

## REPORT

**DATE ISSUED:** December 8, 2023

**REPORT NO:** HDP23-023

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

**SUBJECT:** West Park 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 West Park, a 47-unit affordable housing property with supportive services at 1840 4<sup>th</sup> Avenue, San Diego, CA 92101, for individuals 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**

West Park is a 47-unit affordable housing property in Bankers Hill for individuals with low income who experienced homelessness. HDP acquired the leasehold interest in the property by entering into a Ground Lease with the Housing Commission. Rehabilitation of the property was completed in early 2021.

The West Park 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 Hyder Property Management Professionals (Hyder) would operate the property, effective April 1, 2024, according to the approved Property Budget. The budget is also provided to 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 similar assets 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 shows the proposed 2024 budget, with comparisons to the 2023 budget.

	West Park				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	856,121	886,102	26,657	3%	Current payment standard projected to increase 3% Sept 2024
Other Income	3,308	3,324	16	0%	
<b>Total Revenue</b>	<b>859,429</b>	<b>886,102</b>	<b>26,673</b>	<b>3%</b>	
Total Admin	155,506	162,686	7,179	5%	Property Management fee increase (percentage of rental income). Payroll, budgeted maximum employee benefit election.
Total Utilities	49,985	55,623	5,638	11%	Based on published increases for water (10.2%), Electric (5%) & Gas (17%)
Total Repairs and Maintenance (R&M)	137,493	154,287	16,794	12%	Security is being extended to cover office hours.
Taxes & Insurance	14,025	17,007	2,982	21%	Insurance increase (industry-wide impact).
Other Expenses	37,047	27,860	(9,187)	(25%)	Service provider change reduced expense.
Other Debt (debt due to uncollectible rent)	74,624	48,500	(26,124)	(35%)	Reduction in pandemic-related uncollectible rent is anticipated.
<b>Total Expenses</b>	<b>468,681</b>	<b>465,963</b>	<b>(2,717)</b>	<b>(1%)</b>	Extraordinary expenses: Significant one-time expense increases (added security, debt due to pandemic-related uncollectible rent)
<b>Net Operating Income</b>	<b>390,748</b>	<b>420,139</b>	<b>29,391</b>	<b>8%</b>	Budgeted Fiscal Year (FY) 2024 NOI significantly greater than pro forma expectations
Debt Service	96,048	94,548	(1,500)	(2%)	
Entity Expenses	-	14,322	14,322	-	
<b>Net Cash Flow</b>	<b>294,700</b>	<b>311,269</b>	<b>16,569</b>	<b>6%</b>	Revenue growth absorbed one-time expense increases

## RENTS

The property's rents are consistent with current Housing Commission payment standards for single-room occupancy (SROs) units and studios. Rent increases will be made per the increase to the Housing Commission's payment standards for project-based housing vouchers (PBVs). The increase to the PBV payment standards does not impact the resident's portion of rent.

## MAINTENANCE AND REPAIR

The budget is based on the needs of the property and is 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 maintenance technician and one porter. The maintenance technician and porter split time with Quality Inn.

### **CAPITAL PLAN**

Total deposits to the replacement reserve account in 2024 will be \$17,454, consistent with regulatory agreements.

### **FISCAL CONSIDERATIONS**

For 2024, it is anticipated that the property's Total Revenue will be \$886,102. Total Operating Expenses will be \$465,963 for a Net Operating Income of \$420,139. 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 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) West Park - 2024 Property Operations Budget

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

West Park - 2024 Operating Summary		
	2023 Budget	2024 Budget
<b>INCOME</b>		
<b>Gross Potential Rent</b>		
Gross Potential Revenue	927,936	958,835
Gain Loss to Lease	42	(1,880)
Less: Vacancies	(46,399)	(47,848)
Less: Down Unit	-	-
Less: Manager's Unit	(25,458)	(26,329)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
<b>Net Rental Income</b>	<b>856,121</b>	<b>882,778</b>
<b>Other Income</b>		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	2,500	2,500
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	600	60
NSF Late Charges	200	200
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	8	10
Interest Income Investments	-	554
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
<b>Total Other Income</b>	<b>3,308</b>	<b>3,324</b>
<b>Total Income</b>	<b>859,429</b>	<b>886,102</b>
<b>EXPENSES</b>		
<b>Admin</b>		
Consultant Asset Mgmt	2,204	2,509
Broker Fees	-	-

