



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: September 20, 2022

HCR22-108

SUBJECT: Hillcrest Apartments – Renewal of Property Management Services Contract

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Emmanuel Arellano (619) 578-7586

REQUESTED ACTION:

Approve an increase to the Agreement with Hyder Property Management Professionals for Property Management Services at Hillcrest Apartments. The total contract cost for a one-year term is budgeted for \$266,498.

EXECUTIVE SUMMARY OF KEY FACTORS:

- In October 2020, the Housing Commission acquired the Hillcrest Apartments, formerly known as Hillcrest Inn, at 3754 5th Ave., San Diego, CA 92103.
- The property consists of 47 single-room occupancy (SRO) units. One unit is reserved for on-site property management staff, and one unit is used as the on-site property management office. Of the remaining 45 units, 36 are required to remain affordable for individuals with income up to 80 percent of San Diego's Area Median Income (AMI), currently \$72,900 per year for a one-person household; four are required to remain affordable for individuals with income up to 120 percent of AMI, currently \$89,800 per year for a one-person household; and five units are required to remain affordable for individuals with income up to 150 percent of AMI, currently \$112,250 per year for a one-person household.
- In anticipation of the property acquisition closing, on September 29, 2020, the Housing Commission executed a nine-month Agreement for property management services at the Hillcrest Apartments. The original contract included four one-year renewal options beyond the initial term. At the end of the initial term of the contract, the Agreement was amended, and a 90-day extension option was exercised, extending the contract through September 28, 2021.
- The Agreement was amended a second time, and the Housing Commission executed the first option to extend the Agreement for a one-year period, with the term ending September 28, 2022. The maximum compensation during this contract year was \$249,366.
- In preparation for the second option to extend the Agreement, Housing Commission staff has completed a budget analysis, and the total of the Property Management Fee plus the reimbursable expenses are calculated to be \$266,045.
- The Property Management fee for FY 2023 is \$56.73 per unit per month, in line with the current contract and budget year approval. Cost escalations provided by the Housing Commission's Procurement Department were included in the forecasting for the cost of goods and services.
- Staff requests the Housing Commission Board's approval of the contract increase and exercise of the second renewal option. Staff is also requesting a 20% contingency, or \$53,300 be approved to allow for future contract increase amounts in the event future renewal options are exercised.
- The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2023 (FY 2023) Budget approved by the Housing Authority.



REPORT

DATE ISSUED: September 14, 2022

REPORT NO: HCR22-108

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of September, 20, 2022

SUBJECT: Hillcrest Apartments – Renewal of Property Management Services Contract

COUNCIL DISTRICT: 3

REQUESTED ACTION

Approve an increase to the Agreement with Hyder Property Management Professionals for Property Management Services at Hillcrest Apartments. The total contract cost for a one-year term is budgeted for \$266,498.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) take the following actions:

- 1) Approve an increase of \$17,132 to the Agreement with Hyder Property Management Professionals for property management services at Hillcrest Apartments, 3754 Fifth Avenue, San Diego, CA 92103, for a total one-year contract cost of \$266,045, effective September 29, 2022.
- 2) Approve a contingency amount of no more than 20 percent of the total agreement amount (\$266,498) or \$53,209 if necessary, should the anticipated Property Management fee and Reimbursable Items be determined to be higher in future Agreement renewal options, without further action by the Housing Commission Board.
- 3) Authorize the President & Interim Chief Executive Officer (President & CEO), or designee, to execute all documents and instruments necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and take such actions as are necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

SUMMARY

In October 2020, the Housing Commission acquired the Hillcrest Apartments, formerly known as Hillcrest Inn, at 3754 5th Ave., San Diego, CA 92103. The property consists of 47 single-room occupancy (SRO) units. One unit is reserved for on-site property management staff, and one unit is used as the on-site property management office. Of the remaining 45 units, 36 are required to remain affordable for individuals with income up to 80 percent of San Diego's Area Median Income (AMI), currently \$72,900 per year for a one-person household; four are required to remain affordable for individuals with income up to 120 percent of AMI, currently \$89,800 per year for a one-person

household; and five units are required to remain affordable for individuals with income up to 150 percent of AMI, currently \$112,250 per year for a one-person household.

In anticipation of the property acquisition closing, on September 29, 2020, the Housing Commission executed a nine-month Agreement for property management services at the Hillcrest Apartments. The original contract included four one-year renewal options beyond the initial term. At the end of the initial term of the contract, the Agreement was amended, and a 90-day extension option was exercised, extending the contract through September 28, 2021.

The Agreement was amended a second time, and the Housing Commission executed the first option to extend the Agreement for a one-year period, with the term ending September 28, 2022. The maximum compensation during this contract year was \$249,366.

The contract amount is based on the anticipated Management Fee and other reimbursable items, such as salaries and benefits of the on-site Property Manager and Maintenance Technician, software licensing, support and banking fees. With the rising costs of goods and services, consistent with the Consumer Price index published by the U.S. Bureau of Labor Statistics, an anticipated year-over-year increase to the contract amount is expected.

