

## REPORT

**DATE ISSUED:** November 26, 2025

**REPORT NO:** HDP25-035

**ATTENTION:** Chair and Members of the Board of Directors of  
Housing Development Partners of San Diego  
For the Agenda of December 5, 2025

**SUBJECT:** New Palace Hotel 2026 Property Budget

**STAFF RECOMMENDATION:**

That the Housing Development Partners (HDP) Board of Directors (Board) take the following actions:

- 1) Approve the 2026 Property Budget for New Palace Hotel, an 80-unit affordable housing property at 1814 5th Avenue, San Diego, CA 92101, for seniors 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**

New Palace Hotel is an 80-unit affordable housing property for seniors with low income, earning between 30 percent and 60 percent of the San Diego area median income, who experienced homelessness. It was developed with low-income housing tax credits (LIHTC). The property was acquired on January 12, 2016, and rehabilitated by HDP in winter 2018.

The New Palace Hotel Property Budget is prepared annually by the management company, Hyder Property Management Professionals (Hyder). The budget is reviewed and refined by 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 the partnership's lenders and financing partners.

Staff is requesting approval of the 2026 Property Budget.

**BUDGET SUMMARY**

The 2026 Property Budget was prepared using historical data from property operations combined with the professional experience of Hyder and HDP's asset management team. Below is a summary chart, which compares the proposed 2026 budget to the 2025 budget.

	New Palace				
	FY 2025	FY 2026	\$ Variance	% Variance	Notes
Rental Income	1,951,237	1,837,753	-113,484	-6%	2025 rent increase was less than projected in 2025 budget. No increase anticipated in 2026.
Other Income	4,861	53,126	48,265	993%	Commercial space rental revenue. Commercial space was not budgeted for 2025.
<b>Total Revenue</b>	<b>1,956,098</b>	<b>1,890,879</b>	<b>-65,220</b>	<b>-3%</b>	
Total Admin	219,096	250,011	30,915	14%	Legal and office staff expense projected to increase over 2025.
Total Utilities	115,258	92,649	-22,609	-20%	Electric budget based on 2025 actuals. The 2025 expense significantly reduced due to the SDG&E CARES program.
Total R&M	216,990	229,757	12,768	6%	Increased trash collection and new building systems preventative maintenance program.
Total Protective Services	20,824	48,288	27,464	132%	Enhanced security program to include monitored surveillance cameras.
Extraordinary Maintenance	0	0	0	0%	
Taxes & Insurance	47,766	50,603	2,837	6%	
Other Expenses	72,491	92,470	19,979	28%	Budgeting for increased tenant services hours availability to tenants.
<b>Total Operating Expenses</b>	<b>692,424</b>	<b>763,778</b>	<b>71,354</b>	<b>10%</b>	
<b>Net Operating Income</b>	<b>1,263,674</b>	<b>1,127,100</b>	<b>-136,574</b>	<b>-11%</b>	
Debt Service	295,431	295,430	-1	0%	
Total Entity Expenses	15,373	20,271	4,898	32%	Entity legal expense anticipated for commercial space lease renewal & extension.
<b>Net Cash Flow</b>	<b>952,870</b>	<b>811,399</b>	<b>-141,471</b>	<b>-15%</b>	

### **RENTS**

The property's rents are determined in accordance with the Housing Commission's payment standards for project-based housing vouchers (PBVs). Rent increases are not anticipated in 2026.

### **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 property staffing plan consists of one full-time manager, one part-time assistant, one full-time maintenance technician and one full-time custodian.

