

REPORT

DATE ISSUED: December 8, 2022

REPORT NO: HDP22-012

ATTENTION: Chair and Members of the Board of Directors of
Housing Development Partners of San Diego
For the Agenda of December 15, 2022

SUBJECT: Single-Family Homes/Companion Units 2023 Property Budget

STAFF RECOMMENDATION:

That the Housing Development Partners (HDP) Board of Directors (Board) take the following actions:

- 1) Approve the 2023 Property Budget for Single-Family Homes/Companion Units (SFH/CU).
- 2) Find that the foregoing action is just and reasonable as to HDP for purposes of California Corporations Code Section 5234.

Please note a Conflict Disclosure Statement at the end of this report has been included because HDP has financing from the San Diego Housing Commission (Housing Commission) on this project, and these transactions otherwise involve the Housing Commission.

SUMMARY

Five affordable rental single-family homes and corresponding companion units, sometimes also referred to as accessory dwelling units (ADUs), are located in the south part of San Diego in the Nestor Neighborhood within the 92154 ZIP code at the following addresses:

Single Family Homes (SFH)	# Bedrooms
1. 1144 Twinning Avenue, SD CA 92154	5 bedrooms
2. 1232 Peterlynn Drive, SD CA 92154	3 bedrooms
3. 1250 Twinning Avenue, SD CA 92154	5 bedrooms
4. 1506 Peterlynn Drive, SD CA 92154	5 bedrooms
5. 4233 Stu Court, SD CA 92154	5 bedrooms

Companion Units (CU)	# Bedrooms
1. 4127 Kimsue Way, SD CA 92154	2 bedrooms
2. 1234 Peterlynn Drive, SD CA 92154	1 bedroom
3. 4124 Enero Street, SD CA 92154	3 bedrooms
4. 4095 Marzo Street, SD CA 92154	Studio
5. 1070Kostner Drive, SD CA 92154	1 bedroom

The SFH/CU property budget is prepared annually by the management company, Hyder Property Management Professionals (Hyder). The budget is reviewed and refined by staff for accuracy and consistency with HDP's business plan for the asset.

Prior to January 1 of the next calendar year, the HDP Board adopts the annual Property Budget and authorizes Hyder to operate the property according to that approved budget.

Staff is requesting approval of the 2023 Property Budget.

BUDGET SUMMARY

The 2023 Property Budget was prepared using industry data combined with the professional experience of Hyder and HDP's Asset Management team. Below is a summary chart of the 2023 Operating Budget compared to the 2022 Budget. The budget for calendar year 2023 reflects 10 units—the five single-family homes and the five newly built companion units. The Net Operating Income of the properties is expected to be higher than underwriting / pro forma expectations.

	ADU's				
	FY 2022	FY 2023	\$ Variance	% Variance	Notes
Rental Income	159,860	173,150	13,290	8%	Increased payment standard on project-based housing voucher (PBV) units, 3% rent increase on non-PBV.
Other Income	200	268	68	34%	Anticipated increase in applications fees, damages/cleaning fees and non-sufficient funds late charges.
Total Revenue	160,060	173,418	13,358	8%	
Total Admin	23,796	23,295	-501	-2%	
Total Utilities	7,440	7,723	283	4%	Consistent with actual, 4% anticipated increase.
Total R&M	16,550	12,928	-3,623	-22%	Lower anticipated maintenance payroll in FY23 based on FY22 actuals.
Taxes & Insurance	6,450	6,962	512	8%	Insurance increase (industry-wide impact).
Other (extraordinary items)	36,350	37,080	1,810	5%	Replacement Reserve deposits. \$300 per unit per month, plus 3% increase.
Other (debt due to uncollectible rent)	0	0	0	0%	No uncollectible-rent debt 2023
Total Operating Expenses	90,586	87,988	-1,518	-2%	
Net Income	69,474	85,349	14,875	21%	
Debt Service	0	0	0	0%	
Net Cash Flow	69,474	85,429	15,955	23%	Cash flow budgeted to exceed pro forma targets.

