

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-022

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

SUBJECT: Town and Country 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 Town and Country, a 145-unit affordable housing property at 4066 Messina Drive, 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

Town and Country is a 145-unit affordable housing property in the Mountain View neighborhood of San Diego. It consists of 24 two-story townhouse and garden-style buildings containing two- and three-bedroom flat and townhouse-style units (79 two-bedroom units and 66 three-bedroom units). The building also includes a one-story building containing a central laundry facility and maintenance room. The property was acquired on November 20, 2017, by HDP Town & Country, LP. Rehabilitation of the property was completed in the winter of 2018.

The Town and Country Property Budget is prepared annually by the management company, CONAM. 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 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 industry data combined with the professional experience of CONAM and HDP's asset management team. Below is a summary chart of the 2025 Operating Budget compared to the 2024 Budget.

	Town & Country				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	2,560,908	2,664,153	103,245	4%	5% rent increase
Other Income	25,824	20,932	(4,892)	-19%	Reduced interest income on restricted accounts due to interest rate cuts
Total Revenue	2,586,732	2,685,085	98,353	4%	
Total Admin	306,624	311,411	4,787	2%	Increased management fee
Total Utilities	215,568	246,062	30,494	14%	Based on published increases and rolling 12-month usage: water (4%), Electric (4%) & Gas (6.3%)
Total Repair and Maintenance (R&M)	485,400	500,442	15,042	3%	
Taxes & Insurance	103,296	123,997	20,701	20%	Insurance increase based on 2024/25 rates with a 10% escalation effective September for 2025/26 policy
Other Expenses	109,188	101,314	(7,874)	-7%	SB 721 balcony inspections budgeted in 2024 are not required in 2025
Other Debt (Uncollectible rent write-offs)	129,900	93,245	(36,655)	-28%	Pandemic-related uncollectible-rent debt has been substantially reduced in 2024, and the 2025 budget reflects lower tenant delinquency.
Total Operating Expenses	1,349,976	1,376,472	26,496	2%	
Net Operating Income	1,236,756	1,308,613	71,857	6%	
Debt Service	912,084	912,079	(5)	0%	
Total Entity Expenses	10,980	11,149	169	2%	
Net Cash Flow	313,692	385,385	71,693	23%	

RENTS

The 2025 operating budget includes a 5% rent increase, effective February 2025 for households without a Housing Choice Voucher and March 2025 for households with a Housing Choice Voucher.

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

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$49,876. This amount is in compliance with the minimum reserve requirements per the 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) Town and Country – 2025 Property Operations Budget
 2) Town and Country – 2025 Replacement Reserves

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

Town & Country - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	2,999,268	3,344,186
Gain Loss to Lease	(259,476)	(489,879)
Less: Vacancies	(136,992)	(142,715)
Less: Down Unit	-	-
Less: Manager's Unit	(41,892)	(47,439)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	2,560,908	2,664,153
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	564	564
Credit Check Income	-	-
Damages Cleaning Fees	-	-
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	18,804	18,787
NSF Late Charges	3,996	500
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	2,400	1,000
Interest Income - Replacement Reverse	60	81
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	25,824	20,932
Total Income	2,586,732	2,685,085
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	11,856	12,196

Town & Country - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	84,744	104,400
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	6,696	7,754
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	1,104	1,208
Manager Salaries	56,472	56,716
Office Salaries	61,824	63,476
Employee Benefits PM Co - Program Admin	17,124	7,345
Payroll Taxes - Manager and Admin	10,968	11,107
Workman's Comp Mgr and Admin	13,728	9,239
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	852	-
Legal - Program Admin	15,996	19,097
Cleaning and Janitorial Contract	3,180	-
Credit Check Service Fee	636	1,048
Internet and Telephone Prog Admin	5,880	6,213
Advertising	-	-
Bank Charges Program Admin	1,956	1,924
Mileage and Travel Exp Prog Admin	312	133
Training - Program Admin	2,556	1,338
Postage and Delivery Prog Admin	900	1,129
Software Exp Program Admin	9,840	7,090
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	306,624	311,411

Town & Country - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	1,740	1,293
Electricity	28,392	29,528
Gas	45,300	48,154
Sewer	46,536	57,701
Water	93,600	109,387
Total Utilities	215,568	246,062
Maintenance and Repair		
Fire Protection and Alarm	996	3,055
AC Contracts	-	-
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	6,552	7,896
Electrical Contracts	2,004	3,212
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	76,152	76,152
Ground Supplies	1,200	418
Janitorial Supplies	3,708	5,661
COVID Supplies	-	109
Maint Supplies and Materials	6,600	3,403
Plumbing Contracts	26,004	21,471
Plumbing Supplies	1,056	5,216
Repair and Maint Payroll	124,896	134,820
Payroll Taxes - Rpr and Maint	11,484	12,241
Employee Benefits PM Co - Program	25,692	12,514
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	9,996	21,485
Flooring	-	-
Painting Contract	1,764	2,909
Repair Contracts	3,060	828
Repair Supplies	3,252	7,001
Security Contract Program	84,420	83,800
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	81,000	86,670

Town & Country - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	14,568	10,583
Remediation Expense	-	-
Uniforms	996	1,000
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	485,400	500,442
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	1,620	1,014
Fidelity Bond Insurance	120	70
Insurance Other	996	870
Property and Liability Ins	97,704	121,752
Property Taxes	2,856	291
Total Taxes and Insurance	103,296	123,997
Bad Debt - Tenant Rent	121,104	93,245
Bad Debt - Other Tenant Charges	8,796	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	129,900	93,245
Other Expenses		
Tenant Services Other	50,004	50,004
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-

Town & Country - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	-	-
Miscellaneous Exp Program	9,372	-
CY Deposit to Escrow Rplc Reserve	49,812	51,310
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	109,188	101,314
Total Operating Expenses	1,349,976	1,376,472
Net Operating Income	1,236,756	1,308,613
Debt Service		
CY Mortgage Debt Payments (IS)	228,300	238,878
Interest Expense - Mortgage	662,280	651,701
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	2,004	2,000
SDHC Bond Admin Fee	19,500	19,500
Loan Fees	-	-
Total Debt Service	912,084	912,079
Legal Admin	-	-
Asset Management Fees	5,004	5,000
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	5,976	6,149
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	10,980	11,149
Net Cash Flow	313,692	385,385

Town & Country 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	74,369
Deposit to Reserves	51,392
Use of Reserves (Capital Expenditures)	<u>(74,850)</u>
Ending Balance of Replacement Reserves	50,911