

REPORT

DATE ISSUED: December 8, 2022

REPORT NO: HDP22-018

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

SUBJECT: Parker Kier 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 Parker Kier.
- 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

Parker Kier is a 34-unit affordable housing property in downtown San Diego, in which 22 units are for individuals with low income who experienced homelessness and 11 units are for individuals with low income at risk of homelessness. HDP developed the property in 2012, utilizing a Ground Lease with the Housing Commission.

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

Prior to January 1 of each 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. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations. Below is a summary chart of the 2023 Operating Budget compared against the 2022 Budget.

	Parker Kier				
	FY 2022	FY 2023	\$ Variance	% Variance	Notes
Rental Income	541,489	825,554	284,065	52%	New payment standard in October 2022. Assumes 2% increase in October of FY23.
Other Income	2,970	2,968	-2	0%	
Total Revenue	544,459	828,522	284,063	52%	
Total Admin	85,408	88,779	3,371	4%	Admin increased due to staff salary, taxes and benefits, as well as training for Assistant Manager staff.
Total Utilities	68,476	76,662	8,186	12%	Expenses based on adjusted actuals plus 4% increase.
Total R&M	161,929	176,357	14,428	9%	New Solar/boiler maintenance, landscape, security cost & pest control cost.
Taxes & Insurance	14,546	15,637	1,091	8%	Insurance increase (industry wide impact).
Other (extraordinary items)	33,357	55,114	21,757	65%	Ground lease increase due to increase in total revenue (4.5% of gross revenue in FY22).
Other (debt due to uncollectible rent)	0	0	0	0%	
Total Expenses	363,716	412,549	48,833	13%	Extraordinary expenses: ground lease and insurance. Operating at an 6% overall increase.
Net Income	180,743	415,973	235,230	130%	
Debt Service	0	0	0	0%	
Net Cash Flow	180,743	415,973	235,230	130%	Increased cash flow due to new payment standard.

RENTS

The 2023 Property Budget reflects a revenue increase due to increases in the Housing Commission's payment standard for rental housing vouchers. The increase to the payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The budget reflects increased maintenance and repair expenses based on the 2022 actuals. The property has also added routine solar and boiler maintenance in the 2023 budget. 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 property staffing consists of one full-time manager, one full-time assistant and maintenance technician who split time at Parker Kier and Mason Hotel.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2023 will be \$13,200, which includes \$9,900 consistent with the regulating agreements, and an additional 31% based on future scheduled repairs needs.

FISCAL CONSIDERATIONS

For Fiscal Year 2023, it is anticipated that the property's Total Revenue will be \$828,522. Total Operating Expenses will be \$412,549 for a Net Operating Income of \$415,973. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

ENVIRONMENTAL REVIEW

Approval of the Parker Kier 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 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 the 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) Parker Kier - 2023 Property Operations Budget

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

Parker Kier - 2023 Operating Summary		
	2022 Budget	2023 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	\$ 588,276	\$ 905,241
Gain Loss to Lease	-	\$ (6,543)
Less: Vacancies	\$ (28,499)	\$ (44,935)
Less: Down Unit	-	
Less: Manager's Unit	\$ (18,288)	\$ (28,209)
Less: Discounts and Concesss	-	
Less: Office Community Room Unit	-	
Less: COVID Hardship	-	
Rent Subsidy Variances	-	
Net Rental Income	\$ 541,489	\$ 825,554
Other Income		
Rental Income Commercial	-	
Application Fees	\$ 120	\$ 150
Damages Cleaning Fees	\$ 1,250	\$ 1,300
Carport Garage Gate Income	-	
Laundry and Vending Revenue	\$ 1,300	\$ 1,300
NSF Late Charges	\$ 300	\$ 200
Former Tenant Income	-	
Interest Income - Restricted	-	
Interest Income - Replacement Reverse	-	\$ 18
Interest Income Investments	-	
Grant Income - Fed - Svc Coord	-	
Commercial Tenant - Reimb	-	
Miscellaneous Income	-	
Total Other Income	\$ 2,970	\$ 2,968
Total Income	\$ 544,459	\$ 828,522
EXPENSES		
Admin		
Consultant Asset Mgmt	-	
Broker Fees	-	
Audit and Tax Prep Fees	\$ 4,050	\$ 4,250
IT Support Maintenance	-	
Property Management Fees	\$ 22,737	\$ 23,415
Bookkeeping Fees	-	
Office Expense	-	
Internet and Telephone	-	
Office Supplies	\$ 2,100	\$ 2,300
Parking	-	

