



Housing Commission Staff Report

January 19, 2023
Item 04

**SUBJECT APPROVAL OF THE ANNUAL OPERATING BUDGET FOR RIDGEVIEW COMMONS
FOR 2023**

RECOMMENDATION

Adopt the Annual Operating Budget for 2023.

ATTACHMENTS

- 1) Proposed Projected Operating 2023 Budget
- 2) Expenditure Projections
- 3) Replacement Reserve Balance Projection

DISCUSSION

Enclosed for the Commission's review is the proposed operating budget for Ridgeview Commons (RVC) for the Fiscal Year 2023, which will begin on January 1, 2023. The proposed operating budget has been prepared by Barcelon Associates and reviewed by staff and Eden Housing.

As indicated in the attached budget, overall operating expenditures (including taxes, insurance, reserve expenditures, and facility maintenance replacements) are estimated at \$2,228,050. We have accounted for two major projects in the year of 2023: flooring replacement and patio/deck repair. Project revenue is estimated to be \$2,355,381. After debt service payments, Reserve Impounds, and Reserve Reimbursement, the budget projects an ending year net cash flow balance of \$127,331.

This year we will continue with the changes from 2022: new tenants will move in at **\$1,200 for the 1 BR units and \$1,30 for the 2 BR**. The purpose of this increase is to gradually increase Operating Revenue in order to support project funded rehabilitation or a more conventional rehabilitation loan. With the absence of tax credit funding, RVC will need to generate more project revenue to preserve the community. For the Housing Commission's reference, the 1 BR TCAC limit in Alameda County is \$1,541 in the 60% AMI category.

Eden Housing (owner of the RVC buildings) has implemented a tiered rent increase procedure based on tenant rent for their portfolio for existing tenants. They are requesting that this procedure continue to be implemented at RVC. Increases are based on the tenant rent burden. Rent burden is defined as the percentage of household income that goes toward rent. The tiered Rent Chart is below. Please note that if the rent burden is greater than 50%, there is no proposed rent increase for the existing tenants.

Tiered Rent Increase Applied	Rent Burden Criteria	Number of Residents in Category
10.0%	Rent Burden < 20%	0
5.0%	Rent Burden Between > 20% and <30%	10
3.0%	Rent Burden Between > 30% and <50%	70
0.0%	Rent Burden => 50%	118

Overall, the budget reflects an increase in expenses of approximately 4.3%% as compared to 2022's Year End expenses. The changes are summarized below.

Administrative	+13.5%
Utilities	+11.3%
Maintenance	+10.3%
Tax and Insurance	-11.4%
Service Expenses	+6.7%
Replacement	+392.4%
<u>Other Cash Payments</u>	<u>-96.7%</u>
Total Expenses	+4.3%

2023 Surplus is dependent on seeking full reimbursement from the Reserve for Replacement for Reserve eligible capital expenses. The budget includes substantial Reserve expenses, because RVC is unlikely to receive Tax Credit funding for a large-scale rehabilitation.

STAFF RECOMMENDATION

Staff believes that the changes to the Ridgeview Commons operating budget are generally necessary and consistent with the prior year budget and recommends approval.

