

## REPORT

**DATE ISSUED:** December 8, 2023

**REPORT NO:** HDP23-021

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

**SUBJECT:** Town and Country 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 Town and Country, a 145-unit affordable housing property at 4066 Messina Drive, San Diego, CA 92113 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**

Town and Country is a 145-unit affordable housing property in the Mountain View neighborhood of San Diego. It consists of 24 two-story townhouse and garden-style buildings containing two and three-bedroom flat and townhouse-style units (79 two-bedroom units and 66 three-bedroom units). The property also includes a one-story building containing a central laundry facility and maintenance room. The property was acquired on November 20, 2017, by HDP Town & Country, LP. Rehabilitation of the property was completed in the winter of 2018.

The Town and Country Property Budget is prepared annually by the management company, Hyder Property Management Professionals (Hyder). The budget is reviewed and refined by 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 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 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.

	Town and Country				
	FY 2023	FY 2024	\$ Variance	% Variance	Comments
Rental Income	2,419,694	2,560,908	141,214	6%	5% rent increase
Other Income	15,439	25,820	10,385	67%	Increased Laundry Income based on actual income trend
<b>Total Revenue</b>	<b>2,435,129</b>	<b>2,586,728</b>	<b>151,599</b>	<b>6%</b>	
Total Admin	273,825	306,633	32,808	12%	Increased workers' compensation and payroll tax expense
Total Utilities	195,295	215,569	20,274	10%	Based on published increases for water (10.2%), Electric (5%) & Gas (17%)
Total Repairs and Maintenance (R&M)	448,367	485,591	37,035	8%	Enhanced tree trimming and gutter cleaning planned.
Taxes & Insurance	88,060	103,298	15,238	17%	Insurance increase (industry-wide impact)
Other Expenses	122,504	109,195	(13,309)	(11%)	Replacement reserve deposit budgeted in 2023 was higher than required.
Other Debt (debt due to uncollectible rent)	157,904	129,900	(28,004)	(18%)	Reduction in pandemic-related uncollectible-rent debt is anticipated.
<b>Total Operating Expenses</b>	<b>1,285,955</b>	<b>1,349,997</b>	<b>64,042</b>	<b>39%</b>	Extraordinary expenses: uncollectible-rent debt, insurance, and balcony inspections
<b>Net Operating Income (NOI)</b>	<b>1,149,174</b>	<b>1,236,730</b>	<b>87,557</b>	<b>8%</b>	
Debt Service	914,080	912,080	(2,000)	0%	
Entity Expense	-	10,970	10,970	-	
<b>Net Cash Flow</b>	<b>235,094</b>	<b>313,681</b>	<b>78,587</b>	<b>33%</b>	

### **RENTS**

The 2024 operating budget includes a 5% rent increase effective February 2024 for households that do not have Section 8 Housing Choice Vouchers and in March 2024 for households with a Section 8 Housing Choice Voucher.

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

### **CAPITAL PLAN**

Total deposits to the replacement reserve account in 2024 will be \$49,876. This amount is in compliance with the minimum reserve requirements per the regulatory agreements.

### **FISCAL CONSIDERATIONS**

For Fiscal Year 2024, it is anticipated that the property's Total Revenue will be \$2,586,728. Total Operating Expenses will be \$1,349,997 for a Net Operating Income of \$1,236,730. This property will continue to be closely monitored due to financial performance.

### **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 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) Town and Country - 2024 Property Operations Budget

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

Town & Country - 2024 Operating Summary		
	2023 Budget	2024 Budget
<b>INCOME</b>		
<b>Gross Potential Rent</b>		
Gross Potential Revenue	2,862,480	2,999,265
Gain Loss to Lease	(270,870)	(259,478)
Less: Vacancies	(129,581)	(136,989)
Less: Down Unit	-	-
Less: Manager's Unit	(42,336)	(41,890)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
<b>Net Rental Income</b>	<b>2,419,693</b>	<b>2,560,908</b>
<b>Other Income</b>		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	649	560
Credit Check Income	-	-
Damages Cleaning Fees	1,464	-
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	11,281	18,800
NSF Late Charges	231	4,000
Former Tenant Income	283	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	160	2,400
Interest Income - Replacement Reverse	-	60
Interest Income Investments	-	-
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	1,368	-
Security Deposit Forfeiture	-	-
<b>Total Other Income</b>	<b>15,435</b>	<b>25,820</b>
<b>Total Income</b>	<b>2,435,129</b>	<b>2,586,728</b>
<b>EXPENSES</b>		
<b>Admin</b>		
Consultant Asset Mgmt	-	-
Broker Fees	-	-

