

REPORT

DATE ISSUED: January 16, 2025

REPORT NO: HDP25-010

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

SUBJECT: Parker Kier 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 Parker Kier, a 34-unit affordable housing property at 2172 Front Street, San Diego, CA 92101, for individuals with low income who experienced homelessness or are at risk of 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

Parker Kier is a 34-unit affordable housing property in downtown San Diego, in which 22 units are for individuals with low income who experienced homelessness, and 11 units are for individuals with low income at risk of homelessness. HDP developed the property in 2012, utilizing a Ground Lease with the Housing Commission.

The Parker Kier Property Budget is prepared annually by the management company, Hyder Property Management Professionals (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.

Staff is requesting approval of the 2025 Property Budget.

BUDGET SUMMARY

The 2025 Property 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.

| | Parker Kier | | | | |
|--|----------------|----------------|----------------|------------|---|
| | FY 2024 | FY 2025 | \$ Variance | % Variance | Notes |
| Rental Income | 858,804 | 910,600 | 51,796 | 6% | <i>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.</i> |
| Other Income | 8,808 | 1,496 | (7,312) | -83% | <i>Less anticipated damage and cleaning fees.</i> |
| Total Revenue | 867,612 | 912,097 | 44,485 | 5% | |
| Total Admin | 93,252 | 117,827 | 24,575 | 26% | <i>Admin increased due to property management fee and software expenses.</i> |
| Total Utilities | 97,320 | 101,557 | 4,237 | 4% | <i>Expenses based on FY 2024 actuals and scheduled increases.</i> |
| Total Repairs & Maintenance (R&M) | 176,016 | 189,448 | 13,432 | 8% | <i>Increases in security, payroll and turnover contracts.</i> |
| Taxes & Insurance | 20,832 | 26,383 | 5,551 | 27% | <i>Insurance premium increase</i> |
| Other Expenses | 52,080 | 55,168 | 3,088 | 6% | <i>Ground lease rent</i> |
| Other Debt (uncollectible rent write-offs) | 4,104 | 3,187 | (917) | -22% | <i>Uncollectible-rent debt.</i> |
| Total Operating Expenses | 443,604 | 493,571 | 49,967 | 11% | |
| Net Operating Income | 424,008 | 418,526 | (5,482) | -1% | |
| Debt Service | 0 | 0 | 0 | 0% | |
| Total Entity Expenses | 9,996 | 10,000 | 4 | 0% | |
| Net Cash Flow | 414,012 | 408,526 | (5,486) | -1% | |

RENTS

The 2025 Property Budget reflects a revenue increase due to anticipated increases in the Housing Commission's payment standard for project-based vouchers and sponsor-based vouchers. The increase to the payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The budget reflects increased maintenance and repair expenses based on the 2024 actuals. 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, one full-time assistant and one maintenance technician who splits time at Parker Kier and Mason Hotel.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$13,200, 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 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,

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) Parker Kier – 2025 Property Operations Budget
 2) Parker Kier – 2025 Replacement Reserves

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

| Parker Kier - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| INCOME | | |
| Gross Potential Rent | | |
| Gross Potential Revenue | 934,656 | 1,103,196 |
| Gain Loss to Lease | - | (112,503) |
| Less: Vacancies | (46,728) | (49,535) |
| Less: Down Unit | - | - |
| Less: Manager's Unit | (29,124) | (30,558) |
| Less: Discounts and Concesss | - | - |
| Less: Office Community Room Unit | - | - |
| Less: COVID Hardship | - | - |
| Rent Subsidy Variances | - | - |
| Net Rental Income | 858,804 | 910,600 |
| Other Income | | |
| Rental Income Commercial | - | - |
| Prepaid Income | - | - |
| Application Fees | 156 | 120 |
| Credit Check Income | - | - |
| Damages Cleaning Fees | 5,028 | - |
| Carport Garage Gate Income | - | - |
| Laundry and Vending Revenue | 2,004 | 1,088 |
| NSF Late Charges | - | - |
| Former Tenant Income | - | - |
| Tenant Rent Recovery | - | - |
| Other Tenant Charges Recovery | - | - |
| Interest Income - Restricted | - | - |
| Interest Income - Replacement Reverse | 120 | 288 |
| Interest Income Investments | - | - |
| Interest Income Notes Receivable | - | - |
| Grant Income - Fed - Svc Coord | - | - |
| Donations Income | - | - |
| Commercial Tenant - Reimb | - | - |
| Miscellaneous Income | 1,500 | - |
| Security Deposit Forfeiture | - | - |
| Total Other Income | 8,808 | 1,496 |
| Total Income | 867,612 | 912,097 |
| EXPENSES | | |
| Admin | | |
| Consultant Asset Mgmt | - | - |
| Broker Fees | - | - |
| Audit and Tax Prep Fees | 4,416 | 4,545 |