### **CAPITAL PLAN**

Total deposits to the replacement reserve account in 2026 will be \$40,000, 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) New Palace Hotel – 2026 Property Operations  
                             2) New Palace Hotel – 2026 Replacement Reserves

Docket materials are available on HDP's website at [www.hdpartners.org](http://www.hdpartners.org)

New Palace - 2026 Operating Summary		
	2025 Budget	2026 Budget
INCOME		
Gross Potential Rent		
Gross Potential Revenue	2,177,231	2,120,440
Gain Loss to Lease	(87,005)	(52,860)
Less: Vacancies	(97,525)	(165,406)
Less: Down Unit	-	-
Less: Manager's Unit	(26,719)	(26,916)
Less: Discounts and Concesss	-	-
Less: Office Community Room Unit	-	-
Less: COVID Hardship	-	-
Add: Vacancy Subsidy	-	-
Rent Subsidy Variances	-	-
Bad Debt - Tenant Rent	(14,745)	(37,505)
Bad Debt - Other Tenant Charges	-	-
Bad Debt - Other - Elim	-	-
Bad Debt - Other	-	-
Bad Debt - Tenant Rent - PMCo Direct	-	-
Bad Debt - Other Tenant Charges - PMCo	-	-
Net Rental Income	1,951,237	1,837,753
Other Income		
Rental Income Commercial	-	49,093
Prepaid Income	-	-
Application Fees	-	-
Credit Check Income	-	-
Damages Cleaning Fees	884	-
Carport Garage Gate Income	-	-
Laundry and Vending Revenue	3,053	3,833
NSF Late Charges	-	-
Former Tenant Income	-	-
Tenant Rent Recovery	-	-
Other Tenant Charges Recovery	-	-
Interest Income - Restricted	-	-
Interest Income - Replacement Reverse	72	-
Interest Income Investments	852	200
Interest Income Notes Receivable	-	-
Grant Income - Fed - Svc Coord	-	-
Grant Income - Fed - MTW	-	-
Grant Income - Other	-	-
Donations Income	-	-
Commercial Tenant - Reimb	-	-
Miscellaneous Income	-	-
Security Deposit Forfeiture	-	-
Total Other Income	4,861	53,126
Total Income	1,956,098	1,890,879
EXPENSES		
Admin		
Consultant Asset Mgmt	-	-
Consultant Other Admin	-	-
Broker Fees	-	-
Audit and Tax Prep Fees	13,377	13,764
IT Support Maintenance	-	-
Property Management Fees	91,200	93,936
Bookkeeping Fees	-	-
Office Expense	2,225	-

Internet and Telephone	-	-
Office Supplies	-	3,965
Parking	-	-
Software Exp Admin	-	-
Copier Printer	2,051	2,735
Office Repairs and Maint	-	-
Bank Charges Admin	497	-
Mileage	-	-
Dues Subs and Memberships	845	-
Penalties and Fines	-	-
Other Admin Expense	-	600
Manager Salaries	56,937	59,825
Office Salaries	-	14,521
Employee Benefits PM Co - Program Adm	12,492	11,485
Payroll Taxes - Manager and Admin	4,992	6,980
Workman's Comp Mgr and Admin	4,430	5,818
Temp Services - Property Manager	-	-
Temp Services - Admin	-	-
Consultant Other Program Admin	3,480	-
Legal - Program Admin	4,195	13,908
Legal - Development	-	-
Cleaning and Janitorial Contract	1,956	1,920
Credit Check Service Fee	-	409
Internet and Telephone Prog Admin	7,156	7,326
Advertising	858	500
Bank Charges Program Admin	1,600	1,004
Mileage and Travel Exp Prog Admin	2,562	-
Training - Program Admin	2,000	1,400
Postage and Delivery Prog Admin	289	199
Software Exp Program Admin	5,520	9,716
Misc Program Admin	434	-
Lease Up Expenses	-	-
Total Admin	219,096	250,011
<b>Utilities</b>		
Cable Expenses	-	-
Electricity	77,210	52,739
Gas	9,641	9,930
Sewer	10,938	11,062
Water	17,468	18,918
Total Utilities	115,258	92,649
<b>Maintenance and Repair</b>		
Fire Protection and Alarm	10,148	10,148
AC Contracts	4,000	15,000
Clubhouse Expense	-	-
Decorating	919	-
Elevator Contracts	6,703	7,263
Exterminating Supplies	-	300
Exterminating Contracts	8,970	9,260
Electrical Contracts	1,766	2,543
Furn and Appl Rplcmnt	-	-
Landscape and Grounds Contract	-	-
Ground Supplies	250	-
Janitorial Supplies	2,400	1,728
COVID Supplies	-	-
Maint Supplies and Materials	1,554	4,408
Plumbing Contracts	26,267	26,267
Plumbing Supplies	-	500
Repair and Maint Payroll	80,646	84,826
Payroll Taxes - Rpr and Maint	7,459	7,777

