

REPORT

DATE ISSUED: January 16, 2025

REPORT NO: HDP25-011

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

SUBJECT: Quality Inn 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 Quality Inn, a 92-unit affordable housing property with supportive services at 1830 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

Quality Inn is a 92-unit affordable housing property in downtown San Diego for individuals 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 2022.

The Quality Inn 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. 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 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.

	Quality Inn				
	FY 2024	FY 2025	\$ Variance	% Variance	Notes
Rental Income	1,996,428	2,286,540	290,112	15%	<i>A rent increase is anticipated to more closely align with an anticipated increase in the payment standard for studio units, effective December 2024 – December 2025. No impact on the tenant's portion of the rent.</i>
Other Income	7,260	4,642	(2,618)	-36%	<i>Reduced projected damages charged to tenants.</i>
Total Revenue	2,003,688	2,291,181	287,493	14%	
Total Admin	313,164	289,399	(23,765)	-8%	<i>Reduced management fee expense and employee benefits projection with new property management company.</i>
Total Utilities	94,800	120,700	25,900	27%	<i>Based on published increases and rolling 12-month usage: water (4%), electric (4%) and gas (6.3%)</i>
Total Repairs & Maintenance (R&M)	196,092	240,232	44,140	23%	<i>Increased budget to meet property preventative maintenance needs post-rehabilitation (HVAC, Property Management contract, maintenance supplies and enhanced security service).</i>
Taxes & Insurance	33,372	46,900	13,528	41%	<i>Insurance increase based on 2024/2025 rates, with a 10% escalation effective in September for 2025/2026 policy.</i>
Other Expenses	141,336	164,149	22,813	16%	<i>Ground lease expense projection based on increased revenue.</i>
Other Debt (uncollectible rent write-offs)	25,296	25,609	313	1%	
Total Operating Expenses	804,060	886,990	82,930	10%	<i>Minimally controllable expenses (Ground Lease, insurance, utility rates) account for most of the increased projection, with budget adjustments based on the property needs post-rehabilitation and stabilization contributing.</i>
Net Operating Income (NOI)	1,199,628	1,404,191	204,563	17%	
Debt Service	295,908	295,900	(8)	0%	
Total Entity Expenses	0	0	0	0%	
Net Cash Flow	903,720	1,108,291	204,571	23%	

RENTS

The property's rents are consistent with current payment standards for single-room occupancy (SRO) properties and studios. Rent increases will be made to more closely align with an anticipated increase in the Housing Commission's payment standard for project-based housing vouchers (PBV). The rent increase based on the PBV payment standard does not impact the resident's portion of rent.

MAINTENANCE AND REPAIR

The maintenance and repairs budget for 2025 has been adjusted due to the completion of the rehabilitation as the property enters its stabilization period. 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 staff for the property consists of one full-time property manager, one full-time assistant manager, and maintenance technician and one porter. The maintenance technician's and porter's time and cost are split between Quality Inn and West Park Inn.

CAPITAL PLAN

Total deposits to the replacement reserve account in 2025 will be \$46,000, consistent with 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,

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) Quality Inn – 2025 Property Operations Budget
 2) Quality Inn – 2025 Replacement Reserves

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

Quality Inn - 2025 Operating Summary		
	2024 Budget	2025 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	2,132,496	2,440,327
Gain Loss to Lease	(3,552)	12
Less: Vacancies	(106,452)	(122,017)
Less: Down Unit	-	-
Less: Manager's Unit	(26,064)	(31,782)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Rent Subsidy Variances	-	-
Net Rental Income	1,996,428	2,286,540
Other Income		
Rental Income Commercial	-	-
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	3,300	500
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	2,400	2,882
NSF Late Charges	300	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	-	-
Interest Income Investments	1,260	1,260
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
Total Other Income	7,260	4,642
Total Income	2,003,688	2,291,181
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	11,880	12,227

