

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDP23-017

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

SUBJECT: Parker Kier 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 Parker Kier, a 34-unit affordable housing property at 2172 Front Street, San Diego, CA 92101, for individuals with low income who experienced homelessness or are at risk of 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

Parker Kier is a 34-unit affordable housing property in downtown San Diego, with 22 units for individuals with low income who experienced homelessness and 11 units for individuals with low income at risk of homelessness. HDP developed the property in 2012, utilizing a Ground Lease with the Housing Commission.

The Parker Kier 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.

Staff is requesting approval of the 2024 Property Budget.

BUDGET SUMMARY

The 2024 Property 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.

	Parker Kier				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	825,554	858,796	33,424	4%	<i>New payment standard in October 2023. Assumes 3% increase in October of Fiscal Year (FY) 2024.</i>
Other Income	2,968	8,794	5,826	196%	
Total Revenue	828,522	867,590	39,068	5%	
Total Admin	88,779	93,267	4,488	5%	<i>Admin increased due to staff salary and legal contracts.</i>
Total Utilities	76,662	97,332	20,670	27%	<i>Expenses based on FY 2023 actuals + scheduled increases.</i>
Total Repairs and Maintenance (R&M)	176,357	176,003	(354)	0%	<i>Expense stayed the same due to 25% of staff time scheduled to be paid by Mason Hotel + adding part-time porter salary to the project.</i>
Taxes & Insurance	15,637	20,847	5,210	33%	<i>Insurance increase (industry wide impact) + Franchise Tax Board annual taxes.</i>
Other Expenses	55,114	52,076	(3,038)	(6%)	
Other Debt (debt due to uncollectible rent)	0	4,100	4,100	0%	<i>Pandemic-related uncollectible-rent debt.</i>
Total Expenses	412,549	443,626	31,076	8%	<i>Operating at an 6% overall increase, excluding new FTB taxes and insurance premium.</i>
Net Operating Income (NOI)	415,973	423,965	7,992	2%	<i>Budgeted FY 2024 NOI significantly greater than pro forma expectations</i>
Debt Service	-	-	-	0%	
Entity Expenses	-	10,000	10,000	0%	
Net Cash Flow	415,973	413,965	(2,008)	0%	

RENTS

The 2024 Property Budget reflects a revenue increase due to increases in the Housing Commission's payment standard for project-based and sponsor-based housing vouchers. The increase to the payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The budget reflects increased maintenance and repair expenses based on the 2023 actuals. The property has also added routine solar and boiler maintenance in the 2024 budget. 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 property staffing consists of one full-time manager, one full-time assistant and maintenance technician who split time between Parker Kier and Mason Hotel.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2024 will be \$13,200, which includes \$9,900 consistent with the regulatory agreements and an additional \$3,300 based on future scheduled repair needs.

FISCAL CONSIDERATIONS

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$867,590. Total Operating Expenses will be \$443,626 for a Net Operating Income of \$423,965. 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 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) Parker Kier - 2024 Property Operations Budget

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

Parker Kier - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	905,241	934,654
Gain Loss to Lease	(6,543)	-
Less: Vacancies	(44,935)	(46,733)
Less: Down Unit	-	-
Less: Manager's Unit	(28,209)	(29,125)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	825,554	858,796
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	150	150
Credit Check Income	-	-
Damages Cleaning Fees	1,300	5,024
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	1,300	2,000
NSF Late Charges	200	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	18	120
Interest Income Investments	-	-
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	1,500
Security Deposit Forfeiture	-	-
Total Other Income	2,968	8,794
Total Income	828,522	867,590
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-

Parker Kier - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	4,250	4,417
IT Support Maintenance	-	-
Property Management Fees	23,415	24,586
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	2,300	2,500
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	1,000	1,000
Manager Salaries	31,200	34,447
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	7,180	5,678
Payroll Taxes - Manager and Admin	3,701	3,948
Workman's Comp Mgr and Admin	3,498	3,990
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	1,900	3,600
Cleaning and Janitorial Contract	-	480
Credit Check Service Fee	350	320
Internet and Telephone Prog Admin	3,500	3,252
Advertising	120	120
Bank Charges Program Admin	1,040	1,140
Mileage and Travel Exp Prog Admin	175	100
Training - Program Admin	1,300	1,000
Postage and Delivery Prog Admin	250	160
Software Exp Program Admin	3,600	2,530
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	88,779	93,267
Utilities		
Cable Expenses	-	-
Electricity	49,500	61,059
Gas	9,500	14,980
Sewer	7,002	8,760

Parker Kier - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	10,660	12,532
Total Utilities	76,662	97,332
Maintenance and Repair		
Fire Protection and Alarm	6,070	6,677
AC Contracts	-	300
Clubhouse Expense	2,000	2,000
Decorating	-	-
Elevator Contracts	5,800	5,900
Exterminating Supplies	40	40
Exterminating Contracts	5,200	5,200
Electrical Contracts	4,700	850
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	1,800	500
Janitorial Supplies	1,450	1,200
COVID Supplies	100	100
Maint Supplies and Materials	1,150	2,950
Plumbing Contracts	4,000	4,800
Plumbing Supplies	1,250	1,200
Repair and Maint Payroll	55,200	48,203
Payroll Taxes - Rpr and Maint	4,860	4,986
Employee Benefits PM Co - Program	5,207	8,051
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	1,400	1,442
Flooring	-	-
Painting Contract	500	525
Repair Contracts	3,500	3,700
Repair Supplies	4,000	3,806
Security Contract Program	55,000	57,730
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	7,400	10,030
Workman's Comp-Rpr and Maint	5,520	5,604
Remediation Expense	-	-
Uniforms	210	210
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

Parker Kier - 2024 Operating Summary		
	2023 Budget	2024 Budget
Total Maintenance and Repair	176,357	176,003
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	2,000	4,900
Fidelity Bond Insurance	50	50
Insurance Other	400	400
Property and Liability Ins	13,187	15,497
Property Taxes	-	-
Total Taxes and Insurance	15,637	20,847
Bad Debt		
Bad Debt - Tenant Rent	-	1,200
Bad Debt - Other Tenant Charges	-	2,900
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	-	4,100
Other Expenses		
Tenant Services Other	680	680
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	886	913
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	40,348	37,283
Miscellaneous Exp Program	-	-
CY Deposit to Escrow Rplc Reserve	-	-
CY Deposit to Rplc Reserve	13,200	13,200
Total Other Expenses	55,114	52,076
Total Operating Expenses	412,549	443,626
Net Operating Income	415,973	423,965
Debt Service		

Parker Kier - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	-
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	-	-
Entity Expenses		
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	10,000
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	10,000
Net Cash Flow	415,973	413,965