summary Report, and Multiple Subsidy Summary Report.

Note: Additionally, as a result of this Finding, and in accordance with HUD Handbook 4350.3 REV-1, CHG-4, 9-19, the Owner/Agent must make a -5% manual adjustment on the next scheduled voucher. SHCC will monitor the voucher to ensure the penalty is incorporated. If the Owner/Agent does not include the voucher adjustment, SHCC’s HAP Department will do so. If SHCC approves a monthly HAP voucher amount that differs from the amount requested on the property’s paper voucher submission, SHCC will adjust the 5% penalty to correspond to the approved voucher amount. The Owner/Agent will be notified of any adjustments. Please be advised that if the Owner/Agent does not cure this EIV Finding in 30 days, the property will be flagged in HUD’s Active Partners Performance System (APPS) and another -5% adjustment will be made on the next and each subsequent voucher until the Finding is cured. Once the Finding is cured, the APPS flag will be removed and SHCC will make an equally positive adjustment for each voucher which was decreased.

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	<p>Finding #11 – E.18</p> <p>Condition: The property is not following HUD requirements regarding the printing, resolution and retention of household-level EIV reports. This was identified in 8 of 10 active tenant files reviewed.</p> <ul style="list-style-type: none"> • Unit 20, Move-in effective 10/26/2018: <ul style="list-style-type: none"> ○ The Income Report, which is to be printed within 90 days of successful transmission of the move-in certification through TRACS, was not in the file. ○ The Existing Tenant Search did not have the date of access printed. • Unit 47, Interim effective 11/1/2018: <ul style="list-style-type: none"> ○ The HUD-50059 was signed on 9/24/2018 and transmitted to TRACS 10/12/2018. However, the Income reports (Summary, Income and Income Discrepancy) were printed after the recertification on 11/26/18. • Unit 50, Annual effective 1/1/2019: <ul style="list-style-type: none"> ○ The Existing Tenant Search was not in the file. • Unit 62, Annual effective 7/1/2018: <ul style="list-style-type: none"> ○ The Income reports (Summary, Income and Income Discrepancy) were not printed at time of recertification and instead were printed late on 8/8/18. • Unit 63, Move-in effective 12/3/2018: <ul style="list-style-type: none"> ○ The Income Report, which is to be printed within 90 days of successful transmission of the move-in certification through TRACS, was not in the file. • Unit 120, Interim effective 12/1/2018: <ul style="list-style-type: none"> ○ The Income reports (Summary, Income and Income Discrepancy) required at time of recertification were not in the file. • Unit 141, Move-in effective 10/5/2018: <ul style="list-style-type: none"> ○ The Existing Tenant Search was not in the file for the dependent. ○ The Existing Tenant Search did not contain resolution notes for the PIH match for the Head of Household. ○ The Income Report, which is to be printed within 90 days of successful transmission of the move-in certification through TRACS, was not in the file. • Unit #163, Move-in effective 7/5/2018: <ul style="list-style-type: none"> ○ The Income Report had an Income Discrepancy and New Hires result but did not contain resolution notes. <p>NOTE: THIS IS A REPEAT FINDING FROM SHCC’s 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent certified that “We are using the system as per HUD guidelines and more specifically, we are consistently printing reports and resolving issues at the time of certification and other times as described in the Owner’s Policies and Procedures.” Based on SHCC’s review, the property is not following this practice.</p> <p>Criteria:</p> <ul style="list-style-type: none"> • HUD Handbook 4350.3 REV-1, CHG-4, 9-12, A • HUD Handbook 4350.3 REV-1, CHG-4, 9-11 • HUD Handbook 4350.3 REV-1, CHG-4, 9-11, B, 5 <p>Cause: The condition occurred because the owner/agent did not follow HUD requirements or the property’s policies for using the EIV system when processing applicants or completing recertifications.</p> <p>Effect: The effect is the potential for duplicate subsidy or improper subsidy payments.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide:</p> <ul style="list-style-type: none"> • Signed certifications stating: <ul style="list-style-type: none"> ○ “The Income Reports (Summary, Income and Income Discrepancy) will be accessed and evaluated at the time of Annual and Interim recertification, and maintained in the tenant file along with any documentation received to resolve discrepancies, if applicable.” 	<p>30 days</p>
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Summary

	<ul style="list-style-type: none"> ○ “The Summary Report will be maintained in the tenant file to validate a tenant’s SSN and to review and resolve discrepant or invalid personal identifiers of tenants with a “failed” or “deceased” status.” ○ “The Income Report will be reviewed and resolved within 90 days after transmission of the move-in certification to TRACS and will be retained in the tenant file.” ○ “The Income Discrepancy report will be maintained in the tenant file along with resolution notes to reflect the potential discrepancy was reviewed and resolved.” ○ “The Existing Tenant Search will be used as part of the screening criteria for new residents, including dependents, prior to move-in and will be maintained with the application and include resolution notations.” <ul style="list-style-type: none"> ● Copies of the Income Report accessed within 90 days after transmission of the move-in certification to TRACS for recent move-ins of Units 81 and 84 along with any necessary resolution notes. ● Copies of all three Income Reports (Summary, Income and Income Discrepancy) for the upcoming 8/2019 annual recertifications for Units 87, 104 and 130 along with any necessary resolution notes of Income Discrepancies. ● Explanation of the outcome of the Income Discrepancy investigation for Unit 163 listed above. 	
	<p>Finding #12 - E.19</p> <p>Condition: Recertifications are not completed in a timely manner. For example:</p> <ul style="list-style-type: none"> ● Unit 50, Annual effective 1/1/2019: Transmitted to TRACS 1/11/19. Notice of 30 day increase in rent was given late on 12/21/18. ● Unit 62, Annual effective 7/1/2018: Transmitted to TRACS 9/11/18. Tenants signed all documents 6/20/18 and the 50059 was signed 8/21/18. There were no recertification notices in the file, so SHCC was unable to determine if the tenant reported this loss of income timely or if management caused the delay. ● Unit #163, Move-in effective 7/5/2018: A correction to the Move-in was in the file but has not been transmitted to TRACS. <p>NOTE: THIS IS A REPEAT FINDING FROM THE 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent certified that “All vouchers are checked to ensure that they are not sent with unnecessary errors, all certifications are completed and submitted in a timely manner ...” Based on SHCC’s review, the property has not been following this practice.</p> <p>Criteria: HUD Handbook 4350.3 REV-1, CHG-4, 7-5, A.</p> <p>Cause: The condition occurred because recertifications are being transmitted late.</p> <p>Effect: The effect is potential loss of subsidy payments to the Owner.</p> <p>Corrective Action: Within 30 days from the date of the report, the Owner/Agent must provide signed certifications stating:</p> <ul style="list-style-type: none"> ● “All certifications will be completed and sent in a timely manner. 30 days’ notice of rent increase will be provided, as required.” ● “The tenant in Unit 50 has been given \$267 credit or refund for the month of January due to not receiving a 30 days’ notice of rent increase.” 	<p>30 days</p>
	<p>Finding #13 – E.22</p> <p>Condition: Missing or incorrect HUD forms or addenda were identified in 8 of 10 active tenant files reviewed. The following issues were noted during the file review:</p> <ul style="list-style-type: none"> ● Unit 20, Move-in effective 10/26/2018: <ul style="list-style-type: none"> ○ Pet policy and addendum in file, although this is a “No Pets” property. ○ Owner’s Summary Sheet does not have the date verified. ○ Lead Based Paint (LBP) acknowledgment is not used appropriately. It is marked with X’s instead of being initialed by the tenant. ● Unit 47, Interim effective 11/1/2018: <ul style="list-style-type: none"> ○ Pet policy and addendum in file, although this is a “No Pets” property. 	<p>30 days</p>

Summary

- **Unit 50, Annual effective 1/1/2019:**
 - Acknowledgment of receipt of “EIV & You brochure”, “Resident Rights and Responsibilities brochure,” and “Fact Sheet on How Your Rent is Determined brochure” was not maintained.

- **Unit 62, Annual effective 7/1/2018:**
 - Pet policy and addendum in file, although this is a “No Pets” property.
 - LBP acknowledgment is not used correctly. None of the choices were checked and it was not signed by the Agent.
 - Owner’s Summary Sheet is not completed.
 - HUD-9887A for Head of Household was not signed or dated by the Agent.

- **Unit 63, Move-in effective 12/3/2018:**
 - Pet policy and addendum in file, although this is a “No Pets” property.

- **Unit 84, Move-in effective 2/14/2019:**
 - Pet policy and addendum in file, although this is a “No Pets” property. The tenant does have a service animal, which is not considered a pet.

- **Unit 136, Interim effective 1/1/2019:**
 - Pet policy and addendum in file, although this is a “No Pets” property.

- **Unit 163, Move-in effective 7/5/2018:**
 - Pet policy and addendum in file, although this is a “No Pets” property.

Criteria:

- HUD Notice 95-55, 7, d, 4
- HUD Handbook 4350.3 REV-1, CHG-4, 6-5, A, 3
- HUD Handbook 4350.3 REV-1, CHG-4, 9-8, B
- HUD Handbook 4350.3 REV-1, CHG-4, 6-10
- HUD Handbook 4350.3 REV-1, CHG-4, 6-27, B (i & j)

Cause: The condition occurred because documents are utilized incorrectly and/ or not maintained.

Effect: The effect is inconsistent verification and documentation.

Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide:

- Signed certifications stating:
 - “Going forward, the pet policy and addendum will no longer be attached to the lease for new move-ins, and will be removed from current tenant files during their next recertification.”
 - “Going forward for new move-ins, and at each current tenant’s next recertification, the owner/agent will ensure that a Lead Based Paint form is completed correctly and maintained in the tenant file.”
 - “Acknowledgment of receipt of “EIV & You brochure”, “Resident Rights and Responsibilities brochure,” and “Fact Sheet on How Your Rent is Determined brochure” will be maintained at the time of annual recertification.”
 - “Going forward, the HUD-9887A will be signed and dated by the Agent representative.”

Note: The three boxes at the top of the signature page on form HUD-9887 must be completed.

- The leftmost box should list your HUD Regional Office’s information: US Dept. of HUD, 801 Cherry Street, Unit #45, Suite 2500, Fort Worth, TX 76102, Attn: Ft. Worth Asset Management Division Director.
- The middle box should list the full name entity name and address of the owner.
- The rightmost box should list SHCC’s information: Southwest Housing Compliance Corporation, 1124 South IH-35, Austin, TX 78704, Attn: President & CEO.
- For digital versions of the form, the full names and address listed above for these boxes will fit in the form if you type them in free form and use commas instead of hitting Return after each line.

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	<p>Finding #14 - E.22</p> <p>Condition: Screenings were not maintained in the tenant file with the application and required. As a result, SHCC unable to review the screenings and confirm tenant eligibility for occupancy in accordance with the property’s Tenant Selection Plan. Management stated the results are only seen and maintained by the Agent offsite.</p> <ul style="list-style-type: none"> • Units 47 and 50: Only the first page showing the tenant passed was maintained in the tenant file. • Unit 63 MI effective 12/3/2018: Only the first page of the criminal screening showing “failed” due to credit and landlord screening was maintained in the file. There was proof that the tenant repaid the balance to a landlord, but without complete results in the file, an independent reviewer is unable to ascertain that all reasons for the fail were mitigated. • Units 84 and 163: The tenant provided previous addresses on the application but there was no landlord verification in the file. • Rejection file for applicant [REDACTED] contained the first page showing failed due to criminal and credit results; without complete results in the file, an independent reviewer is unable to ascertain that the rejection is in compliance with the screening standards outlined in the Tenant Selection Plan. <p>Criteria:</p> <ul style="list-style-type: none"> • HUD Notice H 2012-11, Section IV, C • HUD Handbook 4350.3 REV-1, CHG-4, 4-22, C. <p>Cause: The condition occurred because complete documentation of applicant screening was not maintained in the tenant file.</p> <p>Effect: The effect is an inability to determine an applicant’s eligibility for occupancy in accordance with the Tenant Selection Plan.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide a signed certification stating, “The full criminal screening (drug abuse, lifetime state sex offender registration, and other criminal activity) documents as well as other screening in accordance with the TSP, will be maintained in the tenant file with the application and consistently performed for all applicants prior to move-in.</p>	<p>30 days</p>
	<p>Finding #15- E.22</p> <p>Condition: Per review of SHCC’s TRACS data as of 4/18/2019, the following 40 units were over-housed (in bold are households listed as over housed in SHCC’s 2016 MOR report):</p> <ul style="list-style-type: none"> • #183: 1 person in a 4-bedroom • #11, 23, 43, 56, 78, 97: 2 persons in a 3-bedroom • #6, 65, 91, 145, 146, 185: 1 person in a 3-bedroom • #28, 33, 35, 36, 37, 38, 48, 51, 52, 57, 58, 60, 73, 93, 101, 102, 103, 114, 119, 122, 135, 148, 151, 152, 154, 161, 189: 1 person in a 2-bedroom <p>These household sizes are not in accordance with the property’s occupancy standards outlined in the Tenant Selection Plan (1-2 persons in a 1-bedroom, 2-4 persons in a 2-bedroom, 3-6 persons in a 3-bedroom, 4-8 persons in a 4-bedroom, 5-10 persons in a 5-bedroom).</p> <p>SHCC acknowledges there are only ten 1-bedroom apartments onsite. However, since 1/1/18 there have been two new move-ins to 1-bedroom apartments and 22 new move-ins to 2-bedrooms, skipping the existing resident transfers who should have priority. The property is moving in new tenants rather than transferring existing residents, which goes against the property’s Tenant Selection Plan. At a minimum, the most egregious over-housed tenants (1 person in a 3 or 4 bedroom unit) should be transferred to a 1 or 2-bedroom unit prior to the admission of a new move-in. This appears to be a way to avoid having to complete additional make-ready tasks (making two units ready versus only one unit ready). For example:</p> <ul style="list-style-type: none"> • [REDACTED] has been one person in 3-bedroom unit #145 since 11/1/16. According to the waiting list; however, she was skipped in preference for a new move-in to unit #20, a 1-bedroom). • [REDACTED] has a two-person household but has been in 3-bedroom unit #78 since 7/1/15. According to the waiting list, she has been skipped numerous times and most recently for a new move-in to #138, a 2-bedroom unit. 	<p>30 days</p>

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	<p>There are also other residents unnecessarily listed on the waiting list as existing tenant transfers, such as [REDACTED] #187 (2 people in a 2 bedroom) and #66 [REDACTED] (4 people in a 3 bedroom).</p> <p>NOTE: THIS IS A REPEAT FINDING FROM SHCC's 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent stated that this problem was inherited from the previous agent but was committed to resolving this issue.</p> <p>Criteria:</p> <ul style="list-style-type: none"> • HUD Handbook 4350.3 REV-1, CHG-4, 3-23, B, 1 • HUD Handbook 4350.3 REV-1, CHG-4, 3-23, G, 2 <p>Cause: The condition occurred because occupancy standards have not been followed.</p> <p>Effect: The effect is underutilization of HUD subsidy.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner must provide:</p> <ul style="list-style-type: none"> • Signed certifications stating: <ul style="list-style-type: none"> ○ “Going forward when appropriately sized units become available, over-housed households will be transferred prior to moving in a new household from the applicant waiting list. This includes moving tenants to a unit that’s closer to full utilization, such as moving a single member household from a 3 or 4 bedroom unit to a 2 bedroom unit, or moving a 2 person household in a 3-bedroom unit to a 2-bedroom unit.” ○ “An audit of the waiting list, including existing resident transfers, has been performed and updated to include over-housed individuals and to remove those who do not have a need to be on the transfer list.” ○ “Going forward for new admissions, a single person will not be permitted to move into a unit with two or more bedrooms, other than for a HUD-approved exception.” • A copy of the updated transfer waiting list with all units in the Condition included. For any unit(s) not added to the list due to a HUD-approved exception, provide SHCC with that documentation. 	
	<p>Finding #16 - E.22</p> <p>Condition: Verification and/or calculation errors were identified in 7 of 10 active tenant files reviewed, 5 of which affected TTP/HAP:</p> <ul style="list-style-type: none"> • Unit 20, Move-in effective 10/26/2018: <ul style="list-style-type: none"> ○ SS income is incorrectly coded as Non-wage income. ○ SSI and SS award letters are from 2017 and therefore outdated. ○ Unable to Determine TTP or HAP. • Unit 47, Interim effective 11/1/2018: <ul style="list-style-type: none"> ○ Child Support income was verified 8/27/18. The income amount was less than \$200/month, which would not prompt the completion of an IR. ○ An updated \$0 Family Contribution form was received 11/27/18. Therefore, an IR removing that \$300/month income should have been processed effective 12/1/18. ○ TTP should be \$41 and HAP \$975, effective 12/1/2018. • Unit 50, Annual effective 1/1/2019: <ul style="list-style-type: none"> ○ Wage income is incorrectly coded as Non-wage income. ○ [REDACTED] is spelled incorrectly on the HUD-50059. ○ Asset in the amount of \$2 was incorrectly included as \$0 on the HUD-50059. ○ This does not affect TTP or HAP. • Unit 63, Move-in effective 12/3/2018: <ul style="list-style-type: none"> ○ Third-party verification of Social Security Number for dependent is not in the file. ○ Child Support is inconsistently being calculated. Other tenant files reviewed used the Attorney General <i>award</i> amount but this file used <i>actual</i> amounts received. Income should be \$2,544 in order to be consistent among tenants. There was no documentation in the file to explain this change in practice. ○ TTP should be \$52 and HAP \$964. 	<p>30 days</p>

Summary

- **Unit 120, Interim effective 12/1/2018:**
 - This zero-income tenant reported receiving \$25/month on the recertification questionnaire but this amount has not been verified or included on the HUD-50059.
 - This does not affect TTP or HAP.
- **Unit 136, Interim effective 1/1/2019:**
 - Third-party verification in file shows the tenant is employed 25 hours per week, not bi-weekly. Income should be \$11,700.
 - **TTP should be \$299 and HAP \$717.**
- **Unit 163, Move-in effective 7/5/2018:**
 - A correction to the move-in HUD-50059 with the correct Child Support income of \$2,544 was in the file, but this has not yet been transmitted to TRACS.
 - **TTP should be \$40 and HAP \$1243.**
- Additionally, a dependent in **Unit 139** had an invalid Social Security Number from time of move in 8/19/2016 to move-out 8/3/2018 and yet the household received subsidy, which is in direct violation of HUD’s SSN disclosure requirements.

Criteria:

- **HUD Handbook 4350.3 REV-1, CHG-4, 5-12, A, 1**
- **HUD Handbook 4350.3 REV-1, CHG-4, 3-9, C**
- **HUD Handbook 4350.3 REV-1, CHG-4, 3-9, A**

Cause: The condition occurred because all household members, income and assets were not correctly coded, recorded, verified and/or calculated.

Effect: The effect is tenants overpaying in rent, or HUD overpaying in subsidy.

Corrective Action: Within 30 days from the date of this report, the Owner/Agent must:

- Provide signed certifications stating:
 - “All income and assets will be correctly verified, calculated and coded on the 50059.”
 - “All family characteristics will be obtained and accurately reviewed before placing on the HUD-50059.”
 - “Verification of Social Security Number will be obtained for all household members claiming eligible citizenship status in order to receive HUD subsidy.”
- Successfully transmit corrections for Units **47 (this will require an 11/1/2018 correction and a new 12/1/2018 IR), 63, 136, and 163** (for the certification effective dates listed above) through TRACS.
- Successfully transmit a correction for Unit **20** through TRACS and provide copies of the third-party documentation used to calculate income.
- Complete a 100% file audit on all Section 8 files specific to accurate verification and calculation of income and family characteristics. If an error is identified, the property must continue to audit the file **back to where the error began, not to exceed five years**. The property must correct the error to include obtaining missing verifications and correcting any calculation errors. For any errors found during your audit, please provide the following information in a chart format:
 - Unit #
 - Effective date
 - Certification type
 - Description of Errors Identified
 - Old HAP amount (*the current and incorrect HAP amount on the HUD-50059*)
 - New HAP amount (*what the HAP should be after your audit*)
- Successfully transmit all corrections as a result of the 100% file audit through iMAX, as applicable.

