

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDP23-019

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

SUBJECT: San Diego Square 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 San Diego Square, a 156-unit affordable housing property at 1055 9th Avenue, San Diego, CA 92101, for seniors 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

San Diego Square is a 156-unit affordable housing property for seniors with low income, earning between 50 percent and 60 percent of the San Diego area median income. The property was acquired on November 25, 2014, by HDP Broadway LP. Rehabilitation started on December 1, 2014, and was completed on December 17, 2015.

The San Diego Square 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. 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 2023 budget.

	San Diego Square				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	3,482,194	3,682,023	199,829	6%	U.S. Department of Housing and Urban Development (HUD) Project-Based Voucher (PBV) payment standard increased 5% in Dec 2023.
Other Income	96,129	99,421	3,292	3%	
Total Revenue	3,578,323	3,781,444	203,121	6%	
Total Admin	382,023	393,015	10,991	3%	Property management fees, payroll, workers compensation, budgeted maximum employee benefit election.
Total Utilities	345,803	381,362	35,559	10%	Based on Fiscal Year (FY) 2023 actuals + scheduled increases.
Total R&M	392,155	428,747	36,592	9%	Fire protection, A/C contracts, trash collection, security contract, payroll, and budgeted maximum employee benefit election.
Taxes & Insurance	125,883	157,734	31,852	25%	Includes additional insurance premium for \$5 million, in excess of the umbrella policy, required by lender.
Other Expenses	418,538	414,842	(3,696)	(1%)	
Other Debt (debt due to uncollectible rent)	1,650	1,200	(450)	(27%)	Pandemic-related uncollectible-rent debt.
Total Expenses	1,666,052	1,776,899	110,847	7%	Outside of the new required lender insurance standards the property's total expenses increased 5%
Net Operating Income (NOI)	1,912,271	2,004,545	92,274	5%	Budgeted FY 2024 NOI significantly greater than proforma
Debt Service	1,033,256	1,035,753	2,497	0%	
Entity Expenses	-	21,524	21,524	-	
Net Cash Flow	879,015	947,268	68,253	8%	Cash flow increase at 2%.

RENTS

The 2024 budget reflects an increase in revenue due to an approved U.S. Department of Housing and Urban Development (HUD) Project-Based Voucher (PBV) payment standard increase scheduled for December 2023. The increase to the HUD PBV payment standard does not impact the resident's portion of rent. The property has a direct contract with HUD that the Housing Commission does not administer.

MAINTENANCE AND REPAIRS

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 staff for the property consists of one full-time property manager, one full-time assistant manager, one full-time maintenance technician and one full-time porter.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2024 will be \$149,600, which includes \$54,600

consistent of the regulatory agreements plus additional deposits in anticipation of generator replacement in Fiscal Year 2024.

FISCAL CONSIDERATIONS

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$3,781,444. Total Operating Expenses will be \$1,776,899 for a Net Operating Income of \$2,004,545. 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) San Diego Square - 2024 Property Operations Budget

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

San Diego Square - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	3,732,931	3,921,171
Gain Loss to Lease	-	(3,003)
Less: Vacancies	(186,647)	(195,908)
Less: Down Unit	-	-
Less: Manager's Unit	(64,091)	(40,237)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	3,482,194	3,682,023
Other Income		
Rental Income Commercial	83,075	84,701
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	520	700
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	6,960	7,200
NSF Late Charges	150	120
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	1,500
Interest Income - Replacement Reverse	60	100
Interest Income Investments	-	100
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	5,264	5,000
Miscellaneous Income	100	-
Security Deposit Forfeiture	-	-
Total Other Income	96,129	99,421
Total Income	3,578,323	3,781,444
EXPENSES		
Admin		
Consultant Asset Mgmt	5,720	6,100
Broker Fees	-	-

San Diego Square - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	13,965	14,777
IT Support Maintenance	-	-
Property Management Fees	125,300	132,510
Bookkeeping Fees	15,396	15,396
Office Expense	16,280	2,940
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	-	-
Copier Printer	2,431	2,526
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	275	477
Other Admin Expense	-	-
Manager Salaries	104,929	109,086
Office Salaries	-	4,056
Employee Benefits PM Co - Program Admin	26,481	25,775
Payroll Taxes - Manager and Admin	9,305	10,314
Workman's Comp Mgr and Admin	8,060	8,558
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	21,773	20,513
Legal - Program Admin	2,400	2,800
Cleaning and Janitorial Contract	-	-
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	17,100	17,696
Advertising	707	1,119
Bank Charges Program Admin	4,500	900
Mileage and Travel Exp Prog Admin	400	550
Training - Program Admin	2,100	2,250
Postage and Delivery Prog Admin	390	514
Software Exp Program Admin	3,960	13,507
Misc Program Admin	552	650
Lease Up Expenses	-	-
Total Admin	382,023	393,015
Utilities		
Cable Expenses	-	-
Electricity	194,756	206,082
Gas	87,246	104,970
Sewer	24,000	26,448

San Diego Square - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	39,802	43,862
Total Utilities	345,803	381,362
Maintenance and Repair		
Fire Protection and Alarm	12,731	19,493
AC Contracts	25,150	28,056
Clubhouse Expense	-	-
Decorating	-	2,500
Elevator Contracts	18,752	20,956
Exterminating Supplies	-	-
Exterminating Contracts	14,049	14,900
Electrical Contracts	4,500	6,000
Furn and Appl Rplcmnt	600	-
Landscape and Grounds Contract	16,892	18,000
Ground Supplies	1,400	1,800
Janitorial Supplies	3,500	3,250
COVID Supplies	-	-
Maint Supplies and Materials	-	6,600
Plumbing Contracts	13,200	14,200
Plumbing Supplies	-	-
Repair and Maint Payroll	81,444	86,245
Payroll Taxes - Rpr and Maint	7,520	7,885
Employee Benefits PM Co - Program	29,257	31,508
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	1,300	-
Repair Contracts	19,536	21,715
Repair Supplies	5,047	-
Security Contract Program	107,192	112,800
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	23,700	25,810
Workman's Comp-Rpr and Maint	6,136	6,679
Remediation Expense	-	-
Uniforms	250	350
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

San Diego Square - 2024 Operating Summary		
	2023 Budget	2024 Budget
Total Maintenance and Repair	392,155	428,747
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	4,025	4,457
Fidelity Bond Insurance	-	-
Insurance Other	-	1,344
Property and Liability Ins	99,344	128,743
Property Taxes	22,514	23,190
Total Taxes and Insurance	125,883	157,734
Bad Debt		
Bad Debt - Tenant Rent	1,650	1,100
Bad Debt - Other Tenant Charges	-	100
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	1,650	1,200
Other Expenses		
Tenant Services Other	57,200	57,200
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	209,238	208,042
Miscellaneous Exp Program	2,500	-
CY Deposit to Escrow Rplc Reserve	149,600	54,600
CY Deposit to Rplc Reserve	-	95,000
Total Other Expenses	418,538	414,842
Total Operating Expenses	1,666,052	1,776,899
Net Operating Income	1,912,271	2,004,545
Debt Service		

San Diego Square - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	298,099	321,845
Interest Expense - Mortgage	712,873	689,127
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	22,284	2,500
SDHC Bond Admin Fee	-	22,281
Loan Fees	-	-
Total Debt Service	1,033,256	1,035,753
Entity Expenses		
Legal Admin	-	-
Asset Management Fees	-	6,524
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	15,000
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	21,524
Net Cash Flow	879,015	947,268