

# 2024 PROPERTY OPERATING BUDGETS

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Housing Development Partners (HDP) and HDP Mason  
Board Meeting  
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# 2024 Property Operating Budgets Agenda

- 2024 Budget Overview
- Total Operating Income
- Total Operating Expenses
- Net Operating Income Compared to Pro forma
- Financial Performance Monitoring

# 2024 Property Operating Budgets Per Unit, Per Year

- Total Operating Income budget:
  - HDP Portfolio: \$20,043 per unit per year
  - Mason Hotel: \$25,848 per unit per year
- Total Operating Expenses budget:
  - HDP Portfolio: \$9,504 per unit per year
  - Mason Hotel: \$14,641 per unit per year
- Total Net Operating Income budget:
  - HDP Portfolio: \$10,539 per unit per year
  - Mason Hotel: \$11,206 per unit per year

*Per Unit, Per Year figures are consistent with comparable figures for similar properties as provided by other management firms*

# 2024 Property Operating Budgets

## HDP Property Budgets Combined

Units	1058			% Var 2023 Budget vs 2024 Budget	\$ Var 2023 Budget vs 2024 Budget	
		2023 Budget	2024 Budget	2024 Budget PUPY	Budget vs 2024 Budget	
<b>INCOME</b>						
Net Rental Income		19,341,466	20,764,651	19,626	7%	1,423,185
Total Other Income		354,571	440,472	416	24%	85,901
<b>Total Income</b>		<b>19,696,037</b>	<b>21,205,123</b>	<b>20,043</b>	<b>8%</b>	<b>1,509,086</b>
<b>EXPENSES</b>						
Total Admin		2,589,275	2,726,403	2,577	5%	137,128
Total Utilities		1,483,898	1,705,629	1,612	15%	221,731
Total Maintenance and Repair		2,555,148	2,846,261	2,690	11%	291,113
Total Extraordinary Maintenance		3,630	-	-	-100%	(3,630)
Total Taxes and Insurance		600,582	746,072	705	24%	145,490
Total Bad Debt		314,612	285,100	269	-9%	(29,512)
Total Other Expenses		1,727,349	1,745,765	1,650	1%	18,416
<b>Total Operating Expenses</b>		<b>9,274,495</b>	<b>10,055,231</b>	<b>9,504</b>	<b>8%</b>	<b>780,736</b>
<b>Net Operating Income</b>		<b>10,421,542</b>	<b>11,149,892</b>	<b>10,539</b>	<b>7%</b>	<b>728,350</b>
<b>Total Debt Service</b>		<b>4,642,778</b>	<b>4,650,514</b>	<b>4,396</b>	<b>0%</b>	<b>7,736</b>
<b>Total Entity Expenses</b>		<b>-</b>	<b>155,786</b>	<b>147</b>	<b>0%</b>	<b>155,786</b>
<b>Net Cash Flow</b>		<b>5,778,764</b>	<b>6,343,592</b>	<b>5,996</b>	<b>10%</b>	<b>564,828</b>

# 2024 Property Operating Budgets

## Mason Hotel Property Budget

Units 17

	2023 Budget	2024 Budget	2024 Budget PUPY	% Var 2023 Budget vs 2024 Budget	\$ Var 2023 Budget vs 2024 Budget
<b>INCOME</b>					
Net Rental Income	313,847	401,840	23,638	28%	87,992
Total Other Income	32,606	37,573	2,210	15%	4,967
<b>Total Income</b>	<b>346,453</b>	<b>439,413</b>	<b>25,848</b>	<b>27%</b>	<b>92,959</b>
<b>EXPENSES</b>					
Total Admin	85,980	89,984	5,293	5%	4,004
Total Utilities	32,626	46,311	2,724	42%	13,685
Total Maintenance and Repair	49,112	83,325	4,901	70%	34,213
Total Extraordinary Maintenance	-	-	-	0%	-
Total Taxes and Insurance	14,737	16,423	966	11%	1,686
Total Bad Debt	6,070	4,000	235	-34%	(2,070)
Total Other Expenses	8,860	8,860	521	0%	0
<b>Total Operating Expenses</b>	<b>197,386</b>	<b>248,904</b>	<b>14,641</b>	<b>26%</b>	<b>51,518</b>
<b>Net Operating Income</b>	<b>149,067</b>	<b>190,509</b>	<b>11,206</b>	<b>28%</b>	<b>41,441</b>
<b>Total Debt Service</b>	<b>4,959</b>	<b>4,959</b>	<b>292</b>	<b>0%</b>	<b>-</b>
<b>Total Entity Expenses</b>	<b>-</b>	<b>1,500</b>	<b>88</b>	<b>0%</b>	<b>1,500</b>
<b>Net Cash Flow</b>	<b>144,108</b>	<b>184,050</b>	<b>10,826</b>	<b>28%</b>	<b>39,941</b>