West Park - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	8,987	11,853
IT Support Maintenance	-	-
Property Management Fees	46,890	50,057
Bookkeeping Fees	-	-
Office Expense	700	721
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	100	-
Dues Subs and Memberships	85	871
Other Admin Expense	-	-
Manager Salaries	48,353	15,005
Office Salaries	-	47,514
Employee Benefits PM Co - Program Admin	14,978	2,498
Payroll Taxes - Manager and Admin	4,340	6,215
Workman's Comp Mgr and Admin	4,249	4,570
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	679
Legal - Program Admin	6,500	5,000
Cleaning and Janitorial Contract	1,500	1,500
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	5,326	5,576
Advertising	478	555
Bank Charges Program Admin	2,160	320
Mileage and Travel Exp Prog Admin	225	325
Training - Program Admin	700	1,500
Postage and Delivery Prog Admin	129	130
Software Exp Program Admin	6,996	5,000
Misc Program Admin	-	288
Lease Up Expenses	607	-
<b>Total Admin</b>	<b>155,506</b>	<b>162,686</b>
<b>Utilities</b>		
Cable Expenses	-	-
Electricity	27,850	26,584
Gas	3,305	5,074
Sewer	7,930	9,228

West Park - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	10,900	14,737
<b>Total Utilities</b>	<b>49,985</b>	<b>55,623</b>
<b>Maintenance and Repair</b>		
Fire Protection and Alarm	5,808	7,790
AC Contracts	600	600
Clubhouse Expense	-	-
Decorating	-	600
Elevator Contracts	4,900	6,906
Exterminating Supplies	-	-
Exterminating Contracts	4,100	4,620
Electrical Contracts	150	850
Furn and Appl Rplcmnt	200	-
Landscape and Grounds Contract	1,000	2,000
Ground Supplies	600	400
Janitorial Supplies	800	1,000
COVID Supplies	-	-
Maint Supplies and Materials	6,200	2,000
Plumbing Contracts	4,900	7,040
Plumbing Supplies	-	-
Repair and Maint Payroll	31,908	34,271
Payroll Taxes - Rpr and Maint	3,755	3,935
Employee Benefits PM Co - Program	10,334	8,744
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	700	-
Repair Contracts	5,000	5,150
Repair Supplies	-	-
Security Contract Program	37,699	50,300
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	16,200	15,300
Workman's Comp-Rpr and Maint	2,439	2,482
Remediation Expense	-	-
Uniforms	200	300
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-

West Park - 2024 Operating Summary		
	2023 Budget	2024 Budget
<b>Total Maintenance and Repair</b>	<b>137,493</b>	<b>154,287</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	2,679	1,025
Fidelity Bond Insurance	-	-
Insurance Other	-	445
Property and Liability Ins	11,346	15,537
Property Taxes	-	-
<b>Total Taxes and Insurance</b>	<b>14,025</b>	<b>17,007</b>
<b>Bad Debt</b>		
Bad Debt - Tenant Rent	71,030	34,600
Bad Debt - Other Tenant Charges	3,594	13,900
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>74,624</b>	<b>48,500</b>
<b>Other Expenses</b>		
Tenant Services Other	12,000	-
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	7,100	7,100
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	1	1
Miscellaneous Exp Program	200	3,000
CY Deposit to Escrow Rplc Reserve	17,746	17,759
CY Deposit to Rplc Reserve	-	-
<b>Total Other Expenses</b>	<b>37,047</b>	<b>27,860</b>
<b>Total Operating Expenses</b>	<b>468,681</b>	<b>465,963</b>
<b>Net Operating Income</b>	<b>390,749</b>	<b>420,139</b>
<b>Debt Service</b>		



West Park - 2024 Operating Summary		
	2023 Budget	2024 Budget
CY Mortgage Debt Payments (IS)	17,288	19,685
Interest Expense - Mortgage	64,885	62,489
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	1,750	1,750
SDHC Bond Admin Fee	10,625	10,625
Loan Fees	1,500	-
<b>Total Debt Service</b>	<b>96,048</b>	<b>94,548</b>
<b>Entity Expenses</b>		
Legal Admin	-	-
Asset Management Fees	-	5,628
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	8,695
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
<b>Total Entity Expenses</b>	<b>-</b>	<b>14,322</b>
<b>Net Cash Flow</b>	<b>294,700</b>	<b>311,269</b>