

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDP23-013

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

SUBJECT: Hotel Churchill 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 Hotel Churchill, a 73-unit affordable housing property at 827 C Street in downtown San Diego that provides affordable housing with supportive services for individuals with low income who experienced homelessness.
- 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

Hotel Churchill is a 73-unit property in downtown San Diego that serves individuals with low income who experienced homelessness. The Housing Commission acquired the property in 2011. HDP developed the property in 2016, utilizing a Ground Lease with the Housing Commission, which was effective April 2015, and funding from the Housing Commission.

The Hotel Churchill 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. 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 Operating 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 greater than underwriting / pro forma expectations. Below is a summary chart of the 2024 Operating Budget compared to the 2023 Budget.

	Hotel Churchill				
	FY 2022	FY 2024	\$ Variance	% Variance	Notes
Rental Income	1,729,650	1,799,587	69,937	4%	Current sponsor-based voucher payment standard and anticipated 3% increase.
Other Income	22,240	38,835	16,595	75%	Commercial space scheduled to be occupied for all of Fiscal Year (FY) 2024
Total Revenue	1,751,890	1,838,422	86,532	99%	
Total Admin	246,152	254,990	8,838	4%	Property Management fee increase. Payroll, budgeted maximum employee benefit election.
Total Utilities	108,726	124,880	16,154	15%	Based on FY 2023 actuals + scheduled increases.
Total Repairs and Maintenance (R&M)	258,519	286,893	30,974	12%	Porter position adjusted from part time to full time. Mandatory fire protection inspection increase. Payroll, budgeted maximum employee benefit election.
Taxes & Insurance	30,077	35,656	5,579	19%	Insurance increase (industry-wide impact).
Other Expenses	132,974	138,158	5,184	4%	Ground lease expense increased due to increased income. Replacement reserve deposit increase 3.5%.
Other Debt (uncollectible rent write-offs)	15,758	18,400	2,642	17%	Pandemic-related uncollectible-rent debt.
Total Operating Expenses	792,207	858,978	66,771	8%	Extraordinary expenses: uncollectible-rent debt, ground lease, property management fee and insurance.
Net Operating Income (NOI)	959,683	979,444	19,761	2%	Budgeted FY 2024 NOI significantly greater than pro forma expectations
Debt Service	7,560	7,560	7,560	0%	
Entity Expense	-	12,667	12,667		
Net Cash Flow	952,123	959,217	7,094	1%	Increase due to new payment standard.

RENTS

The 2024 Property Budget reflects a revenue increase due to increasing rents (3% anticipated increase) pursuant to the Housing Commission’s payment standard for Sponsor-Based Vouchers. The increase to the payment standard does not impact the resident’s portion of rent.

MAINTENANCE AND REPAIR

The 2024 budget reflects an increase in overall maintenance. 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 full-time staff for the property consists of one property manager, one assistant manager, and one maintenance technician. The property also has one full-time porter who is shared with other Hyder-managed HDP properties.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2024 will be \$48,663, consistent with regulating agreements.

FISCAL CONSIDERATIONS

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$1,838,422. Total Operating Expenses will be \$858,978 for a Net Operating Income of \$979,444. The Net Operating Income of the property is expected to be greater than 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 the HDP. Similar disclosures will be made in the records of the Housing Commission, if and when this matter his 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) Hotel Churchill - 2024 Property Operations Budget

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

Hotel Churchill - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	1,855,368	1,922,021
Gain Loss to Lease	(7,930)	(4)
Less: Vacancies	(92,372)	(96,101)
Less: Down Unit	-	-
Less: Manager's Unit	(25,416)	(26,329)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	1,729,650	1,799,587
Other Income		
Rental Income Commercial	16,500	31,250
Prepaid Income	-	-
Application Fees	280	210
Credit Check Income	-	-
Damages Cleaning Fees	2,000	3,000
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	2,000	3,600
NSF Late Charges	400	175
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	60	-
Interest Income - Replacement Reverse	-	600
Interest Income Investments	-	-
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	1,000	-
Security Deposit Forfeiture	-	-
Total Other Income	22,240	38,835
Total Income	1,751,890	1,838,422
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	1,980	-

