

## REPORT

**DATE ISSUED:** December 8, 2023

**REPORT NO:** HDP23-015

**ATTENTION:** Chair and Members of the Board of Directors of  
Housing Development Partners of San Diego  
For the Agenda of December 21, 2023

**SUBJECT:** Mariner's Village 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 Mariner's Village, a 172-unit affordable housing property at 6847 Potomac Street, San Diego, CA 92139, for families with low income.
- 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**

Mariner's Village is a 172-unit affordable housing property for families with low income, earning between 40 percent and 80 percent of the San Diego area median income. It was developed with low-income housing tax credits (LIHTC). The property was acquired on January 30, 2021, by HDP Mariner's Village, LP. The property was placed in service in 2021.

The Mariner's Village Property Budget is prepared annually by the management company, 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 each 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 2024 Property Budget.

**BUDGET SUMMARY**

The 2024 Property Budget was prepared using historical data from 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 greater than underwriting / pro forma expectations. Below is a summary chart, which compares the proposed 2024 budget to the underwriting pro forma.

	Mariner's Village				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	2,817,874	3,235,359	417,485	15%	<i>Lesser of \$95 or 10% Rent Increase to reduce loss to lease</i>
Other Income	106,305	143,245	36,940	35%	<i>Tenant rent recovery through payment plans</i>
<b>Total Revenue</b>	<b>2,924,179</b>	<b>3,378,604</b>	<b>454,425</b>	<b>16%</b>	
Total Admin	347,893	379,985	32,092	9%	<i>Property Management (PM) Fee based on increased revenue projection, payroll benefits.</i>
Total Utilities	287,516	308,722	21,206	7%	<i>Based on published increases for water (10.2%), Electric (5%) &amp; Gas (17%)</i>
Total Repairs and Maintenance (R&M)	313,525	362,125	48,600	16%	<i>Payroll and benefits, Preventative maintenance contracts for systems out of warranty maintenance period</i>
Taxes & Insurance	122,626	178,196	55,570	45%	<i>Insurance increase (industry-wide impact), Property tax exemption excluded 16 units due to tenant income.</i>
Other Expenses	393,795	382,639	(11,156)	(3%)	<i>Ground lease payment (percentage of rental income), 6-year balcony inspections.</i>
Other Debt (debt due to uncollectible rent)	25,000	15,400	(9,600)	(38%)	<i>Reduced estimate for pandemic-related uncollectible-rent debt</i>
<b>Total Expenses</b>	<b>1,490,355</b>	<b>1,627,067</b>	<b>136,712</b>	<b>9%</b>	<i>Extraordinary expenses; Ground lease &amp; PM fee based on revenue, property tax.</i>
<b>Net Operating Income</b>	<b>1,433,824</b>	<b>1,751,537</b>	<b>317,713</b>	<b>22%</b>	<i>Budgeted Fiscal Year (FY) 2024 NOI significantly greater than proforma</i>
Debt Service	1,004,385	1,006,635	2,250	0%	
Entity Expenses	-	26,612	26,612	-	
<b>Net Cash Flow</b>	<b>429,439</b>	<b>718,290</b>	<b>288,851</b>	<b>67%</b>	<i>Cash flow budgeted to exceed pro forma expectations. Property stabilizing post rehabilitation.</i>

## **RENTS**

Rents at this property average \$500 below the applicable restricted rent. The 10% rent increase, capped at \$95, is intended to close the gap to the restricted rent. Approximately 40% of households have a Section 8 Housing Choice Voucher and will not be impacted by the rent increase.

## **MAINTENANCE AND REPAIR**

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 assistant manager, one full-time maintenance technician, one full-time assistant maintenance technician and one full-time day porter.

### **CAPITAL PLAN**

Total deposits to the replacement reserve account in 2024 will be \$60,200. This amount is in compliance with the minimum reserve requirements per the regulatory agreements. Staff projects a \$276,000 replacement reserve account balance at the end of 2024.

### **FISCAL CONSIDERATIONS**

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$3,378,604. Total Operating Expenses will be \$1,627,067 for a Net Operating Income of \$1,751,537. 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 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) Mariner's Village 2024 Property Operations Budget

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

Mainer's Village - 2024 Operating Summary		
	2023 Budget	2024 Budget
<b>INCOME</b>		
<b>Gross Potential Rent</b>		
Gross Potential Revenue	3,686,760	3,675,548
Gain Loss to Lease	(720,577)	(223,749)
Less: Vacancies	(148,309)	(172,590)
Less: Down Unit	-	-
Less: Manager's Unit	-	(43,850)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
<b>Net Rental Income</b>	<b>2,817,874</b>	<b>3,235,359</b>
<b>Other Income</b>		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	1,300	-
Credit Check Income	-	-
Damages Cleaning Fees	2,060	4,250
Carport Garage Gate Income	69,893	75,600
Laundry and Vending Revenue	16,438	20,305
NSF Late Charges	3,605	3,677
Former Tenant Income	644	-
Tenant Rent Recovery	-	29,000
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	28	197
Interest Income - Replacement Reverse	-	75
Interest Income Investments	103	141
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	12,235	10,000
Security Deposit Forfeiture	-	-
<b>Total Other Income</b>	<b>106,305</b>	<b>143,245</b>
<b>Total Income</b>	<b>2,924,179</b>	<b>3,378,604</b>
<b>EXPENSES</b>		
<b>Admin</b>		
Consultant Asset Mgmt	-	-
Broker Fees	-	-