Quality Inn - 2025 Operating Summary		
	2024 Budget	2025 Budget
IT Support Maintenance	-	-
Property Management Fees	118,272	104,880
Bookkeeping Fees	-	-
Office Expense	3,180	3,528
Internet and Telephone	-	-
Office Supplies	-	-
Parking	-	-
Software Exp Admin	-	-
Copier Printer	2,724	-
Office Repairs and Maint	-	-
Bank Charges Admin	-	448
Mileage	-	-
Dues Subs and Memberships	732	61
Other Admin Expense	-	-
Manager Salaries	60,156	62,121
Office Salaries	39,264	40,700
Employee Benefits PM Co - Program Admin	22,488	11,789
Payroll Taxes - Manager and Admin	8,988	9,247
Workman's Comp Mgr and Admin	7,464	4,970
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	6,168	1,701
Legal - Program Admin	6,432	2,887
Cleaning and Janitorial Contract	1,500	3,626
Credit Check Service Fee	-	-
Internet and Telephone Prog Admin	10,440	10,616
Advertising	888	732
Bank Charges Program Admin	324	1,605
Mileage and Travel Exp Prog Admin	360	3,932
Training - Program Admin	2,412	3,785
Postage and Delivery Prog Admin	252	545
Software Exp Program Admin	9,000	9,767
Misc Program Admin	240	233
Lease Up Expenses	-	-
Total Admin	313,164	289,399

Quality Inn - 2025 Operating Summary		
	2024 Budget	2025 Budget
Utilities		
Cable Expenses	-	-
Electricity	54,816	78,328
Gas	13,296	9,752
Sewer	10,152	13,227
Water	16,536	19,394
Total Utilities	94,800	120,700
Maintenance and Repair		
Fire Protection and Alarm	10,416	8,670
AC Contracts	1,200	6,900
Clubhouse Expense	-	-
Decorating	1,236	1,909
Elevator Contracts	9,684	10,334
Exterminating Supplies	-	-
Exterminating Contracts	10,320	10,231
Electrical Contracts	2,004	1,031
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	204	-
Janitorial Supplies	2,004	2,069
COVID Supplies	-	-
Maint Supplies and Materials	6,000	15,423
Plumbing Contracts	11,820	11,664
Plumbing Supplies	-	-
Repair and Maint Payroll	65,064	67,506
Payroll Taxes - Rpr and Maint	6,276	6,460
Employee Benefits PM Co - Program	16,236	8,396
Temp Services - Program Admin	-	-
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	-	-
Repair Contracts	3,312	3,431
Repair Supplies	-	-
Security Contract Program	31,128	46,462
Security Payroll	-	-
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	14,220	18,047

Quality Inn - 2025 Operating Summary		
	2024 Budget	2025 Budget
Workman's Comp-Rpr and Maint	4,620	5,106
Remediation Expense	-	16,094
Uniforms	348	500
Casualty Losses	-	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	196,092	240,232
Extraordinary Maintenance		
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
Taxes and Insurance		
Taxes Licenses and Fees	5,676	8,464
Fidelity Bond Insurance	-	-
Insurance Other	192	60
Property and Liability Ins	27,492	38,376
Property Taxes	12	-
Total Taxes and Insurance	33,372	46,900
Bad Debt - Tenant Rent	19,200	25,609
Bad Debt - Other Tenant Charges	6,096	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo Direct	-	-
Total Bad Debt	25,296	25,609
Other Expenses		
Tenant Services Other	-	-
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	15,048	15,050
Relocation Costs	-	-

Quality Inn - 2025 Operating Summary		
	2024 Budget	2025 Budget
Relocation due to Maint	-	-
Ground Lease Expense	77,292	103,103
Miscellaneous Exp Program	3,000	-
CY Deposit to Escrow Rplc Reserve	45,996	45,996
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	141,336	164,149
Total Operating Expenses	804,060	886,990
Net Operating Income	1,199,628	1,404,191
Debt Service		
CY Mortgage Debt Payments (IS)	92,352	96,854
Interest Expense - Mortgage	196,056	191,546
Mortgage Insurance Expense	-	-
Loan Servicing Fee (Trustee Fee)	7,500	7,500
SDHC Bond Admin Fee	-	-
Loan Fees	-	-
Total Debt Service	295,908	295,900
Legal Admin	-	-
Asset Management Fees	-	-
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	-	-
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Total Entity Expenses	-	-
Net Cash Flow	903,720	1,108,291

Quality Inn 2025 Replacement Reserves

Beginning Balance of Replacement Rsv	226,147
Deposit to Reserves	45,996
Use of Reserves (Capital Expenditures)	<u>-</u>
Ending Balance of Replacement Reserves	272,143