RIDGEVIEW COMMONS

PROJECTED OPERATING 2023 BUDGET

PREPARED BY BARCELON ASSOCIATES MANAGEMENT CORPORATION

G/L DESIGNATION		2021 YE Actual	Year to Date 2022 1/1-8/30	ANNUALIZED 2022 PROJECTIONS	PROPOSED 2023 BUDGET	PERCENTAGE INCREASE / DECREASE
INCOME						
51200	TENANT RENT	1,939,060	1,332,657	1,998,986	2,061,248	3.1%
51212	TENANT BASED SUBSIDY	176,854	114,659	171,989	176,856	2.8%
51400	STORES & COMMERCIAL	12,398	6,552	9,828	9,828	0.0%
52200	VACANCY LOSS	(38,151)	(9,968)	(14,952)	(16,490)	10.3%
54100	INTEREST INCOME	400	8	12	12	0.0%
54150	INTEREST - TAX & INSURANCE	674	535	802	802	0.0%
55200	INTEREST - REPLACEMENT RESERVE	9,338	8,773	13,160	13,160	0.0%
59100	LAUNDRY & VENDING REVENUE	8,383	8,059	12,089	12,089	0.0%
59200	NSF & LATE FEES	175	-	-	100	N/A
59255	CABLE TV	94,378	63,937	95,906	97,776	2.0%
59998	OTHER REVENUE	-	45	68	-	-100.0%
	TOTAL INCOME	2,203,509	1,525,257	2,287,886	2,355,381	3.0%
PROJECT EXPENSES						
ADMINISTRATIVE EXPENSES						
62100	ADVERTISING	-	-	-	-	N/A
62500	OTHER RENTING EXPENSE	2,002	1,158	1,737	2,200	26.7%
63100	OFFICE SALARIES	92,121	52,240	78,360	108,707	38.7%
63110	OFFICE SUPPLIES	3,029	1,734	2,601	2,731	5.0%
63113	EQUIPMENT LEASES	6,174	4,461	6,692	6,649	-0.6%
63115	POSTAGE	143	346	519	18	-96.5%
63200	MANAGEMENT FEE	91,872	61,248	91,872	96,468	5.0%
63300	MANAGER SALARY	72,883	48,863	73,294	73,202	-0.1%
63310	STAFF RENT FREE UNITS	26,016	17,680	26,520	32,400	22.2%
63400	LEGAL EXPENSES	212	-	-	-	N/A
63500	AUDIT / TAX PREPARATION	17,700	5,633	8,450	9,800	16.0%
63510	ACCOUNTING SERVICES	22,800	15,200	22,800	22,800	0.0%
63550	PROFESSIONAL FEES	352	7,170	10,755	20,000	86.0%
63600	TELEPHONE / ANSWERING SERVICE	10,897	7,928	11,893	12,603	6.0%
63750	BANK CHARGES	2,341	1,890	2,835	2,835	0.0%
63760	PAYROLL COSTS	12,175	8,045	12,068	11,492	-4.8%
63920	COMPUTER SUPPORT & EQUIPMENT	21,278	13,084	19,626	20,751	5.7%
63930	TRAINING	1,268	1,105	1,657	1,200	-27.6%
63950	MILEAGE	28	7	11	20	89.9%
63990	OTHER MISCELLANEOUS	2,998	3,047	4,571	3,000	-34.4%
	TOTAL ADMIN EXPENSES	386,288	250,839	376,258	426,876	13.5%
UTILITIES						
64500	ELECTRICITY	89,259	63,803	95,705	102,404	7.0%
64510	WATER & SEWER	108,557	73,600	110,400	120,016	8.7%
64520	GAS	16,595	13,131	19,697	21,667	10.0%
64900	CABLE TV	97,653	68,345	102,517	103,158	0.6%
	TOTAL UTILITY EXPENSE	312,063	218,879	328,318	347,244	11.3%
OPERATING & MAINTENANCE						
65100	JANITOR & CLEANING PAYROLL	39,204	27,047	40,571	43,198	6.5%
65140	JANITOR & CLEANING CONTRACT	16,398	7,204	10,806	15,000	38.8%
65150	JANITOR & CLEANING SUPPLIES	1,643	1,550	2,326	2,442	5.0%
65190	EXTERMINATING CONTRACT	21,008	9,200	13,800	13,800	0.0%
65200	EXTERMINATING SUPPLIES	206	84	125	50	-60.2%
65250	RUBBISH REMOVAL	58,530	41,066	61,599	64,644	4.9%
65300	SECURITY CONTRACT / MONITORING	9,852	8,970	13,455	19,663	46.1%
65360	GROUND SUPPLIES	46	-	-	-	N/A
65370	GROUND CONTRACT	91,429	56,436	84,654	100,974	19.3%