Mainer's Village - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	12,150	13,459
IT Support Maintenance	-	-
Property Management Fees	142,144	160,998
Bookkeeping Fees	1,493	1,538
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	4,120	4,200
Parking	-	-
Software Exp Admin	8,240	-
Copier Printer	4,944	3,780
Office Repairs and Maint	2,575	2,652
Bank Charges Admin	566	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	1,596	1,644
Manager Salaries	93,946	97,271
Office Salaries	-	6,760
Employee Benefits PM Co - Program Admin	17,760	19,400
Payroll Taxes - Manager and Admin	8,470	9,879
Workman's Comp Mgr and Admin	-	3,863
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	20,000	20,000
Legal - Program Admin	4,000	7,500
Cleaning and Janitorial Contract	-	-
Credit Check Service Fee	618	-
Internet and Telephone Prog Admin	9,965	9,900
Advertising	309	750
Bank Charges Program Admin	2,575	550
Mileage and Travel Exp Prog Admin	1,591	1,200
Training - Program Admin	-	1,622
Postage and Delivery Prog Admin	600	600
Software Exp Program Admin	9,519	11,044
Misc Program Admin	711	1,375
Lease Up Expenses	-	-
<b>Total Admin</b>	<b>347,893</b>	<b>379,985</b>
<b>Utilities</b>		
Cable Expenses	-	-
Electricity	26,250	42,755
Gas	46,016	85,680
Sewer	94,500	84,763

Mainer's Village - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	120,750	95,524
<b>Total Utilities</b>	<b>287,516</b>	<b>308,722</b>
<b>Maintenance and Repair</b>		
Fire Protection and Alarm	2,060	2,250
AC Contracts	1,545	3,500
Clubhouse Expense	-	4,000
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	6,500	7,800
Electrical Contracts	1,545	2,000
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	30,900	34,650
Ground Supplies	5,150	5,000
Janitorial Supplies	618	1,800
COVID Supplies	-	-
Maint Supplies and Materials	8,240	10,000
Plumbing Contracts	4,120	4,244
Plumbing Supplies	500	2,000
Repair and Maint Payroll	122,686	143,213
Payroll Taxes - Rpr and Maint	11,319	13,544
Employee Benefits PM Co - Program	26,640	29,100
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	5,150	6,500
Flooring	-	-
Painting Contract	-	-
Repair Contracts	9,600	9,750
Repair Supplies	1,246	1,284
Security Contract Program	33,990	33,990
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	41,200	45,000
Workman's Comp-Rpr and Maint	-	-
Remediation Expense	-	-
Uniforms	515	2,500
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

Mainer's Village - 2024 Operating Summary		
	2023 Budget	2024 Budget
<b>Total Maintenance and Repair</b>	<b>313,525</b>	<b>362,125</b>
<b>Extraordinary Maintenance</b>		
Extraordinary Maintenance	-	-
<b>Total Extraordinary Maintenance</b>	<b>-</b>	<b>-</b>
<b>Taxes and Insurance</b>		
Taxes Licenses and Fees	2,575	800
Fidelity Bond Insurance	-	-
Insurance Other	-	-
Property and Liability Ins	117,691	130,668
Property Taxes	2,361	46,728
<b>Total Taxes and Insurance</b>	<b>122,626</b>	<b>178,196</b>
<b>Bad Debt</b>		
Bad Debt - Tenant Rent	25,000	15,400
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	-	-
<b>Total Bad Debt</b>	<b>25,000</b>	<b>15,400</b>
<b>Other Expenses</b>		
Tenant Services Other	-	-
Tenant Services Payroll Benefits	71,028	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-
Relocation due to Maint	-	3,000
Ground Lease Expense	260,761	304,819
Miscellaneous Exp Program	-	14,620
CY Deposit to Escrow Rplc Reserve	62,006	60,200
CY Deposit to Rplc Reserve	-	-
<b>Total Other Expenses</b>	<b>393,795</b>	<b>382,639</b>
<b>Total Operating Expenses</b>	<b>1,490,355</b>	<b>1,627,067</b>
<b>Net Operating Income</b>	<b>1,433,824</b>	<b>1,751,537</b>
<b>Debt Service</b>		



Mainer's Village - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	290,341	296,518
Interest Expense - Mortgage	689,419	683,242
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	2,250
SDHC Bond Admin Fee	24,625	24,625
Loan Fees	-	-
<b>Total Debt Service</b>	<b>1,004,385</b>	<b>1,006,635</b>
<b>Entity Expenses</b>		
Legal Admin	-	4,102
Asset Management Fees	-	5,628
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	16,883
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
<b>Total Entity Expenses</b>	<b>-</b>	<b>26,612</b>
<b>Net Cash Flow</b>	<b>429,439</b>	<b>718,290</b>