

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-021

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

SUBJECT: Single-Family Homes/Companion Units 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 Single-Family Homes/Companion Units (SFH/CU) leased as affordable rental housing to households 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

Five affordable rental single-family homes and corresponding companion units, sometimes also referred to as accessory dwelling units (ADUs), are located in the south part of San Diego in the Nestor Neighborhood within the 92154 ZIP Code:

| Single Family Homes (SFH) | # Bedrooms |
|---------------------------|------------|
| 1. Twinning Avenue | 5 bedrooms |
| 2. Peterlynn Drive | 3 bedrooms |
| 3. Twinning Avenue | 5 bedrooms |
| 4. Peterlynn Drive | 5 bedrooms |
| 5. Stu Court | 5 bedrooms |

| Companion Units (CU) | # Bedrooms |
|----------------------|------------|
| 1. Kimsue Way | 2 bedrooms |
| 2. Peterlynn Drive | 1 bedroom |
| 3. Enero Street | 3 bedrooms |
| 4. Marzo Street | Studio |
| 5. Kostner Drive | 1 bedroom |

The SFH/CU property budget is prepared annually by the management company, Hyder Property Management Professionals (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 the next 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. The budget for calendar year 2025 reflects 10 units—the five single-family homes and the five companion units.

| | SFH/ADU | | | | |
|--|----------------|----------------|-----------------|-------------|--|
| | FY 2024 | FY 2025 | \$ Variance | % Variance | Notes |
| Rental Income | 194,652 | 203,648 | 8,996 | 5% | 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. 3% rent increase for all units that do not have project-based housing vouchers. |
| Other Income | 192 | 460 | 268 | 140% | |
| Total Revenue | 194,844 | 204,108 | 9,264 | 5% | |
| Total Admin | 25,320 | 36,351 | 11,031 | 44% | Increases in property management fee and legal expenses. |
| Total Utilities | 10,776 | 9,396 | (1,380) | -13% | Consistent with FY 2024 actuals and scheduled FY 2025 increases. |
| Total Repairs & Maintenance (R&M) | 22,896 | 37,473 | 14,577 | 64% | Added landscape contract. |
| Taxes & Insurance | 14,064 | 18,914 | 4,850 | 34% | Insurance premium increase. |
| Other Expenses | 38,184 | 39,330 | 1,146 | 3% | 3% annual increase in Replacement Reserve Deposits |
| Other Debt (uncollectible rent write-offs) | 2,700 | 4,684 | 1,984 | 73% | Uncollectible-rent debt. |
| Total Operating Expenses | 113,940 | 146,148 | 32,208 | 28% | |
| Net Operating Income | 80,904 | 57,961 | (22,943) | -28% | Expected higher property management fees, Landscaping expenses, and insurance premium |
| Debt Service | 0 | 0 | 0 | 0% | |
| Total Entity Expenses | 2,496 | 0 | (2,496) | -100% | |
| Net Cash Flow | 78,408 | 57,961 | (20,447) | -26% | |

RENTS

Rents for the single-family homes have been budgeted for a 3% rent increase. Companion units will be leased using the Housing Commission’s Project-Based Housing Voucher (PBV) payment schedule, as reflected in underwriting. The Housing Commission’s payment standard for PBVs is anticipated to increase. The anticipated rent increase does not impact the resident’s portion of rent.

MAINTENANCE AND REPAIR

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 properties consists of one Regional Supervisor overseeing these assets. Maintenance technicians from other properties in the real estate portfolio provide maintenance support as needed.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$39,330 consistent with underwriting.

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,

Approved by,

Branden Sarkissian

Branden Sarkissian
Director of Asset Management
Housing Development Partners

Emmanuel Arellano

Emmanuel Arellano
Vice President of Asset Management
Housing Development Partners

Attachments: 1) SFH/CU – 2025 Property Operations Budget
 2) SFH/CU – 2025 Replacement Reserves

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

| SFH/CU - 2025 Operating Summary | | |
|--|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| INCOME | | |
| Gross Potential Rent | | |
| Gross Potential Revenue | 272,640 | 340,947 |
| Gain Loss to Lease | (67,752) | (126,580) |
| Less: Vacancies | (10,236) | (10,718) |
| Less: Down Unit | - | - |
| Less: Manager's Unit | - | - |
| Less: Discounts and Concesss | - | - |
| Less: Office Community Room Unit | - | - |
| Less: COVID Hardship | - | - |
| Rent Subsidy Variances | - | - |
| Net Rental Income | 194,652 | 203,648 |
| Other Income | | |
| Rental Income Commercial | - | - |
| Prepaid Income | - | - |
| Application Fees | 72 | 60 |
| Credit Check Income | - | - |
| Damages Cleaning Fees | - | - |
| Carport Garage Gate Income | - | - |
| Laundry and Vending Revenue | - | - |
| NSF Late Charges | 48 | - |
| Former Tenant Income | - | - |
| Tenant Rent Recovery | - | - |
| Other Tenant Charges Recovery | - | - |
| Interest Income - Restricted | - | - |
| Interest Income - Replacement Reverse | 72 | 400 |
| 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 | 192 | 460 |
| Total Income | 194,844 | 204,108 |
| EXPENSES | | |
| Admin | | |
| Consultant Asset Mgmt | - | - |
| Broker Fees | - | - |
| Audit and Tax Prep Fees | 4,416 | 4,545 |

