

REPORT

DATE ISSUED: December 8, 2022

REPORT NO: HDP22-013

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

SUBJECT: Casa Colina 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 Casa Colina.
- 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

The Casa Colina Property Budget is prepared annually by the management company, Winn Property Management Co. (Winn). The budget is reviewed and refined by HDP staff for accuracy and consistency with HDP's business plan for the asset.reme

Prior to January 1 of each calendar year, the HDP Board adopts the annual Property Budget and authorizes Winn to operate the property according to that approved budget. The budget is also provided to the partnership's lenders and financing partners.

Staff is requesting approval of the 2023 Property Budget.

BUDGET SUMMARY

The 2023 Property Budget was prepared using historical data from property operations combined with the professional experience of Winn and HDP's asset management team. Below is a summary chart, which compares the proposed 2023 budget to the 2022 budget. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

	Casa Colina				
	FY 2022	FY 2023	\$ Variance	% Variance	Notes
Rental Income	978,612	1,015,119	36,507	4%	3% Rent Increase on current rents
Other Income	82,205	85,203	2,998	4%	Increased laundry revenue and HUD grant for service coordinator.
Total Revenue	1,060,817	1,100,322	39,505	4%	
Total Admin	193,497	210,694	17,197	9%	Workers comp, budgeted for employee max benefit election.
Total Utilities	74,284	76,266	1,982	3%	Consistent with actuals and anticipate 3% increase.
Total R&M	137,782	173,348	35,566	26%	Payroll, Workers comp, budgeted for employee max benefit election.
Taxes & Insurance	43,579	33,600	(9,979)	-23%	Mortgage insurance expense was moved to other expenses
Other (Extraordinary Items)	137,248	157,918	20,670	15%	Increase due to mortgage insurance re-class to other expenses
Other (Debt due to uncollectible rent)	-	-	-	0%	Uncollectible-rent debt not budgeted in 2023
Total Operating Expenses	586,390	651,826	65,436	11%	Extraordinary expense. Operating at 3% overall increase before employee benefits budgeted at max.
NOI	474,427	448,496	(25,931)	-5%	
Debt Service	228,218	242,909	14,691	6%	
Net Cash Flow	246,209	205,87	(40,622)	-16%	Cashflow exceeds Pro Forma targets.

RENTS

Rent increase is based on the U.S. Department of Housing and Urban Development (HUD) Project-Based Housing Voucher (PBV) payment schedule. The increase to the HUD PBV payment standard does not impact the resident's portion of rent. The property has a direct contract with the U.S. Department of Housing and Urban Development that SDHC does not administer

MAINTENANCE AND REPAIRS

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 staffing for this property consists of one full-time property manager, one full-time maintenance technician and one full-time custodian.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2023 will be \$18,936.

FISCAL CONSIDERATIONS

For Fiscal Year 2023, it is anticipated that the property's Total Revenue will be \$1,100,322. Total Operating Expenses will be \$651,826 for a Net Operating Income of \$448,496. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

ENVIRONMENTAL REVIEW

Approval of the Casa Colina 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) Casa Colina - 2023 Property Operations Budget

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

Casa Colina - 2023 Operating Summary		
	2022 Budget	2023 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	\$ 1,023,080	\$ 1,061,100
Gain Loss to Lease	-	-
Less: Vacancies	\$ (30,692)	\$ (31,833)
Less: Down Unit	-	-
Less: Manager's Unit	\$ (13,776)	\$ (14,148)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	\$ 978,612	\$ 1,015,119
Other Income		
Rental Income Commercial	-	-
Application Fees	-	-
Damages Cleaning Fees	\$ 500	\$ 500
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	\$ 2,760	\$ 3,600
NSF Late Charges	-	-
Former Tenant Income	-	-
Interest Income - Restricted	\$ 216	\$ 60
Interest Income - Replacement Reverse	-	\$ 200
Interest Income Investments	\$ 252	\$ 12
Grant Income - Fed - Svc Coord	\$ 78,477	\$ 80,831
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Total Other Income	\$ 82,205	\$ 85,203
Total Income	\$ 1,060,817	\$ 1,100,322
EXPENSES		
Admin		
Consultant Asset Mgmt	-	\$ 3,854
Broker Fees	-	\$ 165
Audit and Tax Prep Fees	\$ 13,300	\$ 14,492
IT Support Maintenance	-	-
Property Management Fees	\$ 57,932	\$ 58,268
Bookkeeping Fees	\$ 7,500	\$ 7,500
Office Expense	\$ 2,000	\$ 2,060
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	\$ 3,000	\$ 3,090
Copier Printer	\$ 400	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	\$ 135
Other Admin Expense	-	-