Note: SHCC will request a sample of the above referenced documents upon receipt of the Owner/Agent’s response to this Finding.

Note: Pursuant to these corrections, management must ensure they provide the resident with a 30-day notice of increased rent if the HAP amount decreased. If the HAP amount increased, management must

Summary

	<p>ensure they issue the resident the appropriate reimbursement or rental credit retroactive to the effective date of the corrected HUD-50059. In accordance with HUD’s Rental Housing Integrity Improvement Project (RHIIIP Initiative), this Error will not be closed by SHCC until such time as the monthly HAP voucher, incorporating the appropriate adjustment has been received by SHCC. Owners cannot collect retroactive tenant underpayments due to improper Owner/Agent calculations or procedures. HUD Handbook 4350.3 REV-1, CHG-4, 8-21, A, 4.</p>	
	<p>Finding #17 - E.22</p> <p>Condition: The following files were reviewed the day of the site visit and found to have improperly applied minimum rent hardship exemptions (TTP of less than \$25):</p> <ul style="list-style-type: none"> • Unit 43 AR effective 10/1/18: TTP should be \$25 and HAP \$1269. • Unit 51 AR effective 10/1/18: TTP should be \$25 and HAP \$991. • Unit 73 AR effective 10/1/18: TTP should be \$25 and HAP \$991. <p>NOTE: THIS IS A REPEAT FINDING FROM THE 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent certified that “This issue has been reviewed with our software provider and has been updated to enforce the \$25 minimum TTP.”</p> <p>Criteria:</p> <ul style="list-style-type: none"> • HUD Handbook 4350.3 REV-1, CHG-4, 5-26, D, 4 • HUD Handbook 4350.3 REV-1, CHG-4, 5-26, D, 3, b <p>Cause: The condition occurred because hardships exemptions were incorrectly issued.</p> <p>Effect: The effect is HUD is overpaying subsidy.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must:</p> <ul style="list-style-type: none"> • Provide a signed certification stating, “Documentation and determinations regarding hardship exemptions will be maintained.” • Successfully transmit corrections for Units 43, 51, and 73 (for the certification effective dates listed above) through TRACS. <p>Note: Pursuant to these corrections, management must ensure they provide the resident with a 30-day notice of increased rent if the HAP amount decreased. If the HAP amount increased, management must ensure they issue the resident the appropriate reimbursement or rental credit retroactive to the effective date of the corrected HUD-50059. In accordance with HUD’s Rental Housing Integrity Improvement Project (RHIIIP Initiative), this Error will not be closed by SHCC until such time as the monthly HAP voucher, incorporating the appropriate adjustment has been received by SHCC. Owners cannot collect retroactive tenant underpayments due to improper Owner/Agent calculations or procedures. HUD Handbook 4350.3 REV-1, CHG-4, 8-21, A, 4.</p>	<p>30 days</p>
	<p>Observation #1 - E.14</p> <p>Condition: All of the Owner/Agent’s written communications with the public do not contain the HUD-required language, “The Owner does not discriminate against persons with disabilities” and the written communications with the public do not “identify an employee named to coordinate compliance with the nondiscrimination requirement” (Section 504 Coordinator). Specifically, the notices sent to residents on 4/24/19 and 4/29/19 were missing this language.</p> <p>Recommendation: The Owner/Agent is advised to ensure that all written communications with the public include the required disability language (and Section 504 Coordinator contact information and address, if applicable). Reference HUD Handbook 4350.3 REV-1, CHG-4, 2-29, C and Exhibit 2-3: “Owners must provide the information specified in paragraph 2-29 in all written communications with the public...” and “Written communications must state that the owner does not discriminate against persons with disabilities.” Written communications include applications, tenant/applicant letters, etc. Additionally, if the owner, managing entity, or project has 15 or more employees, then the Owner/Agent must, “identify an employee named to coordinate compliance with the nondiscrimination requirements.”</p>	

Summary

	<p>Observation #2 - E.21</p> <p>Condition: The move-out tenant files are kept in a closet in the community room. HUD Considers “locked and secured” to be files locked in a desk or cabinet. Unsecured files in a locked room are not considered “locked and secured.”</p> <p>Recommendation: SHCC advises the property to follow HUD guidelines and ensure tenant files are locked in a filing cabinet or desk. Reference: HUD Handbook 4350.3 REV-1, CHG-4, 4-22, D and HUD Handbook 4350.3 REV-1, CHG-4, 5-23, D.</p>	
<p>F. Tenant/Management Relations</p>	<p>Finding #18 - F.23</p> <p>Condition: The owner/agent does not have an effective process in place to appropriately address resident complaints or concerns. This is evidenced by:</p> <ul style="list-style-type: none"> • There are no SHCC call center posters onsite. Residents have not been provided with SHCC’s toll-free number as required via the posters, which can be an effective means to de-escalate and address tenant concerns. • There have been multiple negative news articles about Sandpiper Cove (aka Compass Pointe) and Millennia Housing Management regarding maintenance issues and substandard housing. Refer to Finding #5- C.5 for a detailed listing. • Prior to the site visit, SHCC was provided copies of notices sent to residents that perpetuate acrimony among both parties. In a letter dated 4/24/19, management provided notice of annual inspection. The letter is typed in all capital letters and lists many charges for repairs that differ from the property’s established list of charges. Examples include: <ul style="list-style-type: none"> ○ “IF YOU HAVE ANY OF THE FOLLOWING REPAIRS THEY WILL BE REPAIRED AND YOUR ACCOUNT WILL BE CHARGED FOR THE REPAIRS: NO EXCEPTIONS!!!!!!!!!!!!!!” ○ “POOR HOUSEKEEPING COULD RESULT IN TERMINATION OF TENANCY.” ○ “IF WE CAN NOT GET IN YOUR UNIT, WE WILL DRILL OUT THE LOCK AND YOU WILL BE CHARGED A \$25 LOCK CHANGE” • An advocacy group (Texas Housers aka Texas Low Income Housing Information Service) has organized residents in order to help them resolve their issues with property operations and unit deficiencies. Resident complaints that were recently brought to SHCC’s attention from Texas Housers include: <ul style="list-style-type: none"> ○ Fear of retaliation, threatening demeanor and bad attitude from management ○ Visitors not allowed to park and the presence of predatory tow trucks on a daily basis ○ No working phone numbers provided to residents for complaints to Millenia Housing ○ A resident was working cleaning units and was never paid by management so he set fire to a portion of the management office. <i>Note: This was alleged by a current resident and verified verbally in conversation with the Assistant Manager.</i> ○ Mold and rats in units ○ Rats around dumpsters ○ Sewage backups ○ Maintenance bills do not have damages itemized ○ Land lines/cable not available because cable lines stolen by previous maintenance ○ Admitting drug dealers ○ Searches for criminal activity are performed under the guise of routine unit inspections ○ Threats of retaliation by management against any who call the police ○ Laundry room/washing machines not clean ○ Parties thrown by management at inconvenient times, such as children events at 1 P.M. on a school day • There is a Resident Complaint form in use at the property, but this form only has space for complaints against other residents. It does not include space for concerns with management. <p>Considering the high amount of negative publicity, the Owner/ Agent must evaluate strategies to improve tenant-management relations.</p> <p>Criteria: HUD Handbook 4381.5, 2-9, 4-3 and 4-7</p>	<p>30 Days</p>

Summary

	<p>Cause: The condition occurred because resident concerns are not addressed appropriately.</p> <p>Effect: The effect is residents may feel their concerns are being ignored.</p> <p>Corrective Action: Within 30 days from the date of this report, the Owner/Agent must provide:</p> <ul style="list-style-type: none"> • Signed certification that the SHCC Call Center posters have now been posted at the property in prominent spaces in various community areas accessible to residents. • A list of actions that will be taken, including timelines, to improve resident relations and encourage tenant participation in project operations (i.e. suggestion box, office hours specifically for resident concerns, etc). The actions should: <ul style="list-style-type: none"> ○ Foster enhanced communication between residents and management ○ Increase resident access to management ○ Ensure proper consideration and acknowledgement of resident input ○ Emphasize the importance of promptly resolving problems • A copy of a newly adopted resident complaint/grievance policy for management to use to effectively resolve tenant concerns and complaints on-site, and also to escalate unresolved concerns to Millenia Management. • A signed certification stating, “Resident concerns will be addressed in a timely manner. This will include emergency repairs completed within 24 hours and general repairs in accordance with the newly adopted work order and preventive/general maintenance policy.” <p><u>Note:</u> SHCC is aware of Michael Gamez, HUD Branch Chief’s email to the property on 5/1/2019 communicating concerns and the required follow-up regarding the Iron Man after school program in the upstairs floor of the community room. The Owner/Agent is reminded that they must respond to HUD in a timely manner to address his concerns.</p>	
<p>G. General Management Practices</p>	<p>Finding #19 - G.25</p> <p>Condition: Effective policies, staffing, and oversight are lacking to ensure the success of Sandpiper Cove Apartments, as noted and evidenced by the number and types of Findings outlined in this Report. Of particular concern:</p> <ul style="list-style-type: none"> • The owner certifications received in response to SHCC’s 2016 MOR Report have not been followed or observed. Several similar or identical deficiencies from the 2016 MOR are noted in this 2019 MOR Report. • Security has not been enhanced since 2016, yet significant criminal activity persists at the property. • Adequate and effective maintenance is not in place at the property. The physical condition deficiencies reflect inaction on the part of the Owner/ Agent to commit sufficient funds and staffing to make exterior and interior repairs. It appears the Owner/Agent is in a holding pattern in anticipation of potential future Tax Credit funds to perform necessary repairs. • Adequate and effective management is not in place at the property. This is reflected in the lack of proper use of HUD’s Enterprise Income Verification (EIV) system at the property and tenant level, tenant files that don’t contain sufficient or accurate documentation to support subsidy calculations, and significant over-housing and vacancies. <p>NOTE: THIS IS A REPEAT FINDING FROM SHCC’s 2016 REPORT. In a response to the 2016 MOR, the Owner/ Agent stated that a new Regional Manager was taking over management of the property to ensure that management and maintenance issues are appropriately addressed. It appears this regional is no longer with the company, as a new Agent representative was onsite the day of the 2019 MOR. Due to the above, as well as the numerous deficiencies outlined in this Report, it is evident that the Owner/Agent has not been providing enough support to provide acceptable management of the property.</p> <p>Criteria: HUD Handbook 4350.1, 4350.5, and 4381.5</p> <p>Cause: The condition occurred because the Owner/agent has not implemented effective controls for the property.</p> <p>Effect: The effect is the Owner/Agent not being in compliance with HUD requirements on multiple fronts.</p>	<p>30 days</p>

Summary

	<p>Corrective Action: The Owner must develop an Action Plan detailing what changes will be made at the management agent level, as well as at the site level, to ensure that the Owner fulfills its obligations as outlined in the HAP contract and the HUD Model Lease. The following items must be included:</p> <ul style="list-style-type: none">• Additions and/or changes in management agent personnel, site level staff, and/or contractors (to include an estimated completion date for changes) to provide sufficient and effective staff and supervision to the property.• Confirmation that the property will be provided with sufficient funds to complete required repairs and make-ready tasks.• Updated or new systems, controls, policies, and/or procedures that have been put in place to address staff oversight and implementation of HUD requirements. This detailed oversight or quality control plan at a minimum must include a listing of tasks or items that will be reviewed and assessed to ensure compliance, and the timeframes and frequency that each item will be reviewed.• The timeline and frequency of Owner on-site visits that will occur over the next year. <p>A copy of the Action Plan and written, signed certification on company letterhead of implementation of the Action Plan must be submitted to SHCC within thirty (30) calendar days from the date of this report.</p>	
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End of Findings/Observations

The reviewer conducted an exit interview with management staff on 5/1/2019 at 5:30 P.M. The following persons were present for the interview: Orleanais Minch, Regional Manager and Kimberley Morales, Manager. The preliminary results of the Management Review, to include noted issues and/or concerns, were discussed during the exit interview. Management was provided an opportunity to explain or comment on these issues/concerns and information from this discussion is incorporated in the report.

Responses to this MOR do not relieve the Owner/Agent of their obligation to remedy and respond to HUD regarding the failed REAC inspection (33c*) performed 5/9/19 and the Notice of Default of the Housing Assistance Program dated 5/15/19.

Part I Desk Review

PART I. DESK REVIEW –The reviewer must complete this section **prior** to the on-site review using all relevant information in project files and HUD database systems. Questions on the desk review, which include category references, are linked to the on-site review. Category references on the desk review that relate to the on-site review must be considered when determining the category rating. Category references are marked following the applicable question (i.e. B3, E14).

If any questions on any given form are not relevant to the program under review or if the information is not available notate with "N/A".

1. What is the most recent Physical Assessment Subsystem (PASS) score? **B3**

Enter PASS Score 80 Date of REAC inspection 11/3/16

If required, has the project filed a certification that all items listed on the previous REAC inspection have been completed?

Yes No

If more than one inspection is of record, does the reviewer note repetitive defects?

Yes No

Comments: Update: Subsequent to SHCC's 5/1/2019 site visit, a REAC inspection was performed on 5/9/2019 resulting in a score of 33c.

2. Were Exigent Health and Safety (EH&S) conditions cited in the report? **B3**

Yes No N/A

Comments:

3. Have all latent defects been corrected? *This question applies only to newly constructed projects within the last 24 months. This question applies only to HUD Staff and Mortgagees.*

Yes No N/A

If not, list depository and amount of any construction escrows remaining. _____

Comments: N/A – PBCA does not answer this question.

Questions 4 through 6 only apply to subsidized family properties or elderly properties housing children under the age of six that were constructed prior to 1978. If the lead based paint inspection has been conducted and the information was documented on a previous management review, proceed to question 7.

4. Document the year of construction for Lead-Based Paint compliance.

Obtain this information from the Physical Condition/PASS screen in iREMS. Open the REAC Inspection Report, then open the PASS Physical Inspection Report. The year of construction can be found under Buildings/Units.

Date of Construction 1970

If construction occurred after 1977, proceed to question 7.

5. Has a lead-based paint inspection been conducted? **4B**

Yes No Information Not Available

Comments:

6. What were the results of the Lead-Based Paint Inspection/Evaluation: **4B**

Was lead found?

Yes No N/A

If yes, is there a HUD approved lead hazard control plan?

Yes No N/A

Comments

7. Is an Annual Financial Statement required? (If no, proceed to question 10).

Yes No

This question applies only to HUD Staff.

Comments: N/A – PBCA does not answer this question.

8. What was the most recent Financial Assessment Subsystem (FASS) score? Score _____

This question applies only to HUD Staff

If financial reporting is not required, determine why; and record the reason in reviewer comments below.

Comments: N/A – PBCA does not answer this question.

Desk Review (Continued)

9. Have the following reports been consistently submitted on a timely basis? (Look at multiple periods) Check the appropriate box for reports received, and indicate whether or not the report was received timely.

This question applies only to HUD Staff and Mortgagees

- Annual Audited Financial Statement Yes No N/A
Date last report was due: _____
Date last report received: _____
 - Monthly Accounting Report Yes No N/A
 - Excess Income Report (HUD-93479, 80, 81) Yes No N/A
 - Quarterly performance report for projects on flexible subsidy, modification, workout, etc. Yes No N/A
 - Annual operating budget (cooperatives) Yes No N/A
- If the reports have been submitted, were they received in acceptable form? Yes No

Comments: N/A – PBCA does not answer this question.

10. Has the owner corrected all findings on HUD financial and or Inspector General audits? Yes No N/A

This question applies only to HUD Staff and Mortgagees.

List findings outstanding and determine whether remedial action is required to assure correction within established goals:

Comments: N/A – PBCA does not answer this question.

11. Do project operating expenses appear reasonable compared with similar projects? Yes No

This question applies only to HUD Staff. D10

Indicate latest OPIIS rating and check problem areas flagged by OPIIS.

- Administrative Maintenance Utility Taxes and Insurance Financial

Also, use OPIIS to conduct an expense comparison with other similar projects.

Comments: N/A – PBCA does not answer this question.

12. Does annual financial analysis or FASS printouts indicate that project is free of actual or potential financial problems? Yes No

This question applies only to HUD Staff.

For each of last 3 years, enter Profit (Loss) before depreciation (from the Statement of Profit & Loss).

Year	_____	\$ _____
	_____	\$ _____
	_____	\$ _____

Comments: N/A – PBCA does not answer this question.

13. If the owner/agent has taken unauthorized distributions, reimbursements, or supervision fees, have these been repaid? Yes No

This question applies only to HUD Staff and Mortgagees.

If no, indicate amount due to the project. \$N/A

14. If applicable, have all deposits due to the residual receipts fund been made? Yes No

This question applies only to HUD Staff.

Comments: N/A – PBCA does not answer this question.

15. Based on the last FASS submission, are accounts payable reasonably current? Yes No

This question applies only to HUD Staff and Mortgagees. D12

Indicate the amount of accounts payable more than 60 days old \$ _____

Comments: N/A – PBCA does not answer this question.

Desk Review (Continued)

16. Does the balance in the security deposit trust account equal or exceed the project's liability account? **Yes** **No**
This question applies only to HUD Staff and Mortgagees.

If no, explain how deficit will be funded.

Comments: N/A – PBCA does not answer this question.

17. If security deposits are invested in an interest-bearing account, is interest passed through to tenants or transferred to project account?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

Comments: N/A – PBCA does not answer this question.

18. Have the owner and managing agent executed and submitted an appropriate Management Certification (form HUD-9839A, B, or C) to HUD?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

If yes, please enter date of certification. _____

Determine that the content of certification is consistent with present operations.

Comments: N/A – PBCA does not answer this question.

19. Is the management fee paid to the agent in accordance with the Management Certification?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

Comments: N/A – PBCA does not answer this question.

20. Has the owner and management agent executed a management agreement in accordance with the management certification?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

Comments: N/A – PBCA does not answer this question.

21. Does the management agreement reflect HUD's regulations and guidelines?
This question applies only to HUD Staff and Mortgagees. **Yes** **No** **N/A**

Comments: N/A – PBCA does not answer this question.

22. Has a management entity profile been submitted to HUD?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

If yes, is it relevant to the agent's organization and how it operates? **Yes** **No**

Date of the management entity profile N/A

23. Do the Management Entity Profile and Management Certifications clearly describe the relationships and responsibilities of the owner and agent?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

Determine if management is by an identity-of-interest contractor, and compare the contract arrangement to the annual financial report.

Comments: N/A – PBCA does not answer this question.

24. Have the principals and board members listed received HUD-2530 approval?
This question applies only to HUD Staff. **Yes** **No** **N/A**

Request a list of all current principals and board members and check for HUD-2530 approval.

Comments: N/A – PBCA does not answer this question.

25. Is the agent charging the project for expenses which the agreement requires the agent to pay?
This question applies only to HUD Staff and Mortgagees. **Yes** **No**

Comments: N/A – PBCA does not answer this question.

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Desk Review (Continued)

Questions 26 –29 apply to OAHF restructuring. If not applicable proceed to question 30.

26. Has the project's mortgage been restructured? Yes No
This question applies only to HUD Staff.

If yes, is there a use agreement on the project? Yes No
If there is a use agreement, does it require any owner certifications? Yes No
If owner certifications are required, have they been submitted timely? Yes No
If applicable, has work required under the Rehabilitation Escrow been/is being completed according to schedule? Yes No

Comments: N/A – PBCA does not answer this question.

27. Is the owner eligible for incentives? Yes No
This question applies only to HUD Staff.

If yes, has the owner calculated those incentives correctly? (i.e., Capital Recovery Fee (CRF) and/or Incentive Performance Fee (IPF)) Yes No

Comments: N/A – PBCA does not answer this question.

