

# 2025 PROPERTY OPERATING BUDGETS

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Housing Development Partners (HDP) and HDP Mason  
Board Meeting  
January 23, 2025

Emmanuel Arellano, Vice President of Asset Management  
Branden Sarkissian, Director of Asset Management



# 2025 Property Operating Budgets Agenda

- 2025 Budget Overview
- Total Operating Income
- Total Operating Expenses
- Net Operating Income Compared to Actuals
- Financial Performance Monitoring

# 2025 Property Operating Budgets Per Unit, Per Year

- Total Operating Income budget:
  - HDP Portfolio: \$22,059 per unit per year
  - Mason Hotel: \$26,659 per unit per year
- Total Operating Expenses budget:
  - HDP Portfolio: \$10,049 per unit per year
  - Mason Hotel: \$16,672 per unit per year
- Total Net Operating Income budget:
  - HDP Portfolio: \$12,011 per unit per year
  - Mason Hotel: \$9,987 per unit per year

*“Per Unit, Per Year” figures are consistent with comparable figures for similar properties as provided by other management firms.*

# 2025 Property Operating Budgets

## HDP Property Budgets Combined

	2024 Budget	2025 Budget	2025 Budget PUPA	% Var 2024 Budget vs 2025 Budget	\$ Var 2024 Budget vs 2025 Budget
<b>INCOME</b>					
Net Rental Income	21,167,472	22,938,151	21,338	8%	1,770,679
Total Other Income	478,080	400,574	373	-16%	(77,506)
<b>Total Income</b>	<b>21,645,552</b>	<b>23,338,725</b>	<b>21,710</b>	<b>8%</b>	<b>1,693,173</b>
<b>EXPENSES</b>					
Total Admin	2,816,532	2,816,626	2,620	0%	94
Total Utilities	1,751,904	1,785,642	1,661	2%	33,738
Total Maintenance and Repair	2,929,764	3,183,157	2,961	9%	253,393
Total Extraordinary Maintenance	-	-	-	0%	-
Total Taxes and Insurance	762,468	900,191	837	18%	137,723
Total Debt - Uncollectible Rent	289,080	271,264	252	-6%	(17,816)
Total Other Expenses	1,754,652	1,674,670	1,558	-5%	(79,982)
<b>Total Operating Expenses</b>	<b>10,304,400</b>	<b>10,631,550</b>	<b>9,890</b>	<b>3%</b>	<b>327,150</b>
<b>Net Operating Income</b>	<b>11,341,152</b>	<b>12,707,175</b>	<b>11,821</b>	<b>12%</b>	<b>1,366,023</b>
<b>Total Debt Service</b>	<b>4,655,484</b>	<b>4,644,658</b>	<b>4,321</b>	<b>0%</b>	<b>(10,826)</b>
<b>Total Entity Expenses</b>	<b>157,308</b>	<b>152,308</b>	<b>142</b>	<b>-3%</b>	<b>(5,000)</b>
<b>Net Cash Flow</b>	<b>6,528,360</b>	<b>7,910,208</b>	<b>7,358</b>	<b>21%</b>	<b>1,381,848</b>

# 2025 Property Operating Budgets

## Mason Hotel Property Budget

	2024 Budget	2025 Budget	2025 Budget PUPA	% Var 2024 Budget vs 2025 Budget	\$ Var 2024 Budget vs 2025 Budget
<b>INCOME</b>					
Net Rental Income	401,844	451,652	26,568	12%	49,808
Total Other Income	37,584	1,551	91	-96%	(36,033)
<b>Total Income</b>	<b>439,428</b>	<b>453,203</b>	<b>26,659</b>	<b>3%</b>	<b>13,775</b>
<b>EXPENSES</b>					
Total Admin	90,000	114,176	6,716	27%	24,176
Total Utilities	46,308	47,343	2,785	2%	1,035
Total Maintenance and Repair	83,352	93,082	5,475	12%	9,730
Total Extraordinary Maintenance	-	-	-	0%	-
Total Taxes and Insurance	16,416	19,738	1,161	20%	3,322
Total Debt - Uncollectible Rent	4,008	226	13	-94%	(3,782)
Total Other Expenses	8,856	8,860	521	0%	4
<b>Total Operating Expenses</b>	<b>248,940</b>	<b>283,425</b>	<b>16,672</b>	<b>14%</b>	<b>34,485</b>
<b>Net Operating Income</b>	<b>190,488</b>	<b>169,778</b>	<b>9,987</b>	<b>-11%</b>	<b>(20,710)</b>
<b>Total Debt Service</b>	<b>4,956</b>	<b>4,959</b>	<b>292</b>	<b>0%</b>	<b>3</b>
<b>Total Entity Expenses</b>	<b>1,500</b>	<b>1,500</b>	<b>88</b>	<b>0%</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>184,032</b>	<b>163,319</b>	<b>9,607</b>	<b>-11%</b>	<b>(20,713)</b>