| SFH/CU - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| IT Support Maintenance | - | - |
| Property Management Fees | 13,368 | 18,180 |
| Bookkeeping Fees | - | - |
| Office Expense | - | - |
| Internet and Telephone | - | - |
| Office Supplies | 792 | 500 |
| Parking | - | - |
| Software Exp Admin | - | - |
| Copier Printer | - | - |
| Office Repairs and Maint | - | - |
| Bank Charges Admin | - | 571 |
| Mileage | - | - |
| Dues Subs and Memberships | - | - |
| Other Admin Expense | 2,688 | 2,785 |
| Manager Salaries | - | - |
| Office Salaries | - | - |
| Employee Benefits PM Co - Program Admin | - | - |
| Payroll Taxes - Manager and Admin | - | - |
| Workman's Comp Mgr and Admin | - | - |
| Temp Services - Property Manager | - | - |
| Temp Services - Admin | - | - |
| Consultant Other Program Admin | - | - |
| Legal - Program Admin | 744 | 6,162 |
| Cleaning and Janitorial Contract | 312 | 323 |
| Credit Check Service Fee | 120 | 124 |
| Internet and Telephone Prog Admin | - | - |
| Advertising | - | - |
| Bank Charges Program Admin | 1,152 | 1,193 |
| Mileage and Travel Exp Prog Admin | 312 | 500 |
| Training - Program Admin | - | - |
| Postage and Delivery Prog Admin | 96 | 99 |
| Software Exp Program Admin | 1,320 | 1,368 |
| Misc Program Admin | - | - |
| Lease Up Expenses | - | - |
| Total Admin | 25,320 | 36,351 |
| | | |

| SFH/CU - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| Workman's Comp-Rpr and Maint | 672 | 686 |
| Remediation Expense | - | - |
| Uniforms | - | - |
| Casualty Losses | - | - |
| Insurance Claims Expense | - | - |
| Insurance Proceeds | - | - |
| Retail Space Expenses | - | - |
| Total Maintenance and Repair | 22,896 | 37,473 |
| | | |
| Extraordinary Maintenance | | |
| Extraordinary Maintenance | - | - |
| Total Extraordinary Maintenance | - | - |
| | | |
| Taxes and Insurance | | |
| Taxes Licenses and Fees | 1,200 | 1,772 |
| Fidelity Bond Insurance | - | - |
| Insurance Other | - | - |
| Property and Liability Ins | 8,016 | 12,120 |
| Property Taxes | 4,848 | 5,023 |
| Total Taxes and Insurance | 14,064 | 18,914 |
| | | |
| Bad Debt - Tenant Rent | 2,508 | 4,684 |
| Bad Debt - Other Tenant Charges | 192 | - |
| Bad Debt - Other - Elim | - | - |
| Bad Debt - Other | - | - |
| Bad Debt - Tenant Rent - PMCo Direct | - | - |
| Bad Debt - Other Tenant Charges - PMCo Direct | - | - |
| Total Bad Debt | 2,700 | 4,684 |
| | | |
| Other Expenses | | |
| Tenant Services Other | - | - |
| Tenant Services Payroll Benefits | - | - |
| Grant Expense | - | - |
| Grant Expense - Elim | - | - |
| SDHC Compliance Monitoring Fee | - | - |
| Relocation Costs | - | - |

| SFH/CU - 2025 Operating Summary | | |
|--|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| Relocation due to Maint | - | - |
| Ground Lease Expense | - | - |
| Miscellaneous Exp Program | - | - |
| CY Deposit to Escrow Rplc Reserve | - | - |
| CY Deposit to Rplc Reserve | 38,184 | 39,330 |
| Total Other Expenses | 38,184 | 39,330 |
| Total Operating Expenses | 113,940 | 146,148 |
| Net Operating Income | 80,904 | 57,961 |
| 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 | 2,496 | - |
| Asset Management Fees | - | - |
| Asset Mgmt Fee - Elim | - | - |
| Partnership Management Fee | - | - |
| Incentive Partnership Mgmt Fee | - | - |
| Insurance - D and O | - | - |
| Guaranteed Fees | - | - |
| Total Entity Expenses | 2,496 | - |
| Net Cash Flow | 78,408 | 57,961 |

ADU

2025 Replacement Reserves

| | |
|--|-----------------|
| Beginning Balance of Replacement Rsv | 116,404 |
| Deposit to Reserves | 39,330 |
| Use of Reserves (Capital Expenditures) | <u>(16,500)</u> |
| Ending Balance of Replacement Reserves | 139,234 |