

2025 PROPERTY OPERATING BUDGETS

Housing Development Partners (HDP) and HDP Mason
Board Meeting
December 12, 2024

Emmanuel Arellano, Vice President of Asset Management
Branden Sarkissian, Director of Asset Management

2025 Property Operating Budgets Agenda

- 2025 Budget Overview
- Total Operating Income
- Total Operating Expenses
- Net Operating Income Compared to Actuals
- Financial Performance Monitoring

2025 Property Operating Budgets Per Unit, Per Year

- Total Operating Income budget:
 - HDP Portfolio: \$22,059 per unit per year
 - Mason Hotel: \$26,659 per unit per year
- Total Operating Expenses budget:
 - HDP Portfolio: \$10,049 per unit per year
 - Mason Hotel: \$16,672 per unit per year
- Total Net Operating Income budget:
 - HDP Portfolio: \$12,011 per unit per year
 - Mason Hotel: \$9,987 per unit per year

“Per Unit, Per Year” figures are consistent with comparable figures for similar properties as provided by other management firms.

2025 Property Operating Budgets

HDP Property Budgets Combined

	2024 Budget	2025 Budget	2025 Budget PUPA	% Var 2024 Budget vs 2025 Budget	\$ Var 2024 Budget vs 2025 Budget
INCOME					
Net Rental Income	21,167,472	22,938,151	21,338	8%	1,770,679
Total Other Income	478,080	400,574	373	-16%	(77,506)
Total Income	21,645,552	23,338,725	21,710	8%	1,693,173
EXPENSES					
Total Admin	2,816,532	2,816,626	2,620	0%	94
Total Utilities	1,751,904	1,785,642	1,661	2%	33,738
Total Maintenance and Repair	2,929,764	3,183,157	2,961	9%	253,393
Total Extraordinary Maintenance	-	-	-	0%	-
Total Taxes and Insurance	762,468	900,191	837	18%	137,723
Total Debt - Uncollectible Rent	289,080	271,264	252	-6%	(17,816)
Total Other Expenses	1,754,652	1,674,670	1,558	-5%	(79,982)
Total Operating Expenses	10,304,400	10,631,550	9,890	3%	327,150
Net Operating Income	11,341,152	12,707,175	11,821	12%	1,366,023
Total Debt Service	4,655,484	4,644,658	4,321	0%	(10,826)
Total Entity Expenses	157,308	152,308	142	-3%	(5,000)
Net Cash Flow	6,528,360	7,910,208	7,358	21%	1,381,848

2025 Property Operating Budgets

Mason Hotel Property Budget

	2024 Budget	2025 Budget	2025 Budget PUPA	% Var 2024 Budget vs 2025 Budget	\$ Var 2024 Budget vs 2025 Budget
INCOME					
Net Rental Income	401,844	451,652	26,568	12%	49,808
Total Other Income	37,584	1,551	91	-96%	(36,033)
Total Income	439,428	453,203	26,659	3%	13,775
EXPENSES					
Total Admin	90,000	114,176	6,716	27%	24,176
Total Utilities	46,308	47,343	2,785	2%	1,035
Total Maintenance and Repair	83,352	93,082	5,475	12%	9,730
Total Extraordinary Maintenance	-	-	-	0%	-
Total Taxes and Insurance	16,416	19,738	1,161	20%	3,322
Total Debt - Uncollectible Rent	4,008	226	13	-94%	(3,782)
Total Other Expenses	8,856	8,860	521	0%	4
Total Operating Expenses	248,940	283,425	16,672	14%	34,485
Net Operating Income	190,488	169,778	9,987	-11%	(20,710)
Total Debt Service	4,956	4,959	292	0%	3
Total Entity Expenses	1,500	1,500	88	0%	-
Net Cash Flow	184,032	163,319	9,607	-11%	(20,713)

2025 Property Operating Budgets

Total Income

- Total Loss to Lease (the difference between current rent and maximum allowable rent)
 - 2025 portfolio budgeted Loss to Lease is \$2,732,256.
 - The four properties with the largest Loss to Lease are: Knox Glen, Town & Country, Village North Seniors and Mariner's Village.
 - Asset Management is continuing to reduce Loss to Lease by sustainably increasing revenues.
- The proposed 2025 Operating Budgets reflect the following rent increases:
 - Knox Glen – 5%
 - Town & Country – 5%
 - Village North Seniors – 5%
 - Mariners Village – 8.6%
 - All other PBV projects – 3%
 - Proposed rent increases follow AB 1482.

2025 Property Operating Budgets

Total Operating Expenses

- One third of the HDP portfolio provides permanent affordable rental housing with supportive services for people who experienced homelessness (Permanent Supportive Housing).
 - These properties present unique operating challenges, such as higher security, unit repair and turnover expenses.
- Mason Hotel is a Permanent Supportive Housing property.



Quality Inn
91 Permanent Supportive Housing units

2025 Property Operating Budgets

Economic Impacts

- City of San Diego indicated increased water and sewer rates of 4% in 2025.
- SDG&E has indicated that estimated rate increases for 2025 are:
 - 4% for electricity
 - 8% for gas
- Anticipated increases in costs for contracted trade services, such as landscapers, painters and plumbers.
- Competitive job market results in a longer searches to fill vacant job openings.

2025 Property Operating Budgets

Expense Increases

- Additional insurance coverage for pollution events, which resulted in an additional \$51,563 increase.
- Insurance Premium increase: ~20.5% (September 2024 – August 2025)
 - 2023-2024: \$607,751
 - 2024-2025: \$732,575
- Remaining four months of 2024 (September 2025 – December 2025) budgeted at a 15% increase.
- Premium increases continue to be a likely occurrence industry-wide.
 - The HDP portfolio benefited from economies of scale by having all properties under one umbrella policy.

2025 Property Operating Budgets

Net Operating Income

- 2025 budgeted portfolio Net Operating Income is expected to exceed 2024 portfolio Annualized Net Operating Income by 16%, or \$1.8 million.
- FY2025 budget accounts for increased economies of scale due to the recent Property Management Changes and increased rental payment standards.
- While expenses are expected to continue to grow given the aging portfolio, HDP will continue the ongoing focus and efforts to identify cost-mitigating opportunities throughout the entire portfolio.
- HDP will utilize available programs to reduce expenses, including but not limited to, utility saving programs, solar installation, etc.



*New Palace Hotel
79 affordable apartments for seniors
at risk of or who experienced
homelessness
Photo: Griffin Photography*

2025 Property Operating Budgets

Financial Performance Monitoring & Physical Preservation

- Continue to closely monitor the monthly financial performance for proper and timely intervention if any negative trends are identified.
- Continue to focus on cost containment, expense approval controls and close oversight of the assets.
- Continue to provide oversight of the physical performance of the properties for the long-term preservation of the assets in accordance with Physical Needs Assessment reports.

2025 Property Operating Budgets

Staff Recommendations

Staff recommends that the HDP and HDP Mason Board of Directors approve the 2025 Property Budgets as detailed in the staff reports for the following properties:

- Single-Family Homes/Companion Units
- Casa Colina
- Hotel Churchill
- Knox Glen
- Mariner's Village
- New Palace Hotel
- Parker Kier
- Quality Inn
- San Diego Square
- Town and Country
- Village North Senior
- West Park
- Mason Hotel

2025 Property Operating Budgets

Questions/Comments