28. Does the HUD billing statement (HUD-92771) indicate timely and accurate payments toward the Mortgage Restructuring Note? Yes No
This question applies only to HUD Staff.

Comments: N/A – PBCA does not answer this question.

29. If an owner is in non-compliance with HUD business agreements, has the owner been notified by HUD within the required timeframes? Yes No
This question applies only to HUD Staff.

Comments: N/A – PBCA does not answer this question.

Questions 30 through 33 apply to Section 236 projects. If this is not a Section 236 project proceed to question 34.

30. Does the rental income generate excess income? Yes No N/A
This question applies only to HUD Staff.

Comments: N/A – PBCA does not answer this question.

31. Has the owner/agent received approval to retain excess income? Yes No
This question applies only to HUD Staff. D13

Comments: N/A – PBCA does not answer this question.

32. Was an annual report submitted for usage of retained excess income? Yes No
This question applies only to HUD Staff. D13

Comments: N/A – PBCA does not answer this question.

33. Are there any delinquent excess income payments due HUD? Yes No
This question applies only to HUD Staff. D13

If yes, is there a payment plan? Yes No

Comments: N/A – PBCA does not answer this question.

34. Are rent increase requests submitted to HUD promptly when needed? Yes No
This question applies only to HUD Staff.

Review the timing of the last three rent increase requests and the results of the requests (approval, denial or modification to requested amount), and whether the rents are comparable to other neighboring properties. If a wide disparity exists, determine the cause of the difference.
Does owner/agent generally provide sufficient documentation for rent increases? Yes No

Comments: N/A – PBCA does not answer this question.

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35. If approval is required, are rent increase requests submitted promptly? Yes No N/A

Comments: The current year rent increase request was submitted s late as verified by SHCC's department records. The contract anniversary date is 3/1/2019 and the initial request was received on 1/22/2019.

36. Complete chart below. *(This question applies only to HUD Staff/ Mortgagees)*

Name of Reserve	As of			Held in Interest Bearing Account?	
	Total	Per Unit	Monthly Deposit	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Replacement Reserve	\$	\$	\$	Yes <input type="checkbox"/>	No <input type="checkbox"/>
General Operating Reserve (Co-ops)	\$	\$	\$	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Residual Receipts	\$	\$	\$	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Other	\$	\$	\$	Yes <input type="checkbox"/>	No <input type="checkbox"/>

a. Do balances in replacement or general operating reserve accounts appear adequate to meet future needs? Yes No

If not, what action is recommended? N/A – PBCA does not answer this question.

b. Are repairs consistently paid from the appropriate operating expense account, and eligible items reimbursed from the reserves? Yes No

Comments: N/A – PBCA does not answer this question.

37. Has the owner/agent performed an analysis to determine future Reserve for Replacement needs when submitting a budget based rent increase? Yes No

Comments: N/A- The owner has not submitted a budget-based rent increase request in the last 12 months as confirmed by SHCC's Contracts Department records.

38. If there is a utility allowance, what was effective date of last utility allowance adjustment? 3/1/18

What was the date of approval? 2/20/18

If a utility allowance was approved was it implemented within 75 days as required by HUD? Yes No

Comments:

39. What is the effective date of the last rent adjustment? 3/1/18

Comments:

40. Is the current approved rent schedule sufficient to meet project needs? Yes No
This question applies only to HUD Staff.

Comments: N/A – PBCA does not answer this question.

41. Has a special rent increase been approved? Yes No N/A

If yes, please check the appropriate box. Insurance Taxes Utilities Security Service Coordinator

Comments: This MAHRA contract is not eligible for special rent increases.

42. Are monthly rental subsidy vouchers submitted on time? Yes No N/A

Comments: The owner/agent consistently submits HAP vouchers between the 11th and 15th of the month. These delays have not resulted in late payments.

43. Is the owner/agent submitting tenant certification data to TRACS to support the voucher billings? Yes No N/A

Comments:

44. Is the owner/agent transmitting data for Section 236 and Section 221(d)(3) BMIR tenants to TRACS as required by the automation rule? Yes No N/A

Comments:

45. What is the term of the subsidy contract? Twenty years Date the contract term ends: 2/29/2032

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Comments:

46. List vacancy activity for the past twelve months, and indicate the number for each month. **C6.**
This information can be obtained from the TRACS Voucher Detail Summary.

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
33	31	30	30	23	24	28	29	29	33	33	32

47. Does review of the EIV reports listed below include information that needs a resolution or explanation by the owner/agent? **E18b**

- Income Discrepancy Report? Yes No N/A
- New Hires Report Yes No N/A
- Failed EIV Pre-Screening Report? Yes No N/A
- Failed Verification Report (Failed the SSA Identity Test)? Yes No N/A
- Deceased Tenant Report? Yes No N/A
- Multiple Subsidy Report? Yes No N/A

Comments:

48. Is there a Neighborhood Networks Center for the project? (Check iREMS or other available source) Yes No N/A
If no, answer "N/A" and proceed to 50.

Comments:

49. If yes to question 48, does the Neighborhood Networks Center have a Strategic Tracking and Reporting Tool (START) Business Plan? Yes No

- If yes, date HUD approved: _____
- If no, when will a START Business Plan be completed? _____
- Projected date for START Business Plan: _____

Comments: N/A- The property does not have a Neighborhood Networks Center.

50. Are there any unresolved findings from previous management reviews? If yes, specify in the comments section. Yes No

Comments:

51. Review complaints, congressional inquiries, etc. received within the last 12 months regarding the overall management practices.
Provide a general description below and attach applicable documentation. **G25**

Issue/Complaint	Status
(a) 6/5/18 (b) SHCC Call Center complaint (c) A/C doesn't work	Closed-6/7/18 HH provided with portable A/c until A/C repaired.
(a) 7/27/18 (b) SHCC Call Center complaint (c) A/C doesn't work	Closed- 8/14/18 Repairs to A/C complete.
(a) 8/2/18 (b) SHCC Call Center complaint (c) A/C not working	Closed- 8/29/18 Repair completed 8/23/18

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<p>(a) 3/5/19 (b) SHCC Call Center complaint (c) FOIA request for all calls and follow-ups from call center</p>	<p>Closed- 3/5/19</p>
<p>(a) 3/29/19 (b) HUD forwarded complaint (c) no electricity on the property since 3/18/19</p>	<p>Closed- 4/5/19 Repair completed 4/1/19 according to PM.</p>

Part II On-Site Review

Indicate by marking the appropriate box - Yes, No, or N/A if not applicable. Provide comments as needed.

CATEGORY A. GENERAL APPEARANCE & SECURITY

1. General Appearance

Based on observation, are the project's exterior and common areas (i.e., grounds, landscaping, parking lots, playgrounds, hallways, laundry room, elevator, garbage area, stairwells, management office) clean, free of graffiti, debris and damage? Yes No N/A

If no, provide location and describe condition(s). See Summary Report- Findings.

Comments: See Summary Report- Findings.

2. Security

a. Indicate whether any of the events below have been documented in the last twelve months, and the frequency of the event(s).

Event	Frequency	Event	Frequency
<input type="checkbox"/> Break-Ins		<input type="checkbox"/> Arrests	
<input type="checkbox"/> Vandalism		<input checked="" type="checkbox"/> Drug Activity	13
<input type="checkbox"/> Auto Theft		<input checked="" type="checkbox"/> Other (please specify): Burglary	15
		Assist by Law	43
		Assist Citizen	1
		Civil Problem Standby	24
		Criminal Mischief	10
		Disturbance	114
		Harrasment	12
		Robbery	1
		Structure Fire	1
		Suspicious Person/ Event	83
		Theft	14
		Threat- terroristic	12
		Trespass	46
		Weapons	23
<input checked="" type="checkbox"/> Personal Assaults	18	<input type="checkbox"/> None	

Comments: Per review of Galveston Police Department Reports dated 1/5/19 to 12/3/19, there were 646 calls for service, 430 of which were of a ciminal nature. See Summary Report- Findings.

b. Indicate which types of security measures, if any, are utilized on site.

- Tenant Patrol Volunteer Organization Paid Car Patrol Paid on-site Guard
 Police Patrol TV Monitor Drug Free Housing Plan Security Cameras
 Motion Sensors Crime Prevention Plan Community Policing
 Other (please specify) None

Comments: Signs that are posted include "Towing Enforced at all Times" and "Covered by Galveston Power of Attorney". The property has security cameras but they are all non-functioning. See Summary Report- Findings.

c. Based on the answers provided in questions a and b above, what corrective actions, if any, have been taken by the owner/agent?

Comments: There is evidence that the property is investigating and processing evictions. Police drive through on a daily basis as a courtesy. A contract for off-duty Galveston police officers to patrol the property for a maximum of 200 hours/ month. However, this is the same frequency as when SHCC last visited in 2016. The Agent's Director of Security visits on a quarterly basis to perform random unit inspections and provide evidence to support eviction procedures. See Summary Report- Findings.

d. Has the owner/agent requested a rent increase based on cost increases in security costs? Yes No

If yes, indicate security measures taken.

Comments:

CATEGORY B. FOLLOW-UP & MONITORING OF PROJECT INSPECTIONS

On-Site Review (Continued)

3. Follow-Up & Monitoring of Project Inspections and Observations (Sampling is at reviewer’s discretion to respond to questions a and b below)

a. Based on a sampling, if EH&S items were identified have the deficiencies been corrected and documented according to the owner/agent’s certification for the most recent REAC inspection? **Yes** **No** **N/A**

If no, provide an explanation. However, REAC performed 5/9/19 (subsequent to SHCC's site visit) showed systemic problems.

Does the analysis show any repetitive or systemic problems? **Yes** **No**

Comments: SHCC performed follow-up on the 11/3/2016 REAC inspection.

b. Based on a sampling of units and common areas, for all other deficiencies noted in the REAC inspection, as applicable, verify that corrective actions have been taken. Have the deficiencies been corrected? **Yes** **No** **N/A**

If no, is there a schedule for correcting the deficiencies within a reasonable timeframe to comply with decent, safe, sanitary and good repair standards? **Yes** **No**

Comments: SHCC performed follow-up on the 11/3/2016 REAC inspection.

Occupied units reviewed for REAC follow-up: 22, 34, 56, 86, and 184.

Additional units reviewed: 116, 126, 49, 72, 81, 84, 94, and 95.

See Summary Report- Findings.

4. Follow-Up & Monitoring of Lead-Based Paint Inspection – The following questions only apply to subsidized family properties or elderly properties housing children under six years of age that were constructed prior to 1978. If constructed after 1977, check N/A for questions a and b.

a. Is there a certification on file documenting that the project has been certified to be free of lead-based paint or lead hazards? **Yes** **No** **N/A**

If there is a certification, obtain a copy for the project file.

Comments:

b. Is the owner in compliance with the HUD approved lead hazard control plan as noted on the desk review? **Yes** **No** **N/A**

Comments:

CATEGORY C. MAINTENANCE & STANDARD OPERATING PROCEDURES

5. Maintenance

a. Indicate below to confirm that there is a schedule for preventive maintenance/servicing for the items listed that are applicable.

- Heating and A/C Equipment Water Heaters Carpets and Drapes Roof, gutter and Fascia Inspection
- Major Appliances Elevators Motor Vehicles Sewer lines Exterior painting Windows
- Recreational equipment Landscaping maintenance Other (please specify): sidewalks, curbs, lights

Comments: Maintenance is deferred. See Summary Report- Findings.

b. Is there a satisfactory inventory system to account for tools, equipment, supplies, and keys (serial numbers, bar codes, etc.)? **Yes** **No**

Comments:

c. Has the owner/agent secured inventory items, such as appliances and tools, to prevent theft? **Yes** **No**

Comments:

d. Does the owner/agent have a written procedure that explains the process for inspecting units? **Yes** **No**

If yes, review a copy.

Identify employee responsible for conducting the inspections: Name and Title: Kimberly Morales, Manager and Maintenance.

Comments: Unit inspections are either not identifying deficiencies, or there are insufficient systems or funds for the completion of repairs. See Summary Report- Findings.

On-Site Review (Continued)

e. How often are units inspected?

- Monthly Quarterly Semi-Annually Annually Move-In Move-Out Other (please specify):

Comments: See Summary Report- Findings.

f. How are unit inspections documented?

Please Describe: The unit inspection form itself is thorough, is completed thoroughly, and is signed and dated.

g. If deficiencies are noted during a unit inspection, what is the procedure for correction?

Please describe: Problem items are noted on inspection and transferred to a service request to be scheduled for completion. However, based on Observations, deficiencies are not being adequately identified, recorded, and/or corrected. See Summary Report- Findings.

h. What is the average number of days from move-out until the unit is ready for occupancy? 30

Comments: Per site staff. However, this is not supported by the average vacancy length of 180 days, the 34 current vacant units, or the 9 "down" units. See Summary Report- Findings.

i. Is there a written procedure for completing work orders? Yes No

If yes, review a copy.

Comments: However, it is ineffective. See Summary Report- Findings.

j. Is there a procedure in place to handle emergency work orders? Yes No

If yes, describe the procedure: All orders are to be completed within 24 hours, according to management. See Summary Report- Findings.

k. Is there a backlog of work orders? Yes No

If a backlog exists, indicate the current number of work orders:

Number between 1-3 days: 13 Number between 4-7 days: 2 Number more than one week: 43

Comments: See Summary Report- Findings.

l. Who is provided copies of completed work orders? (check all that apply.)

- Tenant Tenant File Maintenance Staff Other (please specify) onsite

Comments:

m. Is there documentation by unit that indicates the date of purchase, manufacturer, model, and serial number for appliance purchases (i.e., ranges, refrigerators, furnaces, air conditioners, hot water heaters, etc.)? Yes No

Comments:

6. Vacancy and Turnover

a. How many units were vacant on the date of the on-site visit?

Number of Vacant Units: 34 Number Ready for Occupancy: 0 Average Length of time for unit turnover: 180

Comments: The number of vacant units is based upon review of the rent roll the day of the site visit. The number ready for occupancy are as reported by on-site staff. The average length of time for unit turnover was derived from SHCC's TRACS data for the last 12 months. See Summary Report- Findings.

b. Walk through at least two vacant units that are ready for occupancy. Assess and document unit readiness.

Number of Units Visited: 2 Number of Units Ready for Occupancy: 0 Number of Units Not Ready for Occupancy: 2

Comments: Vacant Units reviewed: 22 and 144 (not ready).

c. Based on the interview with on-site staff, are any of the factors listed below contributing to vacancy problems? (Below, indicate all that apply.)

- Security Problems Non-competitive Amenities Inadequate Marketing Project Reputation Poor Maintenance Rents too High
 Location Lack of Demand Tenant/Management Relations Applicants Do Not Meet Screening Criteria
 Other (please specify)

On-Site Review (Continued)

Bedroom Mix/Size (If yes, indicate which bedroom sizes are hard to rent) _____

Comments: According to management, lack of funds to complete make ready tasks is the reason for the large number of vacancies.

d. Based on the responses in questions a, b and c, what actions are being taken by the owner/agent to resolve the issue(s)?

If not applicable, proceed to question 7.

Please describe: The Owner/ Agent is relying on anticipated Tax Credit funds to perform necessary repairs.

7. Energy Conservation

Has management attempted to reduce energy consumption?

Yes No

(check all that apply.)

- Caulking and weather-stripping Conversion to individual metering Storm doors and windows Consumer education
 Water saver devices Extra insulation Assessment of Utility Rate Schedule Energy Efficient Lighting Energy Star Appliances
 Written Energy Conservation Plan Other (please specify) _____ None

Comments:

CATEGORY D. FINANCIAL MANAGEMENT/PROCUREMENT
(This Category applies only to HUD Staff and/or Mortgagees as indicated. CAs may proceed to Category E.)

8. Budget Management

a. Does the owner/agent's staff have access to the current operating budget in order to monitor and control expenses?

Yes No N/A

Comments: N/A – PBCA does not answer this question.

b. Is an operating budget prepared annually and approved by the owner?

Yes No N/A

If yes, obtain a copy of the current year's budget.

Comments: N/A – PBCA does not answer this question.

c. Are monthly or quarterly reports prepared by the owner/agent indicating variances between actual income and expenses versus budgeted income and expenses?

Yes No N/A

Comments: N/A – PBCA does not answer this question.

d. If this is a 202 or 811 project, does the owner/agent maintain a current annual budget?

Yes No N/A

This question applies only to HUD Staff.

If yes, is it available on-site?

Yes No

Comments: N/A – PBCA does not answer this question.

9. Cash Controls

a. Are collections deposited on the day received or, pending deposit, are they secured and properly controlled? Yes No

Comments: N/A – PBCA does not answer this question.

b. Are adequate controls in place when cash is accepted?

Yes No N/A

Check the controls that are used.

- Pre-numbered rent receipts Bank collections Safe Lock box

Comments: N/A – PBCA does not answer this question.

c. Do different persons handle bank deposits and accounts receivable, or is an alternative safeguard used?

Yes No

Indicate Names and Titles: _____

Comments: N/A – PBCA does not answer this question.

d. Are all disbursement checks prenumbered, properly identified with account numbers and supported by vouchers or invoices?

Yes No

Comments: N/A – PBCA does not answer this question.

On-Site Review (Continued)

e. Is the supply of unused checks adequately safeguarded, or under the custody of persons who do not sign checks manually, control the use of facsimile signature plates, or operate the facsimile signature machine? Yes No

Comments: N/A – PBCA does not answer this question.

f. Are funds (receipts, disbursements, petty cash, etc.) periodically checked on a surprise basis by a responsible official, other than site employees? Yes No

Comments: N/A – PBCA does not answer this question.

g. Are bank statements reconciled promptly upon receipt by someone other than a check signer, and by one who has no cash receipt or disbursement function? Yes No

Comments: N/A – PBCA does not answer this question.

10. Cost Controls

a. Are bills, including the mortgage payment, paid in sufficient time to avoid late penalties? Yes No

Comments: N/A – PBCA does not answer this question.

b. Are operating expenses, including taxes and utilities, periodically reviewed to assure that project is paying the lowest possible rate? Yes No

If yes, provide a recent example. N/A – PBCA does not answer this question.

11. Procurement Controls

a. What is the procedure used to obtain and award contracts?

Describe procedure: N/A – PBCA does not answer this question.

b. Are bids obtained prior to awarding contracts? Yes No N/A

Review contracts and determine if bids were obtained and, if the lowest bids were not selected, determine the owner's/agent's reasoning for selection.

Comments: N/A – PBCA does not answer this question.

c. Is there a written procedure for checking the quality of work performed by a contractor prior to authorizing payment? Yes No

Comments:

d. Is there a procedure to assure that the individual authorizing contracted work or services is not the same individual authorizing payment? Yes No

Comments: N/A – PBCA does not answer this question.

e. Who is the responsible person charged with inspecting the quality of work performed by contractors prior to payment?

Please provide the name and title: N/A – PBCA does not answer this question.

f. Does the project maintain a list of outside contractors? Yes No

Comments: N/A – PBCA does not answer this question.

g. Are vendor bills paid in time to obtain maximum trade discounts? Yes No

Comments: N/A – PBCA does not answer this question.

h. Is there any indication that real or personal property has been subtracted from the mortgaged premises without the permission of the Department?

Comments: N/A – PBCA does not answer this question.

i. Below, check services currently contracted with outside contractors and provide the name of the contractor and annual amount of the contract. Indicate (by asterisk) whether there is an identify-of-interest relationship between the contractor and the owner/agent.