RENTS

Rents for the single-family homes have been budgeted for a 2% rent increase. Companion units will be leased using the Housing Commission's Project-Based Housing Voucher (PBV) payment schedule, as reflected in underwriting. The increase to the SDHC PBV payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The budget is based on the needs of the property and consistent with other similar assets. Staff will continue to monitor maintenance expenses and implement preventative maintenance measures to extend the useful life of the units.

STAFFING

The staff for the properties consists of one Regional Supervisor overseeing these assets. The full-time maintenance technician from Town & Country provides maintenance support as needed.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2023 will be \$36,000 consistent with underwriting.

FISCAL CONSIDERATIONS

For Fiscal Year 2023, it is anticipated that the property's Total Revenue will be \$173,418. Total Operating Expenses will be \$89,068 for a Net Operating Income of \$85,429. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

ENVIRONMENTAL REVIEW

Approval of the SFH/CU operating budget is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing Facilities), which allows the operation, repair, maintenance permitting, leasing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. The parties agree that the provision of any federal funds as the result of this action is conditioned on the City of San Diego's final NEPA review and approval. No contracts will be signed nor any action taken nor work performed under any of the contracts until such time as the appropriate NEPA clearances have been obtained.

CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Stefanie Benvenuto and Eugene "Mitch" Mitchell, and Interim President & Chief Executive Officer (CEO) of the San Diego Housing Commission (Housing Commission), Jeff Davis, are each directors of Housing Development Partners (HDP), a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation for federal purposes. Any Commissioner, who is also a director of HDP as of the date of this staff report, and Interim CEO Davis have no conflict of interest as discussed below.

The Commissioners and Interim CEO Davis receive no compensation for their service on the HDP's Board of Directors and/or as officers of HDP. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), the Commissioners and Interim CEO Davis each have a "non-interest" as described in Government Code Section 1091.5 for purposes of their action on Housing Commission matters associated with this matter, if any. This disclosure shall be incorporated into the record of the Housing Commission, if and when this matter is heard by the Housing Commission.

Further, as members of the Housing Commission Board of Commissioners, the Commissioners are legally entitled to vote and be counted for quorum purposes in this HDP matter. Further, Mr. Davis is not compensated by HDP, and he sits on the HDP Board of Directors. He is legally entitled to vote and to be counted for quorum purposes for this HDP matter.

None of HDP's Board members has a financial interest in this action item that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et. seq.

Further, the Housing Commission is a public agency, and the Commissioners are not compensated for their service as Commissioners of the Housing Commission. Further, Mr. Davis's compensation from a public agency, the Housing Commission, is a non-interest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq. Mr. Davis's compensation with the Housing Commission is not a financial interest that would, in any way, preclude him being counted for quorum purposes or voting on these matters before HDP.

Further, to the extent that HDP is a public agency for local Ethics Ordinance purposes, neither the Commissioners nor Director Davis have any conflicts of interest under the local ethics ordinance that would preclude their, or any of their, actions in this matter or from being counted for quorum purposes.

This disclosure shall be and is hereby documented in the official records of HDP. Similar disclosures will be made in the records of the Housing Commission, if and when this matter is heard by the Housing Commission.

MUTUAL DIRECTORS STATEMENT:

To the extent that Commissioners may be considered to be “directors” of the Housing Commission for purposes of California Corporations Code Section 5234 and, hence, common directors with HDP, a vote on this matter should incorporate a finding that these transactions are just and reasonable as to HDP.

Respectfully submitted,

Emmanuel Arellano

Emmanuel Arellano
Vice President of Asset Management
Housing Development Partners

Approved by,

Emily S. Jacobs

Emily S. Jacobs
Executive Vice President
Housing Development Partners

Attachments: 1) SFH/CU 2023 Property Operations Budget

Docket materials are available on HDP’s website at www.hdpartners.org

SFHs & CUs - 2023 Operating Summary		
	2022 Budget	2023 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	\$ 206,988	\$ 237,529
Gain Loss to Lease	\$ (37,248)	\$ (42,885)
Less: Vacancies	\$ (5,092)	\$ (9,732)
Less: Down Unit	-	-
Less: Manager's Unit	-	-
Less: Discounts and Concesss	\$ (4,788)	\$ (11,762)
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	
Net Rental Income	\$ 159,860	\$ 173,150
Other Income		
Rental Income Commercial	-	-
Application Fees	-	\$ 62
Damages Cleaning Fees	\$ 100	\$ 103
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	-	-
NSF Late Charges	\$ 100	\$ 103
Former Tenant Income	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	-	-
Interest Income Investments	-	-
Grant Income - Fed - Svc Coord	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Total Other Income	\$ 200	\$ 268
Total Income	\$ 160,060	\$ 173,418
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	\$ 4,050	\$ 4,050
IT Support Maintenance	-	-
Property Management Fees	\$ 12,360	\$ 12,720
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	\$ 3,000	\$ 1,259
Parking	-	-

