

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDP23-012

ATTENTION: Chair and Members of the Board of Directors of
Housing Development Partners of San Diego
For the Agenda of December 14, 2023

SUBJECT: Casa Colina 2024 Property Budget

STAFF RECOMMENDATION:

That the Housing Development Partners (HDP) Board of Directors (Board) take the following actions:

- 1) Approve the 2024 Property Budget for Casa Colina, a 75-unit affordable housing property for seniors with low income at 5207 52nd Place, San Diego, CA 92115, in the Colina Del Sol Neighborhood.
- 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

Casa Colina is a 75-unit 100% project-based voucher affordable housing property for seniors with low income in the Colina Del Sol neighborhood. The development was placed in service in 2004, funded with tax credit equity, a permanent loan, and a Housing Commission residual receipts loan.

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.

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. If the HDP Board approves the staff-recommended actions in Report HDP23-011 Selection of New Property Management Companies, then CONAM would operate the property, effective April 1, 2024, according to the approved Property Budget. The budget is also provided to the partnership's lenders and financing partners.

Staff is requesting approval of the 2024 Property Budget.

BUDGET SUMMARY

The 2024 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 2024 budget to the 2023 budget. The Net Cash Flow of the property is expected to be on par with underwriting / pro forma expectations.

	Casa Colina				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	1,015,119	1,049,676	34,557	3%	LoMod increased rents 5% effective Dec 2023.
Other Income	85,203	90,313	5,110	6%	Increased interest income based on 2023 actuals
Total Revenue	1,100,322	1,139,989	39,666	4%	
Total Admin	210,694	215,511	4,817	2%	Budgeting for a market study to determine rent increases in accordance with U.S. Department of Housing and Urban Development Project-Based Voucher program (5-year expense)
Total Utilities	76,266	93,476	17,210	23%	Based on published increases for water (10.2%), Electric (5%) & Gas (17%)
Total Repairs and Maintenance (R&M)	173,348	184,150	10,801	6%	Payroll budgeted for employee maximum benefit election. Enhanced tree trimming
Taxes & Insurance	33,600	40,502	6,902	21%	Insurance increase (industry-wide impact)
Other Expenses	157,918	166,574	8,656	5%	6-year Exterior Elevated Elements inspection
Total Operating Expenses	651,826	700,213	48,387	7%	Extraordinary expense. Utilities increase, 5-year rent-increase study & 6-year Exterior Elevated Elements inspection
Net Operating Income	448,496	439,775	(8,721)	(2%)	
Debt Service	242,909	249,374	6,465	3%	
Total Entity Expenses	-	16,883	16,883		
Net Cash Flow	205,587	173,519	(32,068)	(16%)	Cash flow exceeds pro forma expectations.

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 the Housing Commission does not administer. The contract is due for renewal December 2024 and a mark up to market study will determine rent increases in accordance with HUD's PBV program.

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 2024 will be \$38,103.

FISCAL CONSIDERATIONS

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$1,139,989. Total Operating Expenses will be \$700,213 for a Net Operating Income of \$439,775. The Net Operating Income of the property is expected to be on par with underwriting / pro forma expectations.

CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Eugene "Mitch" Mitchell and Ryan Clumpner, 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 - 2024 Property Operations Budget

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

Casa Colina - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	1,061,100	1,088,545
Gain Loss to Lease	-	32,105
Less: Vacancies	(31,833)	(56,033)
Less: Down Unit	-	-
Less: Manager's Unit	(14,148)	(14,942)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	1,015,119	1,049,676
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	500	300
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	3,600	4,200
NSF Late Charges	-	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	60	1,548
Interest Income - Replacement Reverse	200	900
Interest Income Investments	12	365
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	80,831	83,000
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
Total Other Income	85,203	90,313
Total Income	1,100,322	1,139,989
EXPENSES		
Admin		
Consultant Asset Mgmt	3,854	4,058
Broker Fees	165	-

Casa Colina - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	14,492	13,573
IT Support Maintenance	-	-
Property Management Fees	58,268	60,251
Bookkeeping Fees	7,500	7,500
Office Expense	2,060	-
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	3,090	-
Copier Printer	-	1,920
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	135	183
Other Admin Expense	-	-
Manager Salaries	61,040	56,824
Office Salaries	-	6,578
Employee Benefits PM Co - Program Admin	15,375	12,492
Payroll Taxes - Manager and Admin	5,814	6,108
Workman's Comp Mgr and Admin	4,983	4,629
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	9,427	14,359
Legal - Program Admin	927	1,188
Cleaning and Janitorial Contract	1,000	1,000
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	7,416	10,380
Advertising	-	675
Bank Charges Program Admin	2,369	369
Mileage and Travel Exp Prog Admin	100	350
Training - Program Admin	1,957	3,088
Postage and Delivery Prog Admin	155	214
Software Exp Program Admin	9,840	8,797
Misc Program Admin	728	974
Lease Up Expenses	-	-
Total Admin	210,694	215,511
Utilities		
Cable Expenses	-	-
Electricity	19,171	18,089
Gas	8,572	14,665
Sewer	17,212	17,773

Casa Colina - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	31,311	42,949
Total Utilities	76,266	93,476
Maintenance and Repair		
Fire Protection and Alarm	3,914	4,500
AC Contracts	515	600
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	4,808	7,161
Exterminating Supplies	-	-
Exterminating Contracts	6,890	8,220
Electrical Contracts	2,060	2,064
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	15,450	20,914
Ground Supplies	245	750
Janitorial Supplies	2,060	2,400
COVID Supplies	-	-
Maint Supplies and Materials	4,600	4,738
Plumbing Contracts	4,120	4,491
Plumbing Supplies	-	-
Repair and Maint Payroll	84,648	69,006
Payroll Taxes - Rpr and Maint	7,763	6,574
Employee Benefits PM Co - Program	15,665	24,984
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	1,500	5,000
Repair Contracts	5,150	6,500
Repair Supplies	-	-
Security Contract Program	-	-
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	8,842	10,852
Workman's Comp-Rpr and Maint	4,912	5,045
Remediation Expense	-	-
Uniforms	206	350
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

Casa Colina - 2024 Operating Summary		
	2023 Budget	2024 Budget
Total Maintenance and Repair	173,348	184,150
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	1,250	1,250
Fidelity Bond Insurance	-	-
Insurance Other	-	375
Property and Liability Ins	32,350	38,877
Property Taxes	-	-
Total Taxes and Insurance	33,600	40,502
Bad Debt		
Bad Debt - Tenant Rent	-	-
Bad Debt - Other Tenant Charges	-	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	-	-
Other Expenses		
Tenant Services Other	9,000	11,000
Tenant Services Payroll Benefits	84,849	84,842
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	23,306	23,379
Miscellaneous Exp Program	3,043	9,250
CY Deposit to Escrow Rplc Reserve	37,720	38,103
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	157,918	166,574
Total Operating Expenses	651,826	700,213
Net Operating Income	448,496	439,775
Debt Service		

Casa Colina - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	93,719	99,183
Interest Expense - Mortgage	134,498	129,034
Mortgage Insurance Expense	11,800	11,800
Loan Servicing Fee (Trustee Fee)	2,892	1,386
SDHC Bond Admin Fee	-	7,970
Loan Fees	-	-
Total Debt Service	242,909	249,374
Entity Expenses		
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	16,883
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	16,883
Net Cash Flow	205,587	173,519