

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-020

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

SUBJECT: San Diego Square 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 San Diego Square, a 156-unit affordable housing property at 1055 9th Avenue, San Diego, CA 92101, for seniors 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

San Diego Square is a 156-unit affordable housing property for seniors with low income, earning between 50 percent and 60 percent of the San Diego area median income. The property was acquired on November 25, 2014, by HDP Broadway LP. Rehabilitation started on December 1, 2014, and was completed on December 17, 2015.

The San Diego Square 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 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.

	San Diego Square				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	3,682,020	3,807,397	125,377	3%	HUD approved rent increase of 4% in December 2024.
Other Income	99,408	102,350	2,942	3%	Increase in commercial rent
Total Revenue	3,781,428	3,909,747	128,319	3%	
Total Admin	393,024	369,563	(23,461)	-6%	Decrease in property management fees due to change in property management company.
Total Utilities	381,360	354,454	(26,906)	-7%	Based on FY 2024 actuals and scheduled increases.
Total R&M	428,748	475,040	46,292	11%	Increases in fire protection, security contract, payroll, elevator contract and exterminating contract
Taxes & Insurance	157,740	191,203	33,463	21%	Increased insurance coverage limits
Other Expenses	414,852	330,960	(83,892)	-20%	Ceased additional reserve deposit which was to cover necessary generator repairs/replacement.
Other Debt (uncollectible rent write-offs)	1,200	-	(1,200)	-100%	
Total Operating Expenses	1,776,924	1,721,220	(55,704)	-3%	
NOI	2,004,504	2,188,528	184,024	9%	
Debt Service	1,035,744	1,035,753	9	0%	
Total Entity Expenses	21,528	21,720	192	1%	
Net Cash Flow	947,232	1,131,055	183,823	19%	

RENTS

The property has a direct contract with the U.S. Department of Housing and Urban Development (HUD) that assists residents with their rent. The Housing Commission does not administer the HUD contract. The 2025 budget reflects an increase in revenue due to an approved increase in the payment standard for HUD PBVs, effective in December 2024. The increase to the HUD PBV payment standard does not impact the resident’s portion of rent.

MAINTENANCE AND REPAIRS

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 staff for the property consists of one full-time property manager, one full-time assistant manager, one full-time maintenance technician and one full-time porter.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$54,600, consistent with the 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.

December 6, 2024
San Diego Square 2025 Property Budget
Page 4

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) San Diego Square – 2025 Property Operations
 2) San Diego Square – 2025 Replacement Reserves

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

San Diego Square - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	3,921,168	4,083,425
Gain Loss to Lease	(3,000)	(9,226)
Less: Vacancies	(195,912)	(203,710)
Less: Down Unit	-	-
Less: Manager's Unit	(40,236)	(63,092)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	3,682,020	3,807,397
Other Income		
Rental Income Commercial	84,696	87,885
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	696	806
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	7,200	7,459
NSF Late Charges	120	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	1,500	1,000
Interest Income - Replacement Reverse	96	100
Interest Income Investments	96	100
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	5,004	5,000
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
Total Other Income	99,408	102,350
Total Income	3,781,428	3,909,747
EXPENSES		
Admin		
Consultant Asset Mgmt	6,096	7,163
Broker Fees	-	246
Audit and Tax Prep Fees	14,772	15,253

San Diego Square - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	132,504	112,320
Bookkeeping Fees	15,396	15,950
Office Expense	2,940	4,124
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	-	-
Copier Printer	2,532	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	480	497
Other Admin Expense	-	-
Manager Salaries	109,092	106,148
Office Salaries	4,056	3,960
Employee Benefits PM Co - Program Admin	25,776	25,764
Payroll Taxes - Manager and Admin	10,320	10,074
Workman's Comp Mgr and Admin	8,556	8,575
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	20,508	21,246
Legal - Program Admin	2,796	2,642
Cleaning and Janitorial Contract	-	-
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	17,700	18,337
Advertising	1,116	1,156
Bank Charges Program Admin	900	3,160
Mileage and Travel Exp Prog Admin	552	440
Training - Program Admin	2,256	3,880
Postage and Delivery Prog Admin	516	191
Software Exp Program Admin	13,512	7,504
Misc Program Admin	648	932
Lease Up Expenses	-	-
Total Admin	393,024	369,563

San Diego Square - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	206,076	170,275
Gas	104,976	105,243
Sewer	26,448	26,642
Water	43,860	52,294
Total Utilities	381,360	354,454
Maintenance and Repair		
Fire Protection and Alarm	19,488	31,521
AC Contracts	28,056	30,344
Clubhouse Expense	-	-
Decorating	2,496	3,521
Elevator Contracts	20,952	24,524
Exterminating Supplies	-	-
Exterminating Contracts	14,904	18,255
Electrical Contracts	6,000	6,074
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	18,000	18,265
Ground Supplies	1,800	847
Janitorial Supplies	3,252	4,646
COVID Supplies	-	-
Maint Supplies and Materials	6,600	8,107
Plumbing Contracts	14,196	14,707
Plumbing Supplies	-	-
Repair and Maint Payroll	86,244	91,428
Payroll Taxes - Rpr and Maint	7,884	8,279
Employee Benefits PM Co - Program	31,512	32,016
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	-	-
Repair Contracts	21,720	22,502
Repair Supplies	-	-
Security Contract Program	112,800	125,915
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	25,812	26,489

San Diego Square - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	6,684	7,101
Remediation Expense	-	-
Uniforms	348	500
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	428,748	475,040
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	4,452	4,586
Fidelity Bond Insurance	-	-
Insurance Other	1,344	1,344
Property and Liability Ins	128,748	161,382
Property Taxes	23,196	23,892
Total Taxes and Insurance	157,740	191,203
Bad Debt - Tenant Rent	1,104	-
Bad Debt - Other Tenant Charges	96	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	1,200	-
Other Expenses		
Tenant Services Other	57,204	61,084
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-

San Diego Square - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	208,044	215,275
Miscellaneous Exp Program	-	-
CY Deposit to Escrow Rplc Reserve	54,600	54,600
CY Deposit to Rplc Reserve	95,004	-
Total Other Expenses	414,852	330,960
Total Operating Expenses	1,776,924	1,721,220
Net Operating Income	2,004,504	2,188,528
Debt Service		
CY Mortgage Debt Payments (IS)	321,840	336,597
Interest Expense - Mortgage	689,124	674,375
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	2,496	2,500
SDHC Bond Admin Fee	22,284	22,281
Loan Fees	-	-
Total Debt Service	1,035,744	1,035,753
Legal Admin	-	-
Asset Management Fees	6,528	6,720
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	15,000	15,000
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	21,528	21,720
Net Cash Flow	947,232	1,131,055

Broadway 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	505,278
Deposit to Reserves	54,600
Use of Reserves (Capital Expenditures)	<u>(56,000)</u>
Ending Balance of Replacement Reserves	503,878