

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDP23-022

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

SUBJECT: Village North Senior Garden Apartments 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 Village North Senior Garden Apartments (Village North Senior), a 120-unit affordable housing property at 7720 Belden Street, San Diego, CA 92111, for seniors with low income, with 44 units set aside for seniors who experienced 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

Village North Senior is a 120-unit affordable housing property for seniors aged 55 and older with low income, earning between 0 percent and 80 percent of the San Diego area median income (AMI). Forty-four units are set aside for seniors who experienced homelessness. The Housing Commission acquired Village North Senior on May 1, 2015. HDP acquired the leasehold interest in Village North Senior by entering into a Ground Lease with the Housing Commission. Rehabilitation of the property was completed during the first quarter of 2019.

The Village North Senior 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 the next 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 previous 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

December 8, 2023

Village North Senior Garden Apartments 2024 Property Budget

Page 2

summary chart that compares the proposed 2024 budget to the 2023 budget.

	Village North Senior				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	1,609,467	1,829,579	220,113	14%	Project-Based Voucher (PBV) units at payment standard + 3% rent increase to all non-PBV units.
Other Income	7,892	10,339	2,447	31%	Based on Fiscal Year (FY) 2023 actuals.
Total Revenue	1,617,359	1,839,918	222,560	14%	
Total Admin	216,692	224,709	8,017	4%	Property management fee .
Total Utilities	69,381	92,932	23,551	34%	Consistent with actuals + scheduled FY 2024 increases.
Total Repairs and Maintenance (R&M)	133,970	159,616	25,646	19%	Pest control, trash collection, plumbing contracts, and budgeted benefits at maximum employee election. R&M employee benefits previously reflected in Admin.
Taxes & Insurance	62,356	59,620	(2,736)	(4%)	
Other Expenses	152,704	173,311	20,607	13%	Includes SB 721 Inspections and increased Ground Lease expense. (Ground lease cost is 4.5% of income)
Other Debt (debt due to uncollectible rent)	4,870	10,000	5,130	105%	Pandemic-related uncollectible-rent debt.
Total Expenses	639,974	720,189	80,215	13%	Excluding debt from uncollectible rent, Ground Lease increase, Property Management increase, and SB721, the overall expenses increased 6%.
Net Operating Income (NOI)	977,385	1,119,729	142,345	15%	FY 2024 budgeted NOI significantly greater than pro forma expectations.
Debt Service	519,505	519,505	519,505	-	
Entity Expenses	-	-	-	-	
Net Cash Flow	457,880	600,225	142,345	31%	Increased cash flow due to PBV payment standard.

RENTS

The increase in total revenue is largely attributed to the property's units that are affordable to households with income up to 80% of AMI, for which rents will increase 3% in April 2024. Project-Based Housing Vouchers (PBVs) from the Housing Commission help pay rent for residents of the 44 units for seniors who experienced homelessness. The PBV increase is scheduled for February 2024. The PBV payment standard does not impact the resident's portion of rent.

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 property staffing consists of one full-time manager and one full-time maintenance technician.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2024 will be \$36,360, consistent with regulatory agreements.

FISCAL CONSIDERATIONS

For 2024, it is anticipated that the property's Total Revenue will be \$1,839,918. Total Operating Expenses will be \$720,189 for a Net Operating Income of \$1,119,729. 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 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) Village North Senior - 2024 Property Operations Budget

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

Village North Senior - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	2,706,843	2,829,791
Gain Loss to Lease	(987,430)	(876,012)
Less: Vacancies	(85,971)	(98,915)
Less: Down Unit	-	-
Less: Manager's Unit	(23,976)	(25,284)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	1,609,467	1,829,579
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	99	-
Credit Check Income	-	-
Damages Cleaning Fees	1,200	2,400
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	5,000	5,025
NSF Late Charges	800	800
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	71	72
Interest Income - Replacement Reverse	-	521
Interest Income Investments	122	21
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	600	1,500
Security Deposit Forfeiture	-	-
Total Other Income	7,892	10,339
Total Income	1,617,359	1,839,918
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-

Village North Senior - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	4,056	4,417
IT Support Maintenance	-	-
Property Management Fees	80,230	90,979
Bookkeeping Fees	3,686	4,170
Office Expense	1,250	50
Internet and Telephone	-	-
Office Supplies	4,500	5,250
Parking	-	-
Software Exp Admin	-	-
Copier Printer	2,000	3,600
Office Repairs and Maint	-	-
Bank Charges Admin	-	25
Mileage	-	-
Dues Subs and Memberships	750	-
Other Admin Expense	1,175	2,589
Manager Salaries	54,945	57,464
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	18,377	9,700
Payroll Taxes - Manager and Admin	4,841	5,032
Workman's Comp Mgr and Admin	7,080	4,349
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	1,700	2,000
Legal - Program Admin	5,772	10,200
Cleaning and Janitorial Contract	-	-
Credit Check Service Fee	260	260
Internet and Telephone Prog Admin	9,250	9,528
Advertising	899	2,100
Bank Charges Program Admin	2,037	1,200
Mileage and Travel Exp Prog Admin	900	900
Training - Program Admin	482	466
Postage and Delivery Prog Admin	2,300	1,250
Software Exp Program Admin	9,400	8,280
Misc Program Admin	803	900
Lease Up Expenses	-	-
Total Admin	216,693	224,709
Utilities		
Cable Expenses	-	-
Electricity	15,361	15,563
Gas	13,731	21,036
Sewer	12,889	21,295

Village North Senior - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	27,400	35,038
Total Utilities	69,381	92,932
Maintenance and Repair		
Fire Protection and Alarm	5,300	6,250
AC Contracts	3,000	3,000
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	12,086	12,449
Electrical Contracts	600	800
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	13,114	13,950
Ground Supplies	-	250
Janitorial Supplies	1,400	1,750
COVID Supplies	-	-
Maint Supplies and Materials	200	2,500
Plumbing Contracts	1,000	3,600
Plumbing Supplies	500	500
Repair and Maint Payroll	56,610	52,623
Payroll Taxes - Rpr and Maint	4,967	4,664
Employee Benefits PM Co - Program	855	9,700
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	10,827	11,800
Flooring	-	-
Painting Contract	-	-
Repair Contracts	9,012	11,000
Repair Supplies	-	-
Security Contract Program	-	-
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	13,901	20,146
Workman's Comp-Rpr and Maint	-	4,035
Remediation Expense	-	-
Uniforms	598	600
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

Village North Senior - 2024 Operating Summary		
	2023 Budget	2024 Budget
Total Maintenance and Repair	133,970	159,616
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	7,337	7,337
Fidelity Bond Insurance	-	-
Insurance Other	-	-
Property and Liability Ins	55,019	51,733
Property Taxes	-	550
Total Taxes and Insurance	62,356	59,620
Bad Debt		
Bad Debt - Tenant Rent	4,870	10,000
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	-	-
Total Bad Debt	4,870	10,000
Other Expenses		
Tenant Services Other	30,900	30,000
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	11,850	11,850
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	73,594	82,651
Miscellaneous Exp Program	-	12,450
CY Deposit to Escrow Rplc Reserve	36,360	36,360
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	152,704	173,311
Total Operating Expenses	639,974	720,189
Net Operating Income	977,385	1,119,729
Debt Service		

Village North Senior - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	130,069	133,782
Interest Expense - Mortgage	389,436	385,723
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	-
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	519,505	519,505
Entity Expenses		
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	-
Net Cash Flow	457,880	600,225

