

REPORT

DATE ISSUED: December 6, 2024

REPORT NO: HDPM24-004

ATTENTION: Chair and Members of the Board of Directors of HDP Mason Housing Corporation
For the Agenda of December 12, 2024

SUBJECT: Mason Hotel 2025 Property Budget

STAFF RECOMMENDATION:

That the HDP Mason Board of Directors (Board) take the following actions:

- 1) Approve the 2025 Property Budget for Mason Hotel, a 17-unit affordable housing development for individuals with low income at risk of homelessness.
- 2) Find that the foregoing transactions are just and reasonable as to HDP Mason for purposes of California Corporations Code Section 5234.

Please note a Conflict Disclosure Statement and a Mutual Directors Statement at the end of this report have been included because this transaction involves the San Diego Housing Commission.

SUMMARY

The Mason Hotel is a 17-unit affordable housing development in downtown San Diego for individuals with low-income at risk of or experiencing homelessness. HDP Mason acquired the property in 2011. The property underwent a comprehensive rehabilitation in 2012.

The Mason Hotel Property Budget is prepared annually by the management company, Hyder & Company (Hyder). The budget is reviewed and refined by staff for accuracy and consistency with HDP Mason's business plan for the asset.

Prior to January 1 of each calendar year, the HDP Mason Board adopts the annual Property Budget and authorizes Hyder 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 Operating 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.

	Mason Hotel				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	401,844	451,652	49,808	12%	No rental increase in FY 2024. Rent increase in FY 2025 to more closely align with the Housing Commission's payment standards.
Other Income	37,584	1,551	(36,033)	-96%	Commercial Tenant vacated space. Currently marketing space for lease.
Total Revenue	439,428	453,203	13,775	3%	
Total Admin	90,000	114,176	24,176	27%	Increase due to property management and structural monitoring fees.
Total Utilities	46,308	47,343	1,035	2%	Based on actuals and scheduled increases.
Total R&M	83,352	93,082	9,730	12%	Increases in salary and plumbing needs.
Taxes & Insurance	16,416	19,738	3,322	20%	Insurance premium increase
Other Expenses	8,856	8,860	4	0%	
Other Debt (uncollectible rent write-offs)	4,008	226	(3,782)	-94%	Decrease in expected debt due to uncollectible rent.
Total Operating Expenses	248,940	283,425	34,485	14%	
Net Operating Income	190,488	169,778	(20,710)	-11%	Large increases in property management fees and insurance premium
Debt Service	4,956	4,959	3	0%	
Total Entity Expenses	1,500	1,500	0	0%	
Net Cash Flow	184,032	163,319	(20,713)	-11%	

RENTS

The budget reflects a rent increase to more closely align with the anticipated increase in the San Diego Housing Commission's payment standard for project-based housing vouchers (PBVs) 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 consistent with other similar assets. The property added a bimonthly laser-scan survey for structural monitoring in the 2025 budget due to the extensive construction adjacent to the site. Staff will continue to monitor maintenance expenses and implement preventative maintenance measures to extend the useful life of the units.

STAFFING

On-site management consists of one property manager, one assistant manager who lives at the Mason Hotel; one porter who splits hours between Hotel Churchill, Mason and Parker Kier;

one maintenance technician who split hours between Mason Hotel and Parker-Kier; and one security guard who lives at Mason Hotel, fulfilling the on-site requirements for the project.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$8,500, consistent with regulatory agency requirements.

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 HDP Mason Housing Corporation (HDP Mason), 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 Mason 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 Mason’s Board of Directors and/or as officers of HDP Mason. 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 Mason. Councilmember Whitburn is not compensated for his service on the HDP Mason Board or as an officer of HDP Mason. 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 Mason 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 Mason 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 Mason, a vote on this matter should incorporate a finding that these transactions are just and reasonable as to HDP Mason.