SFHs & CUs - 2023 Operating Summary		
	2022 Budget	2023 Budget
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	\$ 177
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	\$ 100	\$ 103
Manager and Admin Salaries	-	-
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	-	-
Payroll Taxes - Manager and Admin	-	-
Workman's Comp Mgr and Admin	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	\$ 2,500	\$ 2,000
Cleaning and Janitorial Contract	-	\$ 258
Credit Check Service Fee	-	\$ 328
Internet and Telephone Prog Admin	-	-
Advertising	-	-
Bank Charges Program Admin	\$ 785	\$ 809
Mileage and Travel Exp Prog Admin	-	-
Training - Program Admin	-	-
Postage and Delivery Prog Admin	\$ 45	\$ 46
Software Exp Program Admin	\$ 956	\$ 1,546
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	\$ 23,796	\$ 23,295
Utilities		
Cable Expenses	-	-
Electricity	\$ 3,600	\$ 3,744
Gas	\$ 2,400	\$ 2,496
Sewer	-	\$ 1,483
Water	\$ 1,440	-
Total Utilities	\$ 7,440	\$ 7,723
Maintenance and Repair		
Fire Protection and Alarm	-	-
AC Contracts	-	-
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	\$ 1,000	\$ 1,030
Electrical Contracts	-	-

SFHs & CUs - 2023 Operating Summary		
	2022 Budget	2023 Budget
Furn and Appl Rplcmnt	\$ 700	\$ 721
Landscape and Grounds Contract	-	-
Ground Supplies	-	-
Janitorial Supplies	-	-
COVID Supplies	-	-
Maint Supplies and Materials	-	-
Plumbing Contracts	\$ 2,000	\$ 2,060
Plumbing Supplies	\$ 1,500	\$ 1,545
Repair and Maint Payroll	\$ 4,000	-
Payroll Taxes - Rpr and Maint	-	-
Employee Benefits PM Co - Program	-	-
Temp Services - Program Admin	-	-
Unit Turnover Contracts	\$ 50	\$ 53
Flooring	-	-
Painting Contract	\$ 300	\$ 309
Repair Contracts	\$ 3,000	\$ 3,090
Repair Supplies	\$ 3,000	\$ 3,090
Security Contract Program	-	-
Security Payroll	-	-
Trash Removal	-	-
Workman's Comp-Rpr and Maint	-	-
Extraordinary Maintenance	\$ 1,000	\$ 1,030
Uniforms	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	\$ 16,550	\$ 12,928
Taxes and Insurance		
Taxes Licenses and Fees	\$ 1,135	\$ 1,169
Fidelity Bond Insurance	-	-
Insurance Other	-	-
Property and Liability Ins	\$ 5,315	\$ 5,793
Property Taxes	-	-
Total Taxes and Insurance	\$ 6,450	\$ 6,962
Other Expenses		
Tenant Services Other	\$ 100	-
Tenant Services Payroll and Benefits	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	\$ 250	-
Miscellaneous Exp Program	-	-
Bad Debt - Tenant Rent	-	-

SFHs & CUs - 2023 Operating Summary		
	2022 Budget	2023 Budget
Bad Debt - Other Tenant Charges	-	-
Bad Debt - Other - Elim	-	-
CY Deposit to Replacement Reserve	-	
CY Deposit Escrow Rplc Reserve	\$ 36,000	\$ 37,080
Total Other Expenses	\$ 36,350	\$ 37,080
Total Operating Expenses	\$ 90,586	\$ 87,988
Net Operating Income	\$ 69,474	\$ 85,429
Debt Service		
CY Mortgage Debt Payments	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	-
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	-	-
Net Cash Flow	\$ 69,474	\$ 85,429