

# REPORT

**DATE ISSUED:** December 6, 2024

**REPORT NO:** HDP24-024

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

**SUBJECT:** West Park 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 West Park, a 47-unit affordable housing property with supportive services at 1840 4th Avenue, San Diego, CA 92101, for individuals 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**

West Park is a 47-unit affordable housing property in Bankers Hill for individuals with low income who experienced homelessness. HDP acquired the leasehold interest in the property by entering into a Ground Lease with the Housing Commission. Rehabilitation of the property was completed in early 2021.

The West Park Property Budget is prepared annually by the management company, Hyder & Company (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. The budget is also provided to 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 similar assets combined with the professional experience of Hyder and HDP's asset management team. Below is a summary chart, which shows the proposed 2025 budget, with comparisons to the 2024 budget.

	West Park				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	882,780	927,071	44,291	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.
Other Income	3,324	1,448	(1,876)	-56%	Reduced projected damages charged to tenants.
<b>Total Revenue</b>	<b>886,104</b>	<b>928,519</b>	<b>42,415</b>	<b>5%</b>	
Total Admin	162,708	167,727	5,019	3%	Reduced management fee expense with new property management company, offset by increased employee benefits projections.
Total Utilities	55,620	76,547	20,927	38%	Based on published increases and rolling 12-month usage: water (4%), electric (4%) and gas (6.3%)
Total R&M	154,308	179,636	25,328	16%	Increased budget to meet property preventative maintenance needs post-rehabilitation (HVAC, property management contract, maintenance supplies and enhanced Security service).
Taxes & Insurance	17,004	23,084	6,080	36%	Insurance increase based on 2024/2025 rates, with a 10% escalation effective September for 2025/2026 policy
Other Expenses	27,864	25,665	(2,199)	-8%	SB 721 balcony inspections budgeted in 2024 are not required in 2025.
Other Debt (uncollectible rent write-offs)	48,492	31,520	(16,972)	-35%	Projection of uncollectible rent reduced to 1.15% of net rental income.
<b>Total Operating Expenses</b>	<b>465,996</b>	<b>504,180</b>	<b>38,184</b>	<b>8%</b>	Minimally controllable expenses (Insurance, utility rates) combined with budget adjustments based on the property needs post-rehabilitation account for the increased projection.
<b>Net Operating Income (NOI)</b>	<b>420,108</b>	<b>424,340</b>	<b>4,232</b>	<b>1%</b>	Budgeted FY 2025 NOI greater than expected in the pro forma.
Debt Service	94,536	94,548	12	0%	
Total Entity Expenses	14,328	14,752	424	3%	
<b>Net Cash Flow</b>	<b>311,244</b>	<b>315,040</b>	<b>3,796</b>	<b>1%</b>	Expense and revenue projections are inflating at a similar rate; however, revenue is anticipated to increase greater than this projection based on PBV standard determinations for similar neighboring properties.

**RENTS**

The property's rents are consistent with current Housing Commission payment standards for single-room occupancy (SROs) units and studios. Rent increases will be made to more closely align with the Housing Commission's payment standards for project-based housing vouchers (PBVs), which are anticipated to increase in 2025. The 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 is 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 maintenance technician and one porter. The maintenance technician and porter split time with Quality Inn.

**CAPITAL PLAN**

Total deposits to the replacement reserve account in 2025 will be \$17,454, 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,

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) West Park – 2025 Property Operations Budget  
                          2) West Park – 2025 Replacement Reserves

Docket materials are available on HDP's website at [www.hdpartners.org](http://www.hdpartners.org)

<b>West Park - 2025 Operating Summary</b>		
	<b>2024 Budget</b>	<b>2025 Budget</b>
<b>INCOME</b>		
<b>Gross Potential Rent</b>		
Gross Potential Revenue	958,836	1,225,919
Gain Loss to Lease	(1,884)	(220,947)
Less: Vacancies	(47,844)	(50,249)
Less: Down Unit	-	-
Less: Manager's Unit	(26,328)	(27,652)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	882,780	927,071
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	2,496	500
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	60	-
NSF Late Charges	204	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	383
Interest Income - Replacement Reverse	12	12
Interest Income Investments	552	552
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
Total Other Income	3,324	1,448
<b>Total Income</b>	<b>886,104</b>	<b>928,519</b>
<b>EXPENSES</b>		
<b>Admin</b>		
Consultant Asset Mgmt	2,508	2,158
Broker Fees	-	-
Audit and Tax Prep Fees	11,856	12,196