Casa Colina - 2023 Operating Summary		
	2022 Budget	2023 Budget
Manager and Admin Salaries	\$ 66,028	\$ 61,040
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	\$ 12,360	\$ 15,375
Payroll Taxes - Manager and Admin	\$ 5,377	\$ 5,814
Workman's Comp Mgr and Admin	\$ 3,000	\$ 4,983
Temp Services - Admin	-	-
Consultant Other Program Admin	\$ 9,000	\$ 9,427
Legal - Program Admin	\$ 900	\$ 927
Cleaning and Janitorial Contract	\$ 1,000	\$ 1,000
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	\$ 7,200	\$ 7,416
Advertising	-	-
Bank Charges Program Admin	\$ 2,300	\$ 2,369
Mileage and Travel Exp Prog Admin	\$ 150	\$ 100
Training - Program Admin	\$ 1,900	\$ 1,957
Postage and Delivery Prog Admin	\$ 150	\$ 155
Software Exp Program Admin	-	\$ 9,840
Misc Program Admin	-	\$ 728
Lease Up Expenses	-	-
Total Admin	\$ 193,497	\$ 210,694
Utilities		
Cable Expenses	-	-
Electricity	\$ 18,434	\$ 19,171
Gas	\$ 9,400	\$ 8,572
Sewer	\$ 16,630	\$ 17,212
Water	\$ 29,820	\$ 31,311
Total Utilities	\$ 74,284	\$ 76,266
Maintenance and Repair		
Fire Protection and Alarm	\$ 3,800	\$ 3,914
AC Contracts	\$ 500	\$ 515
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	\$ 4,668	\$ 4,808
Exterminating Supplies	-	-
Exterminating Contracts	\$ 6,500	\$ 6,890
Electrical Contracts	\$ 2,000	\$ 2,060
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	\$ 15,000	\$ 15,450
Ground Supplies	\$ 400	\$ 245
Janitorial Supplies	\$ 2,000	\$ 2,060
COVID Supplies	\$ 180	-
Maint Supplies and Materials	-	\$ 4,600
Plumbing Contracts	\$ 4,000	\$ 4,120
Plumbing Supplies	-	-
Repair and Maint Payroll	\$ 61,834	\$ 84,648
Payroll Taxes - Rpr and Maint	\$ 5,000	\$ 7,763
Employee Benefits PM Co - Program	\$ 10,000	\$ 15,665
Temp Services - Program Admin	-	-
Unit Turnover Contracts	-	-
Flooring	-	-

Casa Colina - 2023 Operating Summary			
	2022 Budget		2023 Budget
Painting Contract	\$	1,500	\$ 1,500
Repair Contracts	\$	5,000	\$ 5,150
Repair Supplies	\$	3,000	
Security Contract Program	-		-
Security Payroll	-		-
Trash Removal	\$	9,200	\$ 8,842
Workman's Comp-Rpr and Maint	\$	3,000	\$ 4,912
Extraordinary Maintenance	-		
Uniforms	\$	200	\$ 206
Insurance Claims Expense	-		-
Insurance Proceeds	-		-
Retail Space Expenses	-		-
Total Maintenance and Repair	\$	137,782	\$ 173,348
Taxes and Insurance			
Taxes Licenses and Fees	\$	900	\$ 1,250
Fidelity Bond Insurance	-		
Insurance Other	\$	13,000	-
Property and Liability Ins	\$	29,679	\$ 32,350
Property Taxes	-		-
Total Taxes and Insurance	\$	43,579	\$ 33,600
Other Expenses			
Tenant Services Other	\$	9,000	\$ 9,000
Tenant Services Payroll and Benefits	\$	80,815	\$ 84,849
SDHC Compliance Monitoring Fee	\$	3,600	-
Relocation Costs	-		-
Relocation due to Maint	-		-
Ground Lease Expense	\$	22,627	\$ 23,306
Miscellaneous Exp Program	\$	2,822	\$ 3,043
Bad Debt - Tenant Rent	-		-
Bad Debt - Other Tenant Charges	-		-
Bad Debt - Other - Elim	-		-
CY Deposit to Replacement Reserve	-		-
CY Deposit Escrow Rplc Reserve	\$	18,384	\$ 37,720
Total Other Expenses	\$	137,248	\$ 157,918
Total Operating Expenses	\$	586,390	\$ 651,826
Net Operating Income	\$	474,427	\$ 448,496
Debt Service			
CY Mortgage Debt Payments	-		\$ 93,719
Interest Expense - Mortgage	\$	228,218	\$ 134,498
Mortgage Insurance Expense	-		\$ 11,800
Loan Servicing Fee (Trustee Fee)	-		\$ 2,892
SDHC Bond Admin Fee	-		-
Loan Fees	-		-
Total Debt Service	\$	228,218	\$ 242,909
Net Cash Flow	\$	246,209	\$ 205,587