Service	Name of Contractor	Annual Contract Amount
<input type="checkbox"/> Elevator		\$
<input type="checkbox"/> Exterminating		\$
<input type="checkbox"/> Apartment Cleaning		\$

Management Review for Multifamily Housing Projects

U.S. Department of Housing and Urban Development
Office of Housing – Federal Housing Commissioner

OMB Approval No. 2502-0178
Exp. 04/30/2018

On-Site Review (Continued)

<input type="checkbox"/> Heating and A/C		\$
<input type="checkbox"/> Plumbing		\$
<input type="checkbox"/> Security		\$
<input type="checkbox"/> Trash Collection		\$
<input type="checkbox"/> Decorating		\$
<input type="checkbox"/> Grounds		\$
<input type="checkbox"/> Other		\$

Comments: N/A – PBCA does not answer this question.

12. Accounts Receivable/Payable

a. Complete the following as of end of last month.

Cash \$ _____ Accounts Receivable \$ _____ Accounts Payable \$ _____

Are tenant accounts receivable within acceptable limits of 10% of one month’s rent potential? Yes No

Amount of receivables above is ___% of monthly rent potential.
Of this amount, \$___ is more than 30 days past due.

Comments: N/A – PBCA does not answer this question.

b. Does the procedure for write-off of bad debts appear reasonable? Yes No

Comments: N/A – PBCA does not answer this question.

c. Has annual “write-off of tenants’ accounts receivable for the last two fiscal years been less than 1% of gross rent potential? Yes No

Comments: N/A – PBCA does not answer this question.

d. Are accounts payable reasonably current? Yes No

Indicate amount of accounts payable more than 60 days old: _____

What are the owner/agent plans to reduce outstanding payables? _____

Comments: N/A – PBCA does not answer this question.

13. Accounting and Bookkeeping

a. Are books and records maintained as required by HUD Handbook 4370.2 (Chapter 4) and 24 CFR Part 5? Yes No N/A

Check books of accounts that are maintained. Indicate where books may be examined.

O – owner’s office; **A** – agent’s office; **P** – project site

General Ledger () Rent Receivable Ledger () General Journal ()
 Cash Receipts Journal () Cash Disbursements Journal () Accounts Payable Journal ()

Comments: N/A – PBCA does not answer this question.

b. Are all required project accounts in the name of the project in a federally insured institution? Yes No

Comments: N/A – PBCA does not answer this question.

c. Are operating funds, security deposits, reserve funds, and flexible subsidy funds maintained in separate accounts and properly secured for authorized use? Yes No

Comments: N/A – PBCA does not answer this question.

On-Site Review (Continued)

d. Does the mortgagor make frequent postings (at least monthly) to the ledger accounts? Yes No

Comments: N/A – PBCA does not answer this question.

e. If applicable is owner adhering to HUD-approved repayment Plan? (loan from reserve for replacement, 236 excess income, capital improvement loan, etc.) Yes No

Comments: N/A – PBCA does not answer this question.

f. Is centralized accounting used for disbursements? Yes No

If yes, are only HUD-insured projects in the pool? Yes No

Comments: N/A – PBCA does not answer this question.

g. If centralized accounting is used, has it been approved by HUD Yes No N/A

Comments: N/A – PBCA does not answer this question.

h. If centralized accounting is used, is it being administered in accordance with HUD’s approval? Yes No N/A

Comments: N/A – PBCA does not answer this question.

i. If the trust account is part of a centralized disbursement account, are only HUD-insured projects in that account? Yes No

If yes, is the project’s balance transferred to the project account at least once monthly? Yes No

Comments: N/A – PBCA does not answer this question.

j. If there are automobiles and/or debit or credit cards charged to the project, are the titles kept in the name of the project? Yes No

If yes, do they have HUD approval? Yes No

Comments: N/A – PBCA does not answer this question.

CATEGORY E. LEASING AND OCCUPANCY (This Category does not apply to Mortgagees)

14. Application Processing and Tenant Selection

a. Does the application form contain sufficient information to determine applicant eligibility? Yes No

Comments:

b. Does the application ask whether the applicant or any member of the applicant’s household is subject to a lifetime state sex offender registration program in any state? Yes No

Comments:

c. Does the application ask for a listing of states where the applicant and members of the applicant’s household have resided? Yes No

d. Is form HUD-92006 “Supplement to Application for Federally Assisted Housing”, an attachment to the application or part of the application package? Yes No

Comments:

e. Is there an arms length procedure between the person who denies an application and the application appeal reviewer? Yes No

Comments:

f. Has the owner/agent leased a Section 8 unit to a police officer or security personnel who is over the income limits for the project? Yes No
If yes, has HUD or CA authorized the admission? Yes No

Comments:

g. Does the owner/agent have a written tenant selection plan? Yes No

On-Site Review (Continued)

If yes, does the plan include all required criteria stated in Chapter 4, Handbook 4350.3 REV-1 and all applicable notices?

Yes No N/A

If no, list the required criteria that the tenant selection plan does not include:

Comments:

h. Does the project maintain a waiting list of prospective tenants?

Yes No N/A

If yes, does the list include all required elements stated in Handbook 4350.3 REV-1?

Yes No

Comments: However, see Summary Report- Findings.

i. Enter the number of applicants on the waiting list for each type of unit: 0 BR ___ 1 BR 62 2 BR 123 3 BR 82 4 BR 15 Other: 5-2

Comments:

j. Were the applicants selected from the waiting list in the proper order, recognizing applicable preferences?

Yes No

Comments: See Summary Report- Findings.

k. When preferences were applied, were they properly documented?

Yes No N/A

Comments: N/A- The property does not have any preferences in place per review of the Tenant Selection plan.

l. Is documentation available to show that the owner/agent has leased not less than 40% of the Section 8 units that became available for occupancy in the previous fiscal year to extremely low-income families?

Yes No N/A

If yes, please review and obtain a copy.

Comments: 88% achieved for the last fiscal year per review of SHCC's TRACS data

m. What marketing steps has the owner/agent taken to attract extremely low-income families? If not applicable, proceed to question n.

Please describe: N/A- the property has met the income targeting requirements over the last fiscal year.

Comments:

n. Does the advertising program comply with the existing affirmative fair housing marketing plan? Yes No

Request to see copies of advertisements.

Comments: See Summary Report- Findings.

o. Is the fair housing sign posted in the rental office?

Yes No

Comments: SHCC Call Center Posters missing. See Summary Report- Findings.

p. Is the fair housing logo included in published advertising materials?

Yes No

Comments: See Summary Report- Findings.

15. Leases and Deposits

a. Have modifications been made to the HUD model lease?

Yes No N/A

If yes, has the lease and/or lease addenda in use been approved by HUD?

This does not include lease addenda issued by HUD

Yes No N/A

Comments:

b. Aside from rents and security deposits, what other charges are assessed (replacement keys, lockouts, etc.)?

List the type and amount of any of these charges.

- NSF charge on the second returned check.
- \$35 for replacement key at move-out.
- \$20 for lockout charge

On-Site Review (Continued)

• Chargeback list dated 2009 lists replacement costs for tenant damages and House Rules have additional fees.

Comments: See Summary Report- Findings.

c. If other charges aside from rents and security deposits are assessed, have they been approved by HUD? Yes No N/A

Comments: Some fees do not appear representative of actual and reasonable costs. See Summary Report- Findings.

d. Are rents collected in accordance with the provisions of the lease? Yes No

Comments:

e. Is the policy for late fee assessment in compliance with the Handbook 4350.3 REV-1 or with state/local requirements? Yes No

Comments:

f. Are damages caused by tenants properly identified and charged to tenants? Yes No

Comments:

16. Eviction/Termination of Assistance Procedures

a. Are tenants notified of termination of tenancy or assistance in accordance with HUD requirements? Yes No N/A

Comments:

b. Are eviction procedures initiated timely, when warranted? Yes No N/A

Please document the following:

Number of evictions completed during the last 12 months. 14

Average cost per eviction \$ 225

Eviction handled by: Owner/Agent Attorney on staff of Owner/Agent Attorney on contract Attorney on call

NOTE: Addendum D must identify any eviction during the last 12 months which was due to a household member being subject to a state lifetime sex offender registration requirement.

Comments:

c. Is the termination of assistance initiated timely when warranted? Yes No N/A
Reason(s) for termination of assistance: Did not recertify on time.

Comments:

17. Enterprise Income Verification (EIV) System Access and Security Compliance
Applies to subsidized properties only

a. Does the owner/agent have access to EIV? Yes No

Comments:

b. Does the EIV Coordinator(s) have an owner approval letter(s) authorizing access to EIV? Yes No

Comments:

c. Does the owner/agent and/or EIV Coordinator have:

- An initial and currently approved EIV Coordinator Access Authorization Form (CAAF) on file for each person designated by the owner as an EIV Coordinator? Yes No
- An initial and currently approved EIV User Access Authorization Form (UAAF) on file for each person designated by the EIV Coordinator as an EIV User? Yes No N/A
- Signed copies of the EIV Rules of Behavior for Individuals without access to the EIV system, who use EIV reports and/or data to perform their job functions? Yes No N/A

Comments:

d. Is there evidence that staff with access to the EIV system or to EIV reports take annual security awareness training?

On-Site Review (Continued)

If yes, is a record kept of employees who attended the training? Yes No
Yes No N/A

Comments:

e. Does the owner/agent have security measures in place to limit access to EIV information and reports to only those persons who have proper authorization? Yes No

Comments:

f. Does the owner/agent have a procedure to review all EIV User IDs to periodically determine if the users still have a valid need to access EIV data? Yes No

Comments:

g. Does the owner/agent terminate access promptly (within 30 days) of all users who no longer have a valid need to access EIV data? Yes No

Comments:

h. Does the owner/agent have a procedure to document and report the occurrence of all improper disclosures of EIV data? Yes No
Have any improper disclosures been reported to the owner/agent? Yes No

Comments:

i. Does the owner/agent have a procedure to report any occurrence of unauthorized EIV access or security breach to the HUD National Help Desk? Yes No
Have any occurrences of unauthorized EIV access or security breaches been reported? Yes No

Comments:

j. Is there evidence that the owner/agent or any of their employees are sharing IDs and passwords? Yes No

Comments:

k. Is EIV data being improperly shared with other entities (e.g., state officials monitoring LIHTC projects, RHS staff, or Service Coordinators not participating in the re-certification process)? Yes No

Comments:

l. Does the owner/agent keep in the tenant file the Tenant Consent for Disclosure of EIV Information, signed by the tenant and a third party when a third party assists in the re-certification process? Yes No N/A

Comments:

18. Compliance with Using EIV Data and Reports
Applies to subsidized properties only.

a. Does the owner/agent have policies and procedures describing the use of EIV employment and income information and the EIV reports? Yes No
If yes, do they comply with HUD's usage requirements? Yes No N/A

Comments:

b. Is the owner/agent using the following EIV reports, and taking appropriate action to correct discrepant data in TRACS, and/or to reduce improper subsidy payments and where applicable, retaining documentation to support the action(s)?

New Hires Report	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
No Income Report	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Failed EIV Pre-screening Report	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Failed Verification Report (Failed the SSA Identity Test)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Existing Tenant Search	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Multiple Subsidy Report	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

On-Site Review (Continued)

Deceased Tenant Report

Yes No

Comments: See Summary Report- Findings.

19. TRACS Monitoring and Compliance (applies to subsidized properties only)

a. Is the owner/agent using TRACS queries to review and monitor their transmission?

Yes No

Comments:

b. Is the owner/agent following up and correcting deficiencies identified in TRACS data?

Yes No

Comments:

20. TRACS/EIV Security Requirements (applies to subsidized properties only)

a. Does staff log on using their own user name and password when accessing Secure Systems?

Yes No

Comments:

b. Have staff with access to EIV and/or TRACS in Secure Systems completed the required security awareness training each year and is there a signed Rules of Behavior?

Yes No

Comments:

c. Have staff with access to the EIV system completed the hard copy authorization form HUD-52676 when access was initially granted and completed the EIV online authorization form annually (coordinators) or semi-annually (users) as required?

Yes No

Comments:

d. Have staff who use EIV reports, but do not access the EIV system in Secure Systems, completed the security awareness training annually and is there a signed the Rules of Behavior?

Yes No

Comments:

e. For new staff, or staff that was given access to EIV or TRACS within the last year, was the security awareness training completed before access, or within 30 days of being given access and signing the TRACS and EIV Rules of Behavior?

Yes No

Comments:

21. Tenant File Security

a. Are the tenant files, as well as other files that contain EIV reports, if applicable, locked and secured in a confidential manner?

Yes No

Comments:

b. Is documentation relating to an individual's domestic violence, dating violence, or stalking, kept in a separate file in a secure location from other tenant files?
Applicable to Section 8 only.

Yes No N/A

Comments: N/A- the property has not received any VAWA documents from an applicant or tenant. Should they receive such documents in the future, the property is aware of the requirement to keep them in a separate, secure location.

c. Is access to tenant file information limited to only authorized staff?

Yes No

Comments:

d. Who is authorized to have access to the tenant files?

Name(s) and Title(s): Kimberly Morales, Manager and Yolanda Solanis, Assistant Manager

Comments:

On-Site Review (Continued)

e. Is the owner/agent maintaining tenant files according to HUD’s document retention requirements? Yes No

Comments:

f. Is the owner/agent properly disposing of tenant records (shred, burn, pulverize etc.)? Yes No

Comments:

22. Summary of Tenant File Review	
This section applies only to subsidized projects and should be completed after the tenant file reviews (See Addendum A.)	
The minimum file sample should include review of tenant files of new move-ins, re-certifications (annual, interim, initial), at least one applicant reject file, and at least one terminated/move-out file. In order to review specific functions (EIV usage, utility reimbursement, pet rules/deposits, minimum rents, etc.) it may be necessary to target a portion of the files reviewed to specific tenant families. The reviewer should adjust the tenant file sample to meet the needs of the review.	
<i>Number of Units</i>	<i>Minimum File Sample</i>
100 or fewer	5 files plus 1 for each 10 units over 50
101-600	10 files plus 1 for each 50 units or part of 50 over 100
601-2000	20 files plus 1 for each 100 units or part of 100 over 600
Over 2000	34 files plus 1 for each 200 units or part of 200 over 2,200
For each question, only answer “Yes” if the files reviewed are acceptable. Answer “No” if the files are not acceptable and note the number of files with deficiencies utilizing the tenant file worksheet, Addendum A	Number of Files Reviewed = 12
(Please note: There is no maximum number of files to be sampled)	

a. Tenant Files and Records

i. Are the tenant files organized and properly maintained? Yes No

Number of Files with Deficiencies: 0

Comments: Twelve files were reviewed: Unit 20- MI effective 10/26/18, Unit 47 IR effective 11/1/18, Unit 50 AR effective 1/1/19, Unit 62 AR effective 7/1/18, Unit 63 MI effective 12/3/18, Unit 84 MI effective 2/14/19, Unit 120 IR effective 7/1/18, Unit 136 IR effective 1/1/19, Unit #141 MI effective 10/5/18, Unit 163 MI 7/5/18, Unit 157 MO effective 4/3/18, and ██████- rejected applicant.

ii Do the files contain all documentation as required in Handbook 4350.3 REV-1, applicable HUD Notices, and any changes to the CFR?

Yes No

Documents Missing from Files: Owner's Summary and 9887A

Comments: See Summary Report- Findings.

b. Application/Tenant Selection

i. Are the applications in the files signed and dated by applicant? Yes No

Number of Files with Deficiencies: 0

Comments:

ii. Is screening conducted in accordance with the Tenant Selection Plan? Yes No

Number of Files with Deficiencies: 2

Comments: See Summary Report- Findings

iii. Are the unit sizes appropriate for household composition at the time of this tenant file review? Yes No

Number of Files with Deficiencies: 0

Comments: However, a review of SHCC's TRACS data revealed several units are over-housed. See Summary Report- Findings.

iv. If a household was ineligible at move in, were exceptions granted? Yes No N/A

Number of Files with Deficiencies: 0

Comments:

c. Lease

On-Site Review (Continued)

i. Are the correct model leases used? Yes No
Number of Files with Deficiencies: 0

Comments:

ii. Are the leases signed and dated by all required parties? Yes No
Number of Files with Deficiencies: 0

Comments:

iii. Are HUD issued lease addenda properly signed and in the file? Yes No
Number of Files with Deficiencies: 0

Comments:

iv. Are the applicable addenda attached to the lease? Yes No
Number of Files with Deficiencies: 2

Comments: See Summary Report- Findings.

v. Are security deposits collected in the correct amount for the program? Yes No N/A
Number of Files with Deficiencies: 0

Comments:

vi. Are pet deposits within acceptable range and payment installments allowed? Yes No N/A
Number of Files with Deficiencies: 0

Comments:

vii. Do the tenant files contain signed acknowledgement(s)and/or copies of the following documents indicating receipt by the tenant?

HUD-9887 Fact Sheet Yes No
Number of Files with Deficiencies: 1

Lead Based Paint Disclosure Yes No N/A
Number of Files with Deficiencies: 2

Resident Rights and Responsibilities Brochure Yes No
Number of Files with Deficiencies: 1

EIV & You Brochure Yes No
Number of Files with Deficiencies: 1

Fact Sheet How Your Rent is Determined Yes No
Number of Files with Deficiencies: 1

Race/Ethnicity Form Yes No
Number of Files with Deficiencies: 0

Comments: See Summary Report- Findings.

d. Certification/Re-Certification Activities:

i. Are re-certification notices issued in accordance with HUD requirements? Yes No N/A
Number of Files with Deficiencies: 1

Comments: See Summary Report- Findings.

ii. Are certifications completed on time? Yes No N/A
Number of Files with Deficiencies: 3

Comments: See Summary Report- Findings.

iii. Are all necessary verifications completed and properly documented? Yes No N/A
Number of Files with Deficiencies: 3

Comments: See Summary Report- Findings.

iv. Are EIV Income Reports used for third party verification of employment and income? Yes No N/A
Number of Files with Deficiencies: 6

On-Site Review (Continued)

Comments: See Summary Report- Findings.

- v. If the tenant disputed the EIV employment and/or income reported in EIV, was a third party verification obtained from the source?
Yes No N/A

Number of Files with Deficiencies: 0

Comments:

- vi. Are appropriate actions being taken for income discrepancies reported on the EIV Income Discrepancy Report, and is the action documented?
Yes No N/A

Number of Files with Deficiencies: 1

Comments: See Summary Report- Findings.

- vii. Are income and deductions calculated correctly prior to data entry?
Yes No N/A

Number of Files with Deficiencies: 4

Comments: See Summary Report- Findings.

- viii. Does income information on the tenant certifications agree with verified file information?
Yes No N/A

Number of Files with Deficiencies: 5

Comments: See Summary Report- Findings.

- ix. If tenants were granted a hardship exemption as part of the minimum rent, was the exemption applied correctly?
Yes No N/A

Number of Files with Deficiencies: 2

Comments: See Summary Report- Findings.

- x. Are Repayment Agreements in accordance with HUD requirements?
Yes No N/A

Number of Files with Deficiencies: 0

Comments:

- xi. Are notices provided to tenants in accordance with HUD tenant notification requirements when their portion of rent has increased?
Yes No N/A

Number of Files with Deficiencies: 1

Comments: See Summary Report- Findings.

- xii. Are the correct contract rents used when determining the subsidy to be paid on behalf of tenants? Yes No N/A

Number of Files with Deficiencies: 0

Comments:

- xiii. If tenants are paying their own utilities, are the current certifications reflecting the correct utility allowances?
Yes No N/A

Number of Files with Deficiencies: 0

Comments:

- xiv. Are utility reimbursement checks distributed within 5 business days of receipt of the housing assistance payments?
Yes No N/A

Number of Files with Deficiencies: 0

Comments:

e. Voucher Billing

- i. Are there any deficiencies noted in the tenant file review that results in over payment or under payment of the subsidy?
Yes No N/A

Number of Files with Deficiencies: 5

Comments: See Summary Report- Findings.

On-Site Review (Continued)

ii. For the move-in/move-out tenant file review, does the owner/agent make appropriate voucher adjustments?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

f. Move-In Files

i. Are proper income limits used for determining eligibility at move-in?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

ii. Do the files contain move-in inspections?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

iii. If the files contain move-in inspections, have the owner/agent and the tenant signed and dated the inspection?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

iv. Do the move-in files created after January 31, 2010 indicate that the owner/agent utilizes the EIV Existing Tenant Search for all household members and applicants?

