

REPORT

DATE ISSUED: December 8, 2022

REPORT NO: HDP22-022

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

SUBJECT: Village North Senior 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 Village North Senior.
- 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

Village North Senior is a 120-unit affordable housing property for seniors age 55 and older with low income, earning between 0 percent and 80 percent of the San Diego area median income (AMI). Forty-four units are set aside for seniors who experienced homelessness. The Housing Commission was acquired Village North Senior on May 1, 2015. HDP acquired the leasehold interest in Village North Senior by entering into a Ground Lease with the Housing Commission. Rehabilitation of the property was completed during the first quarter of 2019.

The Village North Senior Property Budget is prepared annually by the management company, The ConAm Group (ConAm). 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 the next calendar year, the HDP Board adopts the annual Property Budget and authorizes ConAm 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 previous property operations combined with the professional experience of ConAm 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 that compares the proposed 2023 budget to the 2022 budget.

	Village North Senior				
	FY 2022	FY 2023	\$ Variance	% Variance	Notes
Rental Income	1,557,988	1,609,467	51,479	3%	3% rent increase.
Other Income	7,630	7,892	262	3%	3% laundry income increase anticipated.
Total Revenue	1,565,618	1,617,359	52,490	3%	
Total Admin	200,399	216,692	16,293	10%	Legal, payroll, budgeted benefits at max employee election.
Total Utilities	65,152	69,381	4,229	6%	Consistent with actuals & 5% anticipated increase.
Total R&M	128,278	133,970	5,692	4%	Pest control, trash collection, budgeted benefits at max employee election.
Taxes & Insurance	44,017	62,356	18,339	42%	Insurance increase (industry-wide impact). Earthquake insurance included.
Other (Extraordinary items)	145,719	152,704	6,985	5%	Investor-required additional reserve deposits.
Other (debt due to uncollectible rent)	0	4,870	4,870	100%	Pandemic-related uncollectible-rent debt.
Total Expenses	583,565	639,974	56,409	10%	Extraordinary expenses: uncollectible-rent debt, lender required RR deposit increase and insurance. Operating at a 6% overall increase.
Net Income	982,054	977,385	-7,243	-1%	
Debt Service	614,304	519,505	-94,799	-15%	Miscalculation in FY22.
Net Cash Flow	367,750	457,880	90,131	25%	Increased cash flow due to new payment standard.

RENTS

The increase in total revenue is largely attributed to the property's units that are affordable to households with income up to 80% of AMI, for which rents will increase 3% in April of 2023. Project-Based Housing Vouchers (PBVs) from the Housing Commission help pay rent for residents of the 44 units for seniors who experienced homelessness. . The PBV payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The 2023 budget for Total Maintenance is slightly higher in comparison to 2022 due to lower anticipated vector control and landscape expenses. 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 and one full-time maintenance technician.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2023 will be \$36,360, consistent with regulatory agreements.

FISCAL CONSIDERATIONS

For 2023, it is anticipated that the property's Total Revenue will be \$1,617,359. Total Operating Expenses will be \$639,974 for a Net Operating Income of \$977,385. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

ENVIRONMENTAL REVIEW

Approval of the Village North Senior 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 Board of Directors of HDP. 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) Village North Senior - 2023 Property Operations Budget

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

Village North Seniors - 2023 Operating Summary		
	2022 Budget	2023 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	\$ 2,573,952	\$ 2,706,843
Gain Loss to Lease	\$ (909,144)	\$ (987,430)
Less: Vacancies	\$ (83,240)	\$ (85,971)
Less: Down Unit	-	
Less: Manager's Unit	\$ (23,280)	\$ (23,976)
Less: Discounts and Concesss	\$ (300)	
Less: Office Community Room Unit	-	
Less: COVID Hardship	-	
Rent Subsidy Variances	-	
Net Rental Income	\$ 1,557,988	\$ 1,609,467
Other Income		
Rental Income Commercial	-	
Application Fees	\$ 200	\$ 99
Damages Cleaning Fees	\$ 1,000	\$ 1,200
Carport Garage Gate Income	-	
Laundry and Vending Revenue	\$ 5,000	\$ 5,000
NSF Late Charges	\$ 780	\$ 800
Former Tenant Income	-	
Interest Income - Restricted	\$ 50	\$ 71
Interest Income - Replacement Reverse	-	
Interest Income Investments	\$ 200	\$ 122
Grant Income - Fed - Svc Coord	-	
Commercial Tenant - Reimb	-	
Miscellaneous Income	\$ 400	\$ 600
Total Other Income	\$ 7,630	\$ 7,892
Total Income	\$ 1,565,618	\$ 1,617,359
EXPENSES		
Admin		
Consultant Asset Mgmt	-	
Broker Fees	-	
Audit and Tax Prep Fees	\$ 4,050	\$ 4,056
IT Support Maintenance	-	
Property Management Fees	\$ 80,120	\$ 80,230
Bookkeeping Fees	\$ 4,735	\$ 3,686
Office Expense	\$ 35	\$ 1,250
Internet and Telephone	-	
Office Supplies	\$ 3,100	\$ 4,500
Parking	-	