<i>G/L DESIGNATION</i>	<i>2021 YE Actual</i>	<i>Year to Date 2022 1/1-8/30</i>	<i>ANNUALIZED 2022 PROJECTIONS</i>	<i>PROPOSED 2023 BUDGET</i>	<i>PERCENTAGE INCREASE / DECREASE</i>
65400 MAINTENANCE PAYROLL	73,165	52,185	78,278	80,279	2.6%
65410 MAINTENANCE SUPPLIES	12,398	5,439	8,158	8,566	5.0%
65420 REPAIR CONTRACT	23,220	5,539	8,309	8,724	5.0%
65425 SERVICE CONTRACT - PLUMBING	2,868	8,274	12,411	13,032	5.0%
65450 ELEVATOR MAINTENANCE / CONTRACT	14,333	9,661	14,491	15,168	4.7%
65452 SERVICE CONTRACT - ELECTRICAL	2,665	1,231	1,846	1,939	5.0%
65460 HVAC REPAIR/MAINT	9,573	5,501	8,251	8,922	8.1%
65600 DECORATING CONTRACT	3,280	3,539	5,309	5,521	4.0%
65610 DECORATING SUPPLIES	1,843	1,060	1,590	1,717	8.0%
65900 OTHER MAINTENANCE	-	-	-	-	N/A
65910 KITCHEN EQUIPMENT	-	-	-	-	N/A
TOTAL OPERATING & MAINTENANCE	381,660	243,985	365,978	403,637	10.3%

<i>G/L DESIGNATION</i>	<i>2021 YE Actual</i>	<i>Year to Date 2022 1/1-8/30</i>	<i>ANNUALIZED 2022 PROJECTIONS</i>	<i>PROPOSED 2023 BUDGET</i>	<i>PERCENTAGE INCREASE / DECREASE</i>
TAX & INSURANCE					
67100 REAL ESTATE TAXES		-	-	30	N/A
67110 PAYROLL TAXES	25,198	17,096	25,643	28,945	12.9%
67120 STATE TAXES	800	533	800	800	0.0%
67190 MISC TAXES, LICENSES, AND PERMIT	8	1,014	1,521	1,521	0.0%
67200 PROPERTY & LIABILITY INSURANCE	80,970	83,464	125,196	86,803	-30.7%
67220 WORKMANS COMPENSATION	6,973	5,446	8,169	10,210	25.0%
67230 HEALTH INSURANCE	26,273	23,710	35,565	35,550	0.0%
67290 OTHER INSURANCE (EARTHQUAKE)	60,178	45,290	67,935	70,649	4.0%
TOTAL TAXES AND INSURANCE	200,400	176,553	264,829	234,508	-11.4%
SERVICE EXPENSES					
69275 SC - SUPPLIES	-	32	48	1,500	3028.9%
69250 SC - PAYROLL	53,528	36,171	54,256	56,424	4.0%
TOTAL SERVICE EXPENSES	53,528	36,202	54,304	57,924	6.7%
REPLACEMENTS					
73100 FLOOR COVERINGS	45,952	13,996	20,994	14,436	-31.2%
73110 WINDOW COVERINGS	495	732	1,098	-	-100.0%
73120 KITCHEN APPLIANCES	25,754	17,293	25,940	4,160	-84.0%
73130 Countertops/Tile/Cabinet	440	-	-	-	N/A
73140 TUBS/SHOWERS/TOILETS/SINKS	2,758	1,236	1,854	3,500	88.8%
73150 DOORS AND WINDOWS	6,570	3,068	4,602	400	-91.3%
73160 SMALL APPLIANCES	-	-	-	-	N/A
73170 LARGE APPLIANCES	-	-	-	9,600	N/A
73173 A.C. / CHILLER UNITS	-	-	-	15,591	N/A
73177 BOILERS	-	-	-	9,600	N/A
73200 SITE IMPROVEMENTS	12,562	11,101	16,652	482,000	2794.6%
73220 PAVING (PARKING LOTS/SIDEWALKS)	-	693	1,040	-	-100.0%
73550 FURNITURE, FIXTURES & EQUIPMENT	1,647	-	-	-	N/A
73560 OTHER IMPROVEMENTS	644	51,303	76,955	195,000	153.4%
TOTAL REPLACEMENTS	96,822	99,423	149,134	734,287	392.4%