Yes No N/A

Number of Files with Deficiencies: 3

Comments: See Summary Report- Findings.

g. Move-Out Files

i. Do tenants provide written notice of intent to vacate in accordance with the HUD model lease?

Yes No N/A

Number of Files with Deficiencies: 1

Comments:

ii. Are move-out inspections conducted?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

iii. Are security deposits refunded in 30 days or less if required by state law?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

iv. Are tenants provided an itemized list of charges against the security deposits?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

v. If charges exceed the security deposit, are the tenants billed for the balance due?

Yes No N/A

Number of Files with Deficiencies: 0

Comments:

h. Application Rejection Files

i. Are applicants denied admittance in accordance with the Tenant Selection Plan?

Yes No N/A

Number of Files with Deficiencies: 0

Comments: However, see Summary Report- Findings.

ii. Do rejection letters provide applicants the right to appeal?

Yes No N/A

Number of Files with Deficiencies: 0

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On-Site Review (Continued)

Comments:

- iii. If applicant appealed an application rejection, was the appeal reviewed by someone other than person who made the original decision to reject?
Yes No N/A

Number of Files with Deficiencies: 0

Comments: No applicants have appealed their rejection in the last 12 months.

- iv. Were appeals processed and applicants notified of the appeal decision within 5 days of the meeting?
Yes No N/A

Number of Files with Deficiencies: 0

Comments: No applicants have appealed their rejection in the last 12 months.

CATEGORY F. TENANT/MANAGEMENT RELATIONS (This Category does not apply to Mortgagees)

23. Tenant Concerns

- a. Is there a written procedure for resolving tenant complaints or concerns?
If yes, review a copy.
Yes No

Comments: See Summary Report- Findings.

- b. Does the procedure adequately cover appeals?
Yes No

Comments: See Summary Report- Findings.

- c. Is there an active tenant organization at this project?
Yes No

Comments: However, there is an outside entity attempting to have residents organize.

- d. Is tenant involvement in project operations encouraged?
Yes No

Comments: See Summary Report- Findings.

24. Provision of Tenant Services

- a. What social services are provided by the project, or the neighborhood, which meet the tenants' needs? Below, indicate services that are available, and identify the entity providing the service (i.e., city/county/state, church/school, community groups, etc.) and enter the cost to the project, if any.

Service	Provider	Financial Source
<input type="checkbox"/> Child Care		
<input checked="" type="checkbox"/> Recreation	quarterly parties/ events	Owner/ Agent
<input type="checkbox"/> Health Care		
<input type="checkbox"/> Energy Conservation		
<input type="checkbox"/> Vocational Training/Job Training		
<input checked="" type="checkbox"/> Meals	Galveston Food Bank	Donation
<input type="checkbox"/> Financial Counseling		
<input type="checkbox"/> Substance Abuse Counseling		
<input type="checkbox"/> Service Coordinator		
<input type="checkbox"/> Neighborhood Networks Center		
<input checked="" type="checkbox"/> Other (please specify)	Iron Man, youth center	Owner/ Agent

- b. Is there a Service Coordinator for the project?
Yes No

If there is no Service Coordinator, proceed to question 24.f.

Comments:

- c. Is the Service Coordinator's office clearly identifiable and private?
Yes No

Comments: N/A- The property does not have a Service Coordinator.

- d. Are the Service Coordinator's files kept secure and confidential?
Yes No

Comments: N/A- The property does not have a Service Coordinator.

On-Site Review (Continued)

e. Does the Service Coordinator maintain a directory of service agencies and contacts, and make the information available to all parties?
Yes No

Comments: N/A- The property does not have a Service Coordinator.

f. If there is a Neighborhood Networks Center as indicated on the Desk Review, what is the status of operations?
If there is no Neighborhood Networks Center, proceed to question 24.h.

- Open for Business
- Temporarily Closed – State the date the center will reopen: _____
- Permanently Closed – State the date the center closed; _____

Comments: The project does not have a Neighborhood Networks Center.

g. What programs are offered at the Neighborhood Networks Center?

- GED Adult Basic Education Computer Classes Job Training Job Placement
- Homework Assistance English as a Second Language Other (please specify) _____

Comments: N/A- The project does not have a Neighborhood Networks Center.

h. The Department allows owners and their agents to provide services related to renter’s insurance products. Does the owner/agent offer such services?
If the owner/agent offers no such service, proceed to question 25. Yes No

Comments:

i. HUD policy prohibits an owner/agent from evicting tenants for delinquent renter’s insurance payments.
How does the owner/agent deal with unpaid renter’s insurance?

Please explain the process: N/A- The property does not provide services related to renter’s insurance products.

Comments:

j. Review the renter’s insurance information provided to tenants. Does the information provided to tenants clearly indicate that purchasing insurance is optional, and not required as a condition of occupancy? Yes No N/A

Comments: The property does not provide services related to renter’s insurance products.

CATEGORY G. GENERAL MANAGEMENT PRACTICES

25. General Management Operations

a. Have the complaints, as noted on the Desk Review, been satisfactorily resolved? Yes No N/A

Comments: However, tenant complaints persist. See Summary Report- Findings.

b. Is the project staff able to adequately perform management and maintenance functions? Yes No

Comments: See Summary Report- Findings.

c. How does the owner/agent implement HUD changes in policies and procedures?

Describe the process: The Compliance Department forwards information to site staff.

d. Does owner/agent have a formal ongoing training program for its staff? Yes No

If yes, indicate types of training used and the frequency.

Type	Frequency
<input checked="" type="checkbox"/> On-Site	Webinars, Monthly
<input type="checkbox"/> HUD Seminars	
<input type="checkbox"/> Energy Conservation	

Type	Frequency
<input type="checkbox"/> Industry/Association Training	
<input type="checkbox"/> Local Colleges	
<input checked="" type="checkbox"/> Other (please specify)	Millenia University, annually

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On-Site Review (Continued)

Comments:

e. Are reports submitted to the owner from the management agent? Yes No N/A
This question applies only to HUD Staff and Mortgagees.

Comments: N/A- PBCA does not answer this question.

f. Are there signs enabling persons to locate the office? Yes No

Comments:

g. Are after hours and emergency telephone numbers posted? Yes No

Comments:

h. List the current insurance coverages (property, liability, Directors and Officers, workman’s compensation, automobile). (Check to make sure that HUD is listed as an additional loss payee, if applicable. Also, check to make sure that the insurance policy is in the name of the mortgagor entity.)
This question applies only to HUD Staff and Mortgagees.

Type	Basic Coverage	Annual Premium
Property		
Liability		
Other (please specify)		
Other (please specify)		

Comments: N/A- PBCA does not answer this question.

i. Does the owner/agent have a fidelity bond? Yes No N/A
This question applies only to HUD Staff and Mortgagees.

Comments: N/A- PBCA does not answer this question.

26. Owner/Agent Participation
This question applies only to HUD Staff and Mortgagees. CAs may proceed to question 27.)

a. If the project is owned by a cooperative or a nonprofit entity, does the Board of Directors meet regularly and record minutes? Yes No N/A

Comments: N/A- PBCA does not answer this question.

b. Review copies of the minutes. Does a review of the minutes indicate compliance with HUD’s business agreements? Yes No N/A

Comments: N/A- PBCA does not answer this question.

c. Does the owner/agent have a system or procedure for providing field supervision of on-site personnel? Yes No N/A

Comments: N/A- PBCA does not answer this question.

27. Staffing and Personnel Practices

a. Has management made an effort to employ tenants in accordance with Section 3 of the Housing and Community Development Act of 1968? Yes No

Comments:

b. List all on-site staff charged to the project. (Use additional sheets if necessary).

Staff Person / Title	Date Hired	% of Time Charged to Site	Annual Salary	Unit Size	Is the Employee Receiving Subsidy?	Is the Employee occupying a Non-Income Producing Unit?

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Kimberly Morales / Property Manager	6/8/2015	100%	██████	n/a	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Yolanda Salinas / Asst. Property Manager	11/6/2017	100%	██████	n/a	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Manual Martines / Maintenance Supervisor	11/21/2016	100%	██████	n/a	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Raul Falcon / Maintenance Tech	2/11/2019	100%	██████	n/a	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
David Garcia / Grounds	8/17/2017	100%	██████	n/a	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Comments:

c. Does the staffing chart above match Part D of the Rent Schedule, form HUD-92458 as it relates to non-income producing units?
HUD staff only. Yes No

Comments: N/A- PBCA does not answer this question.

State Lifetime Sex Offender Statistics

Project Name:

FHA /Project Number:

Section 8/PAC/PRAC Number:

Instructions: Reviewers should record the below statistics on households that include a household member who is subject to a state lifetime sex offender registration requirement.

1. Number of households where, in accordance with the owner's policies and procedures, a household member subject to a state lifetime sex offender registration requirement was identified at re-certification. 0
Of the households identified at re-certification:

a. How many were admitted prior to June 25, 2001, the effective date of the Screening and Eviction for Drug Abuse and Other Criminal Activity final rule, and who had a household member subject to a state lifetime sex offender registration requirement at the time of admission? 0

NOTE: These households (admitted prior to June 25, 2001) must not be evicted unless they commit criminal activity while living in the federally assisted housing or have other lease violations.

b. How many were erroneously admitted? 0

c. How many households include a member that became subject to a state lifetime sex offender requirement after admission? 0

2. Number of evictions due to the erroneous admission of a household with a member subject to a state lifetime sex offender registration requirement? 0

Number of such evictions upheld in court. 0

3. Number of evictions due to a household member becoming subject to a state lifetime sex offender registration requirement after admission. 0

Number of such evictions upheld in court. 0

**IN THE UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

**SANDPIPER RESIDENTS
ASSOCIATION,
3916 Winnie St.,
Galveston, TX 77550,**

**LARRY BERNARD BROOKS, SR.,
3916 Winnie St., Apt.
Galveston, TX 77550,**

AND

**BETTY ANN DERGIN
3916 Winnie St., Apt.
Galveston, TX 77550,**

Plaintiffs,

v.

**THE UNITED STATES
DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT,
451 7th Street S.W.,
Washington, DC 20410,**

Defendant.

NO. _____

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COMPLAINT

I. Introduction

1. Plaintiffs are current residents of Compass Pointe Apartments (a/k/a Sandpiper Cove Apartments), located at 3916 Winnie St, Galveston, TX 77550. This privately owned apartment complex is subsidized through a contract between the owner and the U.S. Department of Housing and Urban Development (HUD) under HUD's Project Based Rental Assistance (PBRA) program. HUD provides approximately two million dollars (\$2,000,000.00) in annual rent subsidies to the owner for the 192 PBRA units at the complex. The PBRA tenants further pay approximately \$319,000 in annual rent for the 192 PBRA units.

2. Despite the federal investment in and subsidies for the owners of the apartment, the unit, project, site, and neighborhood conditions at Sandpiper Cove Apartments are dangerous and unfit for family life and the presence of children. HUD's contract with the property owner provides that HUD will only pay the subsidy for units that are decent, safe and sanitary as required by law and applicable regulations. HUD has violated the law by withholding the relief necessary to assist the Plaintiffs with moving to decent, safe and sanitary housing. This complaint requests judicial relief requiring HUD to provide each plaintiff with the assistance needed to obtain housing in better condition, including a Tenant Protection Voucher. The law does not require that HUD terminate the owner's Housing Assistance Payment (HAP) contract with HUD before or as a result of providing the relocation assistance. HUD has the legal authority to continue the HAP contract in effect and provide the relocation assistance¹ which can include the issuance of Tenant Protection

¹ FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian

Vouchers.² Alternatively, and without waiving the foregoing, Plaintiffs request that court order HUD to transfer the PBRA contract to decent, safe and sanitary housing units within the City of Galveston or Galveston County.

3. HUD conducted a physical inspection and issued a summary report for Sandpiper Cove on or about May of 2019. This inspection was performed by a HUD-certified inspector habitability standards at the complex and was performed pursuant to HUD regulations at 24 CFR Part 5 and Part 200. The property obtained a failing score of 33c out of a possible 100 points. HUD issued a Notice of Default on May 15, 2019 to the owner of Sandpiper Cove. HUD informed the owner that the owner was in default of the statutory and contractual obligation to maintain the project in a decent, safe, and sanitary condition. Over a year later, the owner has so far failed to make repairs necessary to obtain a passing grade on required physical inspections and make the property habitable. Plaintiffs and Sandpiper Cove tenants continue to live in conditions of known imminent health and safety risks. Since the inspection, there have been electric outages at the property, overflowing sewage and other electrical failures associated with lack of or deferred maintenance. Physical conditions that have contributed to a high crime rate at the project include a lack of security cameras, inoperable or broken gates and fences. A significant percentage of individual units remain without doors and windows with locks, lack basic sanitary equipment including sinks, toilets, showers, heaters, operable air conditioning units and refrigerators that work. There is widespread mold and other microorganism growth inside the apartments, on both exterior and interior surfaces. Some roofs leak and moisture seeps into inhabited areas.

Housing Tenant-Based Rental Assistance (2)

² FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2)

4. On September 5, 2019, Plaintiffs specifically asked HUD that they wished to be rehoused and transferred out of the horrible conditions at Sandpiper and asked for HUD assistance finding another unit. HUD refused to provide plaintiffs and the tenants with another unit or with a voucher. Instead of providing the requisite assistance to tenants, HUD continues to keep the assistance contract in effect and subsidizes substandard, dangerous apartment units. It has been over a year since HUD found the owner in default of the obligation to provide decent, safe, and sanitary housing at Sandpiper Cover, and the tenants continue to remain in horrific conditions that pose imminent health and safety risks to them. HUD has not provided Plaintiffs with the relief they requested, which is voucher assistance necessary to obtain housing in decent, safe and sanitary conditions or transfer of the PBRA subsidy to a decent, safe and sanitary location.

5. HUD's withholding the assistance to help Plaintiffs relocate is final agency action in violation of the relevant law. Agency action is defined to include an agency "sanction." 5 U.S.C. §551(13). The Administrative Procedures Act (APA) defines "sanction" as including an agency's "withholding of relief." 5 U.S.C.A. § 551(10)(B). "Relief is defined as the "grant of... assistance... or remedy." 5 U.S.C.A. §551(13)(A). The relevant law and regulations require HUD to provide the relief of assistance for relocation once HUD has determined that property owner is in violation of the HAP contract and the owner has not corrected the deficiencies set out in the notice, and HUD continues to keep the contract in effect and is paying rent to the owner under the contract.³ Each of requirements for the provision of relocation assistance is met, yet HUD continues to withhold the assistance, which is the relief provided by law under these conditions. HUD's withholding the relocation assistance and the relief provided by law is final agency action

³ CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2); 24 C.F.R. § 886.323(e).

and judicially reviewable. 5 U.S.C. § 551(13); 5 U.S.C. § 551 (10)(B), 5 U.S.C. 13(A).

6. The project is located in a predominantly minority census tract. The tract is 16% White non-Hispanic, 59% Black or African-American and 24% Hispanic. The project is located in a census tract in which 57.4% of people are below poverty as reported by the 2016 U.S. Census American Community Survey data. 71.4% of the children under 6 years of age are below poverty and 74.9% of all children under 18 years of age are below poverty according to the same report.

7. HUD's refusal to provide the relocation assistance perpetuates racial segregation and imposes severe injuries on the predominantly Black or African-American and a completely minority population, the tenants at the complex. HUD pays for decent, safe and sanitary PBRA housing at predominantly White non-Hispanic locations near Galveston County while refusing to require decent, safe, and sanitary housing at Sandpiper Cove. HUD's actions violate the discriminatory intent standard of the Fair Housing Act and the 5th Amendment of the U.S. Constitution. HUD's actions violate its obligation under 42 U.S.C. § 3608(e)(5) to prevent federal funding of low income housing in units, projects, and conditions that perpetuate racial segregation and that are not part of an ongoing and effective housing and community revitalization effort. There is no such effort underway for these units.

8. Plaintiffs seek injunctive relief requiring HUD to provide Plaintiffs with the assistance necessary to obtain housing in decent, safe and sanitary conditions or in the alternative, that the court order HUD to transfer the PBRA subsidy to decent, safe and sanitary housing within the City of Galveston or Galveston County.

II. Jurisdiction and Venue

9. This court has jurisdiction under 42 U.S.C. §1331 and 42 U.S.C. § 3613(a)(1)(A). The right to judicial review of the claim for HUD's violation of 42 U.S.C. § 3608(e)(5) and of the claim

that HUD's withholding relief is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law and the waiver of sovereign immunity for these claims is pursuant to 5 U.S.C. §§ 702, 706. The waiver of sovereign immunity for the claim that HUD's withholding relief violates 42 U.S.C. § 3604(a) is pursuant to 5 U.S.C. § 702. The right to judicial review and the absence of sovereign immunity for the claim that HUD officials are violating the equal protection principle included in the Fifth Amendment to the United States Constitution is constitutional. Sovereign immunity does not bar a suit to enjoin unconstitutional actions by a federal officer. *Larson v. Domestic and Foreign Commerce Corp.*, 337 U.S. 682, 690-91 (1948); *Pollack v. Hogan*, 703 F.3d 117, 120 (D.C. Cir. 2012).

10. The venue is appropriate pursuant to 28 U.S.C. § 1391(b)(1).

III. Parties

A. Plaintiffs

11. The Plaintiffs are the Sandpiper Residents Association, Larry Bernard Brooks, Sr. and Betty Ann Dergin.

12. Plaintiffs are current residents of Sandpiper Cove Apartments for whom the Defendant United States Department of Housing and Urban Development (HUD) pays a subsidy to the owners of the apartments under the Project Based Rental Assistance (PBRA) program. Each Plaintiff except the Sandpiper Residents Association also pays 30% of their adjusted household income as tenant's share of the rent, in accordance with regulations. Sandpiper Residents Association is a tenant association established in accordance with federal regulations to protect the rights of Sandpiper Cove residents. 24 C.F.R. § 245.110 *et. seq.*

B. Defendant

13. The Defendant United States Department of Housing and Urban Development (HUD) is an executive agency of the United States government. HUD's withholding of the required relocation assistance is a final agency action for which there is no other adequate remedy in a court. Only HUD is obligated under the law to provide the assistance. A lawsuit against the owner cannot provide this relief. HUD's withholding the relief in the form of the assistance to obtain decent, safe and sanitary housing is final agency action.

IV. HUD's final agency action is demonstrated by HUD's withholding the required assistance and relief to Plaintiffs and the other tenants who wish to relocate

14. HUD issued a Notice of Default to the owner of Sandpiper Cove based on the owner's violations of the obligation to provide decent, safe and sanitary housing in May 2019. This occurred after the 2019 HUD REAC inspection, which showed serious issues at the property and indicated that Sandpiper Cove Apartments fell far below the minimum acceptable standard of habitability. The failing inspection itself triggered a necessity to issue a Notice of Default and obligates HUD to enforce its own regulations. The Notice of Default, constituting a formal notice by the Secretary of the United States Department of Housing & Urban Development was issued on May 15, 2019 and notified the property owners of their HAP contract default. The Sandpiper Cove Apartments owner has so far not undertaken necessary steps to cure violations identified in the 2019 HUD REAC inspection. HUD continues to leave the project-based contract, the Housing Assistance Payment contract, in place. HUD continues to pay for housing that HUD has determined is not decent, safe, and sanitary. The conditions at Sandpiper Cove in the units and at the site pose serious imminent health and safety risks to the tenants on a daily basis. HUD continues to withhold the relief for assistance to Plaintiffs and the other tenants who wish to relocate. HUD's withholding the relief for or assistance to Plaintiffs and the other tenants who wish to relocate is

final agency action.