# 2024 Property Operating Budgets

## Total Income

- Total Loss to Lease (the difference between current rent and maximum allowable rent)
  - 2023 portfolio budgeted Loss to Lease was \$2,409,059.
  - 2024 portfolio budgeted Loss to Lease is \$1,633,313.
  - The three properties with the largest Loss to Lease are: Knox Glen, Town & Country, and Mariner's Village
  - Asset Management is continuing to reduce this cost by increasing revenues.
- The proposed 2024 Operating Budgets reflect the following rent increases:
  - Knox Glen – 5%
  - Town & Country – 5%
  - Mariners Village – 10%, not to exceed \$95
  - All other non-PBV projects – 3%

# 2024 Property Operating Budgets

## Total Operating Expenses

- One third of the HDP portfolio provides permanent affordable rental housing with supportive services for people who experienced homelessness (Permanent Supportive Housing)
  - These properties present unique operating challenges, such as higher security, unit repair and turnover expenses
- Mason Hotel is a PSH property



*Quality Inn*  
*91 Permanent Supportive Housing units*

# 2024 Property Operating Budgets

## SB721 – Elevated Exterior Elements Inspection

- California Senate Bill SB721: Requires inspection of balconies, stairways, and similar structures at multifamily buildings with three or more units.
- The initial inspections must occur no later than January 1, 2025, and will occur once every six years.
- Inspections must be completed by an engineer, architect, or other qualified provider to assess and identify immediate threats and provide recommended actions.
- Estimated costs have been budgeted for in 2024.
- Asset Management is working with various vendors to obtain proposals that will fulfill SB721 requirement at the most competitive pricing.



# 2024 Property Operating Budgets

## Economic Impacts

- City of San Diego indicated increased water and sewer rates of 10.2% in 2024.
- SDG&E has indicated that estimated rate increases for 2024 are:
  - 5.3% for electricity
  - 17.5% for gas
- Anticipated increases in costs for contracted trade services, such as landscapers, painters and plumbers.
- Competitive job market results in a longer searches to fill vacant job openings.

# 2024 Property Operating Budgets

## Expense Increases

- Insurance Premium increase: ~2% (September 2023 – August 2024)
  - 2022-2023: \$597,667
  - 2023-2024: \$607,751
- Remaining 4 months of 2024 (September 2024 – December 2024) budgeted at a 10% increase
- The HDP portfolio benefited from economies of scale by having all properties under one umbrella policy.
- However, premium increases continue to be a likely occurrence industry-wide.

# 2024 Property Operating Budgets

## Net Operating Income

- 2024 budgeted portfolio Net Operating Income is expected to significantly exceed portfolio pro forma Net Operating Income.
- Expenses are expected to exceed pro forma operating expenses at the following properties: Hotel Churchill, Knox Glen, Mason Hotel, Mariner's Village, Parker Kier, Quality Inn, San Diego Square, Town and Country, and West Park
  - Ongoing focus and efforts to identify cost-mitigating opportunities throughout the entire portfolio.
- Take advantage of available programs to reduce expenses, including but not limited to, utility saving programs, solar installation, etc.



*New Palace Hotel  
79 affordable apartments for seniors  
at risk of or who experienced  
homelessness  
Photo: Griffin Photography*

# 2024 Property Operating Budgets

## Financial Performance Monitoring

- Continue to closely monitor the monthly financial performance for proper and timely intervention if any negative trends are identified.
- Continue to focus on cost containment, expense approval controls and close oversight of the assets.
- Continue to provide oversight of the physical performance of the properties for the long-term preservation of the assets.

# 2024 Property Operating Budgets Staff Recommendations

Staff recommends that the HDP and HDP Mason Board of Directors approve the 2024 Property Budgets as detailed in the staff reports for the following properties:

- Single-Family Homes/Companion Units
- Casa Colina
- Hotel Churchill
- Knox Glen
- Mariner's Village
- New Palace Hotel
- Parker Kier
- Quality Inn
- San Diego Square
- Town and Country
- Village North Senior
- West Park
- Mason Hotel

# 2024 Property Operating Budgets

## Questions/Comments