Village North Seniors - 2023 Operating Summary		
	2022 Budget	2023 Budget
Software Exp Admin	\$ 8,000	
Copier Printer	\$ 235	\$ 2,000
Office Repairs and Maint	\$ 600	
Bank Charges Admin	-	
Mileage	-	
Dues Subs and Memberships	\$ 1,000	\$ 750
Other Admin Expense	\$ 1,850	\$ 1,175
Manager and Admin Salaries	\$ 49,840	\$ 54,945
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	\$ 15,124	\$ 18,377
Payroll Taxes - Manager and Admin	\$ 4,970	\$ 4,841
Workman's Comp Mgr and Admin	\$ 4,105	\$ 7,080
Temp Services - Admin	-	
Consultant Other Program Admin	\$ 1,800	\$ 1,700
Legal - Program Admin	\$ 3,500	\$ 5,772
Cleaning and Janitorial Contract	\$ 475	
Credit Check Service Fee	\$ 500	\$ 260
Internet and Telephone Prog Admin	\$ 9,250	\$ 9,250
Advertising	\$ 450	\$ 899
Bank Charges Program Admin	\$ 2,450	\$ 2,037
Mileage and Travel Exp Prog Admin	\$ 410	\$ 900
Training - Program Admin	\$ 600	\$ 482
Postage and Delivery Prog Admin	\$ 2,300	\$ 2,300
Software Exp Program Admin	-	\$ 9,400
Misc Program Admin	\$ 900	\$ 803
Lease Up Expenses	-	
Total Admin	\$ 200,399	\$ 216,692
Utilities		
Cable Expenses	-	
Electricity	\$ 13,208	\$ 15,361
Gas	\$ 14,516	\$ 13,731
Sewer	\$ 11,966	\$ 12,889
Water	\$ 25,461	\$ 27,400
Total Utilities	\$ 65,152	\$ 69,381
Maintenance and Repair		
Fire Protection and Alarm	\$ 4,900	\$ 5,300
AC Contracts	\$ 4,000	\$ 3,000
Clubhouse Expense	-	
Decorating	-	
Elevator Contracts	-	
Exterminating Supplies	-	
Exterminating Contracts	\$ 7,600	\$ 12,086
Electrical Contracts	\$ 515	\$ 600
Furn and Appl Rplcmnt	\$ 2,000	

Village North Seniors - 2023 Operating Summary		
	2022 Budget	2023 Budget
Landscape and Grounds Contract	\$ 12,300	\$ 13,114
Ground Supplies	\$ 465	
Janitorial Supplies	\$ 1,600	\$ 1,400
COVID Supplies	\$ 900	
Maint Supplies and Materials	\$ 1,300	\$ 200
Plumbing Contracts	\$ 1,000	\$ 1,000
Plumbing Supplies	\$ 850	\$ 500
Repair and Maint Payroll	\$ 51,015	\$ 56,610
Payroll Taxes - Rpr and Maint	\$ 4,970	\$ 4,967
Employee Benefits PM Co - Program	\$ 800	\$ 855
Temp Services - Program Admin	-	
Unit Turnover Contracts	\$ 8,500	\$ 10,827
Flooring	-	
Painting Contract	\$ 750	
Repair Contracts	\$ 8,700	\$ 9,011
Repair Supplies	-	
Security Contract Program	-	
Security Payroll	-	-
Trash Removal	\$ 11,508	\$ 13,901
Workman's Comp-Rpr and Maint	\$ 4,105	-
Extraordinary Maintenance	-	
Uniforms	\$ 500	\$ 598
Insurance Claims Expense	-	
Insurance Proceeds	-	
Retail Space Expenses	-	
Total Maintenance and Repair	\$ 128,278	\$ 133,970
Taxes and Insurance		
Taxes Licenses and Fees	\$ 7,478	\$ 7,337
Fidelity Bond Insurance	-	
Insurance Other	-	
Property and Liability Ins	\$ 35,439	\$ 55,019
Property Taxes	\$ 1,100	
Total Taxes and Insurance	\$ 44,017	\$ 62,356
Other Expenses		
Tenant Services Other	\$ 30,900	\$ 30,900
Tenant Services Payroll and Benefits	-	-
SDHC Compliance Monitoring Fee	\$ 12,212	\$ 11,850
Relocation Costs	-	
Relocation due to Maint	-	
Ground Lease Expense	\$ 71,587	\$ 73,594
Miscellaneous Exp Program	\$ 900	
Bad Debt - Tenant Rent	-	\$ 4,870
Bad Debt - Other Tenant Charges	-	-
Bad Debt - Other - Elim	-	

Village North Seniors - 2023 Operating Summary		
	2022 Budget	2023 Budget
CY Deposit to Replacement Reserve	\$ 30,120	
CY Deposit Escrow Rplc Reserve	-	\$ 36,360
Total Other Expenses	\$ 145,719	\$ 157,574
Total Operating Expenses	\$ 583,565	\$ 639,974
Net Operating Income	\$ 982,054	\$ 977,385
Debt Service		
CY Mortgage Debt Payments	-	\$ 130,069
Interest Expense - Mortgage	\$ 609,504	\$ 389,436
Mortgage Insurance Expense	-	
Loan Servicing Fee (Trustee Fee)	\$ 4,800	
SDHC Bond Admin Fee	-	
Loan Fees	-	
Total Debt Service	\$ 614,304	\$ 519,505
Net Cash Flow	\$ 367,750	\$ 457,880