A. Chronology showing HUD final agency action withholding assistance and relief to Plaintiffs

15. The contract between HUD and Sandpiper Cove Apartments owner for the payment of the federal subsidy funds is the Housing Assistance Payment contract (HAP). The most recent HAP basic renewal contract was signed in February 2012 for a period of 20 years. The owner is Compass Pointe Apartments Texas Ltd. The current owner was assigned that contract from the previous owner Sandpiper Cove Apartments, LLC in March 2015. The assignment incorporates all of the obligations of the original HAP contract.

16. The HAP contract provides that HUD will only make payments to the owner for units occupied by eligible families leasing, decent, safe, and sanitary units from the owner. HAP contract, Section 14(a), April 19, 1984. If the Contract Administrator (HUD or a third party acting for HUD) determines that the owner has failed to maintain units in decent, safe, and sanitary condition, HUD may abate the housing assistance payments and use the amounts for the purpose of relocating or rehousing assisted residents in other housing. The original HAP contract requires the owner to maintain and operate the contract units, unassisted units if any, and related facilities to provide decent, safe and sanitary housing and provides for tenant relocation if the units are not maintained in decent, safe and sanitary condition. HAP contract, Section 26(b)(2)(b).

17. HUD approved the renewal of the HAP contract for a twenty-year term in 2012. The Renewal Contract is a HAP contract. HAP Renewal, Section 4(a)(1). Except as specifically modified by the Renewal Contract, all provisions of the expiring HAP contract are renewed. HAP Renewal, Section 5a. The owner warrants that the units to be leased by the owner under the Renewal Contract are in decent, safe and sanitary condition (as defined and determined in

accordance with HUD regulations and procedures), and shall be maintained in such condition during the term of the Renewal Contract. HAP Renewal, Section 7b. The renewal states:

Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements. If the Contract Administrator determines that the Owner has failed to maintain one or more contract units in decent, safe and sanitary condition, and has abated housing assistance payments to the Owner for such units, the Contract Administrator may use amounts otherwise payable to the Owner pursuant to the Renewal Contract for the purpose of relocating or rehousing assisted residents in other housing. 4.d.(2).

18. HUD appointed Southwest Housing Compliance Corporation (SHCC) to be the Project Based Contract Administrator (PBCA) acting on HUD's behalf under the terms of the HAP contract.

B. The 2019 REAC inspection report found that units and conditions that constitute imminent health and safety risks to residents

19. A HUD Real Estate Assessment Center (REAC) physical inspection of Sandpiper Cove was completed on or about May 8, 2019. The final report was issued on May 9, 2019.

20. The report included results of inspections of the physical conditions, appearance and security at Sandpiper Cove Apartments.

21. The final inspection score was Unsatisfactory, with a score of 33c out of a possible 100. According to HUD regulations, a Physical Inspection score below 60 is failing and indicates that the owner may not be fulfilling his/her contractual obligations to HUD and that the residents may not be receiving the quality of housing to which they are entitled.

22. The failing inspection score was based on numerous shortcomings, including the site, building exteriors, building systems, common areas and unit evaluations. HUD's Inspector observed a total of 122 health and safety deficiencies in 24 buildings and 24 actually inspected units. The report estimates that an inspection of all units and all buildings would have resulted in

a total of 878 health and safety deficiencies on the property. The inspection also found a total of 73 non-life threatening deficiencies on the property (535 projected). 31 deficiencies were deemed life-threatening (199 projected). Finally, 18 deficiencies involved smoke extinguishers on the property (144 projected). Identified systemic deficiencies are varied, and involve everything from exposed foundations, missing/inoperable smoke detectors, damaged/missing roof components, leaky plumbing, insect/roach infestations and mold/mildew observed. Other deficiencies include missing/damaged stoves, inoperable/not lockable windows, missing/broken outlets and obstructed accessibility/escape routes.

23. HUD's REAC Inspection found missing or inoperable window locks that present safety concerns. Kitchen appliances were found to be deteriorated to the point of replacement, some entry doors have damaged frames and will not lock, presenting an obvious safety hazard. Multiple dead and live roaches were observed across the property and in inspected units. The inspector also found evidence of water infiltration leading to mold and mildew infestation, by itself a violation of HUD regulations and a threat to tenant health and safety.

24. The Compass Pointe/Sandpiper Cove management company responded to the failing REAC score primarily with cosmetic changes, announcing a change in on-site management and a new vice-president of operations for the property. While the property owner announced renovations in the future, those repairs are stated to be contingent upon funding that has not been secured. The Owner recognized approximately 2000 work orders have been made by tenants for conditions that currently exist on the property and inside all units. As a token concession and incentive to not cancel the HAP contract, property owner temporarily suspended management fees on the property, a provision covered by the contract in situations where a property does not satisfy HUD's habitability standards.

25. The failing REAC score of 33c was based on the extensive list of irregularities and shortcomings uncovered during the Sandpiper Cove inspection. The lower-case letter "c" is given if one or more exigent/fire safety violations are found, as these call for immediate attention or remedy. Deficiencies found on the property were serious enough to warrant large cash outlays to address and are categorized as capital improvements, not merely repairs. These health and safety violations include exposed electrical wires, missing smoke detectors, roach infestations and inoperable electrical systems.

26. These health and safety violations remain in effect today over one year after HUD notified the owner of the violations.

C. HUD has known of the imminent health and safety risks at Sandpiper Cove since at least 2016 when a HUD contractor found conditions that were imminent health and safety risks to residents

27. HUD has known that the units pose an imminent health and safety risks to tenants at Sandpiper Cove since at least 2016. HUD knew that the project, units, and neighborhood were not decent, safe, or sanitary from the 2016 Management and Occupancy Review of Sandpiper.

28. HUD's contractor SHCC conducted a Management and Occupancy Review of Sandpiper Cove beginning on September 15, 2016. The report was issued on October 14, 2016.

29. The Management Review included inspections of the physical conditions, appearance and security at Sandpiper Cove Apartments.

30. The Review found General Appearance and Security Unsatisfactory. Follow-up and monitoring of Project Inspections was also rated Unsatisfactory. Leasing and Occupancy as well as General Management Practices were found to be Unsatisfactory. Maintenance and Standard Operating Procedures fared a little better, being rated Below Average. In all instances, SHCC required corrective action to be taken within 30 days.

31. The finding of Unsatisfactory Appearance was based on graffiti, deep cracks in buildings and parking lot as well as corroded exterior stairwells. The Security rating was based on criminal activity that had occurred at the property within the previous twelve months. The calls for police assistance included 910 calls for service within this time period, including 41 calls for Personal Assaults, 36 calls for Weapons Offenses, 29 for Auto Theft, 3 for Sexual Assault, 3 for Structure Fire, 21 for Break-Ins and 14 for Criminal Mischief. The report found that the property owner contracts for off-duty police personnel patrol four days a week for four to five hours per day; however these patrols typically end on or before 11pm. The Report found these current efforts not to be sufficient to deter significant criminal activity at the property.

32. The review rated Project Inspections Unsatisfactory because of a blocked egress to only windows in bedrooms, outlets missing covers, holes in walls, damaged entry door frames and damaged frames inside apartments.

33. The review found insufficient oversight of the property staff by the management agent to ensure the property is maintained in decent, safe and sanitary condition and HUD's leasing and occupancy requirements were properly implemented.

34. In the 2016 Management Occupancy Review inspection, SHCC required a number of crime/safety corrective actions to be taken. Owner/Agent was to perform an assessment of the safety program at the property to include, but not be limited to, reviewing the concerns outlined in the findings, implement an action plan to improve the safety program at the property and decrease the level and severity of criminal activity occurring on-site. A copy of the plan must be forwarded to SHCC. The plan was to address key participants, including the owner/agent, Galveston Police Department, residents, local agencies and resources. The Owner/Agent was to provide a signed certification that the action plan would be implemented throughout the coming year and

periodically reviewed and adjusted for effectiveness. The 2019 MOR asserts that insufficient actions had been taken to address the crime and safety issues at the complex. The 2019 MOR notes that this issue is a “repeat finding from the 2016 report.”

35. HUD did not require the owner to provide decent, safe, and sanitary housing for the tenants at Sandpiper Cove after this 2016 report. HUD did not eliminate the imminent health and safety risks to tenants that were present at this time and that continue to be present.

36. HUD’s contractor conducted another Management and Occupancy Review of Sandpiper in 2019. HUD knows the 2019 Review resulted in another Unsatisfactory rating and the projects were not decent, safe or sanitary. The 2019 Review continued to show that units and conditions at Sandpiper present imminent health and safety risks to the tenants.

D. May 15, 2019 HUD Notice of Default to owner of Sandpiper Cove/Compass Pointe

37. HUD sent a Notice of Default to the owner of Sandpiper Cove Apartments on May 15, 2019. The Notice of Default stated:

This letter constitutes formal notice by the Secretary of the U.S. Department of Housing and Urban Development that Compass Pointe Texas Ltd. (“Owner”), owner of Compass Pointe Apartments Texas (“Project”), is in default of the above-referenced project-based housing assistance payments (“HAP”) Contract, as authorized under section 8 of the United States Housing Act of 1937 (“Act”). 42 U.S.C. § 1437f.

On May 8, 2019, HUD’s Real Estate Assessment Center (“REAC”) inspected the Project, which resulted in a score of 33c. The inspection report, which HUD has made available to the Owner, identified serious deficiencies that demonstrate that the Owner is in default of its statutory, contractual, and/or regulatory duties to maintain the Project in decent, safe and sanitary condition.

HUD based this Notice of Default on the May 8, 2019 Real Estate Assessment Center inspection. Deficiencies found in the report include missing/inoperable smoke detectors, insect/roach infestations, leaky plumbing, including faucet and pipes, clogged drains, missing, damaged or inoperable range and stove holes in ceiling/walls and damaged frames/threshold/lintels/trim. The

May 15, 2019 Notice of Default is addressed to Compass Pointe Texas Ltd. as the Owner.

Attention: Frank Sinito
127 Public Square
Cleveland, OH 44114

Project is referred to as Compass Pointe Apartments Texas and the HUD HAP Contract Number is listed as TX24M000018.

E. The Notice of Default is final agency action from which legal consequences flow.

38. The Notice of Default is the product of HUD's decision-making process, including the inspections. The Notice of Default is not merely tentative or interlocutory in nature. HUD states that issuing a Notice of Default is the prerequisite for HUD action to remedy the conditions constituting the default:

Notwithstanding the provisions of Section 222, NOV's/NOD's are legal notices required under our business agreements, and they provide the basis for any enforcement action taken by HUD if the compliance requirements in the notices are not met. Therefore, the notices must be accurate and include all elements required under the business agreements, regardless of the minimum requirements stated in this Notice. HUD Notice: H 2018-08, Issued: October 29, 2018, page 4.

39. Even an administrative appeal that results in a higher score does not require HUD to withdraw the Notice of Default. *Id.*

40. The Notice is final on its face. The owner is in default and the time to cure has expired.

The Notice of Default sets out the legal consequences flowing from the Notice.

If the Owner fails to take the necessary corrective actions required by this Notice of Default of Housing Assistance Payments (HAP) Contract letter, the Secretary will, without further notice, declare the Owner in default of the HAP contract and will seek any and all available remedies, including but not limited to, acceleration of the outstanding principal indebtedness, foreclosure, abatement of the Housing Assistance Payments (HAP) Contract or any other appropriate remedies.

41. HUD has already entered an adverse finding with legal consequences against the owner and the manager of the project based on the findings in the Notice of Default.

42. HUD had already entered an adverse finding with legal consequences against the owner and the manager of the project, based on the findings in the Notice of Default. As a result of the unsatisfactory REAC score, Compass Pointe Apartments Texas Ltd. and its principals were flagged in HUD's Active Partners Performance System (APPS): Compass Pointe Apartments Texas LLC – Owner Entity. These flags may adversely affect the Owner's and Management Agent's eligibility for participation in HUD programs, under HUD's Previous Participation Certification procedure, by constituting a standard for disapproval.

43. HUD's regulation further sets out legal consequences flowing from the Notice of Default.

24 C.F.R. § 886.323(e) – Failure to maintain decent, safe and sanitary units. If HUD notifies the owner that he/she has failed to maintain a dwelling unit in decent, safe and sanitary condition, and the owner fails to take corrective action within the time prescribed in the notice, HUD may exercise any of its rights or remedies under the contract, or Regulatory Agreement, if any, including abatement of housing assistance payments (even if the family continues to occupy the unit) and rescission of the sale. If, however, the family wishes to be rehoused in another dwelling unit, HUD shall provide assistance in finding such a unit for the family. 24 C.F.R. § 886.323(e).

44. The owner has failed to take corrective action pursuant to the Notice of Default. Plaintiffs remain in conditions that pose imminent health and safety risks.

F. The deficiencies identified in the May 15, 2019 Notice of Default have not been cured in the specified time period and the units pose an imminent and substantial risk to health and safety of the tenants

45. The deficiencies set out in the May 15, 2019 Notice of Default have not been cured within the sixty-day period as required. These deficiencies remain in place. HUD refuses to require the owner to address the serious health and safety deficiencies at the property and continues to pay the owner for housing that is not decent, safe or sanitary and poses imminent health and safety risks to the tenants.

46. There have been no corrective measures implemented to remediate health and safety

hazards to tenants. Mold remains in the units. Insect infestations continue to plague the residents. Electrical problems persist months following the inspection and doors/windows are still damaged and are still in need of repair.

47. The lack of standard electrical equipment fails to meet HUD's definition of decent, safe, or sanitary housing. 24 C.F.R. § 5.703.

48. There has been no repair or remediation of mold in the units and on building exteriors.

49. Air conditioning units are not operational in certain units.

50. Since the May 15, 2019 Notice of Default, mold presence at the property has worsened. Tenants have filed repeated repair requests with property management and complained to the City of Galveston and HUD, however the mold has not been addressed. The mold is a result of frequent water leaks in residents' apartments and broken air conditioning units which cause moisture to accumulate in and around walls. Incessant exposure to mold causes residents to have trouble breathing, in addition to eye, throat and skin irritations. HUD received three mold-related complaints from Sandpiper Cove residents since October 2019 alone. Instead of removing the mold-infested sheetrock, property management paints over the mold, which invariably returns.

51. The property has continued deteriorating since the May 15, 2019 Notice of Default. There is a widespread pest problem, as cockroaches and other insects thrive in vacant and occupied apartments with little or no pest control to alleviate the conditions.

52. There are still no functioning smoke detectors in some units, a condition that presents a substantial hazard to tenant health and safety.

53. The leaks in some apartments are so severe tenants are forced to place towels on window sills when it rains in order to absorb incoming water. The leaky air conditioning units at the complex frequently fail, leaving tenants in hot and humid apartments.

54. In March 2019, 66 of the 192 units on the property lost power for nearly four days. Management did not provide an explanation for the extended outage. A generator allowed management to restore power, but not to all affected buildings. Out of six buildings, only five received power as the unit was not strong enough to provide electricity to all six. For the duration of the outage, tenants had no electricity, power to their refrigerators, wall outlets or ovens. Residents in the building that remained without power were forced to move out in order to have electricity.

55. The entire complex again suffered a power outage in the summer of 2019 lasting several days; residents escaped their unbearably hot homes by spending time in the public library and community center.

56. Complaints of unbearable conditions on the property continue without abatement. Reports of blocked and overflowing drains, tubs leaking black or discolored water and leaky ceilings with holes are a recurring feature as residents attend city council meetings seeking help. As the city council does not have oversight power over the HAP contract, Sandpiper Cove residents' efforts are fruitless.

57. The property crime rate consistently places Sandpiper Cove in the top five locations for police response on the island. This negative record has been persisting for years. Dissatisfied with crime conditions at the complex, Galveston's City Manager petitioned HUD to enforce housing standards at the property or force a sale to a new private owner.

G. HUD is withholding the relief of assistance for plaintiffs and the Sandpiper Cove/Compass Pointe tenants to relocate to decent, safe, and sanitary housing

58. HUD has continued to ensure that the project based contract, the Housing Assistance Payment contract, remains in effect and has continued to pay the owner for the units.

59. HUD has not provided any assistance for Plaintiffs or other Sandpiper Cove/Compass Pointe tenants to relocate from the property despite being requested to do so on September 5, 2019. The Plaintiffs requested that HUD rehoused them another location with a voucher or by transfer to another location that met decent, safe, and sanitary requirements. HUD refused to do so.

60. HUD's regulation requires that HUD shall provide this relocation assistance when there has been a notice of default and when the owner fails to take corrective action within the time specified by the notice. 24 C.F.R. § 886.323(e). The requirement for HUD to provide the assistance is mandatory.

61. HUD is continuing to make payments to the owner under the HAP contract for units and conditions that are not decent, safe, or sanitary. HUD continues to keep the project based contract for Sandpiper Cove in effect.

62. HUD is not going to provide relocation assistance to Plaintiffs.

63. HUD's withholding of relief for Plaintiffs by not providing any relocation assistance has legal consequences. The owner continues to be paid. The Plaintiffs do not receive relocation assistance.

64. Congress has provided the funding and authorization for HUD to provide relocation assistance to tenants such as Plaintiffs who are living in units that pose imminent health and safety risks. The Appropriations Acts of 2020 and of 2019 both state rental assistance is available to transfer the tenants where the owner has received a Notice of Default and the units pose an imminent health and safety risk.

That the Secretary may provide section 8 rental assistance from amounts made available under this paragraph for units assisted under a project-based subsidy contract funded under the "Project-Based Rental Assistance" heading under this title where the owner has received a Notice of Default and the units pose an imminent health and safety risk to

residents.⁴

In this case, the owner of Sandpiper has received a Notice of Default, the owner has not corrected the deficiencies, and the units continue to pose an imminent health and safety risk to Plaintiffs and the other residents. HUD is required to provide relocation assistance to tenants who wish to be rehoused after an owner has received a Notice of Default and not corrected the problems within time set out in the notice. HUD is withholding the relocation assistance relief to Plaintiffs.

H. HUD's response to Plaintiffs' demand letter indicates it will continue funding the complex

65. On September 5, 2019, Plaintiffs sent a letter to HUD, informing the agency of the conditions in the units and on the property that pose imminent health and safety risks to the tenants. Plaintiffs requested that HUD provide tenant protection vouchers for the tenants because of the imminent health and safety risks these conditions pose to the residents. On or about December 2, 2019, HUD responded to Plaintiffs' correspondence, confirming the failing REAC score the property obtained in the most recent HUD inspection.

66. HUD informed Plaintiffs that Compass Pointe Apartments Texas LLC, the owner of Sandpiper Cove, responded to HUD's Notice of Default by providing a plan to improve the property's physical condition. The owner plans to either pursue a sale of the property to a buyer who would rehabilitate it or to refinance the rehabilitation and preservation of Sandpiper Cove itself. HUD further informed Plaintiffs that either the sale or financing would be completed by the end of 2019. The only enforcement action HUD acknowledged undertaking so far is requiring the

⁴ FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2)

owner to change on-site management.

67. HUD's letter makes it clear that HUD is not providing the tenants with tenant protection vouchers and relocation assistance. No actions have been taken by the owner to address the imminent health and safety risks the unequal and dangerous conditions pose to the residents. The owner has not addressed the physical conditions of the property or made any improvements to the property. The plaintiffs and tenants continue to be forced to live in units that HUD admits are not decent, safe, or sanitary while HUD lets the owner pursue a sale. Under the law, HUD can pursue its contractual remedies against the owner without forcing the tenants to reside in conditions that are imminent health and safety risks. HUD has chosen to withhold this relief from plaintiffs and the tenants.

I. The Owner is attempting to sell the Sandpiper Cove Apartments and raise the Maximum Permissible Rents on the property in violation of HUD's civil rights laws or site selection standards

68. On or about May 22, 2020, J. Allen Management, on behalf of the owner, issued a Notice to Residents of Intention to Submit to HUD for Approval of an Increase in Maximum Permissible Rents. The Notice also stated that the property was going to be purchased by Galveston 3916 Winnie Street, LP.

