

REPORT

DATE ISSUED: January 16, 2025

REPORT NO: HDP25-008

ATTENTION: Chair and Members of the Board of Directors of
Housing Development Partners of San Diego
For the Agenda of January 23, 2025

SUBJECT: Mariner's Village 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 Mariner's Village, a 172-unit affordable housing property at 6847 Potomac Street, San Diego, CA 92139, 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

Mariner's Village is a 172-unit affordable housing property for seniors with low income, earning between 40 percent and 80 percent of the San Diego area median income. It was developed with low-income housing tax credits (LIHTC). The property was acquired on January 30, 2021, by HDP Mariner's Village, LP. The property was placed in service in 2021.

The Mariner's Village 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 each 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 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.

	Mariner's Village				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	3,235,368	3,470,119	234,751	7%	Increased rental revenue projection is due to 2024 rent increases effective December 2024 – December 2025.
Other Income	143,232	116,500	(26,732)	-19%	Tenant rent recovery through payment plans budgeted in 2024 and removed for 2025 as payment against prior year's delinquency offsets against a related allowance.
Total Revenue	3,378,600	3,586,619	208,019	6%	
Total Admin	379,992	415,419	35,427	9%	Maintenance employee benefits budgeted in Admin to align with expense allocation. Project legal fees increased based on 2024 actuals (1 st year post-Covid Unlawful Detainer protocol).
Total Utilities	308,724	299,613	(9,111)	-3%	Based on published increases and rolling 12-month usage: water (4%), electric (4%) and gas (6.3%). Reduced gas and electric consumption.
Total Repairs & Maintenance (R&M)	362,160	374,784	12,624	3%	Includes regional maintenance support and increased projections for repair contracts due to history of relatively minor water intrusion incidents with remediation expenses below the insurance deductible.
Taxes & Insurance	178,200	167,487	(10,713)	-6%	Insurance increase based on 2024/25 rates. Offset by Property Tax exemption anticipated to include all units (2024 budgeted 16 non-qualifying units).
Other Expenses	382,644	389,026	6,382	2%	
Other Debt (uncollectible rent write-offs)	15,396	36,436	21,040	137%	2025 budget projection of 1.05% of rental income.
Total Operating Expenses	1,627,116	1,682,765	55,649	3%	
NOI	1,751,484	1,903,854	152,370	9%	
Debt Service	1,006,644	1,006,636	(8)	0%	
Total Entity Expenses	26,616	23,185	(3,431)	-13%	
Net Cash Flow	718,224	874,033	155,809	22%	Property received 8609 in 2025.

RENTS

Rents at this property average \$500 below the applicable restricted rent. The rent increase capped at \$95 per unit is intended to close the gap to the restricted rent. Approximately 40% of households have a Housing Choice Voucher, and the rent increase will not affect the portion of the rent they pay.

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 staffing for this 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 day porter.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$60,200. 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 Sean Elo-Rivera, is also a Director of HDP. Councilmember Elo-Rivera 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 Elo-Rivera 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 Elo-Rivera, 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 Elo-Rivera'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 Elo-Rivera 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

Emmanuel Arellano

Branden Sarkissian
Director of Asset Management
Housing Development Partners

Emmanuel Arellano
Vice President of Asset Management
Housing Development Partners

Attachments: 1) Mariner's Village – 2025 Property Operations
 2) Mariner's Village – 2025 Replacement Reserves

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

Mariner's Village - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	3,675,552	4,023,685
Gain Loss to Lease	(223,752)	(325,027)
Less: Vacancies	(172,584)	(184,933)
Less: Down Unit	-	-
Less: Manager's Unit	(43,848)	(43,606)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	3,235,368	3,470,119
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	4,248	3,630
Carport Garage Gate Income	75,600	75,166
Laundry and Vending Revenue	20,304	22,776
NSF Late Charges	3,672	3,804
Former Tenant Income	-	-
Tenant Rent Recovery	29,004	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	192	198
Interest Income - Replacement Reverse	72	70
Interest Income Investments	144	500
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	9,996	10,356
Security Deposit Forfeiture	-	-
Total Other Income	143,232	116,500
Total Income	3,378,600	3,586,619
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	13,464	13,850

