

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-015

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

SUBJECT: Knox Glen 2025 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 Knox Glen, a 54-unit affordable housing development at 4754 Logan Avenue, San Diego, CA 92113, for families with low income.
- 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

Knox Glen Townhomes is a 54-unit affordable housing property in the southeastern area of San Diego, developed by HDP in 1996 with low-income housing tax credits (LIHTC).

In 2013, the property was refinanced and rehabilitated in a partnership with Retirement Housing Foundation under a new entity name, Logan Development II, LP.

The Knox Glen 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 each 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 2025 Property Budget.

BUDGET SUMMARY

The 2025 Property Budget was prepared using historical data from actual property operations combined with the professional experience of CONAM and HDP's asset management team. Below is a summary chart, which compares the proposed 2025 budget to the 2024 budget.

	Knox Glen				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	921,828	984,437	62,609	7%	5% rent increase of current rents.
Other Income	8,136	4,805	(3,331)	-41%	Conservative approach on unguaranteed miscellaneous income.
Total Revenue	929,964	989,242	59,278	6%	
Total Admin	133,524	143,385	9,861	7%	Increased payroll and benefits and office needs.
Total Utilities	106,704	130,803	24,099	23%	Based on FY 2024 actuals and FY 2025 scheduled increases.
Total Repairs & Maintenance (R&M)	191,340	235,076	43,736	23%	Increases in R&M based on property need and physical needs assessment.
Taxes & Insurance	49,056	59,278	10,222	21%	Insurance increase (industry-wide impact).
Other Expenses	28,236	26,278	(1,958)	-7%	SB 721 inspections conducted in FY 2024 and not needed in FY 2025.
Other Debt (uncollectible rent write-offs)	26,496	19,689	(6,807)	-26%	Uncollectible-rent debt.
Total Operating Expenses	535,356	614,509	79,153	15%	Extraordinary expenses: R&M, uncollectible-rent debt and insurance premium.
NOI	394,608	374,734	(19,874)	-5%	Decreased due to significant property needs in year 13.
Debt Service	233,736	233,729	(7)	0%	
Total Entity Expenses	25,380	25,693	313	1%	
Net Cash Flow	135,492	115,312	(20,180)	-15%	

RENTS

The 2025 Property Budget includes a 5% rent increase for all units in March and April.

MAINTENANCE AND REPAIR

The budget is based on the needs of the property. 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

Staff has included a modest amount for unit turnover expenses from the Capital Budget. Total deposits to the replacement reserve account in 2025 will be \$21,395 consistent with regulatory 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) Knox Glen – 2025 Property Operations Budget
 2) Knox Glen – 2025 Replacement Reserves

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

Knox Glen - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	1,188,840	1,263,857
Gain Loss to Lease	(195,264)	(200,727)
Less: Vacancies	(49,680)	(53,156)
Less: Down Unit	-	-
Less: Manager's Unit	(22,068)	(25,536)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	921,828	984,437
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	180	180
Credit Check Income	-	-
Damages Cleaning Fees	600	600
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	1,404	1,425
NSF Late Charges	-	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	4,716	2,000
Interest Income - Replacement Reverse	1,236	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	8,136	4,805
Total Income	929,964	989,242
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	13,464	13,850

Knox Glen - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	42,180	38,880
Bookkeeping Fees	-	-
Office Expense	-	2,500
Internet and Telephone	-	-
Office Supplies	2,604	2,864
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	996	1,032
Manager Salaries	43,536	49,915
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	8,760	8,757
Payroll Taxes - Manager and Admin	3,972	4,459
Workman's Comp Mgr and Admin	3,408	5,866
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	828	-
Legal - Program Admin	3,600	4,320
Cleaning and Janitorial Contract	600	622
Credit Check Service Fee	324	336
Internet and Telephone Prog Admin	3,504	3,630
Advertising	-	200
Bank Charges Program Admin	1,248	1,293
Mileage and Travel Exp Prog Admin	96	300
Training - Program Admin	696	721
Postage and Delivery Prog Admin	204	211
Software Exp Program Admin	3,504	3,630
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	133,524	143,385

Knox Glen - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	14,448	15,026
Gas	1,812	1,926
Sewer	30,264	42,612
Water	60,180	71,239
Total Utilities	106,704	130,803
Maintenance and Repair		
Fire Protection and Alarm	3,600	11,797
AC Contracts	300	-
Clubhouse Expense	960	995
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	100
Exterminating Contracts	3,156	3,270
Electrical Contracts	504	-
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	16,404	20,995
Ground Supplies	348	361
Janitorial Supplies	864	1,479
COVID Supplies	-	-
Maint Supplies and Materials	4,020	4,020
Plumbing Contracts	7,500	22,514
Plumbing Supplies	1,800	2,311
Repair and Maint Payroll	51,360	52,773
Payroll Taxes - Rpr and Maint	4,572	4,676
Employee Benefits PM Co - Program	8,760	8,757
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	3,996	4,140
Flooring	-	-
Painting Contract	1,044	1,082
Repair Contracts	2,400	7,500
Repair Supplies	5,400	5,670
Security Contract Program	11,424	12,109
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	58,596	64,456

Knox Glen - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	3,996	6,074
Remediation Expense	-	-
Uniforms	336	-
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	191,340	235,076
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	1,668	1,728
Fidelity Bond Insurance	60	62
Insurance Other	432	448
Property and Liability Ins	43,512	53,534
Property Taxes	3,384	3,506
Total Taxes and Insurance	49,056	59,278
Bad Debt - Tenant Rent	26,496	19,689
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	26,496	19,689
Other Expenses		
Tenant Services Other	1,080	1,080
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	3,504	3,803
Relocation Costs	-	-

Knox Glen - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	-	-
Miscellaneous Exp Program	3,000	-
CY Deposit to Escrow Rplc Reserve	20,652	21,395
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	28,236	26,278
Total Operating Expenses	535,356	614,509
Net Operating Income	394,608	374,734
Debt Service		
CY Mortgage Debt Payments (IS)	75,120	79,920
Interest Expense - Mortgage	154,476	149,670
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	-
SDHC Bond Admin Fee	4,140	4,139
Loan Fees	-	-
Total Debt Service	233,736	233,729
Legal Admin	-	-
Asset Management Fees	10,380	10,693
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	15,000	15,000
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	25,380	25,693
Net Cash Flow	135,492	115,312

Knox Glen 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	87,967
Deposit to Reserves	21,395
Use of Reserves (Capital Expenditures)	<u>(101,540)</u>
Ending Balance of Replacement Reserves	7,822