69. The Notice cites that the proposed increase in rent is needed from HUD to completely rehabilitate the units, including: repairs to the plumbing, electrical, HVAC and other integral systems. Additionally, the Notice admits that there are repairs needed to bring the property into compliance with the Americans with Disabilities Act.

70. The proposed increase in rents is insufficient to completely rehabilitate the complex "down to the sheetrock" as described in the Notice. Moreover, demolition of the units will not bring the

units into compliance with HUD's civil rights laws or site selection standards. These units will remain located in a densely minority, low income census tract. The units will continue to be subject to high crime and lack access to many basic amenities. The Notice does not indicate when the Owner will come into compliance with the imminent health and safety hazards cited in the Notice of Default and it is further evidence that tenants will remain subject to these dangerous conditions unless they are issued tenant protection vouchers.

V. HUD's withholding any assistance to help Plaintiffs relocate is final agency action that is arbitrary, capricious, an abuse of discretion and is not in accordance with the relevant law

71. Agency action is defined to include an agency sanction. 5 U.S.C. § 551(13).⁵ The APA defines sanction as including an agency withholding of relief. 5 U.S.C. § 551 (10)(B). Relief is defined as the grant of . . . assistance . . . or remedy. 5 U.S.C. § 551 (13)(A). *Trudeau v. Fed. Trade Commission*, 384 F. Supp. 2d 281, 289 (D.D.C. 2005), *aff'd*, 456 F. 3d 178 (D.C. Cir 2006).

72. Both the 2020 and the 2019 Appropriations Act and the HUD regulation 24 C.F.R. § 886.323(e) require HUD to provide the relief of assistance for relocation upon the occurrence of specified events. Both authorities include the same two events:

- the issuance of a Notice of Default, and
- the failure of the owner to cure the deficiencies set out in the notice,
- 2020 and 2019 Appropriations Act, 24 C.F.R. § 886.323(e).

⁵ (13) "Agency action" includes the whole or a part of an agency rule, order, license, **sanction, relief, or the equivalent or denial thereof**, or failure to act; 5 U.S.C.A. ' 551 (13). (emphasis added.)

73. Both of these events have occurred. HUD has issued a Notice of Default. The owner did not remedy the deficiencies within the time specified. HUD continues to make payments under the HAP while the tenants continue to live in conditions of imminent health and safety risk. Even though the predicate for the relief is satisfied, HUD is withholding the relief of relocation assistance for the tenants.

74. The HUD regulation specifically requires HUD to provide relocation assistance to tenants who want to be rehoused after a notice of default and the failure of the owner to comply within the time specified in the notice:

If a family wishes to be rehoused in another dwelling unit, **HUD shall provide assistance in finding such a unit for the family.** 24 C.F.R. § 886.323(e).

This event has occurred. With the September 5, 2019 letter to HUD, Plaintiffs have clearly expressed their wish to be rehoused with a voucher as have other tenants. Despite the predicate being met, HUD has withheld the assistance. The Plaintiffs and other tenants also requested assistance to relocate including voucher assistance in the public comments provided to Galveston officials in 2018.

75. HUD's sanction, the withholding of relief, is final. HUD's sanction is stated to be the product of HUD's full consideration of the facts and it has legal consequences. *U.S. Army Corps of Engineers v. Hawkes Co., Inc.*, U.S. 136 S.Ct. 1807, 1813-1814 (2016) citing *Bennett v. Spear*, 520 U.S. 154, 177-178 (1997).

76. HUD is continuing to keep the project based contract at Sandpiper Cove Apartments in effect. HUD is not going to provide relocation assistance or enforce its own regulations to ensure necessary renovations and rehabilitation of the property take place.

77. HUD's action withholding a remedy that provides Tenant Protection Vouchers or

other assistance in finding another dwelling unit in decent, safe, and sanitary condition was outside the scope of HUD's discretion. HUD's withholding the remedy is arbitrary, capricious, an abuse of discretion and otherwise not in accordance with law. *Senate Manor Properties, LLC v. U.S. Dep't of Hous. & Urban Dev.*, 2008 WL 5062784, at *1 (S.D. Ind. 2008) (HUD decision to abate PBRA subsidies was justified).

78. HUD's own regulation limits its discretion once an owner has been given a Notice of Default and has failed to cure the violations. HUD may exercise any of its contract or regulatory agreement rights. But whatever choice HUD exercises, if a family wishes to be rehoused in another dwelling unit, HUD shall provide assistance in finding such a unit for the family. 24 C.F.R. § 886.323(e) (Emphasis added). HUD's withholding any assistance to help Plaintiffs relocate is final agency action that is arbitrary, capricious, an abuse of discretion and is not in accordance with the relevant law

VI. The Sandpiper Cove residents live in dangerous and unfit conditions

A. High number of crimes at the Apartment

79. The high number of violent and serious crimes committed on the Sandpiper Cove Apartment premises victimizes the apartment residents. In 2016, HUD's agent, Southwest found that the failure to provide adequate security from criminal activity violated HUD's housing quality standards, the governing contract requiring the owner to provide decent, safe, and sanitary housing (Section 2.5), HUD Handbook 4350.3REV-1, CHG-4, 8-1, C, and HUD Handbook 7460.4-Security Planning for HUD-Assisted Multifamily Housing Handbook: Chapter2, (5)(c-e). SHCC found the level of criminal activity at the property was a condition in noncompliance with HUD guidelines. The review based its finding on service requests made to the Galveston Police

Department from 10/3/2015 through 10/3/2016. The review required corrective actions to "improve the safety program at the property and decrease the level and severity of criminal activity occurring on-site." The owner did not implement corrective actions and HUD continued to find high level of criminal activity.

80. Data obtained pursuant to an open records request from the Galveston Police Department indicates that crime statistics at or near the property have significantly worsened since 2016. From January 1, 2018 through December 31, 2019, the following serious offenses occurred at or in the immediate vicinity of Sandpiper Cove:

- **Weapon Offenses - 120**
- **Assault - 75**
- **Narcotics Violation - 53**
- **Robbery- 4**
- **Burglary- 76**
- **Terroristic Threats - 58**
- **Disturbance - 504**
- **Trespassing- 188**
- **Suspicious Activity/Person – 844**
- **Theft- 124**
- **Structural Fire - 12**
- **Criminal Mischief - 98**
- **Sexual Assault – 8**
- **Armed/Aggravated Robbery - 6**

81. The owner did not cure the condition of non-compliance. The 2019 MOR cites that the owner stated that they would implement an action plan to address safety issues and periodically assess its effectiveness. The SHCC did not receive the owner's action plan and has received no response from the owner regarding this condition of non-compliance since December of 2016.

82. The Plaintiffs continue to be subjected to this violation of the HUD requirement to provide decent, safe, and sanitary housing. The high number of serious crimes constitute a hazard to the tenants and their families.

83. HUD knows that Sandpiper Cove is a place where persons (who do not live at the complex) habitually go to commit crimes and has taken no action to remedy the unsafe conditions. These multiple incidents of high crime violate the State law common nuisance statute. Tex. Civ. Prac. & Rem. Code § 125.0015. The repeated criminal activity subjects tenants to unsafe living conditions. This repeated violation of state law by the owner is a reason alone for HUD to provide tenants with the relief of housing away from Sandpiper Cove.

84. The HUD Multifamily Security Manual finds that the fear of crime is exacerbated by the fear and insecurity caused by the often-justified fear of retaliation by criminals reported to the police or to management. Pages 51-52. Exposure to violence can harm a child's emotional, psychological and even physical development.

B. Many of units cannot be made physically secure

85. HUD requires the units receiving its rental subsidy to keep all doors and windows "functionally adequate, operable, and in good repair . . ." 24 C.F.R. § 5.703(d)(1). The high crime activity at the apartments exacerbates the need for functionally adequate, operable, and in

good repair doors, windows, door locks, and window locks. The failure to provide operable locks on windows and doors is a consistent finding of non-compliance with the obligation to provide decent, safe, and sanitary housing.

C. The units and other areas are not free from mold

86. HUD requires the units and common areas to be free from mold in order to be decent, safe, and sanitary.

87. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g., propane, natural gas, methane gas), or other observable deficiencies. 24 C.F.R. § 5.703(f).

88. The units and common areas at Sandpiper Cove Apartments have open and obvious colonies of mold with the resulting foul odor. The mold colonies were found to be an open violation of the decent, safe, and sanitary regulation in the 2019 REAC inspection.

89. HUD states that the presence of mold as a serious health and safety issue.

Even a small amount of mold or mildew can be potentially dangerous, especially if it is allowed to increase in size. The presence of mold or mildew should be identified, and the cause should be determined and corrected. Because mold/mildew has been recognized as a serious health and safety issue, it is also recorded as poor air quality. 77 FR 47708, 47713, 8/9/2012.

90. Mold and mildew continue to be present. The 2019 REAC inspection found:

Observed mold/mildew inside units.

Level 3 Health & Safety deficiency – mold/mildew observed in every building inspected. Evidence of water infiltration or other moisture producing condition that causes mold, or mildew greater than or equal to 1 square foot of mold/mildew.

Mold/mildew observed in bathrooms and living areas in every unit inspected.

91. HUD is paying the owner for units that are not decent, safe, and sanitary housing and that pose imminent health and safety risks to the tenants.

D. The housing provided in return for the HUD and tenant rent payments is not decent, safe, and sanitary

92. HUD and the tenants have been paying substantial amounts of rent to the owner of the Sandpiper Cove Apartments. Despite the rent payments, HUD has not assured that the owner provide decent, safe, and sanitary housing.

93. The HUD inspections consistently find the presence of unit, project and site conditions that violate the owner's obligation to provide decent, safe, and sanitary housing.

94. These and other conditions in noncompliance with HUD requirements for decent, safe, and sanitary housing affecting each Plaintiff are set out in this complaint.

VII. Plaintiffs' facts

95. Sandpiper Residents Association (SRA) is a tenant association established in accordance with federal regulations to protect the rights of Sandpiper Cove residents. 24 C.F.R. § 245.110 *et. seq.* It is comprised solely of current residents of Sandpiper Cove Apartments, all of whom receive a HUD housing subsidy. Sandpiper Residents Association has standing to bring suit on behalf of the tenants as its members would otherwise have standing to sue in their own right, the interests it seeks to protect are germane to the organization's purpose, and because neither the claim asserted nor the relief requested requires the participation in the lawsuit of each of the individual members. The injury to Sandpiper Residents Association members is directly related to the reason they joined the organization, namely to obtain decent, safe and sanitary housing. Sandpiper Residents Association members have standing to sue in their own right, as they are directly injured by defendant's acts and/or omissions.

96. Sandpiper Residents Association was formed to protect and promote Sandpiper Cove tenants' interest in obtaining and maintaining decent, safe and sanitary housing at the

property. Since its formation, SRA has been involved in several actions intended to publicize the habitability concerns on the property and obtain assistance with remediation of physical hazards. The Association contacted local media outlets to report poor physical conditions at the property and make the residents' plight public. The Houston Chronicle, a major Houston-area newspaper, published several articles focusing on dangerous conditions at Sandpiper Cove and residents' efforts to obtain assistance. The Association has also been involved in filing complaints with the Southwest Housing Compliance Corporation ("SHCC"), which is tasked with inspecting PBRA properties, including Sandpiper Cove and ensuring compliance with HUD habitability standards. SRA continues to monitor conditions at the property and contact elected officials, SHCC, HUD and local media as necessary to bring attention to issues affecting tenant health and safety on the property. The Association has meetings during which residents may bring up any complaints or requests for assistance. In its efforts to assist residents, SRA has previously addressed the Galveston City Council to bring habitability complaints at Sandpiper Cove to its attention. Yet despite SRA's efforts to alert relevant agencies, including HUD, Defendant has not responded to the Association's requests for providing decent, safe, and sanitary housing.

97. Furthermore, neither the claims asserted nor the relief requested requires the participation of Sandpiper Residents Association members in the lawsuit. Sandpiper Residents Association seeks injunctive relief, and it can reasonably be supposed that the remedy, if granted, will inure to the benefit of those members of the association actually injured.

98. Sandpiper Residents Association was formed to protect and promote Sandpiper Cove tenants' interest in obtaining and maintaining decent, safe and sanitary housing at the property. The members are majority Black tenants at Sandpiper. Since its formation, SRA has been involved in

several actions intended to publicize the habitability concerns on the property and obtain assistance with remediation of physical hazards. The Association contacted local media outlets to report poor physical conditions at the property and make the residents' plight public. The Houston Chronicle, a major Houston-area newspaper published several articles focusing on dangerous conditions at Sandpiper Cove and residents' efforts to obtain assistance. The Association has also been involved in filing complaints with the Southwest Housing Compliance Corporation ("SHCC"), which is tasked with inspecting PBRA properties, including Sandpiper Cove and ensuring compliance with HUD standards. The Association continues to monitor conditions at the property and contacts elected officials, SHCC, HUD and local media as necessary to bring attention to issues affecting tenant health and safety on the property. SRA has regular meetings during which residents may bring up any complaints or requests for assistance. In its efforts to assist residents, SRA has previously addressed the Galveston City Council to bring habitability complaints at Sandpiper Cove to its attention. Yet despite SRA's efforts to alert relevant agencies, including HUD, Defendant has not responded to the Association's requests for providing decent, safe, and sanitary housing.

99. Plaintiff Larry Bernard Brooks Sr. resides at Sandpiper Cove. Part of his rent is paid under HUD's Project-Based Section 8 Rental Assistance contract. Mr. Brooks is Black or African American. He moved to Sandpiper Cove in 2011. He lives alone in a two-bedroom unit. Mr. Brooks is disabled and supports himself through Supplemental Security Income ("SSI") of \$771/month. He has never been cited for any infractions at the complex. Mr. Brooks lost valuable possessions as a result of physical conditions at Sandpiper Cove. Recently, an electric transformer malfunctioned and Mr. Brooks' television set was damaged by the resulting power surge. There is mold in the apartment and a noticeable odor in the unit. He regularly cleans visible areas with

cleaning solutions to limit the spread of spores but the mold returns. Mr. Brooks is concerned about long-term health impacts of being exposed to mold in the apartment and is afraid for his safety as a result of electrical malfunctions. Mr. Brooks' limited income precludes him from moving elsewhere without the assistance of a tenant protection voucher.

100. Plaintiff Betty Ann Dergin has lived at Sandpiper Cove since the early 1980s. She lives in a 3-bedroom apartment with her adult son and minor grandson. Ms. Dergin is Black or African American. Ms. Dergin and her son are both disabled and disability benefits are their sole source of income. There are numerous habitability issues in their apartment, including water leaks, defective plumbing and roof problems. Slugs regularly enter the kitchen through the sink. Frequent power surges inside the living room have damaged electronic devices so family them to an outside plug to avoid additional losses. Ms. Dergin is tired of the poor conditions at Sandpiper Cove. She has mold in her apartment that cannot be removed regardless how often she cleans her home. Ms. Dergin seeks to move to a decent, safe and sanitary unit but cannot do so without the assistance of a tenant protection voucher.

VIII. HUD's decision to withhold Tenant Protection Vouchers as a form of relocation assistance is final agency action that violates the Fair Housing Act and the Constitution

101. HUD has the authority under the law to provide a specific remedy for Plaintiffs. Because HUD has issued the Notice of Default and the units continue to pose an imminent health and safety risk to residents, HUD can issue Tenant Protection Vouchers to Plaintiffs and the other tenants. FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2). The prerequisites are met. HUD issued the Notice of Default. The units pose an imminent health and safety risk to

residents. HUD does not have to terminate the HAP contract with the owner in order to provide these vouchers. HUD can pay for the vouchers from the funds already appropriated. *Id.* If the HAP is not terminated, the vouchers are relocation vouchers and sunset when the current participant leaves the voucher program. If the HAP is terminated, the vouchers are replacement vouchers and remain available for re-use in the community. HUD Notice PIH 2018-09.

102. HUD has made the final decision to withhold this relief from Plaintiffs. The decision has legal consequences. Plaintiffs do not receive the voucher assistance that could be used for relocation. The facts show that HUD's decision to withhold the relief is based on the discriminatory purpose to maintain racial segregation and to disadvantage a group of minority households. The use of discretion to accomplish intentional racial discrimination violates both the U.S. Constitution, 42 U.S.C. § 3604(a), and 42 U.S.C. § 3608(e)(5). *N.A.A.C.P. v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149, 157 (1st Cir. 1987); *Clients' Council v. Pierce*, 711 F.2d 1406, 1425 (8th Cir. 1983).

103. HUD's withholding the relief of Tenant Protection vouchers or the other assistance in finding another dwelling unit in decent, safe, and sanitary conditions is illegal final agency action based on the following facts:

A. It makes decent, safe, and sanitary housing unavailable because of race as shown by the facts shown in this complaint as summarized below and showing the circumstantial evidence of HUD's intent to discriminate on the basis of race and ethnicity.

1) The action disadvantages a predominantly minority group, the tenants at Sandpiper Cove Apartments, by causing them to live in units, a project, and a neighborhood that poses an imminent health and safety risk to them and to their families. HUD reports that over 88% of the

tenants at Sandpiper Cove are Black and Hispanic.

2) The action subjects the minority group to continued residence in units, a project, and a neighborhood that is substantially unequal to the unit, project, and neighborhood conditions for the majority White non-Hispanic Project Based Rental Assistance projects in nearby metropolitan areas. There are several comparable Project Based Rental Assistance properties in adjacent Brazoria County that are in substantially better physical condition and without the health and safety hazards present at Sandpiper Cove. They are majority White, non-Hispanic. These properties are habitable and do not present imminent health hazards to residents.

3) HUD's action is contrary to the substantive norm requiring it to assure that the tenants residing in Project Based Rental Assistance are receiving decent, safe, and sanitary housing. 24 C.F.R. §§ 886.323 (a), (d), (e).

4) HUD's action is contrary to the substantive norm that once HUD notifies the owner that he/she has failed to maintain a dwelling unit in decent, safe, and sanitary condition and the owner fails to take corrective action within the time prescribed in the notice, HUD shall provide assistance in finding a unit in decent, safe, and sanitary condition for each family that "wishes to be rehoused in another dwelling". . . . 24 C.F.R. § 886.323(e).

5) HUD's action is contrary to the procedural norm that once HUD notifies the owner that he/she has failed to maintain a dwelling unit in decent, safe, and sanitary condition, and the owner fails to take corrective action within the time prescribed in the notice, further payments for the units violate the Housing Assistance Payment Contract between HUD and the owner.

(2) Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements and with all HUD regulations and other requirements. Project-based Section 8 HOUSING ASSISTANCE PAYMENTS BASIC RENEWAL CONTRACT MULTI-YEAR TERM.

6) HUD's action is contrary to the procedural and substantive HUD obligation in the administration of the HAP contract with the owner of Sandpiper Cove, Compass Pointe, LLC to take and require meaningful actions that:

- address significant disparities in housing needs and in access to opportunity,
- replace segregated living patterns with truly integrated and balanced living patterns,
- transform racially and ethnically concentrated areas of poverty into areas

of opportunity,

and

- foster and maintain compliance with civil rights and fair housing laws.

42 U.S.C. §3608(e)(5); *N.A.A.C.P. v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149, 156 (1st Cir. 1987); *Shannon v. U.S. Dep't of Hous. & Urban Dev.*, 436 F.2d 809, 819, 821-822 (3d Cir. 1970).

HUD's refusal to provide plaintiffs with the grant of assistance necessary to obtain decent, safe, and sanitary housing in site and neighborhood conditions substantially equivalent to the conditions in which majority White non-Hispanic occupied PBRA projects are located is the failure to provide the assistance that would address the significant disparities, segregated living patterns in racially concentrated areas of poverty, and comply with civil rights and fair housing laws.