Town & Country - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	20,600	11,853
IT Support Maintenance	-	-
Property Management Fees	84,738	84,738
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	6,180	6,700
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	1,030	1,100
Manager Salaries	93,782	56,475
Office Salaries	5,967	61,824
Employee Benefits PM Co - Program Admin	8,651	17,129
Payroll Taxes - Manager and Admin	9,534	10,963
Workman's Comp Mgr and Admin	11,238	13,732
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	853	853
Legal - Program Admin	10,000	16,000
Cleaning and Janitorial Contract	3,090	3,183
Credit Check Service Fee	824	640
Internet and Telephone Prog Admin	5,356	5,880
Advertising	-	-
Bank Charges Program Admin	1,236	1,960
Mileage and Travel Exp Prog Admin	309	309
Training - Program Admin	1,236	2,550
Postage and Delivery Prog Admin	721	900
Software Exp Program Admin	8,480	9,846
Misc Program Admin	-	-
Lease Up Expenses	-	-
<b>Total Admin</b>	<b>273,825</b>	<b>306,633</b>
<b>Utilities</b>		
Cable Expenses	1,545	1,740
Electricity	23,920	28,393
Gas	28,080	45,305
Sewer	48,300	46,534

Town & Country - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	93,450	93,598
<b>Total Utilities</b>	<b>195,295</b>	<b>215,569</b>
<b>Maintenance and Repair</b>		
Fire Protection and Alarm	3,141	1,000
AC Contracts	515	-
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	3,815	6,550
Electrical Contracts	1,545	2,000
Furn and Appl Rplcmnt	2,100	-
Landscape and Grounds Contract	65,807	76,154
Ground Supplies	1,236	1,200
Janitorial Supplies	3,605	3,713
COVID Supplies	-	-
Maint Supplies and Materials	2,625	6,600
Plumbing Contracts	28,326	26,000
Plumbing Supplies	1,030	1,061
Repair and Maint Payroll	148,364	124,896
Payroll Taxes - Rpr and Maint	13,271	11,487
Employee Benefits PM Co - Program	15,846	25,693
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	5,131	10,000
Flooring	2,060	-
Painting Contract	2,100	1,760
Repair Contracts	2,060	3,055
Repair Supplies	5,665	3,249
Security Contract Program	66,810	84,416
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	59,950	81,000
Workman's Comp-Rpr and Maint	12,952	14,567
Remediation Expense	-	-
Uniforms	412	1,000
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

Town & Country - 2024 Operating Summary		
	2023 Budget	2024 Budget
<b>Total Maintenance and Repair</b>	<b>448,367</b>	<b>485,402</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	1,622	1,622
Fidelity Bond Insurance	129	125
Insurance Other	1,030	1,000
Property and Liability Ins	83,219	97,700
Property Taxes	2,060	2,851
<b>Total Taxes and Insurance</b>	<b>88,060</b>	<b>103,298</b>
<b>Bad Debt</b>		
Bad Debt - Tenant Rent	157,824	121,100
Bad Debt - Other Tenant Charges	80	8,800
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>157,904</b>	<b>129,900</b>
<b>Other Expenses</b>		
Tenant Services Other	50,004	50,004
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	-	9,375
CY Deposit to Escrow Rplc Reserve	72,500	49,816
CY Deposit to Rplc Reserve	-	-
<b>Total Other Expenses</b>	<b>122,504</b>	<b>109,195</b>
<b>Total Operating Expenses</b>	<b>1,285,955</b>	<b>1,349,997</b>
<b>Net Operating Income</b>	<b>1,149,174</b>	<b>1,236,730</b>
<b>Debt Service</b>		



Town & Country - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	210,475	228,295
Interest Expense - Mortgage	680,105	662,284
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	4,000	2,000
SDHC Bond Admin Fee	19,500	19,500
Loan Fees	-	-
<b>Total Debt Service</b>	<b>914,080</b>	<b>912,080</b>
<b>Entity Expenses</b>		
Legal Admin	-	-
Asset Management Fees	-	5,000
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	5,970
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
<b>Total Entity Expenses</b>	<b>-</b>	<b>10,970</b>
<b>Net Cash Flow</b>	<b>235,094</b>	<b>313,681</b>