

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-014

ATTENTION: Chair and Members of the Board of Directors of Housing Development Partners of San Diego
For the Agenda of December 12, 2024

SUBJECT: Hotel Churchill 2025 Property Budget

STAFF RECOMMENDATION:

- That the Housing Development Partners (HDP) Board of Directors (Board) take the following actions:
- 1) Approve the 2025 Property Budget for Hotel Churchill, a 73-unit affordable housing property at 827 C Street in downtown San Diego that provides affordable housing with supportive services for individuals with low income 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

Hotel Churchill is a 73-unit property in downtown San Diego that serves individuals with low income who experienced homelessness. The Housing Commission acquired the property in 2011. HDP developed the property in 2016, utilizing a Ground Lease with the Housing Commission which was effective April 2015.

The Hotel Churchill Property Budget is prepared annually by the management company, Hyder & Company (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 each calendar year, the HDP 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 2025 Property Budget.

BUDGET SUMMARY

The 2025 Operating 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 2025 Operating Budget compared to the 2024 Budget.

	Hotel Churchill				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	1,799,592	1,971,146	171,554	10%	<i>Rent increase scheduled to align rents closer to published payment standards for sponsor-based vouchers as of August 2024 (FY 2025). No impact on the tenant’s portion of the rent.</i>
Other Income	38,844	38,658	(186)	0%	

Total Revenue	1,838,436	2,009,804	171,368	9%	
Total Admin	255,012	277,477	22,465	9%	<i>Increases in payroll, benefits and legal contracts expenses.</i>
Total Utilities	124,872	131,952	7,080	6%	<i>Based on FY 2024 actuals and scheduled increases.</i>
Total R&M	286,908	303,067	16,159	6%	<i>Increased exterminating, payroll, and security expenses.</i>
Taxes & Insurance	35,652	46,239	10,587	30%	<i>Insurance premium increase (industry-wide impact).</i>
Other Expenses	138,156	143,864	5,708	4%	
Other Debt (uncollectible rent write-offs)	18,396	31,735	13,339	73%	<i>Pandemic-related uncollectible-rent debt.</i>
Total Operating Expenses	858,996	934,334	75,338	9%	
Net Operating Income	979,440	1,075,469	96,029	10%	
Debt Service	7,560	7,560	0	0%	
Total Entity Expenses	12,672	13,048	376	3%	
Net Cash Flow	959,208	1,054,861	95,653	10%	

RENTS

The 2025 Property Budget reflects a revenue increase due to the project increasing rents to more closely align with the Housing Commission’s payment standard for sponsor-based vouchers. The increase to the payment standard does not impact the resident’s portion of rent.

MAINTENANCE AND REPAIR

The 2025 budget reflects an increase in overall maintenance. 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 full-time staff for the property consists of one property manager, one assistant manager, and one maintenance technician. The property also has one full-time porter which is shared with other Hyder-managed HDP properties.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$49,742, consistent with regulating agreements.

CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Eugene “Mitch” Mitchell and Ryan Clumpner, and the San Diego Housing Commission’s (Housing Commission) President and Chief Executive Officer (President and CEO), Lisa Jones, 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 President and CEO Jones have no conflict of interest as discussed below.

The Commissioners and President and CEO Jones receive no compensation for their service on 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 President and CEO Jones 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.

San Diego City Councilmember and Housing Authority member, Councilmember Stephen Whitburn, is also a Director of HDP. Councilmember Whitburn is not compensated for his service on the HDP Board or as an officer of HDP. As it relates to this matter, as a Housing Authority member, Councilmember Whitburn has a noninterest under California Government Code section 1091.5(a)(9). This disclosure shall be incorporated into the record of the Housing Authority, if and when this matter is heard by the Housing Authority.

Further, because of their non-interests, the Commissioners, as members of the Housing Commission Board of Commissioners, and Councilmember Whitburn, as a member of the Housing Authority, are entitled to vote on this matter and may be counted for quorum.

Further, no HDP Director or officer has a financial interest in this matter that would legally preclude their participation under the provisions of California Government Code section 87100 et. seq.

The Commissioners are not compensated for their services on the board of the Housing Commission, a public agency. Councilmember Whitburn's compensation as a member of the Housing Authority, a public agency, is a non-interest under Government Code section 1091.5(a)(9). Further, Ms. Jones' compensation from a public agency, the Housing Commission, is a noninterest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq.

Finally, to the extent that HDP is a public agency for local Ethics Ordinance purposes, neither the Commissioners, Ms. Jones, nor Councilmember Whitburn have any conflicts of interest under the local ethics ordinance that would preclude their actions in this matter or from being counted for quorum purposes.