IX. HUD's breach of its obligation to pay the owner only for units that are decent, safe, and sanitary is based at least in part on the race of Plaintiffs and the other tenants

102. Plaintiffs will show the following facts that give rise to an inference of discrimination by HUD.

103. HUD contracts with private landlords to provide affordable housing to low income tenants through the PBRA program. Pursuant to the contract, HUD makes payments to the

landlord to rent the units to eligible low income tenants. HUD has the contractual authority to require that the landlord comply with the HUD housing quality standards that govern this housing program.

104. Plaintiffs are Black or African American. Sandpiper Cove is located in a 16% White non-Hispanic census tract. Sandpiper Cove's units are 87% occupied by Black or African American households. HUD is paying for housing that is provided by the owner to Plaintiffs but which is not decent, safe, and sanitary housing.

105. Plaintiffs entered into a lease for the HUD subsidized PBRA housing at Sandpiper Cove that, had it met the HUD housing quality standards, would have provided them and their families with decent, safe, and sanitary housing. The Plaintiffs' lease for the HUD subsidized PBRA housing at Sandpiper Cove would have provided them and their families with equal neighborhood living conditions without conditions that adversely affect the health, safety, and general welfare of residents.

106. The unit, project, and site conditions that do not comply with minimum standards for decent, safe, and sanitary housing.

107. The living conditions that adversely affect the Plaintiffs and other Sandpiper Cove tenants are factors that adversely affect the health, safety, and general welfare of residents, and cannot be mitigated by HUD.

108. HUD pays for decent, safe, and sanitary housing for similarly situated, disproportionately White non-Hispanic low income PBRA tenants in majority White, non-Hispanic census tracts. These PBRA units include the PBRA projects in Brazoria County which the county adjacent to

Galveston County where Sandpiper Cove is located.

109. The rents for the assisted units at the projects in Brazoria County are comparable to the rents for the assisted units at Sandpiper Cove. The unit, site, and project conditions at other PBRA projects are decent, safe, and sanitary.

110. HUD does not make the disproportionately White tenants in the Brazoria County PBRA projects live in conditions that present imminent health and safety risks to the residents. HUD does not require those tenants to reside in conditions of imminent health and safety risks in order to “preserve” the affordable housing units.

111. When Plaintiffs and residents at Sandpiper Cove asked HUD to be rehoused after the Notice of Default and the owner’s non-compliance HUD refused to provide the relocation assistance. One reason given by HUD for the refusal to relocate the Sandpiper residents was that HUD wanted to preserve the affordable housing units at Sandpiper.

112. HUD’s payments to the owner of Sandpiper Cove for units that are not decent, safe, and sanitary is not based on any legitimate, non-discriminatory reason and is final agency action.

113. HUD has no statutory or regulatory authority for paying to provide Plaintiffs with housing that is not the decent, safe, and sanitary housing required by the relevant housing quality standards. HUD has no statutory or regulatory authority for paying to provide Plaintiffs with housing in locations with neighborhood living conditions that are free from high crime and other conditions that adversely affect the health, safety, and general welfare of the area residents.

A. The additional evidence showing the existence of *Village of Arlington Heights* factors supports the finding of intentional discrimination

114. The U.S. Supreme Court set out a list on non-exclusive factors that may provide

circumstantial evidence showing racial discrimination was a motivating factor in government decisions affecting the availability and location of housing. *Vill. of Arlington Heights v. Metro Hous. Dev. Corp.*, 429 U.S. 252, 265-268 (1977). The following evidence shows the existence of Arlington Heights factors that support the inference of intent. The facts show that HUD intentional support for racial segregation is longstanding in duration and pervades HUD's administration of the PBRA program in the City of Galveston.

115. Sandpiper Cove apartment complex in the City of Galveston is located in a predominantly minority census tract. It is further adversely affected by various unequal neighborhood living conditions. Sandpiper Cove is disproportionately occupied by Black or African American low-income tenants. Several similar PBRA projects in White, non-Hispanic Brazoria County and surrounding census tracts that would offer Plaintiffs a racially integrated housing opportunity in equal neighborhood conditions are restricted to elderly tenants only.

116. Brooks Manor is a similar PBRA complex located in Brazoria County. However, the tenant community is 79% White Non-Hispanic. The most recent REAC inspection score was 87c. Its buildings are in better physical condition, with well-maintained common areas, lawns and a children's playground in operable condition and located in a census tract with a lower crime rate.

117. Alvin Memorial is another comparable PBRA property located in adjacent Brazoria County. Its residents are 66% White Non-Hispanic. The most recent REAC inspection score was 92b. The property is in superior physical condition than Sandpiper Cove and units visibly appear to be decent, safe and sanitary. Property maintenance is conducted regularly and the crime rate in the census tract is lower than that Sandpiper Cove is located in.

118. Magnolia Acres is a comparable PBRA property in adjacent Brazoria County. The complex's tenant population is 69% White Non-Hispanic. The most recent REAC inspection score is 94b. The complex is decent, safe and sanitary. It is a gated, fenced in community with 66 units featuring a children's playground. The property is in better physical condition than Sandpiper Cove. The property is zoned to better-performing public schools than any that Sandpiper Cove residents may enroll in.

B. The historical background of the racial segregation and unequal conditions affecting PBRA and other HUD assisted housing in Galveston reveals a series of actions taken for invidious purposes.

119. HUD's administration of Galveston's public housing system and the PBRA program has perpetuated segregation in the city since the early 20th century. HUD's administration of the PBRA program at Sandpiper Cove continues the segregation of the low income Black and Hispanic tenants in Galveston today.

120. HUD's public housing was purposefully constructed and concentrated in an industrial area known as Galveston's Sixth Ward. According to census data, this area was historically black. Four public housing facilities were built in the area, including: Oleander Homes (1943), Palm Terrace (1943), Magnolia Homes (1953) and Cedar Terrace (1953).

121. In 1971, HUD approved the subsidy associated with Sandpiper Cove Apartments.

122. In 1997, residents and applicants for public housing administered by Galveston Housing Authority (GHA) filed suit against the agency for failing to remedy the segregation related to the administration of the City's Public Housing Program. Plaintiffs' claims alleged violations of the 5th and 14th Amendments and Title VI and Title VIII of the Civil Rights Act.

HUD knows of the racial segregation of GHA public housing. In 1997, HUD found GHA in violation of Title VI of the Civil Rights Act.

123. The parties entered into a consent decree to resolve Plaintiffs' claims.

124. As a result, the Galveston Housing Authority was ordered to deconcentrate the families living in GHA public housing. However, the properties were never properly desegregated.

125. In 2008, Hurricane Ike struck Galveston Island and significantly damaged all four of the Galveston Housing Authority properties. GHA demolished all 569 units. GHA promised to rebuild them each unit and add over 1500 units over the next 10 years. GHA abandoned that plan after significant public opposition.

126. In October 2009, Texas Low Income Housing Service and Texas Appleseed filed a Fair Housing complaint with HUD against the State of Texas' Amendment to its Action Plan for Hurricane Disaster Relief Block Grant Funds. The Complaint asserted that the State of Texas and the City of Galveston failed to adequately address the impediments to Fair Housing as required to receive Block Grant funds.

127. In May 2010, a Conciliation Agreement was executed between the parties. The Agreement advised that the recipients of the CDBG Disaster Relief funds must identify and address all impediments to Fair Housing. The City of Galveston received 20 million dollars of the funds to rebuild family and senior public housing.

128. Over ten years has elapsed since the dissemination of the funds to the City of Galveston to rebuild public housing and only half of the units have been constructed. The other half of the public housing units have been proposed to be rebuilt in the Sixth Ward area of Galveston that is

already densely concentrated with public housing.

129. The continued concentration of GHA public housing and PBRA housing in the Sixth Ward of Galveston violates Federal Civil Rights laws and HUD site selection regulations.

130. The unequal neighborhood conditions affecting HUD's PBRA housing in minority concentrated areas include high crime, high poverty including high childhood poverty, distressed neighborhoods, poor drainage, flooding, segregated and unequal schools, and lack of childhood opportunities.

131. The injuries particularly to children from these conditions of racial segregation are foreseeable and were foreseen by HUD.

Racially or ethnically concentrated areas of poverty merit special attention because the costs they impose extend far beyond their residents, who suffer due to their limited access to high-quality educational opportunities, stable employment, and other prospects for economic success. Because of their high levels of unemployment, capital disinvestment, and other stressors, these neighborhoods often experience a range of negative outcomes such as exposure to poverty, heightened levels of crime, negative environmental health hazards, low educational attainment, and other challenges that require extra attention and resources from the larger communities of which they are a part. Consequently, interventions that result in reducing racially and ethnically concentrated areas of poverty hold the promise of providing benefits that assist both residents and their communities. Affirmatively Furthering Fair Housing; Proposed Rule, 78 Fed Reg 43710, 43714, July 19, 2013.

132. HUD's site selection regulations prohibiting the concentration of HUD assisted housing in minority concentrated, low income areas with unequal living conditions were first enacted in 1972. 37 Fed. Reg. 203 (1972). The existing racial segregation in HUD assisted housing in the City of Galveston was funded and approved by HUD decisions in violation of HUD's site selection regulations. HUD provided the Sandpiper Cove with the original HUD assistance and

continued to renew the Housing Assistance Payments contract despite HUD's site selection regulations prohibiting housing in minority concentrated and low-income areas.

C. HUD's decisions to renew the PBRA contracts for Sandpiper Cove Apartments were made in violation of HUD substantive standards are consistent with and show the existence of discriminatory intent

133. HUD has made several decisions to enter into, and continue renewing PBRA contracts with Sandpiper Cove Apartments since 1984. These decisions were made in violation of the HUD regulatory standards for acceptable housing. 24 C.F.R. § 5.703. These decisions are consistent with and supportive of the racially segregative purpose to segregate Black or African American families and provide them with unequal facilities. HUD's failure to affirmatively further fair housing with regard to the PBRA program and Sandpiper Cove Apartments is the violation of a substantive standard that is consistent with discriminatory intent.

134. HUD has the legal obligation under 42 U.S.C. § 3608(e)(5) to affirmatively further fair housing:

- address significant disparities in housing needs and in access to opportunity,
- replace segregated living patterns with truly integrated and balanced living patterns,
- transform racially and ethnically concentrated areas of poverty into areas of opportunity, and
- foster and maintain compliance with civil rights and fair housing laws. *N.A.A.C.P. v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149, 156 (1st Cir. 1987); *Shannon v. U.S. Dep't of Hous. & Urban Dev.*, 436 F.2d 809, 819, 821-822 (3d Cir. 1970); 24 C.F.R. § 5.150, § 5.152; HUD, Affirmatively Further Fair Housing, Final Rule, 80 Fed. Reg. 42272, July 16 2015.

135. HUD is aware of the racially segregated and unequal conditions in the living patterns provided by the PBRA projects located in the City of Galveston, in Galveston County, and in the adjoining county, Brazoria County. HUD obtains detailed Management and Occupancy Review reports as well as REAC reports on each PBRA project. These reports include the facts showing failure of units in these projects to provide decent, safe, and sanitary housing. HUD's Picture of Subsidized Households database contains the census tract information showing the minority composition of each PBRA project and of the census tract in which each PBRA is located.

136. Despite this knowledge, HUD has not taken meaningful action to affirmatively further fair housing in the PBRA program as administered at the Sandpiper Cove Apartments project. HUD's implementation of its legal obligation to provide for fair housing is violated by HUD's breach of its obligation to pay only for Sandpiper Cove units that are decent, safe, and sanitary housing. HUD's breach leaves in place a pattern of racially segregated and unequal living conditions at Sandpiper Cove Apartments.

X. Claims for relief

A. APA claim for relief based on the final agency action withholding the assistance required by the 2019 Consolidated Appropriations Act and 24 C.F.R. § 886.323(e)

137. The legal and factual prerequisites for HUD's provision of relocation assistance to Plaintiffs are met. HUD has issued a Notice of Default for the owner's failure to maintain the units and the projects in decent, safe, and sanitary condition. The time for the owner to cure the deficiencies has passed without the deficiencies being cured. Plaintiffs have requested the assistance to relocate to decent, safe and sanitary housing elsewhere. HUD's obligation to provide the assistance and the relief from the owner's breach of its obligation to provide decent, safe, and

sanitary housing is an obligation to provide assistance and relief and its withholding the assistance and relief is final agency action under the Administrative Procedure Act, 5 U.S.C. § 551(13); 5 U.S.C.A. § 551 (10)(B); 5 U.S.C.A. § 551 (13)(A). The relevant law and regulation require HUD to provide the relief of assistance for relocation once HUD has given a Notice of Default, the owner has not corrected the deficiencies set out in the notice, and HUD continues the contract in effect and pay for units that are not decent, safe, and sanitary.⁶ Each of these requirements is met yet HUD continues to withhold the assistance which is the relief provided by law. HUD's withholding the assistance and the relief is final agency action. 5 U.S.C. § 551(13); 5 U.S.C. § 551 (10)(B), 5 U.S.C. § 13(A). HUD's action is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the Appropriations Acts and 24 C.F.R. § 886.323(e). The scope of review for this claim is set by 5 U.S.C. § 706 (2).

B. APA claim for relief based on the final agency action unlawfully withholding the relocation assistance required by 24 C.F.R. § 886.323(e)

138. The legal and factual prerequisites for HUD's provision of relocation assistance to Plaintiffs are met. HUD has issued a Notice of Default for the owner's failure to maintain the units and the projects in decent, safe, and sanitary condition. The time for the owner to cure the deficiencies has passed without the deficiencies being cured. Plaintiffs have requested the assistance to relocate to decent, safe and sanitary housing elsewhere and HUD has refused.

139. HUD has the legal obligation to provide the tenants with relocation assistance pursuant to 24 C.F.R. § 886.323(e) and is refusing to do so. Plaintiffs bring this action is to compel agency action unlawfully withheld or unreasonably delayed. The scope of review for this claim is set by

⁶ FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2); 24 C.F.R. § 886.323(e).

5 U.S.C. § 706 (1).

C. APA claim for relief based on the final agency action withholding the Tenant Protection Vouchers assistance authorized by the 2020 and the 2019 Consolidated Appropriations Acts⁷

140. The 2020 and the 2019 Consolidated Appropriations Acts authorize HUD to issue Tenant Protection Vouchers to tenants in PBRA projects for which HUD has issued a Notice of Default and in which the conditions constitute imminent health and safety risks to the residents. *See* note 6.

141. HUD's final decision to withhold the assistance and relief of Tenant Protection Vouchers given the owner's refusal to provide decent, safe, and sanitary units, the Notices of Default, the failure to cure the deficiencies, and the imminent health and safety risks to Plaintiffs and the other tenants is final agency action. 5 U.S.C. § 551(13); 5 U.S.C.A. § 551 (10)(B); 5 U.S.C.A. § 551 (13)(A).

142. HUD's final decision to withhold the assistance and relief of Tenant Protection Vouchers is arbitrary, capricious, and an abuse of discretion.

143. The scope of review for this claim is set by 5 U.S.C. § 706(2).

D. APA claim for relief based on the final agency action withholding the Tenant Protection Vouchers and the other relocation assistance authorized by the 2020 and the 2019 Appropriations Acts and 24 C.F.R. § 886.323(e) that violates HUD's obligations to provide, within constitutional limitations, for fair housing in all of its housing programs as required by 42 U.S.C. § 3608(e)(5)

144. HUD's final decision to withhold the assistance and relief necessary for Plaintiffs to

⁷ FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2)

obtain decent, safe, and sanitary housing elsewhere including the use of Tenant Protection Vouchers continues to subject Plaintiffs to racial segregation and unequal conditions in HUD's Project Based Rental Assistance program. As shown in this Complaint, HUD is funding and administering a racially separate and unequal PBRA system that denies Plaintiffs racially integrated and equal housing. HUD's decision to deny the assistance and relief for Plaintiffs to use the federal assistance to obtain racially integrated and equal housing violates HUD's duty to affirmatively further fair housing under 42 U.S.C. § 3608(e)(5).

145. The scope of review for this claim is set by 5 U.S.C. § 706.

E. Claim for intentional discrimination in violation of 42 U.S.C. § 3604(a)

146. For units in PBRA projects in majority White non-Hispanic census tracts, HUD complies with its obligation to pay only for units that are decent, safe, and sanitary. HUD is breaching this obligation by knowingly and voluntarily paying the owner of Sandpiper Cove Apartments for units that are not decent, safe and sanitary. HUD's breach of this obligation at Sandpiper Cove is based at least in part on the race of Plaintiffs and the other tenants. The evidence for this claim is shown above. HUD's discriminatory purpose subjects Plaintiffs to the injuries caused by the breach of HUD's obligation to pay only for decent, safe and sanitary housing.

147. HUD's final decision to withhold the relocation assistance and relief necessary for Plaintiffs to obtain decent, safe, and sanitary housing elsewhere including Tenant Protection Vouchers makes the decent, safe, and sanitary housing that would be available with that assistance unavailable to a group that is predominantly Black or African American and completely minority. This is the group of tenants at Sandpiper Cove Apartments. This decision

continues to subject Plaintiffs to HUD's discriminatory purpose and the resulting effects.

148. The evidence set out in this Complaint shows that HUD's final decision to withhold the assistance and the Tenant Protection Vouchers is intentional discrimination on the basis of race and ethnicity in violation of 42 U.S.C. § 3604(a).

F. Claim for intentional discrimination in violation of the Equal Protection component contained in the due process clause of the Fifth Amendment to the Constitution of the United States

149. For units in PBRA projects in majority White non-Hispanic census tracts, HUD complies with its obligation to pay only for units that are decent, safe, and sanitary. HUD pays for units at Sandpiper Cove that are not decent, safe, and sanitary. HUD's payments for units at Sandpiper Cove that are not decent, safe, and sanitary is based at least in part on the race of Plaintiffs and the other tenants. The evidence for this claim is shown in this Complaint. HUD's discriminatory purpose subjects Plaintiffs to the injuries caused by the breach of HUD's obligation to pay only for decent, safe and sanitary housing.

150. HUD's final decision to withhold the assistance and relief of the assistance including Tenant Protection Vouchers as necessary for Plaintiffs to obtain decent, safe, and sanitary housing elsewhere makes the decent, safe, and sanitary housing that would be available with that assistance unavailable to a group that is predominantly Black or African American and almost exclusively minority. This is the group of tenants at Sandpiper Cove Apartments. This decision continues to subject Plaintiffs to HUD's discriminatory purpose and the resulting effects.

151. The evidence set out in this Complaint shows that HUD's final decision to withhold the assistance and the Tenant Protection Vouchers is intentional discrimination on the basis of race

and ethnicity in violation of the Equal Protection component contained in the due process clause of the Fifth Amendment to the Constitution of the United States.

XI. Prayer for relief

152. Plaintiffs request the following relief:

- A. an injunction ordering HUD to provide Plaintiffs with the assistance necessary to obtain affordable decent, safe, and sanitary housing in neighborhoods without substandard conditions for so long as Plaintiffs remain eligible for the assistance;
- B. an injunction ordering HUD to provide Plaintiffs with Tenant Protection Vouchers as part of the assistance necessary to obtain affordable decent, safe, and sanitary housing in neighborhoods without substandard conditions so long as Plaintiffs remain eligible for the Voucher; This relief includes relocation assistance to use the voucher to obtain decent, safe, and sanitary housing in neighborhoods without substandard conditions.
- C. In the alternative to the relief of a Tenant Protection Voucher, injunctive relief ordering HUD to transfer the PBRA subsidy to a decent, safe and sanitary within the City of Galveston or Galveston County. This relief includes relocation assistance for the Plaintiffs to transfer to the new housing for the PBRA contract that is decent, safe, and sanitary.
- D. injunctive relief that Plaintiffs' leases with Sandpiper Cove Apartments are terminated without any default by Plaintiffs and ordering a return of all funds paid by Plaintiffs as rent or deposits;
- E. any other appropriate injunctive relief; and
- F. an award of plaintiffs' attorney's fees, litigation expenses, and costs.

Respectfully Submitted,

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