Respectfully submitted,

Branden Sarkissian

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Director of Asset Management
Housing Development Partners

Approved by,

Emmanuel Arellano

Emmanuel Arellano
Vice President of Asset Management
Housing Development Partners

Attachments: 1) Mason Hotel – 2025 Property Operations Budget
2) Mason Hotel – 2025 Replacement Reserves

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

Mason Hotel - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	449,436	602,309
Gain Loss to Lease	1,476	(95,505)
Less: Vacancies	(22,548)	(25,340)
Less: Down Unit	-	-
Less: Manager's Unit	(26,520)	(29,812)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	401,844	451,652
Other Income		
Rental Income Commercial	30,600	-
Prepaid Income	-	-
Application Fees	96	60
Credit Check Income	-	-
Damages Cleaning Fees	5,604	137
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	1,116	1,039
NSF Late Charges	48	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	120	316
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	37,584	1,551
Total Income	439,428	453,203
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	12,936	13,302

Mason Hotel - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	12,540	21,222
Bookkeeping Fees	-	-
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	2,304	3,387
Parking	2,448	2,536
Software Exp Admin	-	-
Copier Printer	-	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	-
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	996	10,632
Manager Salaries	34,452	35,816
Office Salaries	-	-
Employee Benefits PM Co - Program Admin	5,676	5,678
Payroll Taxes - Manager and Admin	3,948	4,052
Workman's Comp Mgr and Admin	3,984	4,147
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	-	-
Legal - Program Admin	2,472	2,561
Cleaning and Janitorial Contract	804	3,475
Credit Check Service Fee	60	-
Internet and Telephone Prog Admin	3,600	3,145
Advertising	120	-
Bank Charges Program Admin	1,140	1,015
Mileage and Travel Exp Prog Admin	48	-
Training - Program Admin	504	1,000
Postage and Delivery Prog Admin	96	-
Software Exp Program Admin	1,872	2,207
Misc Program Admin	-	-
Lease Up Expenses	-	-
Total Admin	90,000	114,176

Mason Hotel - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	27,924	29,041
Gas	2,664	2,384
Sewer	6,024	6,256
Water	9,696	9,662
Total Utilities	46,308	47,343
Maintenance and Repair		
Fire Protection and Alarm	4,536	6,368
AC Contracts	1,500	2,000
Clubhouse Expense	2,940	2,940
Decorating	-	-
Elevator Contracts	5,196	5,383
Exterminating Supplies	24	-
Exterminating Contracts	3,756	3,596
Electrical Contracts	252	-
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	-	-
Janitorial Supplies	900	1,008
COVID Supplies	96	99
Maint Supplies and Materials	1,032	2,004
Plumbing Contracts	5,004	9,982
Plumbing Supplies	1,056	856
Repair and Maint Payroll	21,228	24,102
Payroll Taxes - Rpr and Maint	2,940	3,162
Employee Benefits PM Co - Program	3,768	3,854
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	516	-
Flooring	-	-
Painting Contract	996	1,032
Repair Contracts	1,200	1,300
Repair Supplies	3,996	2,045
Security Contract Program	804	833
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	18,996	19,680

Mason Hotel - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	2,448	2,664
Remediation Expense	-	-
Uniforms	168	174
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	83,352	93,082
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	648	671
Fidelity Bond Insurance	48	50
Insurance Other	2,364	2,598
Property and Liability Ins	10,752	13,718
Property Taxes	2,604	2,701
Total Taxes and Insurance	16,416	19,738
Bad Debt - Tenant Rent	3,804	226
Bad Debt - Other Tenant Charges	204	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	4,008	226
Other Expenses		
Tenant Services Other	360	360
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-

Mason Hotel - 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	8,496	8,500
Total Other Expenses	8,856	8,860
Total Operating Expenses	248,940	283,425
Net Operating Income	190,488	169,778
Debt Service		
CY Mortgage Debt Payments (IS)	-	-
Interest Expense - Mortgage	-	-
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	4,956	4,959
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	4,956	4,959
Legal Admin	1,500	1,500
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	1,500	1,500
Net Cash Flow	184,032	163,319

Mason Hotel
2025 Replacement Reserves

Beginning Balance of Replacement Rsv	35,592
Deposit to Reserves	8,500
Use of Reserves (Capital Expenditures)	(9,475)
Ending Balance of Replacement Reserves	<hr/> 34,617