In preparation for the second option to extend the Agreement, Housing Commission staff has completed a budget analysis, and the total of the Property Management Fee plus the reimbursable expenses are calculated to be \$266,045. The Property Management fee for FY 2023 is \$56.73 per unit per month, in line with the current contract and budget year approval. Cost escalations provided by the Housing Commission’s Procurement Department were included in the forecasting for the cost of goods and services. These cost escalations are based on the Consumer Price Index published by the U.S. Bureau of Labor Statistics. Additionally, increases in the Property Manager position salary were included in the anticipated total. A summary of the budget estimates is included in the table below.

EXPENSE	SEPTEMBER 29, 2022 – SEPTEMBER 28, 2023
Property Management Fee	\$29,529
PM CO – Salary and Benefits	\$231,006
Banking Fees	\$1,022
Software Licenses	\$486
Software Licenses and Support	\$1,205
PM Co – Training and Travel	\$817
Pre-authorized Budget Overrun	\$2,000
Total	\$266,045
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Property Management Fee	\$29,529
PM CO – Salary and Benefits	\$231,006
Banking Fees	\$1,022
Software Licenses	\$486
Software Licenses and Support	\$1,205
PM Co – Training and Travel	\$817
Pre-authorized Budget Overrun	\$2,000
Total	\$266,045

The renewal of the Agreement will exceed the President & CEO’s contract authority limit of \$250,000, per the Procurement Policy. Therefore, staff requests the Housing Commission Board’s approval of the contract increase and exercise of the second renewal option. Staff is also requesting a 20% contingency, or \$53,300 be approved to allow for future contract increase amounts in the event future renewal options are exercised.

Renewal of this contract and any subsequent extensions is contingent upon receipt of the current outstanding Certified Payroll Reports requested by the Housing Commission’s Labor Compliance Unit. Labor Compliance staff provide continuous technical assistance to Hyder and their prevailing wage consultant to ensure they understand document requirements and submittal deadlines. Contractual mechanisms are in place to ensure ongoing compliance.

AFFORDABLE HOUSING IMPACT

The proposed increase in the Agreement for property management services will maintain affordable housing by allowing existing services to continue for another year unimpeded.

FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2023 (FY 2023) Budget approved by the Housing Authority. FY 2023 funding sources and uses are as follows:

FY 2023 Funding Sources:

Rental Income \$ 199,445

FY 2023 Funding Uses:

Property Expenses \$ 199,445

Approval of sources and uses in Fiscal Year 2024 and future years will be included in the Housing Commission budget proposed for approval by the Housing Authority for each fiscal year.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

Hyder & Company is committed to equity and inclusion and employs a diverse group of property management professionals who possess the expertise necessary to optimize operations of affordable housing properties. In addition, they’ve also partnered with ADP and created a toolkit that shares some internal resources and best practices for advancing racial equity and inclusion as well as providing links to external and trusted resources.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to the Housing Commission Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024 Mission: San Diego Housing Commission (SDHC) fosters social and economic stability for vulnerable populations in the City of San Diego through, affordable housing; opportunities for financial self-reliance; and homelessness solutions.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders related to this approval include the residents of the Hillcrest Apartments and the Housing Commission. Projected impacts are the continuation of 45 affordable SRO units.

ENVIRONMENTAL REVIEW

These activities are categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing Facilities), which allows the operation, repair, maintenance permitting, leasing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. Processing under the National Environmental Policy Act is not required as no federal funds are involved in these activities.

Respectfully submitted,

Emmanuel Arellano

Emmanuel Arellano
Vice President of Asset Management
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Hillcrest Apartments Property Management Contract Renewal

Docket materials are available in the “Governance & Legislative Affairs section of the San Diego Housing Commission website at www.sdhc.org.

**EXERCISE OF SECOND OPTION TO EXTEND TERM OF
SAN DIEGO HOUSING COMMISSION AGREEMENT
FOR
PROPERTY MANAGEMENT SERVICES AT HILLCREST INN
WITH
HYDER & COMPANY
AGREEMENT NO. PM-21-22.2**

WHEREAS, the San Diego Housing Commission (“Commission”) and Hyder & Company (“Contractor”) entered into that certain Agreement for Property Management Services at Hillcrest Inn (the “Agreement”), dated September 29, 2020, effective October 1, 2020 through June 30, 2021;

WHEREAS, on September 23, 2021, the Commission and Contractor executed that certain First Amendment and Exercise of 90-day Extension to the Agreement to amend Contract Attachment No. 4 to the Agreement and to extend the term of the Agreement for an additional 90 days from July 1, 2021 to September 28, 2021; and

WHEREAS, on July 21, 2022, the Commission and Contractor executed a Limited Agency Agreement for the limited purposes of renting, leasing, operating, and managing the Property pursuant to and in accordance with that certain Agreement for Property Management Services at Hillcrest Inn (the “Agreement”), during the period of September 29, 2021 to September 28, 2022.

