

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDP24-023

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

SUBJECT: Village North Senior 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 Village North Senior Garden Apartments (Village North Senior), a 120-unit affordable housing property at 7720 Belden Street, San Diego, CA 92111, for seniors with low income, with 44 units set aside for seniors who experienced 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

Village North Senior is a 120-unit affordable housing property for seniors age 55 and older with low income, earning between 0 percent and 80 percent of the San Diego area median income (AMI). Forty-four units are set aside for seniors who experienced homelessness. The Housing Commission acquired Village North Senior on May 1, 2015. HDP acquired the leasehold interest in Village North Senior by entering into a Ground Lease with the Housing Commission. Rehabilitation of the property was completed during the first quarter of 2019.

The Village North Senior 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 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 historical data from previous property operations combined with the professional experience of CONAM and HDP's asset management team. Below is a summary chart that compares the proposed 2025 budget to the 2024 budget.

	Village North Seniors				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	1,830,552	1,964,621	134,069	7%	Rent for units with project-based housing vouchers increased to more closely align with the Housing Commission's payment standard and a rent increase of 5% for all units that do not have project-based housing vouchers.
Other Income	10,344	7,891	(2,453)	-24%	
Total Revenue	1,840,896	1,972,513	131,617	7%	
Total Admin	224,772	236,471	11,699	5%	Increased payroll and legal.
Total Utilities	92,940	97,141	4,201	5%	Consistent with FY 2024 actuals and scheduled FY 2025 increases.
Total Repairs & Maintenance (R&M)	159,624	216,310	56,686	36%	Added security contract and turnover cost.
Taxes & Insurance	59,616	98,467	38,851	65%	Increased insurance premium and earthquake insurance.
Other Expenses	173,328	162,469	(10,859)	-6%	
Other Debt (uncollectible rent write-offs)	9,996	10,412	416	4%	Uncollectible-rent debt.
Total Operating Expenses	720,276	821,271	100,995	14%	
Net Operating Income	1,120,620	1,151,242	30,622	3%	
Debt Service	519,516	519,505	(11)	0%	
Total Entity Expenses	0	0	0	0%	
Net Cash Flow	601,104	631,737	30,633	5%	

RENTS

The increase in total revenue is largely attributed to the property's units that are affordable to households with income up to 80% of AMI, for which rents will increase 5% in April of 2025. Project-Based Housing Vouchers (PBVs) from the Housing Commission help pay rent for residents of the 44 units for seniors who experienced homelessness. The rent increase for PBV units to more closely align with the Housing Commission's payment standard 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 property staffing consists of one full-time manager and one full-time maintenance technician.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$36,360, 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) Village North Senior – 2025 Property Operations Budget
 2) Village North Seniors – 2025 Replacement Reserves

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

Village North Seniors - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	2,829,792	2,928,323
Gain Loss to Lease	(874,992)	(830,730)
Less: Vacancies	(98,964)	(104,880)
Less: Down Unit	-	-
Less: Manager's Unit	(25,284)	(28,092)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	1,830,552	1,964,621
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	2,400	2,486
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	5,028	5,209
NSF Late Charges	804	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	72	72
Interest Income - Replacement Reverse	516	100
Interest Income Investments	24	24
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	1,500	-
Security Deposit Forfeiture	-	-
Total Other Income	10,344	7,891
Total Income	1,840,896	1,972,513
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	4,416	4,545

Village North Seniors - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	91,032	86,400
Bookkeeping Fees	4,176	3,187
Office Expense	48	83
Internet and Telephone	-	-
Office Supplies	5,256	5,445
Parking	-	-
Software Exp Admin	-	-
Copier Printer	3,600	3,730
Office Repairs and Maint	-	-
Bank Charges Admin	24	42
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	2,592	2,685
Manager Salaries	57,468	62,060
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	9,696	10,990
Payroll Taxes - Manager and Admin	5,028	5,382
Workman's Comp Mgr and Admin	4,344	7,046
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	2,004	2,076
Legal - Program Admin	10,200	16,256
Cleaning and Janitorial Contract	-	-
Credit Check Service Fee	264	274
Internet and Telephone Prog Admin	9,528	9,871
Advertising	2,100	2,176
Bank Charges Program Admin	1,200	1,243
Mileage and Travel Exp Prog Admin	900	932
Training - Program Admin	468	534
Postage and Delivery Prog Admin	1,248	2,005
Software Exp Program Admin	8,280	8,578
Misc Program Admin	900	932
Lease Up Expenses	-	-
Total Admin	224,772	236,471

Village North Seniors - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	15,564	16,187
Gas	21,036	22,361
Sewer	21,300	22,152
Water	35,040	36,442
Total Utilities	92,940	97,141
Maintenance and Repair		
Fire Protection and Alarm	6,252	7,190
AC Contracts	3,000	3,000
Clubhouse Expense	-	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	12,444	12,892
Electrical Contracts	804	833
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	13,956	14,450
Ground Supplies	252	856
Janitorial Supplies	1,752	2,400
COVID Supplies	-	-
Maint Supplies and Materials	2,496	3,974
Plumbing Contracts	3,600	4,680
Plumbing Supplies	504	1,036
Repair and Maint Payroll	52,620	55,012
Payroll Taxes - Rpr and Maint	4,668	4,846
Employee Benefits PM Co - Program	9,696	9,700
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	11,796	28,712
Flooring	-	-
Painting Contract	-	-
Repair Contracts	11,004	11,554
Repair Supplies	-	-
Security Contract Program	-	27,350
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	20,148	20,873

Village North Seniors - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	4,032	6,330
Remediation Expense	-	-
Uniforms	600	622
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	159,624	216,310
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	7,332	7,045
Fidelity Bond Insurance	-	-
Insurance Other	-	-
Property and Liability Ins	51,732	89,945
Property Taxes	552	1,477
Total Taxes and Insurance	59,616	98,467
Bad Debt - Tenant Rent	9,996	10,412
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	9,996	10,412
Other Expenses		
Tenant Services Other	30,000	30,000
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	11,856	11,970
Relocation Costs	-	-

Village North Seniors - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	82,656	84,139
Miscellaneous Exp Program	12,456	-
CY Deposit to Escrow Rplc Reserve	36,360	36,360
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	173,328	162,469
Total Operating Expenses	720,276	821,271
Net Operating Income	1,120,620	1,151,242
Debt Service		
CY Mortgage Debt Payments (IS)	133,788	141,168
Interest Expense - Mortgage	385,728	378,337
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	-	-
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	519,516	519,505
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	-
Net Cash Flow	601,104	631,737

Village North Senior 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	219,581
Deposit to Reserves	36,360
Use of Reserves (Capital Expenditures)	<u>(34,184)</u>
Ending Balance of Replacement Reserves	221,757