These disclosures shall be and are hereby documented in the official records of the Housing Commission and Housing Authority.

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,

Branden Sarkissian

Branden Sarkissian
Director of Asset Management
Housing Development Partners

Approved by,

Emmanuel Arellano

Emmanuel Arellano
Vice President of Asset Management
Housing Development Partners

Attachments: 1) Churchill – 2025 Property Operations Budget
 2) Churchill – 2025 Replacement Reserves

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

Hotel Churchill - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	1,922,016	1,975,599
Gain Loss to Lease	-	129,648
Less: Vacancies	(96,096)	(105,262)
Less: Down Unit	-	-
Less: Manager's Unit	(26,328)	(28,839)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	1,799,592	1,971,146
Other Income		
Rental Income Commercial	31,248	34,248
Prepaid Income	-	-
Application Fees	216	350
Credit Check Income	-	-
Damages Cleaning Fees	3,000	-
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	3,600	3,400
NSF Late Charges	180	60
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	600	600
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	38,844	38,658
Total Income	1,838,436	2,009,804
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	13,464	13,850

Hotel Churchill - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	89,064	90,228
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	4,404	4,563
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	96	240
Dues Subs and Memberships	-	-
Other Admin Expense	1,104	1,144
Manager Salaries	94,164	104,080
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	17,124	19,616
Payroll Taxes - Manager and Admin	8,484	9,240
Workman's Comp Mgr and Admin	10,980	12,230
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	3,000	7,000
Cleaning and Janitorial Contract	900	932
Credit Check Service Fee	324	310
Internet and Telephone Prog Admin	5,064	5,246
Advertising	204	-
Bank Charges Program Admin	1,116	1,600
Mileage and Travel Exp Prog Admin	96	-
Training - Program Admin	804	2,000
Postage and Delivery Prog Admin	252	396
Software Exp Program Admin	4,368	4,801
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	255,012	277,477

Hotel Churchill - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	1,572	1,748
Electricity	91,128	94,773
Gas	5,172	5,498
Sewer	10,332	11,183
Water	16,668	18,750
Total Utilities	124,872	131,952
Maintenance and Repair		
Fire Protection and Alarm	14,004	14,508
AC Contracts	996	1,000
Clubhouse Expense	504	522
Decorating	-	-
Elevator Contracts	7,344	7,608
Exterminating Supplies	96	99
Exterminating Contracts	7,656	10,686
Electrical Contracts	996	1,032
Furn and Appl Rplcmt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	156	192
Janitorial Supplies	1,704	2,047
COVID Supplies	-	-
Maint Supplies and Materials	1,956	1,800
Plumbing Contracts	3,000	3,150
Plumbing Supplies	900	932
Repair and Maint Payroll	79,752	83,642
Payroll Taxes - Rpr and Maint	7,392	7,687
Employee Benefits PM Co - Program	13,920	15,693
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	756	1,000
Repair Contracts	5,124	5,308
Repair Supplies	3,936	2,147
Security Contract Program	111,312	115,319
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	13,320	16,186

Hotel Churchill - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	9,384	9,709
Remediation Expense	-	-
Uniforms	300	311
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	2,400	2,486
Total Maintenance and Repair	286,908	303,067
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	3,300	3,419
Fidelity Bond Insurance	96	99
Insurance Other	696	870
Property and Liability Ins	31,560	41,820
Property Taxes	-	30
Total Taxes and Insurance	35,652	46,239
Bad Debt - Tenant Rent	16,500	31,735
Bad Debt - Other Tenant Charges	1,896	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	18,396	31,735
Other Expenses		
Tenant Services Other	1,464	1,460
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	10,800	11,680
Relocation Costs	-	-

Hotel Churchill - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	77,832	80,982
Miscellaneous Exp Program	-	-
CY Deposit to Escrow Rplc Reserve	-	-
CY Deposit to Rplc Reserve	48,060	49,742
Total Other Expenses	138,156	143,864
Total Operating Expenses	858,996	934,334
Net Operating Income	979,440	1,075,469
Debt Service		
CY Mortgage Debt Payments (IS)	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	7,560	7,560
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	7,560	7,560
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	12,672	13,048
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	12,672	13,048
Net Cash Flow	959,208	1,054,861

Hotel Churchill 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	307,236
Deposit to Reserves	50,342
Use of Reserves (Capital Expenditures)	<u>(33,608)</u>
Ending Balance of Replacement Reserves	323,970