| Parker Kier - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| IT Support Maintenance | - | - |
| Property Management Fees | 24,588 | 42,024 |
| Bookkeeping Fees | - | - |
| Office Expense | - | - |
| Internet and Telephone | - | - |
| Office Supplies | 2,496 | 3,779 |
| Parking | - | - |
| Software Exp Admin | - | - |
| Copier Printer | - | - |
| Office Repairs and Maint | - | - |
| Bank Charges Admin | - | - |
| Mileage | - | - |
| Dues Subs and Memberships | - | - |
| Other Admin Expense | 996 | 1,032 |
| Manager Salaries | 34,452 | 35,886 |
| Office Salaries | - | - |
| Employee Benefits PM Co - Program Admin | 5,676 | 5,678 |
| Payroll Taxes - Manager and Admin | 3,948 | 4,057 |
| Workman's Comp Mgr and Admin | 3,984 | 4,155 |
| Temp Services - Property Manager | - | - |
| Temp Services - Admin | - | - |
| Consultant Other Program Admin | - | - |
| Legal - Program Admin | 3,600 | 3,730 |
| Cleaning and Janitorial Contract | 480 | 993 |
| Credit Check Service Fee | 324 | 198 |
| Internet and Telephone Prog Admin | 3,252 | 3,369 |
| Advertising | 120 | - |
| Bank Charges Program Admin | 1,140 | 1,600 |
| Mileage and Travel Exp Prog Admin | 96 | 150 |
| Training - Program Admin | 996 | 1,000 |
| Postage and Delivery Prog Admin | 156 | - |
| Software Exp Program Admin | 2,532 | 5,631 |
| Misc Program Admin | - | - |
| Lease Up Expenses | - | - |
| Total Admin | 93,252 | 117,827 |
| | | |

| Parker Kier - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| Utilities | | |
| Cable Expenses | - | - |
| Electricity | 61,056 | 63,498 |
| Gas | 14,976 | 15,919 |
| Sewer | 8,760 | 9,110 |
| Water | 12,528 | 13,029 |
| Total Utilities | 97,320 | 101,557 |
| | | |
| Maintenance and Repair | | |
| | | |
| Fire Protection and Alarm | 6,672 | 6,912 |
| AC Contracts | 300 | 500 |
| Clubhouse Expense | 2,004 | 2,076 |
| Decorating | - | - |
| Elevator Contracts | 5,904 | 4,708 |
| Exterminating Supplies | 36 | 44 |
| Exterminating Contracts | 5,196 | 5,383 |
| Electrical Contracts | 852 | 1,750 |
| Furn and Appl Rplcmnt | - | - |
| Landscape and Grounds Contract | - | 1,500 |
| Ground Supplies | 504 | 200 |
| Janitorial Supplies | 1,200 | 1,500 |
| COVID Supplies | 96 | 50 |
| Maint Supplies and Materials | 2,952 | 2,773 |
| Plumbing Contracts | 4,800 | 4,973 |
| Plumbing Supplies | 1,200 | 1,200 |
| Repair and Maint Payroll | 48,204 | 52,424 |
| Payroll Taxes - Rpr and Maint | 4,992 | 5,314 |
| Employee Benefits PM Co - Program | 8,052 | 8,136 |
| Temp Services - Program Admin | - | - |
| Temp Services - Maintenance | - | - |
| Temp Services - Janitorial | - | - |
| Unit Turnover Contracts | 1,440 | 4,227 |
| Flooring | - | 2,000 |
| Painting Contract | 528 | 750 |
| Repair Contracts | 3,696 | 1,841 |
| Repair Supplies | 3,804 | 3,830 |
| Security Contract Program | 57,732 | 60,619 |
| Security Payroll | - | - |
| Payroll Taxes - Security | - | - |
| Workers Compensation Ins-Security | - | - |
| Trash Removal | 10,032 | 10,393 |