<i>G/L DESIGNATION</i>	<i>2021 YE Actual</i>	<i>Year to Date 2022 1/1-8/30</i>	<i>ANNUALIZED 2022 PROJECTIONS</i>	<i>PROPOSED 2023 BUDGET</i>	<i>PERCENTAGE INCREASE / DECREASE</i>
OTHER CASH PAYMENTS					
83000-000 OTHER CASH PAYMENTS		-			N/A
83112-000 Replacement Reserve Funding	140,850	93,900	140,850	140,850	0.0%
83125-000 Debt Service	582,723	388,480	582,720	582,723	0.0%
83150-000 Fixed Assets Capitalized	(17,999)	-	-	(700,000)	N/A
83299-000 TOTAL CASH PAYMENTS	705,573.99	482,380.00	723,570.00	23,573.00	-96.7%
TOTAL EXPENSES	2,136,336	1,508,261	2,262,391	2,228,050	4.3%
NET INCOME	67,173	16,996	25,494	127,331	89.6%

Ridgeview Commons 2023 Budget Footnotes

INCOME

Tenant Rent:

The same rental tiered rent increase that was effected in 2022 will continue.

Stores and Commercial:

OHK lease will continue at the same rate.

Vacancy Loss:

Based a 1% vacancy loss.

Interest Income:

Interest Income is based on YTD income annualized.

Laundry Income:

Based on YTD income annualized.

Cable TV:

This covers the Income from the mass cable service provided to residents at RVC. In prior years, residents were offered waivers for the cable fee. This policy is no longer in effect, and waivers are no longer being issued. Tenants are charged \$42/month for basic and expanded cable. Budget includes 194 residents paying the bulk cable fee.

PROJECT EXPENSES

Administrative Expenses:

Office Salaries:

Office salaries includes the wages of the Occupancy Specialist and Receptionist.

Office Supplies:

Based on YTD expenses annualized with a 5% increase.

Equipment Leases:

Based on a 2% increase over the current lease fees.

Postage:

Based on YTD expenses annualized.

Management Fee:

Based on the proposed upon Management fee of \$8,039/month for the management of RVC effective 10/1/22.

Manager Salary:

Budget allows for an increase for performance and cost of Living.

Staff Rent Free Units:

This covers the expense of two rent free units for On-Site staff.

Legal Expenses:

No evictions anticipated in 2023

Audit/Tax Prep:

This covers the estimated cost of the 2022 YE Audit and other Tax documents.

Accounting Services:

This is based on Eden's monthly Bookkeeping fee of \$1,900.

Telephone/Answering Service:

Based on 3% increases over current rates.

Bank Charges:

Based on YTD expenses annualized.

Payroll Costs:

Based on 2.9% of total payroll.

Computer Support and Equipment:

This covers the cost of RVC's water heaters. utility management software, accounting software, and Computer support and back up. The increase is due to RVC's water heaters. new monthly Computer Support and Back up Fee. This service keeps tenant files safe, and allows recovery if the server or a computer crashes. this year also includes the \$250 for EDC Technologies monitoring and tracking of RVC's water heaters.

Other Misc.

Ridgeview Commons 2023 Budget Footnotes

This covers misc. expenses such as food for resident meetings, newsletter, movers for RA transfers, and special meetings.

