

## REPORT

**DATE ISSUED:** December 8, 2022

**REPORT NO:** HDP22-023

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

**SUBJECT:** West Park 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 West Park.
- 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**

West Park is a 47-unit affordable housing property in downtown San Diego for individuals with low income who experienced homelessness. HDP acquired the leasehold interest in the property by entering into a Ground Lease with the Housing Commission. Rehabilitation of the property was completed in early 2021.

The West Park 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.

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 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 similar assets combined with the professional experience of Winn 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, which shows the proposed 2023 budget, with comparisons to the 2022 budget.

	West Park				
	FY 2022	FY 2023	\$ Variance	% Variance	Notes
Rental Income	556,087	856,121	300,034	54%	Payment standard increase.
Other Income	2,444	3,308	864	35%	Laundry income and other tenant charges increase.
<b>Total Revenue</b>	<b>558,531</b>	<b>859,429</b>	<b>300,898</b>	<b>54%</b>	
Total Admin	131,262	155,506	24,244	18%	Property Management fee increase (percentage of rental income). Payroll, budgeted max employee benefit election.
Total Utilities	46,431	49,985	3,554	8%	Based on actuals & 4% increase.
Total R&M	121,873	137,493	15,620	13%	Trash collection, security, boiler maintenance, elevator contracts (OT).
Taxes & Insurance	13,048	14,025	977	7%	Insurance increase (industry- wide impact).
Other (extraordinary items)	36,552	37,047	495	1%	
Other (debt due to uncollectible rent)	0	74,624	74,624	100%	Pandemic-related uncollectible rent.
<b>Total Expenses</b>	<b>349,167</b>	<b>468,681</b>	<b>119,514</b>	<b>34%</b>	Extraordinary expenses: uncollectible, insurance, and Property management fee.
<b>Net Income</b>	<b>209,364</b>	<b>390,748</b>	<b>181,384</b>	<b>87%</b>	
<b>Debt Service</b>	<b>94,548</b>	<b>96,048</b>	<b>1,500</b>	<b>2%</b>	
<b>Net Cash Flow</b>	<b>114,816</b>	<b>294,700</b>	<b>179,884</b>	<b>157%</b>	Increase due to new payment standard.

## RENTS

The property's rents are consistent with current Housing Commission payment standards for single-room occupancy (SROs) units and studios. Rent increases will be made per the increase to the Housing Commission's payment standards for project-based housing vouchers (PBVs). The increase to the PBV payment standards does not impact the resident's portion of rent.

## MAINTENANCE AND REPAIR

The budget is based on the needs of the property and is 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 property consists of one full-time property manager, one maintenance technician and one porter. The maintenance technician and porter split time with Quality Inn.

## CAPITAL PLAN

Total deposits to the replacement reserve account in 2023 will be \$17,746.00, consistent with regulating agreements.

### **FISCAL CONSIDERATIONS**

For 2023, it is anticipated that the property's Total Revenue will be \$859,429. Total Operating Expenses will be \$468,681 for a Net Operating Income of \$390,748. The Net Operating Income of the property is expected to be higher than underwriting / pro forma expectations.

### **ENVIRONMENTAL REVIEW**

Approval of the West Park 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 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) West Park - 2023 Property Operations Budget

Docket materials are available on HDP’s website at [www.hdpartners.org](http://www.hdpartners.org)

West Park - 2023 Operating Summary		
	2022 Budget	2023 Budget
<b>INCOME</b>		
<b>Gross Potential Rent</b>		
Gross Potential Revenue	602,748	927,936
Gain Loss to Lease	-	\$ 42
Less: Vacancies	\$ (30,137)	\$ (46,399)
Less: Down Unit	-	
Less: Manager's Unit	\$ (16,524)	\$ (25,458)
Less: Discounts and Concesss	-	
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	
Rent Subsidy Variances	-	
<b>Net Rental Income</b>	\$ 556,087	\$ 856,121
<b>Other Income</b>		
Rental Income Commercial	-	
Application Fees	-	
Damages Cleaning Fees	\$ 540	\$ 2,500
Carport Garage Gate Income	-	
Laundry and Vending Revenue	\$ 1,600	\$ 600
NSF Late Charges	\$ 250	\$ 200
Former Tenant Income	-	
Interest Income - Restricted	\$ 54	
Interest Income - Replacement Reverse	-	\$ 8
Interest Income Investments	-	
Grant Income - Fed - Svc Coord	-	
Commercial Tenant - Reimb	-	
Miscellaneous Income	-	
<b>Total Other Income</b>	\$ 2,444	\$ 3,308
<b>Total Income</b>	\$ 558,531	\$ 859,429
<b>EXPENSES</b>		
<b>Admin</b>		
Consultant Asset Mgmt	-	\$ 2,204
Broker Fees	-	
Audit and Tax Prep Fees	\$ 10,750	\$ 8,987
IT Support Maintenance	-	
Property Management Fees	\$ 33,500	\$ 46,890
Bookkeeping Fees	-	
Office Expense	\$ 2,998	\$ 700
Internet and Telephone	-	
Office Supplies	-	
Parking	-	