| Parker Kier - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| Workman's Comp-Rpr and Maint | 5,604 | 6,096 |
| Remediation Expense | - | - |
| Uniforms | 216 | 250 |
| Casualty Losses | - | - |
| Insurance Claims Expense | - | - |
| Insurance Proceeds | - | - |
| Retail Space Expenses | - | - |
| Total Maintenance and Repair | 176,016 | 189,448 |
| Extraordinary Maintenance | | |
| Extraordinary Maintenance | - | - |
| Total Extraordinary Maintenance | - | - |
| Taxes and Insurance | | |
| Taxes Licenses and Fees | 4,896 | 5,072 |
| Fidelity Bond Insurance | 48 | 54 |
| Insurance Other | 396 | 676 |
| Property and Liability Ins | 15,492 | 20,580 |
| Property Taxes | - | - |
| Total Taxes and Insurance | 20,832 | 26,383 |
| Bad Debt - Tenant Rent | 1,200 | 3,187 |
| Bad Debt - Other Tenant Charges | 2,904 | - |
| Bad Debt - Other - Elim | - | - |
| Bad Debt - Other | - | - |
| Bad Debt - Tenant Rent - PMCo Direct | - | - |
| Bad Debt - Other Tenant Charges - PMCo Direct | - | - |
| Total Bad Debt | 4,104 | 3,187 |
| Other Expenses | | |
| Tenant Services Other | 684 | 850 |
| Tenant Services Payroll Benefits | - | - |
| Grant Expense | - | - |
| Grant Expense - Elim | - | - |
| SDHC Compliance Monitoring Fee | 912 | 939 |
| Relocation Costs | - | - |

| Parker Kier - 2025 Operating Summary | | |
|---|------------------------|------------------------|
| | 2024 Budget | 2025 Budget |
| Relocation due to Maint | - | - |
| Ground Lease Expense | 37,284 | 40,179 |
| Miscellaneous Exp Program | - | - |
| CY Deposit to Escrow Rplc Reserve | - | - |
| CY Deposit to Rplc Reserve | 13,200 | 13,200 |
| Total Other Expenses | 52,080 | 55,168 |
| Total Operating Expenses | 443,604 | 493,571 |
| Net Operating Income | 424,008 | 418,526 |
| Debt Service | | |
| CY Mortgage Debt Payments (IS) | - | - |
| Interest Expense - Mortgage | - | - |
| Mortgage Insurance Expense | - | - |
| Loan Servicing Fee (Trustee Fee) | - | - |
| SDHC Bond Admin Fee | - | - |
| Loan Fees | - | - |
| Total Debt Service | - | - |
| Legal Admin | - | - |
| Asset Management Fees | - | - |
| Asset Mgmt Fee - Elim | 9,996 | 10,000 |
| Partnership Management Fee | - | - |
| Incentive Partnership Mgmt Fee | - | - |
| Insurance - D and O | - | - |
| Guaranteed Fees | - | - |
| Total Entity Expenses | 9,996 | 10,000 |
| Net Cash Flow | 414,012 | 408,526 |

Parker Kier
2025 Replacement Reserves

| | |
|--|-----------------|
| Beginning Balance of Replacement Rsv | 40,500 |
| Deposit to Reserves | 13,200 |
| Use of Reserves (Capital Expenditures) | <u>(11,450)</u> |
| Ending Balance of Replacement Reserves | 42,250 |