Utility Expenses:

Electricity:

Based 2022 YTD Expenses annualized with 7% increase.

Water and Sewer:

Based on YTD expenses annualized with a 4% increase.

Gas:

Based on YTD expenses annualized with a 10% increase.

Cable TV:

Based on current monthly fee of \$8,596.52

Operating and Maintenance

Janitor and Cleaning Payroll:

Based on the payroll of our current porter.

Janitor and Cleaning Contract:

This covers pre move-in apartment cleaning, common area carpet cleaning, window cleaning and dryer vent cleaning.

Janitor and Cleaning Supplies:

Based on YTD expenses annualized with a 5% increase.

Exterminating Contract:

Based on the current pest control contracts with a 3% increase. The budget also includes \$1,000 for misc. pest eradications.

Rubbish Removal:

Based on the current trash fee of \$5387 with a 2% increase.

Security Contract/Monitoring:

This covers the quarterly fire alarm monitoring, back flow testing, sprinkler testing/maintenance, lock changes, and fire extinguisher inspection/service. Expenses are consistent with 2021 rates, but some of the Fire Life and Safety invoices were incorrectly coded to Service Contracts.

Grounds Contract:

This covers the monthly landscaping fee \$4,650 with a 3% increase, \$4,500 for irrigation repairs, \$24,000 for annual tree trimming, and \$10,000 for drought tolerant landscaping.

Maintenance Payroll:

Budget includes payroll for 1 full time maintenance supervisor.

Maintenance Supplies:

Based on YTD expenses annualized with a 5% increase.

Repair Contract:

Based on YTD expenses annualized with a 5% increase.

Service Contracts Plumbing

Based on YTD expenses annualized with a 5% increase.

Service Contracts - electrical

Based on YTD expenses annualized with a 5% increase.

Elevator Maintenance/Contract:

Based on the monthly fee of \$1,093.68 with a 3% increase, \$750 for misc. repairs, and \$900 for the annual elevator permits.

HVAC Repair/Maint:

Based on estimated rooftop AC unit servicing.

Decorating Contract:

Based on estimated painting contracts, most painting is completed by maintenance staff, unless it is severe damage in the unit.

Ridgeview Commons 2023 Budget Footnotes

Decorating Supplies:

Based on estimated paint supply purchases.

Taxes & Insurance:

Real Estate Taxes:

Based on the Property Tax Payment.

Payroll Taxes:

Based on the payroll tax rate of 14.65% on the first \$7,000 of payroll for each employee, before dropping to 7.65% for the remainder of payroll

State Taxes:

Based on the annual \$800 partnership filing fee.

Property and Liability Insurance:

Based on current impound amount.

Workman's Compensation:

Worker's Compensation rates are at \$2.59 per \$100 of payroll.

Health Insurance:

This covers the site portion of employee health insurance. This budget assumes that all eligible employees participate in our Health Insurance Plan.

Earthquake Insurance:

Based on current impound amount.

Service Expenses:

Service Coordinator Payroll:

This covers the salary of RVC's Service Coordinator, and Corporate Service Coordinator Supervision. This budget allows for up to a 3% increase for cost of living and performance.

Replacements:

Reserve for Replacement Items are capital expenditures and eligible to be reimbursed from the Reserve for Replacement Account held by CalHFA. Standard expenditures include new flooring, appliances, and PTAC units during unit turnovers.

Debt Service and Reserve for Replacement Impounds:

Based on Current Debt Service.