West Park - 2023 Operating Summary		
	2022 Budget	2023 Budget
Software Exp Admin	\$ 3,500	
Copier Printer	-	
Office Repairs and Maint	-	
Bank Charges Admin	-	
Mileage	-	\$ 100
Dues Subs and Memberships	-	\$ 85
Other Admin Expense	-	
Manager and Admin Salaries	\$ 42,820	\$ 48,353
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	\$ 10,034	\$ 14,978
Payroll Taxes - Manager and Admin	\$ 4,500	\$ 4,340
Workman's Comp Mgr and Admin	\$ 2,895	\$ 4,249
Temp Services - Admin	-	
Consultant Other Program Admin	\$ 6,096	
Legal - Program Admin	\$ 4,300	\$ 6,500
Cleaning and Janitorial Contract	\$ 1,500	\$ 1,500
Credit Check Service Fee	-	
Internet and Telephone Prog Admin	\$ 4,800	\$ 5,326
Advertising	-	\$ 478
Bank Charges Program Admin	\$ 2,208	\$ 2,160
Mileage and Travel Exp Prog Admin	\$ 225	\$ 225
Training - Program Admin	\$ 628	\$ 700
Postage and Delivery Prog Admin	\$ 125	\$ 129
Software Exp Program Admin	-	\$ 6,996
Misc Program Admin	\$ 384	
Lease Up Expenses	-	\$ 607
<b>Total Admin</b>	<b>\$ 131,262</b>	<b>\$ 155,506</b>
<b>Utilities</b>		
Cable Expenses	-	
Electricity	\$ 26,233	\$ 27,850
Gas	\$ 2,237	\$ 3,305
Sewer	\$ 7,930	\$ 7,930
Water	\$ 10,032	\$ 10,900
<b>Total Utilities</b>	<b>\$ 46,431</b>	<b>\$ 49,985</b>
<b>Maintenance and Repair</b>		
Fire Protection and Alarm	\$ 4,860	\$ 5,808
AC Contracts	\$ 1,000	\$ 600
Clubhouse Expense	-	
Decorating	\$ 800	
Elevator Contracts	\$ 3,200	\$ 4,900
Exterminating Supplies	-	
Exterminating Contracts	\$ 3,708	\$ 4,100
Electrical Contracts	\$ 150	\$ 150

West Park - 2023 Operating Summary		
	2022 Budget	2023 Budget
Furn and Appl Rplcmnt	\$ 2,000	\$ 200
Landscape and Grounds Contract	-	\$ 1,000
Ground Supplies	\$ 200	\$ 600
Janitorial Supplies	\$ 600	\$ 800
COVID Supplies	\$ 200	
Maint Supplies and Materials	\$ 600	\$ 6,200
Plumbing Contracts	\$ 3,600	\$ 4,900
Plumbing Supplies	-	
Repair and Maint Payroll	\$ 31,432	\$ 31,908
Payroll Taxes - Rpr and Maint	\$ 2,563	\$ 3,755
Employee Benefits PM Co - Program	\$ 8,756	\$ 10,334
Temp Services - Program Admin	-	
Unit Turnover Contracts	-	
Flooring	\$ 3,500	
Painting Contract	-	\$ 700
Repair Contracts	\$ 8,200	\$ 5,000
Repair Supplies	\$ 1,200	
Security Contract Program	\$ 31,100	\$ 37,699
Security Payroll	-	-
Trash Removal	\$ 11,521	\$ 16,200
Workman's Comp-Rpr and Maint	\$ 2,483	\$ 2,439
Extraordinary Maintenance	-	
Uniforms	\$ 200	\$ 200
Insurance Claims Expense	-	
Insurance Proceeds	-	
Retail Space Expenses	-	
<b>Total Maintenance and Repair</b>	<b>\$ 121,873</b>	<b>\$ 137,493</b>
<b>Taxes and Insurance</b>		
Taxes Licenses and Fees	\$ 920	\$ 2,679
Fidelity Bond Insurance	-	
Insurance Other	-	
Property and Liability Ins	\$ 9,813	\$ 11,346
Property Taxes	\$ 2,315	
<b>Total Taxes and Insurance</b>	<b>\$ 13,048</b>	<b>\$ 14,025</b>
<b>Other Expenses</b>		
Tenant Services Other	\$ 12,000	\$ 12,000
Tenant Services Payroll and Benefits	-	-
SDHC Compliance Monitoring Fee	\$ 7,100	\$ 7,100
Relocation Costs	-	
Relocation due to Maint	-	
Ground Lease Expense	-	\$ 1
Miscellaneous Exp Program	-	\$ 200
Bad Debt - Tenant Rent	-	\$ 71,030

West Park - 2023 Operating Summary		
	2022 Budget	2023 Budget
Bad Debt - Other Tenant Charges	-	\$ 3,594
Bad Debt - Other - Elim	-	
CY Deposit to Replacement Reserve	-	
CY Deposit Escrow Rplc Reserve	\$ 17,452	\$ 17,746
<b>Total Other Expenses</b>	<b>\$ 36,552</b>	<b>\$ 111,671</b>
<b>Total Operating Expenses</b>	<b>\$ 349,167</b>	<b>\$ 468,681</b>
<b>Net Operating Income</b>	<b>\$ 209,364</b>	<b>\$ 390,748</b>
<b>Debt Service</b>		
CY Mortgage Debt Payments	-	\$ 17,288
Interest Expense - Mortgage	\$ 82,173	\$ 64,885
Mortgage Insurance Expense	-	
Loan Servicing Fee (Trustee Fee)	\$ 12,375	\$ 1,750
SDHC Bond Admin Fee	-	\$ 10,625
Loan Fees	-	\$ 1,500
<b>Total Debt Service</b>	<b>\$ 94,548</b>	<b>\$ 96,048</b>
<b>Net Cash Flow</b>	<b>\$ 114,816</b>	<b>\$ 294,700</b>