

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDP23-020

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

SUBJECT: Single-Family Homes/Companion Units 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 Single-Family Homes/Companion Units (SFH/CU) leased as affordable rental housing to households 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

Five affordable rental single-family homes and corresponding companion units, also referred to as accessory dwelling units (ADUs), are in the south part of San Diego in the Nestor Neighborhood within the 92154 ZIP code:

Single-Family Homes (SFH)	# Bedrooms
1. Twinning Avenue	5 bedrooms
2. Peterlynn Drive	3 bedrooms
3. Twinning Avenue	5 bedrooms
4. Peterlynn Drive	5 bedrooms
5. Stu Court	5 bedrooms

Companion Units (CU)	# Bedrooms
1. Kimsue Way	2 bedrooms
2. Peterlynn Drive	1 bedroom
3. Enero Street	3 bedrooms
4. Marzo Street	Studio
5. Kostner Drive	1 bedroom

The SFH/CU 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 the next calendar year, the HDP Board adopts the annual Property Budget and

authorizes Hyder to operate the properties 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. Below is a summary chart of the 2024 Operating Budget compared to the 2023 Budget. The budget for calendar year 2024 reflects 10 units—the five single-family homes and the five companion units. The Net Operating Income of the properties is expected to be greater than underwriting / pro forma expectations.

	ADU's				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	173,150	194,646	21,496	12%	Increased payment standard on project-based housing voucher (PBV) units, and 3% rent increase on non-PBV units.
Other Income	268	182	(86)	(32%)	
Total Revenue	173,418	194,828	21,410	12%	
Total Admin	23,295	25,293	2,001	9%	Anticipated increases in property management fee and utility processing expenses.
Total Utilities	7,723	10,770	3,046	39%	Consistent with actuals + scheduled Fiscal Year (FY) 2024 increases.
Total Repairs and Maintenance (R&M)	12,928	22,894	10,995	92%	Added salary and benefits for maintenance coverage in FY 2024.
Taxes & Insurance	6,962	14,065	7,102	102%	Added required insurance coverage + mandatory taxes.
Other Expenses	37,080	38,192	1,112	3%	Replacement Reserve deposits. \$309 per unit per month, plus 3% annual increase.
Other Debt (debt due to uncollectible rent)	-	2,700	2,700	-	Pandemic-related uncollectible-rent debt.
Total Operating Expenses	87,988	113,915	25,927	29%	Total expenses under proforma projections.
Net Income	85,349	80,913	(4,517)	(5%)	Budgeted FY24 NOI significantly greater than proforma.
Debt Service	-	-	-	-	
Entity Expenses	-	2,500	2,500	-	
Net Cash Flow	85,429	78,413	(7,017)	(8%)	Cash flow budgeted to exceed pro forma expectations.

RENTS

Rents for the single-family homes have been budgeted for a 3% rent increase. Companion units will be leased using the Housing Commission's Project-Based Housing Voucher (PBV) payment standard, as reflected in underwriting. The increase to the Housing Commission's PBV payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The budget is based on the needs of the properties 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 properties consists of one Regional Supervisor overseeing these assets. Maintenance technicians from other properties in the portfolio will provide maintenance support as needed.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2024 will be \$38,192 consistent with underwriting.

FISCAL CONSIDERATIONS

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$194,828. Total Operating Expenses will be \$113,915 for a Net Operating Income of \$80,913. 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 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) SFH/CU 2024 Property Operations Budget

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

SFHs & CUs - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	237,529	272,650
Gain Loss to Lease	(42,885)	(67,760)
Less: Vacancies	(9,732)	(10,245)
Less: Down Unit	-	-
Less: Manager's Unit	-	-
Less: Discounts and Concesss	(11,762)	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	173,150	194,646
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	62	60
Credit Check Income	-	-
Damages Cleaning Fees	103	-
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	-	-
NSF Late Charges	103	50
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	-	72
Interest Income Investments	-	-
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
Total Other Income	268	182
Total Income	173,418	194,828
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-

SFHs & CUs - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	4,050	4,417
IT Support Maintenance	-	-
Property Management Fees	12,720	13,356
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	1,259	800
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	177	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	103	2,684
Manager Salaries	-	-
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	-	-
Payroll Taxes - Manager and Admin	-	-
Workman's Comp Mgr and Admin	-	-
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	2,000	750
Cleaning and Janitorial Contract	254	300
Credit Check Service Fee	328	120
Internet and Telephone Prog Admin	-	-
Advertising	-	-
Bank Charges Program Admin	809	1,140
Mileage and Travel Exp Prog Admin	-	308
Training - Program Admin	-	-
Postage and Delivery Prog Admin	46	100
Software Exp Program Admin	1,546	1,319
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	23,292	25,293
Utilities		
Cable Expenses	-	-
Electricity	3,744	6,658
Gas	2,496	1,046
Sewer	1,484	1,480

SFHs & CUs - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	-	1,587
Total Utilities	7,724	10,770
Maintenance and Repair		
Fire Protection and Alarm	-	320
AC Contracts	-	-
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	1,030	2,000
Electrical Contracts	-	-
Furn and Appl Rplcmnt	721	-
Landscape and Grounds Contract	-	3,250
Ground Supplies	-	-
Janitorial Supplies	-	-
COVID Supplies	-	-
Maint Supplies and Materials	-	-
Plumbing Contracts	2,060	2,900
Plumbing Supplies	1,546	500
Repair and Maint Payroll	-	6,682
Payroll Taxes - Rpr and Maint	-	1,143
Employee Benefits PM Co - Program	-	428
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	53	-
Flooring	-	-
Painting Contract	309	400
Repair Contracts	3,090	3,010
Repair Supplies	3,090	1,600
Security Contract Program	-	-
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	-	-
Workman's Comp-Rpr and Maint	-	661
Remediation Expense	-	-
Uniforms	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

SFHs & CUs - 2024 Operating Summary		
	2023 Budget	2024 Budget
Total Maintenance and Repair	11,899	22,894
Extraordinary Maintenance		
Extraordinary Maintenance	1,030	-
Total Extraordinary Maintenance	1,030	-
Taxes and Insurance		
Taxes Licenses and Fees	1,169	1,200
Fidelity Bond Insurance	-	-
Insurance Other	-	-
Property and Liability Ins	5,794	8,019
Property Taxes	-	4,846
Total Taxes and Insurance	6,963	14,065
Bad Debt		
Bad Debt - Tenant Rent	-	2,500
Bad Debt - Other Tenant Charges	-	200
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	-	2,700
Other Expenses		
Tenant Services Other	-	-
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	-	-
Miscellaneous Exp Program	-	-
CY Deposit to Escrow Rplc Reserve	37,080	-
CY Deposit to Rplc Reserve	-	38,192
Total Other Expenses	37,080	38,192
Total Operating Expenses	87,988	113,915
Net Operating Income	85,430	80,913
Debt Service		

SFHs & CUs - 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	-	2,500
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	2,500
Net Cash Flow	85,430	78,413