Hotel Churchill - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	12,150	13,459
IT Support Maintenance	600	-
Property Management Fees	85,695	89,059
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	2,100	4,400
Parking	-	-
Software Exp Admin	-	-
Copier Printer	300	-
Office Repairs and Maint	-	-
Bank Charges Admin	1,300	-
Mileage	100	100
Dues Subs and Memberships	-	-
Other Admin Expense	1,100	1,100
Manager Salaries	88,400	94,160
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	16,922	17,129
Payroll Taxes - Manager and Admin	8,048	8,486
Workman's Comp Mgr and Admin	8,888	10,982
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	850	-
Legal - Program Admin	3,000	3,000
Cleaning and Janitorial Contract	1,600	900
Credit Check Service Fee	350	320
Internet and Telephone Prog Admin	5,140	5,060
Advertising	200	200
Bank Charges Program Admin	1,339	1,120
Mileage and Travel Exp Prog Admin	150	100
Training - Program Admin	700	800
Postage and Delivery Prog Admin	200	250
Software Exp Program Admin	5,040	4,365
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	246,152	254,990
Utilities		
Cable Expenses	1,494	1,575
Electricity	79,680	91,133
Gas	3,700	5,171
Sewer	9,129	10,334

Hotel Churchill - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	14,724	16,667
Total Utilities	108,726	124,880
Maintenance and Repair		
Fire Protection and Alarm	7,000	14,003
AC Contracts	1,000	1,000
Clubhouse Expense	600	500
Decorating	-	-
Elevator Contracts	8,100	7,338
Exterminating Supplies	175	100
Exterminating Contracts	5,350	7,654
Electrical Contracts	1,700	1,000
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	150	150
Janitorial Supplies	2,300	1,700
COVID Supplies	350	-
Maint Supplies and Materials	2,042	1,950
Plumbing Contracts	2,500	3,000
Plumbing Supplies	900	900
Repair and Maint Payroll	75,913	79,755
Payroll Taxes - Rpr and Maint	7,099	7,391
Employee Benefits PM Co - Program	8,366	13,917
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	750	750
Repair Contracts	2,175	5,128
Repair Supplies	4,800	3,933
Security Contract Program	107,658	111,317
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	6,900	13,324
Workman's Comp-Rpr and Maint	7,591	9,383
Remediation Expense	-	-
Uniforms	100	300
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	2,400	2,400

Hotel Churchill - 2024 Operating Summary		
	2023 Budget	2024 Budget
Total Maintenance and Repair	255,919	286,893
Extraordinary Maintenance		
Extraordinary Maintenance	2,600	-
Total Extraordinary Maintenance	2,600	-
Taxes and Insurance		
Taxes Licenses and Fees	3,250	3,300
Fidelity Bond Insurance	110	100
Insurance Other	700	700
Property and Liability Ins	26,017	31,556
Property Taxes	-	-
Total Taxes and Insurance	30,077	35,656
Bad Debt		
Bad Debt - Tenant Rent	15,194	16,500
Bad Debt - Other Tenant Charges	564	1,900
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	15,758	18,400
Other Expenses		
Tenant Services Other	1,460	1,460
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	10,800	10,800
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	79,479	77,834
Miscellaneous Exp Program	-	-
CY Deposit to Escrow Rplc Reserve	-	-
CY Deposit to Rplc Reserve	41,235	48,063
Total Other Expenses	132,974	138,158
Total Operating Expenses	792,207	858,978
Net Operating Income	959,683	979,444
Debt Service		

Hotel Churchill - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	7,560	7,560
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	7,560	7,560
Entity Expenses		
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	12,667
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	12,667
Net Cash Flow	952,123	959,217