Parker Kier - 2023 Operating Summary		
	2022 Budget	2023 Budget
Software Exp Admin	-	
Copier Printer	-	
Office Repairs and Maint	-	
Bank Charges Admin	-	
Mileage	-	
Dues Subs and Memberships	-	
Other Admin Expense	\$ 4,000	\$ 1,000
Manager and Admin Salaries	\$ 29,900	\$ 31,200
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	\$ 3,771	\$ 7,180
Payroll Taxes - Manager and Admin	\$ 2,615	\$ 3,701
Workman's Comp Mgr and Admin	\$ 3,650	\$ 3,498
Temp Services - Admin	-	
Consultant Other Program Admin	-	
Legal - Program Admin	\$ 1,900	\$ 1,900
Cleaning and Janitorial Contract	\$ 550	
Credit Check Service Fee	\$ 300	\$ 350
Internet and Telephone Prog Admin	\$ 3,650	\$ 3,500
Advertising	\$ 125	\$ 120
Bank Charges Program Admin	\$ 960	\$ 1,040
Mileage and Travel Exp Prog Admin	\$ 200	\$ 175
Training - Program Admin	\$ 300	\$ 1,300
Postage and Delivery Prog Admin	\$ 250	\$ 250
Software Exp Program Admin	\$ 4,350	\$ 3,600
Misc Program Admin	-	
Lease Up Expenses	-	
Total Admin	\$ 85,408	\$ 88,779
Utilities		
Cable Expenses	-	
Electricity	\$ 47,061	\$ 49,500
Gas	\$ 6,021	\$ 9,500
Sewer	\$ 6,342	\$ 7,002
Water	\$ 9,052	\$ 10,660
Total Utilities	\$ 68,476	\$ 76,662
Maintenance and Repair		
Fire Protection and Alarm	\$ 5,250	\$ 6,070
AC Contracts	-	
Clubhouse Expense	\$ 1,800	\$ 2,000
Decorating	-	
Elevator Contracts	\$ 5,000	\$ 5,800
Exterminating Supplies	\$ 40	\$ 40
Exterminating Contracts	\$ 3,200	\$ 5,200
Electrical Contracts	\$ 1,000	\$ 4,700

Parker Kier - 2023 Operating Summary		
	2022 Budget	2023 Budget
Furn and Appl Rplcmnt	\$ 3,000	
Landscape and Grounds Contract	-	
Ground Supplies	\$ 350	\$ 1,800
Janitorial Supplies	\$ 850	\$ 1,450
COVID Supplies	\$ 200	\$ 100
Maint Supplies and Materials	\$ 1,050	\$ 1,150
Plumbing Contracts	\$ 2,500	\$ 4,000
Plumbing Supplies	\$ 1,100	\$ 1,250
Repair and Maint Payroll	\$ 52,200	\$ 55,200
Payroll Taxes - Rpr and Maint	\$ 4,664	\$ 4,860
Employee Benefits PM Co - Program	\$ 4,272	\$ 5,207
Temp Services - Program Admin	-	
Unit Turnover Contracts	-	\$ 1,400
Flooring	\$ 3,800	
Painting Contract	\$ 500	\$ 500
Repair Contracts	\$ 4,000	\$ 3,500
Repair Supplies	\$ 3,400	\$ 4,000
Security Contract Program	\$ 52,800	\$ 55,000
Security Payroll	-	-
Trash Removal	\$ 5,893	\$ 7,400
Workman's Comp-Rpr and Maint	\$ 4,865	\$ 5,520
Extraordinary Maintenance	-	
Uniforms	\$ 195	\$ 210
Insurance Claims Expense	-	
Insurance Proceeds	-	
Retail Space Expenses	-	
Total Maintenance and Repair	\$ 161,929	\$ 176,357
Taxes and Insurance		
Taxes Licenses and Fees	\$ 2,700	\$ 2,000
Fidelity Bond Insurance	\$ 60	\$ 50
Insurance Other	\$ 381	\$ 400
Property and Liability Ins	\$ 11,405	\$ 13,187
Property Taxes	-	
Total Taxes and Insurance	\$ 14,546	\$ 15,637
Other Expenses		
Tenant Services Other	\$ 680	\$ 680
Tenant Services Payroll and Benefits	-	-
SDHC Compliance Monitoring Fee	\$ 818	\$ 886
Relocation Costs	-	
Relocation due to Maint	-	
Ground Lease Expense	\$ 18,659	\$ 40,348
Miscellaneous Exp Program	-	
Bad Debt - Tenant Rent	-	-

Parker Kier - 2023 Operating Summary		
	2022 Budget	2023 Budget
Bad Debt - Other Tenant Charges	-	-
Bad Debt - Other - Elim	-	
CY Deposit to Replacement Reserve	\$ 13,200	\$ 13,200
CY Deposit Escrow Rplc Reserve	-	
Total Other Expenses	\$ 33,357	\$ 55,114
Total Operating Expenses	\$ 363,716	\$ 412,549
Net Operating Income	\$ 180,743	\$ 415,973
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	\$ 180,743	\$ 415,973