

REPORT

DATE ISSUED: December 8, 2023

REPORT NO: HDPM23-006

ATTENTION: Chair and Members of the Board of Directors of HDP Mason
For the Agenda of December 14, 2023

SUBJECT: Mason Hotel 2024 Property Budget

STAFF RECOMMENDATION:

That the HDP Mason Board of Directors (Board) take the following actions:

- 1) Approve the 2024 Property Budget for Mason Hotel.
- 2) Find that the foregoing transactions are just and reasonable as to HDP Mason for purposes of California Corporations Code Section 5234.

Please note a Conflict Disclosure Statement and a Mutual Directors Statement at the end of this report have been included because this transaction involves the San Diego Housing Commission.

SUMMARY

The Mason Hotel is a 17-unit affordable housing development in downtown San Diego for individuals with low-income at risk of homelessness. HDP Mason acquired the property in 2011. The property underwent a comprehensive rehabilitation in 2012.

The Mason Hotel 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 Mason's business plan for the asset.

Prior to January 1 of each calendar year, the HDP Mason Board adopts the annual Property Budget and authorizes Hyder 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 Operating Budget was prepared using industry data combined with the professional experience of Hyder 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 of the 2024 Operating Budget compared to the 2023 Budget.

	Mason Hotel				
	FY 2023	FY 2024	\$ Variance	% Variance	Notes
Rental Income	313,847	401,840	87,992	28%	3% increase anticipated in May of FY24. Property received greater rents than expected in FY23.
Other Income	32,606	37,573	4,967	15%	
Total Revenue	346,453	439,413	92,959	27%	
Total Admin	85,981	89,984	4,004	5%	Increase due to staff salary and employee taxes and benefits.
Total Utilities	32,626	46,311	13,685	42%	Based on September actuals + Scheduled increases.
Total R&M	49,112	83,325	34,213	70%	Now includes part time maintenance and porter salary.
Taxes & Insurance	14,737	16,423	1,686	11%	Insurance premium increase
Other Expenses	8,860	8,860	-	0%	
Bad Debt	6,070	4,000	(2,070)	(34%)	Uncollectible rent write-offs.
Total Expenses	197,386	248,904	51,518	26%	Extraordinary expenses: R&M salary and Utilities are a large part of the increase. Excluding those increases the Total expense increase is 4%.
Net Income	149,067	190,509	41,441	28%	Budgeted FY24 NOI significantly greater than proforma.
Debt Service	4,959	4,959	0	0%	
Entity Expense	-	1,500	1,500	-	
Net Cash Flow	144,108	184,050	39,941	28%	Increased cash flow due to new payment standard.

RENTS

The budget reflects the increase in the San Diego Housing Commission’s payment standard for project-based housing vouchers (PBVs), effective May 2024. The increase to 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

On-site management consists of one property manager, one assistant manager, one porter who splits hours between Hotel Churchill, Mason and Parker Kier, and one maintenance technician who split hours between Mason Hotel and Parker-Kier, and one security guard who lives on-site, fulfilling the on-site requirements for the project.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2024 will be \$8,500, consistent with regulatory agency requirements.

FISCAL CONSIDERATIONS

For 2024, it is anticipated that the property’s Total Revenue will be \$439,413. Total Operating Expenses will be \$248,904 for a Net Operating Income of \$190,509. The Net Operating Income of the property is expected to be greater than underwriting / pro forma expectations.

ENVIRONMENTAL REVIEW

Approval of the Mason Hotel operating budget is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing Facilities), which allows the operation, repair, maintenance permitting, leasing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. The parties agree that the provision of any federal funds as the result of this action is conditioned on the City of San Diego's final NEPA review and approval. No contracts will be signed, nor any action taken nor work performed under any of the contracts until such time as the appropriate NEPA clearances have been obtained.

CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Stefanie Benvenuto and Eugene "Mitch" Mitchell, and Interim President & Chief Executive Officer (CEO) of the San Diego Housing Commission (Housing Commission), Jeff Davis, are each director of HDP Mason Housing Corporation (HDP Mason), 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 HDP Mason's Board of Directors and/or as officers of HDP Mason. 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 Mason matter. Further, Mr. Davis is not compensated by HDP Mason, and he sits on the HDP Mason Board of Directors. He is legally entitled to vote and to be counted for quorum purposes for this HDP Mason matter.

