

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-018

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

SUBJECT: Parker Kier 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 Parker Kier, a 34-unit affordable housing property at 2172 Front Street, San Diego, CA 92101, for individuals with low income who experienced homelessness or are at risk of 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

Parker Kier is a 34-unit affordable housing property in downtown San Diego, in which 22 units are for individuals with low income who experienced homelessness, and 11 units are for individuals with low income at risk of homelessness. HDP developed the property in 2012, utilizing a Ground Lease with the Housing Commission.

The Parker Kier Property Budget is prepared annually by the management company, Hyder Property Management Professionals (Hyder). 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 Hyder to operate the property according to that approved budget.

Staff is requesting approval of the 2025 Property Budget.

BUDGET SUMMARY

The 2025 Property 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.

	Parker Kier				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	858,804	910,600	51,796	6%	<i>Rent is anticipated to increase to more closely align with the Housing Commission's payment standards, which are anticipated to increase in 2025. No impact on the resident's portion of the rent.</i>
Other Income	8,808	1,496	(7,312)	-83%	<i>Less anticipated damage and cleaning fees.</i>
Total Revenue	867,612	912,097	44,485	5%	
Total Admin	93,252	117,827	24,575	26%	<i>Admin increased due to property management fee and software expenses.</i>
Total Utilities	97,320	101,557	4,237	4%	<i>Expenses based on FY 2024 actuals and scheduled increases.</i>
Total Repairs & Maintenance (R&M)	176,016	189,448	13,432	8%	<i>Increases in security, payroll and turnover contracts.</i>
Taxes & Insurance	20,832	26,383	5,551	27%	<i>Insurance premium increase</i>
Other Expenses	52,080	55,168	3,088	6%	<i>Ground lease rent</i>
Other Debt (uncollectible rent write-offs)	4,104	3,187	(917)	-22%	<i>Uncollectible-rent debt.</i>
Total Operating Expenses	443,604	493,571	49,967	11%	
Net Operating Income	424,008	418,526	(5,482)	-1%	
Debt Service	0	0	0	0%	
Total Entity Expenses	9,996	10,000	4	0%	
Net Cash Flow	414,012	408,526	(5,486)	-1%	

RENTS

The 2025 Property Budget reflects a revenue increase due to anticipated increases in the Housing Commission's payment standard for project-based vouchers and sponsor-based vouchers. The increase to the payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The budget reflects increased maintenance and repair expenses based on the 2024 actuals. 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 property staffing consists of one full-time manager, one full-time assistant and one maintenance technician who splits time at Parker Kier and Mason Hotel.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$13,200, 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) Parker Kier – 2025 Property Operations Budget
 2) Parker Kier – 2025 Replacement Reserves

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

Parker Kier - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	934,656	1,103,196
Gain Loss to Lease	-	(112,503)
Less: Vacancies	(46,728)	(49,535)
Less: Down Unit	-	-
Less: Manager's Unit	(29,124)	(30,558)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	858,804	910,600
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	156	120
Credit Check Income	-	-
Damages Cleaning Fees	5,028	-
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	2,004	1,088
NSF Late Charges	-	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	120	288
Interest Income Investments	-	-
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	1,500	-
Security Deposit Forfeiture	-	-
Total Other Income	8,808	1,496
Total Income	867,612	912,097
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	4,416	4,545

Parker Kier - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	24,588	42,024
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	2,496	3,779
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	34,452	35,886
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	5,676	5,678
Payroll Taxes - Manager and Admin	3,948	4,057
Workman's Comp Mgr and Admin	3,984	4,155
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	3,600	3,730
Cleaning and Janitorial Contract	480	993
Credit Check Service Fee	324	198
Internet and Telephone Prog Admin	3,252	3,369
Advertising	120	-
Bank Charges Program Admin	1,140	1,600
Mileage and Travel Exp Prog Admin	96	150
Training - Program Admin	996	1,000
Postage and Delivery Prog Admin	156	-
Software Exp Program Admin	2,532	5,631
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	93,252	117,827

Parker Kier - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	61,056	63,498
Gas	14,976	15,919
Sewer	8,760	9,110
Water	12,528	13,029
Total Utilities	97,320	101,557
Maintenance and Repair		
Fire Protection and Alarm	6,672	6,912
AC Contracts	300	500
Clubhouse Expense	2,004	2,076
Decorating	-	-
Elevator Contracts	5,904	4,708
Exterminating Supplies	36	44
Exterminating Contracts	5,196	5,383
Electrical Contracts	852	1,750
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	1,500
Ground Supplies	504	200
Janitorial Supplies	1,200	1,500
COVID Supplies	96	50
Maint Supplies and Materials	2,952	2,773
Plumbing Contracts	4,800	4,973
Plumbing Supplies	1,200	1,200
Repair and Maint Payroll	48,204	52,424
Payroll Taxes - Rpr and Maint	4,992	5,314
Employee Benefits PM Co - Program	8,052	8,136
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	1,440	4,227
Flooring	-	2,000
Painting Contract	528	750
Repair Contracts	3,696	1,841
Repair Supplies	3,804	3,830
Security Contract Program	57,732	60,619
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	10,032	10,393

Parker Kier - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	5,604	6,096
Remediation Expense	-	-
Uniforms	216	250
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	176,016	189,448
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	4,896	5,072
Fidelity Bond Insurance	48	54
Insurance Other	396	676
Property and Liability Ins	15,492	20,580
Property Taxes	-	-
Total Taxes and Insurance	20,832	26,383
Bad Debt - Tenant Rent	1,200	3,187
Bad Debt - Other Tenant Charges	2,904	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	4,104	3,187
Other Expenses		
Tenant Services Other	684	850
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	912	939
Relocation Costs	-	-

Parker Kier - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	37,284	40,179
Miscellaneous Exp Program	-	-
CY Deposit to Escrow Rplc Reserve	-	-
CY Deposit to Rplc Reserve	13,200	13,200
Total Other Expenses	52,080	55,168
Total Operating Expenses	443,604	493,571
Net Operating Income	424,008	418,526
Debt Service		
CY Mortgage Debt Payments (IS)	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	-
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	-	-
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	9,996	10,000
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	9,996	10,000
Net Cash Flow	414,012	408,526

Parker Kier
2025 Replacement Reserves

Beginning Balance of Replacement Rsv	40,500
Deposit to Reserves	13,200
Use of Reserves (Capital Expenditures)	<u>(11,450)</u>
Ending Balance of Replacement Reserves	42,250