# 2025 Property Operating Budgets

## Total Income

- Total Loss to Lease (the difference between current rent and maximum allowable rent)
  - 2025 portfolio budgeted Loss to Lease is \$2,732,256.
  - The four properties with the largest Loss to Lease are: Knox Glen, Town & Country, Village North Seniors and Mariner's Village.
  - Asset Management is continuing to reduce Loss to Lease by sustainably increasing revenues.
- The proposed 2025 Operating Budgets reflect the following rent increases:
  - Knox Glen – 5%
  - Town & Country – 5%
  - Village North Seniors – 5%
  - Mariners Village – 8.6%
  - All other PBV projects – 3%
  - Proposed rent increases follow AB 1482.

# 2025 Property Operating Budgets

## Total Operating Expenses

- One third of the HDP portfolio provides permanent affordable rental housing with supportive services for people who experienced homelessness (Permanent Supportive Housing).
  - These properties present unique operating challenges, such as higher security, unit repair and turnover expenses.
- Mason Hotel is a Permanent Supportive Housing property.



*Quality Inn*  
*91 Permanent Supportive Housing units*

# 2025 Property Operating Budgets

## Economic Impacts

- City of San Diego indicated increased water and sewer rates of 4% in 2025.
- SDG&E has indicated that estimated rate increases for 2025 are:
  - 4% for electricity
  - 8% for gas
- Anticipated increases in costs for contracted trade services, such as landscapers, painters and plumbers.
- Competitive job market results in a longer searches to fill vacant job openings.



# 2025 Property Operating Budgets

## Expense Increases

- Additional insurance coverage for pollution events, which resulted in an additional \$51,563 increase.
- Insurance Premium increase: ~20.5% (September 2024 – August 2025)
  - 2023-2024: \$607,751
  - 2024-2025: \$732,575
- Remaining four months of 2024 (September 2025 – December 2025) budgeted at a 15% increase.
- Premium increases continue to be a likely occurrence industry-wide.
  - The HDP portfolio benefited from economies of scale by having all properties under one umbrella policy.

# 2025 Property Operating Budgets

## Net Operating Income

- 2025 budgeted portfolio Net Operating Income is expected to exceed 2024 portfolio Annualized Net Operating Income by 16%, or \$1.8 million.
- FY2025 budget accounts for increased economies of scale due to the recent Property Management Changes and increased rental payment standards.
- While expenses are expected to continue to grow given the aging portfolio, HDP will continue the ongoing focus and efforts to identify cost-mitigating opportunities throughout the entire portfolio.
- HDP will utilize available programs to reduce expenses, including but not limited to, utility saving programs, solar installation, etc.



*New Palace Hotel  
79 affordable apartments for seniors  
at risk of or who experienced  
homelessness  
Photo: Griffin Photography*

# 2025 Property Operating Budgets

## Financial Performance Monitoring & Physical Preservation

- Continue to closely monitor the monthly financial performance for proper and timely intervention if any negative trends are identified.
- Continue to focus on cost containment, expense approval controls and close oversight of the assets.
- Continue to provide oversight of the physical performance of the properties for the long-term preservation of the assets in accordance with Physical Needs Assessment reports.

# 2025 Property Operating Budgets

## Staff Recommendations

Staff recommends that the HDP and HDP Mason Board of Directors approve the 2025 Property Budgets as detailed in the staff reports for the following properties:

- Single-Family Homes/Companion Units
- Casa Colina
- Hotel Churchill
- Knox Glen
- Mariner's Village
- New Palace Hotel
- Parker Kier
- Quality Inn
- San Diego Square
- Town and Country
- Village North Senior
- West Park
- Mason Hotel

# 2025 Property Operating Budgets

## Questions/Comments