<b>West Park - 2025 Operating Summary</b>		
	<b>2024 Budget</b>	<b>2025 Budget</b>
IT Support Maintenance	-	-
Property Management Fees	50,052	44,160
Bookkeeping Fees	-	-
Office Expense	720	-
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	526
Mileage	-	-
Dues Subs and Memberships	876	31
Other Admin Expense	-	-
Manager Salaries	15,000	63,266
Office Salaries	47,520	1,403
Employee Benefits PM Co - Program Admin	2,496	7,943
Payroll Taxes - Manager and Admin	6,216	6,378
Workman's Comp Mgr and Admin	4,572	4,923
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	684	703
Legal - Program Admin	5,004	5,367
Cleaning and Janitorial Contract	1,500	1,500
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	5,580	5,546
Advertising	552	564
Bank Charges Program Admin	324	470
Mileage and Travel Exp Prog Admin	324	2,572
Training - Program Admin	1,500	598
Postage and Delivery Prog Admin	132	135
Software Exp Program Admin	5,004	7,011
Misc Program Admin	288	276
Lease Up Expenses	-	-
<b>Total Admin</b>	<b>162,708</b>	<b>167,727</b>

<b>West Park - 2025 Operating Summary</b>		
	<b>2024 Budget</b>	<b>2025 Budget</b>
Utilities		
Cable Expenses	-	-
Electricity	26,580	47,399
Gas	5,076	4,225
Sewer	9,228	9,597
Water	14,736	15,325
Total Utilities	55,620	76,547
Maintenance and Repair		
Fire Protection and Alarm	7,788	4,166
AC Contracts	600	3,525
Clubhouse Expense	-	-
Decorating	600	490
Elevator Contracts	6,912	7,519
Exterminating Supplies	-	-
Exterminating Contracts	4,620	4,967
Electrical Contracts	852	1,024
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	2,004	2,004
Ground Supplies	396	-
Janitorial Supplies	996	1,115
COVID Supplies	-	-
Maint Supplies and Materials	2,004	9,791
Plumbing Contracts	7,044	7,596
Plumbing Supplies	-	-
Repair and Maint Payroll	34,272	35,868
Payroll Taxes - Rpr and Maint	3,936	4,056
Employee Benefits PM Co - Program	8,748	4,603
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	-	-
Repair Contracts	5,148	14,649
Repair Supplies	-	-
Security Contract Program	50,304	59,315
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	15,300	15,851

<b>West Park - 2025 Operating Summary</b>		
	<b>2024 Budget</b>	<b>2025 Budget</b>
Workman's Comp-Rpr and Maint	2,484	2,597
Remediation Expense	-	-
Uniforms	300	500
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
<b>Total Maintenance and Repair</b>	<b>154,308</b>	<b>179,636</b>
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
<b>Total Extraordinary Maintenance</b>	<b>-</b>	<b>-</b>
Taxes and Insurance		
Taxes Licenses and Fees	1,020	3,452
Fidelity Bond Insurance	-	-
Insurance Other	444	31
Property and Liability Ins	15,540	19,601
Property Taxes	-	-
<b>Total Taxes and Insurance</b>	<b>17,004</b>	<b>23,084</b>
Bad Debt - Tenant Rent	34,596	31,520
Bad Debt - Other Tenant Charges	13,896	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
<b>Total Bad Debt</b>	<b>48,492</b>	<b>31,520</b>
Other Expenses		
Tenant Services Other	-	-
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	7,104	7,462
Relocation Costs	-	-



<b>West Park - 2025 Operating Summary</b>		
	<b>2024 Budget</b>	<b>2025 Budget</b>
Relocation due to Maint	-	-
Ground Lease Expense	-	-
Miscellaneous Exp Program	3,000	-
CY Deposit to Escrow Rplc Reserve	17,760	18,202
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	27,864	25,665
<b>Total Operating Expenses</b>	<b>465,996</b>	<b>504,180</b>
<b>Net Operating Income</b>	<b>420,108</b>	<b>424,340</b>
<b>Debt Service</b>		
CY Mortgage Debt Payments (IS)	19,680	20,585
Interest Expense - Mortgage	62,484	61,588
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	1,752	1,750
SDHC Bond Admin Fee	10,620	10,625
Loan Fees	-	-
<b>Total Debt Service</b>	<b>94,536</b>	<b>94,548</b>
Legal Admin	-	-
Asset Management Fees	5,628	5,797
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	8,700	8,955
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
<b>Total Entity Expenses</b>	<b>14,328</b>	<b>14,752</b>
<b>Net Cash Flow</b>	<b>311,244</b>	<b>315,040</b>

## West Park 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	74,956
Deposit to Reserves	18,215
Use of Reserves (Capital Expenditures)	<u>(16,000)</u>
Ending Balance of Replacement Reserves	77,171