None of HDP Mason'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 Mason.

Further, to the extent that HDP Mason 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 Mason. Similar disclosures will be made in the records of the Housing Commission, if and when this matter is heard by the 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 Mason, a vote on this matter should incorporate a finding that these transactions are just and reasonable as to HDP Mason.

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) Mason Hotel - 2024 Property Operations Budget

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

Mason Hotel - 2024 Operating Summary		
	2023 Budget	2024 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	379,780	449,436
Gain Loss to Lease	(27,608)	1,474
Less: Vacancies	(17,609)	(22,545)
Less: Down Unit	-	-
Less: Manager's Unit	(20,716)	(26,524)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	313,847	401,840
Other Income		
Rental Income Commercial	30,600	30,600
Prepaid Income	-	-
Application Fees	90	90
Credit Check Income	-	-
Damages Cleaning Fees	850	5,600
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	950	1,113
NSF Late Charges	100	50
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	16	120
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	32,606	37,573
Total Income	346,453	439,413
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-

Mason Hotel - 2024 Operating Summary		
	2023 Budget	2024 Budget
Audit and Tax Prep Fees	12,400	12,930
IT Support Maintenance	-	-
Property Management Fees	11,938	12,535
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	2,250	2,300
Parking	2,440	2,442
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	1,000	1,000
Manager Salaries	31,200	34,447
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	6,811	5,678
Payroll Taxes - Manager and Admin	3,701	3,948
Workman's Comp Mgr and Admin	3,120	3,990
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	2,400	2,472
Cleaning and Janitorial Contract	-	800
Credit Check Service Fee	175	60
Internet and Telephone Prog Admin	3,500	3,600
Advertising	125	120
Bank Charges Program Admin	950	1,140
Mileage and Travel Exp Prog Admin	100	50
Training - Program Admin	250	500
Postage and Delivery Prog Admin	120	100
Software Exp Program Admin	3,500	1,872
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	85,980	89,984
Utilities		
Cable Expenses	-	-
Electricity	18,284	27,926
Gas	2,598	2,669
Sewer	4,389	6,024

Mason Hotel - 2024 Operating Summary		
	2023 Budget	2024 Budget
Water	7,356	9,693
Total Utilities	32,626	46,311
Maintenance and Repair		
Fire Protection and Alarm	4,400	4,532
AC Contracts	1,500	1,500
Clubhouse Expense	2,784	2,936
Decorating	-	-
Elevator Contracts	4,100	5,200
Exterminating Supplies	-	25
Exterminating Contracts	3,700	3,750
Electrical Contracts	250	250
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	-	-
Janitorial Supplies	725	900
COVID Supplies	100	100
Maint Supplies and Materials	1,000	1,030
Plumbing Contracts	4,900	5,000
Plumbing Supplies	900	1,050
Repair and Maint Payroll	-	21,223
Payroll Taxes - Rpr and Maint	-	2,936
Employee Benefits PM Co - Program	-	3,768
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	500	515
Flooring	1,150	-
Painting Contract	800	1,000
Repair Contracts	1,200	1,200
Repair Supplies	4,700	3,990
Security Contract Program	1,000	800
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	15,403	19,000
Workman's Comp-Rpr and Maint	-	2,453
Remediation Expense	-	-
Uniforms	-	168
Insurance Claims Expense	-	-

Mason Hotel - 2024 Operating Summary		
	2023 Budget	2024 Budget
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	49,112	83,325
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	500	650
Fidelity Bond Insurance	50	50
Insurance Other	2,789	2,359
Property and Liability Ins	8,898	10,758
Property Taxes	2,500	2,607
Total Taxes and Insurance	14,737	16,423
Bad Debt		
Bad Debt - Tenant Rent	2,100	3,800
Bad Debt - Other Tenant Charges	3,970	200
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	6,070	4,000
Other Expenses		
Tenant Services Other	360	360
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	-	-
CY Deposit to Rplc Reserve	8,500	8,500
Total Other Expenses	8,860	8,860
Total Operating Expenses	197,386	248,904
Net Operating Income	149,067	190,509

Mason Hotel - 2024 Operating Summary		
	2023 Budget	2024 Budget
Debt Service		
CY Mortgage Debt Payments (IS)	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	4,959	4,959
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	4,959	4,959
Entity Expenses		
Legal Admin	-	1,500
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	1,500
Net Cash Flow	144,108	184,050