Mariner's Village - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	160,992	123,840
Bookkeeping Fees	1,536	4,409
Office Expense	-	-
Internet and Telephone	-	-
Office Supplies	4,200	10,704
Parking	-	-
Software Exp Admin	-	-
Copier Printer	3,780	-
Office Repairs and Maint	2,652	-
Bank Charges Admin	-	531
Mileage	-	-
Dues Subs and Memberships	-	-
Other Admin Expense	1,644	869
Manager Salaries	97,272	100,828
Office Salaries	6,756	6,760
Employee Benefits PM Co - Program Admin	19,404	41,181
Payroll Taxes - Manager and Admin	9,876	10,149
Workman's Comp Mgr and Admin	3,864	8,008
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	20,004	21,170
Legal - Program Admin	7,500	47,405
Cleaning and Janitorial Contract	-	-
Credit Check Service Fee	-	330
Internet and Telephone Prog Admin	9,900	10,303
Advertising	756	-
Bank Charges Program Admin	552	411
Mileage and Travel Exp Prog Admin	1,200	178
Training - Program Admin	1,620	741
Postage and Delivery Prog Admin	600	809
Software Exp Program Admin	11,040	12,109
Misc Program Admin	1,380	831
Lease Up Expenses	-	-
Total Admin	379,992	415,419

Mariner's Village - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	42,756	36,767
Gas	85,680	65,182
Sewer	84,768	88,095
Water	95,520	109,569
Total Utilities	308,724	299,613
Maintenance and Repair		
Fire Protection and Alarm	2,256	4,914
AC Contracts	3,504	5,765
Clubhouse Expense	3,996	-
Decorating	-	-
Elevator Contracts	-	-
Exterminating Supplies	-	-
Exterminating Contracts	7,800	10,174
Electrical Contracts	2,004	135
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	34,656	18,621
Ground Supplies	5,004	-
Janitorial Supplies	1,800	2,563
COVID Supplies	-	-
Maint Supplies and Materials	9,996	6,015
Plumbing Contracts	4,248	11,452
Plumbing Supplies	2,004	115
Repair and Maint Payroll	143,208	164,586
Payroll Taxes - Rpr and Maint	13,548	15,169
Employee Benefits PM Co - Program	29,100	-
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	6,504	10,000
Flooring	-	-
Painting Contract	-	-
Repair Contracts	9,756	20,000
Repair Supplies	1,284	-
Security Contract Program	33,996	34,188
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	45,000	50,387

Mariner's Village - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	-	13,067
Remediation Expense	-	6,836
Uniforms	2,496	797
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	362,160	374,784
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	804	800
Fidelity Bond Insurance	-	-
Insurance Other	-	-
Property and Liability Ins	130,668	161,404
Property Taxes	46,728	5,283
Total Taxes and Insurance	178,200	167,487
Bad Debt - Tenant Rent	15,396	36,436
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	15,396	36,436
Other Expenses		
Tenant Services Other	-	-
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	-	-
Relocation Costs	-	-

Mariner's Village - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	3,000	-
Ground Lease Expense	304,824	328,826
Miscellaneous Exp Program	14,616	-
CY Deposit to Escrow Rplc Reserve	60,204	60,200
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	382,644	389,026
Total Operating Expenses	1,627,116	1,682,765
Net Operating Income	1,751,484	1,903,854
Debt Service		
CY Mortgage Debt Payments (IS)	296,520	309,202
Interest Expense - Mortgage	683,244	670,559
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	2,256	2,250
SDHC Bond Admin Fee	24,624	24,625
Loan Fees	-	-
Total Debt Service	1,006,644	1,006,636
Legal Admin	4,104	-
Asset Management Fees	5,628	5,796
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	16,884	17,389
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	26,616	23,185
Net Cash Flow	718,224	874,033

Mariners Village 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	388,000
Deposit to Reserves	60,270
Use of Reserves (Capital Expenditures)	<u>(112,750)</u>
Ending Balance of Replacement Reserves	335,520