WHEREAS, on August 3, 2022, the Commission and Contractor executed that Second Amendment and First Option to the Agreement to extend the term of the Agreement from September 29, 2021 to September 28, 2022; and

WHEREAS, The President and Chief Executive Officer of the Commission, or his designee, desires to execute this Second Option to Extend Term of the Agreement (this “Second Option”) in order to exercise the second of four one-year options to extend the term of the Agreement for one (1) additional year from September 29, 2022 to September 28, 2023 (the “Second Option Term”) and to amend the Agreement in other respects as specified below.

NOW THEREFORE, the parties hereby agree as follows:

1. Term of Second Option. The Commission exercises the second of four one-year options as specified by and in accordance with Contract Attachment No. 3 of the Agreement, thereby extending the term of the Agreement to be effective for one (1) additional year during the Second Option Term.
2. Contract Attachment No. 4, “Compensation Schedule.” Effective as of September 29, 2022, Contract Attachment No. 4 to the Agreement, entitled “Compensation Schedule,” is hereby amended and restated in its entirety as provided by Exhibit 1 hereto, which is

incorporated herein in full by this reference.

3. Compensation During Second Option Period. The total compensation paid to Contractor during the Second Option Period shall not exceed Two Hundred Sixty Six Thousand Four Hundred Ninety Seven Dollars and 63/100 (\$266,497.63).
4. No Novation. The parties hereto acknowledge and agree that except for the changes set forth herein, all of the terms and provisions of the Agreement are hereby acknowledged by the parties to be valid and are hereby recognized, renewed, extended and continued in full force and effect.
5. Counterparts. This Second Option may be executed in any number of counterparts and, as so executed, the counterparts shall constitute one and the same agreement. The parties agree that each such counterpart is an original and shall be binding upon all the parties, even though all of the parties are not signatories to the same counterpart.

IN WITNESS WHEREOF, the parties have caused this Second Option to be executed this _____ day of _____, 2022.

CONTRACTOR:

HYDER & COMPANY

By: _____

Kyle Beach
Vice President

Date: _____

COMMISSION:

SAN DIEGO HOUSING COMMISSION

By: _____

Jeff Davis
Interim Vice President & Chief Executive Officer

Date: _____

By: _____

Emily Jacobs
Executive Vice President, Real Estate

Date: _____

By: _____

Emmanuel Arellano
Vice President, Asset Management

Date: _____

By: _____

Debra Fischle-Faulk
Senior Vice President, Compliance & Equity Assurance

Date: _____

Approved as to Form:

Christensen & Spath LLP

By: _____

Charles Christensen
General Counsel for San Diego Housing Commission

Date: _____

Exhibit 1
Contract Attachment No. 4
Compensation Schedule

Contractor shall invoice the Commission on a monthly basis, which shall include verification of expenses, and shall provide a monthly status report, receipt of which shall be a prerequisite for payment.

1. Contractor’s compensation for September 29, 2022 through September 28, 2023 (the “Second Option Term”) shall be structured as follows:

- a. **Management Fee** – From September 29, 2021 through June 30, 2022, Contractor shall be entitled to \$56.73 per unit of the Property, and from July 1, 2022 through September 28, 2022, Contractor shall be entitled to \$59.00 per unit of the Property. The total management fee during the First Option Term shall not exceed \$31,961.79. Contractor shall pay its management fees from the Operating Account only upon prior written approval from the Commission. Payment of such fees without such prior written approval shall be deemed a material breach of the Agreement.
- b. **Reimbursable Expenses** – Contractor shall pay all personnel salaries, benefits, and services provided at the Property from the Operating Account, in an amount not to exceed Two Hundred Thirty Four Thousand Five Hundred Thirty Five Dollars and 84/100 (\$234,535.84) (the “Reimbursable Expenses”) during the First Option Term. As and when applicable, all maintenance subcontractors shall be compensated in compliance with prevailing wage requirements pursuant to State Wage Determination 2020-1. In no event shall any on-site manager, maintenance technician, assistant manager, or housekeeper be deemed to be or be considered an employee of the Commission. All such individuals shall be employees of Contractor. The Reimbursable Expenses shall consist of the following:

		10/1/22-6/30/23 Budget	7/1/23-9/30/23 Projections	Total
PM Co - Salary and Benefits		\$173,897.15	\$57,108.68	\$231,005.83
Banking Fees		\$750.00	\$271.50	\$1,021.50
Software Licenses		\$337.50	\$148.44	\$485.94
Software Licenses & Support		\$885.00	\$320.37	\$1,205.37
PM Co - Training and Travel		\$600.00	\$217.20	\$817.20
				\$234,535.84

2. If the Commission elects to exercise any additional options to extend the term of the Agreement by one year, Contractor shall be paid in accordance with this Compensation Schedule, with the following modifications to the management fee:

- a. For the term September 29, 2022 through September 28, 2023, Contractor shall be entitled to \$56.73 per unit of the Property.

- b. For the term September 29, 2023 through September 28, 2024, Contractor shall be entitled to \$59.00 per unit of the Property.
- c. For the term September 29, 2024 through September 28, 2025, Contractor shall be entitled to \$61.95 per unit of the Property.