Employee Benefits PM Co - Program	24,984	346
Temp Services - Maintenance	-	-
Temp Services - Janitorial	-	-
Unit Turnover Contracts	-	-
Flooring	-	-
Painting Contract	-	1,400
Repair Contracts	15,540	15,540
Repair Supplies	-	5,174
Payroll Taxes - Security	-	-
Workers Compensation Ins-Security	-	-
Trash Removal	19,053	30,590
Workman's Comp-Rpr and Maint	5,969	6,689
Remediation Expense	-	-
Uniforms	361	-
Insurance Claims Expense	-	-
Insurance Proceeds	-	-
RR - Materials Appliances	-	-
RR - Remediation	-	-
Retail Space Expenses	-	-
Total Maintenance and Repair	216,990	229,757
<b>Protective Services</b>		
Security Contract Program	20,824	48,288
Security Payroll	-	-
Total Protective Services	20,824	48,288
<b>Extraordinary Maintenance</b>		
Casualty Losses	-	-
Insurance Proceeds	-	-
Extraordinary Maintenance	-	-
Total Extraordinary Maintenance	-	-
<b>Taxes and Insurance</b>		
Taxes Licenses and Fees	2,064	2,188
Fidelity Bond Insurance	-	24
Insurance Other	559	1,750
Property and Liability Ins	39,783	39,644
Property Taxes	5,359	6,997
Total Taxes and Insurance	47,766	50,603
<b>Other Expenses</b>		
Tenant Services Other	20,000	40,000
Tenant Services Payroll Benefits	-	-
Grant Expense	-	-
Grant Expense - Elim	-	-
SDHC Compliance Monitoring Fee	12,443	12,443
Relocation Costs	-	-
Relocation due to Maint	-	-
Ground Lease Expense	-	-
Miscellaneous Exp Program	48	27
CY Deposit to Escrow Rplc Reserve	40,000	40,000
CY Deposit to Rplc Reserve	-	-
Total Other Expenses	72,491	92,470
<b>Total Operating Expenses</b>	<b>692,424</b>	<b>763,778</b>
<b>Net Operating Income</b>	<b>1,263,674</b>	<b>1,127,100</b>
<b>Debt Service</b>		
CY Mortgage Debt Payments (IS)	75,508	78,914
Interest Expense - Mortgage	200,423	197,016
Mortgage Insurance Expense	-	-

Loan Servicing Fee (Trustee Fee)	9,500	9,500
SDHC Bond Admin Fee	10,000	10,000
<b>Total Debt Service</b>	<b>295,431</b>	<b>295,430</b>
Legal Admin	-	4,437
Asset Management Fees	6,149	6,334
Asset Mgmt Fee - Elim	-	-
Partnership Management Fee	9,224	9,500
Incentive Partnership Mgmt Fee	-	-
Insurance - D and O	-	-
Guaranteed Fees	-	-
Loan Fees	-	-
<b>Total Entity Expenses</b>	<b>15,373</b>	<b>20,271</b>
<b>Net Cash Flow</b>	<b>952,870</b>	<b>811,399</b>



**Attachment 2**

New Palace Hotel  
2026 Replacement Reserves

Beginning Balance of Replacement Reserves	212,416
Deposit to Reserves	40,000
Use of Reserves (Capital Expenditures)	<u>(138,000)</u>
Ending Balance of Replacement Reserves	114,416