2023 FIVE-YEAR EXPENDITURE PROJECTIONS

	2023	Cost	Total	2023	Cost	Total	2024	Cost	Total	2025	Cost	Total	2026	Cost	Total	5 Yr. Total
APARTMENT UNITS																
Carpet	6	1,701	10,206	6	1,786	10,716	6	1,875	11,252	6	1,969	11,815	6	2,068	12,405	56,395
Ranges	2	565	1,130	3	593	1,780	3	623	1,869	3	654	1,962	3	687	2,060	8,801
Refrig	4	650	2,600	2	683	1,365	2	717	1,433	2	752	1,505	2	790	1,580	8,483
HVAC	5	1,130	5,650	10	1,187	11,865	10	1,246	12,458	10	1,308	13,081	10	1,374	13,735	56,790
Dishwashers	1	430	430	1	452	452	1	474	474	1	498	498	1	523	523	2,376
Washer/Dryer	0	1,450	-	0	1,523	-	0	1,599	-	0	1,679	-	0	1,762	-	-
Tubs/showers/toilets	1	3,500	3,500	1	3,675	3,675	1	3,859	3,859	1	4,052	4,052	1	4,254	4,254	19,340
Lino	6	705	4,230	6	740	4,442	6	777	4,664	6	816	4,897	6	857	5,142	23,373
Counters	0	125	-	0	131	-	0	138	-	0	145	-	0	152	-	-
COMMON AREAS																
Landscaping		-	-		-	-		-	-		-	-		-	-	-
Drapes		-	-		-	-		-	-		-	-		-	-	-
Kitchen Eq		-	-		-	-		-	-		-	-		-	-	-
HVAC	1	9,941	9,941	1	10,438	10,438		10,960	-		11,508	-		12,083	-	20,379
Carpets		-	-		-	-		-	-		-	-		-	-	-
Awnings		-	-		-	-		-	-		-	-		-	-	-
Paint		-	-		-	-		-	-		-	-		-	-	-
Dry Rot	1	450,000	450,000	1	450,000	450,000	1	200,000	200,000		-	-		-	-	1,100,000
Parking Lot	1	150,000	150,000		-	-		-	-		-	-		-	-	150,000
Fob Entry	4	8,000	32,000		-	-		-	-		-	-		-	-	32,000
Roof		-	-		-	-		-	-		-	-		-	-	-
Refrig		-	-		-	-		-	-		-	-		-	-	-
Doors	1	400	400	1	420	420	1	441	441	1	463	463	1	486	486	2,210
Range		-	-		-	-		-	-		-	-		-	-	-
Water heaters	1	9,600	9,600	1	10,080	10,080		10,584	-		11,113	-		11,669	-	19,680
Furniture		-	-		-	-		-	-		-	-		-	-	-
Fire Sprinklers	1	45,000	45,000		-	-		-	-		-	-		-	-	45,000
OFFICE																
Computers		-	-		-	-		-	-		-	-		-	-	-
Carpets		-	-		-	-		-	-		-	-		-	-	-
Copier		-	-		-	-		-	-		-	-		-	-	-
SOLAR		-	-		-	-		-	-		-	-		-	-	-
Annual Total			\$ 724,687			\$ 505,232			\$ 236,450			\$ 38,272			\$ 40,186	\$ 1,544,827

2023 RESERVE BALANCE PROJECTION

Year	Beginning Balance	Contribution	Expenditures	Balance
2023	1,733,346	140,850	724,687	1,149,509
2024	1,149,509	140,850	505,232	785,127
2025	785,127	140,850	236,450	689,527
2026	689,527	140,850	38,272	792,105
2027	792,105	140,850	40,186	892,769

Contributions	2023	\$11738 per month
	2024	\$11738 per month
	2025	\$11738 per month
	2026	\$11738 per month
	2027	\$11738 per month

Beginning Balance for 2023 calculated in the following manner:

<i>August Balance</i>	1,686,396
<i>September Contribution</i>	11,738
<i>October Contribution</i>	11,738
<i>November Contribution</i>	11,738
<i>December Contribution</i>	11,738
<i>Total Contribution</i>	\$1,733,346
<i>(2022 RR Reimbursement)</i>	\$0
<i>2023 Balance</i>	\$1,733,346

Monthly Contribution = \$8,500 / month plus \$3,237.50 Solar