

RESOLUTION NO. 2023-79
RESOLUTION NO. 2023-02 (PPSC-NPC)

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AND
THE PRESTON PARK SUSTAINABLE COMMUNITY NON-PROFIT
CORPORATION APPROVING PRESTON PARK HOUSING AREA
BUDGET FOR FY 2023-2024 AND AUTHORIZING FINANCE DIRECTOR
TO MAKE APPROPRIATE ACCOUNTING AND BUDGETARY ENTRIES

WHEREAS, Greystar Real Estate Partners (“Greystar”), as the management agent of Preston Park Sustainable Community Housing, has submitted a draft FY 2023-2024 budget; and

WHEREAS, Greystar submitted a budget letter describing highlights of the proposed Preston Park Housing Area FY 2023-2024 Budget and accompanied by updated proposed budgets; and

WHEREAS, the rental revenues are used to provide funds for debt service payments on the 2016 Preston Park property purchase; and

WHEREAS, City staff has reviewed the budget package for FY 2023-2024; and

WHEREAS, the City Council of Marina and the Board of the Preston Park Sustainable Community Non-Profit Corporation reviewed and considered the proposed budgets.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Marina and the Corporation Board of the Preston Park Sustainable Community Non-Profit Corporation do hereby:

1. Approve the Preston Park Housing Area Budget for FY 2023-2024, and;
2. Authorize the Finance Director to make appropriate accounting and budgetary entries.

PASSED AND ADOPTED, by the City Council of the City of Marina and the Corporation Board of the Preston Park Sustainable Community Non-Profit Corporation at a regular meeting duly held on the 18th day of July 2023, by the following vote:

AYES: COUNCIL MEMBERS: Visscher, McCarthy, Biala, Medina Dirksen, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

**Preston/Abrams Park
682 Wahl Court
Marina, CA 93933
831-384-0119**

June 30th 2023

Mr. Layne Long
City Manager
City of Marina
211 Hillcrest Avenue
Marina, CA 93933

Re: Preston Park FY 2023/2024 Proposed Budget

Dear Mr. Long,

It has been a pleasure to continue to work with residents and the City of Marina over the last year. With the combination of wonderful residents and effective staff, a number of positive changes have been seen at Preston Park:

- 1) **Building Upgrades:** Garage door sensor lights are being installed and dryer vent cleaning in two-bedroom units was performed in the month of June. Solar lighting budgeted for the current year has been postponed due to the availability of materials that are on backorder with the contracted vendor. This project will occur in the November 2023 timeframe and has been pushed to the proposed budget year.
- 2) **Landscaping/Asphalt Repairs:** The annual tree trimming, gutter cleaning, irrigation repairs and replanting were completed in May and June. A slurry coat and seal of all roadways was performed in May. Trip hazard mitigation was completed in June. Lastly, gopher abatement has been a continual project year over year with the assistance of ADM. Roof preventative maintenance will be completed in Q4 of 2023.
- 3) **Units of Long-Term Residents:** In a typical year, several long-term residents go through the process to refresh their flooring, paint and appliances. These services are extended to long-term residents upon notification or inspection indicating replacement is necessary based on age or condition.
- 4) **Green Initiatives:** In addition to the Marina Coast Water District's and other utility conservation programs, Greystar purchases and installs water or energy saving devices as replacement fixtures as needed. PG&E continues to work directly with income eligible residents to weatherize their homes at no cost to the resident or the community.

Greystar looks to continue to provide the residents at Preston Park a comfortable and quality living experience. Continued capital improvements throughout the community will allow this property to remain a desirable neighborhood for renters, as well as a continued source of affordable housing for the general populace of Marina.

Revenues

The primary source of revenue is rents, Section 8 voucher payments from the Housing Authority of the County of Monterey, and associated charges to residents such as late fees.

At a regular meeting on the 2nd of June, 2010, the City Council of the City of Marina adopted a rent formula stating that the annual increase in market rents for in-place residents shall be capped at the lesser of three percent (3%) or the Department of Labor's Consumer Price Index for San Francisco-Oakland-San Jose, All Items, for All Urban Consumers (referred to as CPI-U) Average percentage for the previous year (February to February) to be applied to the next fiscal year, provided that the increased rent for in-place tenants does not exceed the market rent charged to move-in residents. Also as set forth in the 2010 policy, in place rents are adjusted for a determined amount for the Water, Sewer and Garbage that residents pay directly to the provider for those services.

Current Market Rent Conditions

The market rent for new move-ins is calculated by comparable market rent levels in the competitive market throughout the year. As shown in **Attachment A**, the proposed Budget results in a year over year decrease of 0.21% in overall Total Rental Income from original budget 22/23 to proposed budget 23/24 totaling (\$16,664). This includes a budgeted 3% increase of \$16,664 for all market rate in place residents at lease renewal which accounts for 85% of the resident population in Preston Park. Per the Marina City Council approved rent formula in 2010, the market rents for new move-ins are fluid throughout the year and change according to market conditions. Currently, market rents for incoming residents are as follows:

Unit Size	Current Rent Range for Incoming Market Rate Residents
Two Bedroom	\$2,375- \$2,475
Upgraded/Remodeled – Two BR	\$2,525 - \$2,675
Three Bedroom	\$2,800
Upgraded/Remodeled – Three BR	\$2,925 - \$3,000

Note: Nineteen 2-Bedroom homes and Seven 3-Bedroom home have additional features that warrant higher than average rental rates.

The two-bedroom average in-place market rent at Preston Park is \$1,716, while the average three-bedroom in-place market rent at Preston Park is \$2,242.

Preston Park accepts Section 8 vouchers from residents that qualify through the Monterey County Housing Authority. For reference, the average of HUD Fair Market Rents (FMR) published in May 2023 and republished by the Monterey County Housing Authority Peninsula Payment Standards in November 2022 are listed below.

Unit Bedroom Size	Averaged HUD Fair Market & HA Peninsula Payment Standard Rent	Utility Allowance	Adjusted Rental Amount
Two Bedroom	\$2,784.00	\$292.00	\$2,492.00
Three Bedroom	\$3,947.00	\$382.00	\$3,565.00

Affordable Rents

Affordable rental rates are derived from median income schedules published by the California Department of Housing and Community Development. Rental rates at Preston Park are based upon 50% and 80% of the Area Median Income (AMI) for Monterey County.

Maximum Household Income Limits for 2023 as published in May of 2023.

Income Category	Two Person	Three Person	Four Person	Five Person	Six Person	Seven Person	Eight Person
50% Very Low	\$48,200	\$54,200	\$60,200	\$65,050	\$69,850	\$74,650	\$79,500
80% Low	\$77,100	\$86,750	\$96,350	\$104,100	\$111,800	\$119,500	\$127,200

Very low-income rental rates are set at 30% of AMI, less utilities, for the applicable family size (established at the number of bedrooms in the unit plus 1, or 3 persons for a 2-bedroom unit). Low-income category rents are set at 30% of 60% of AMI less utilities.

Income

The forecasted FY 22/23 budget is expected to close \$73,116 over the original budget. The FY 23/24 budget assumes \$7,444,032 in Total Income which is a \$24,283 increase from the FY 22/23 budget. The Budget assumes as Net Operating income for FY 23/24 of \$5,446,148 after \$1,991,258 in Total Operating Expense, and a Net Cash of \$1,064,202 after capital expenses, debt service, and disbursements.

Expenses

Expenses as outlined in **Attachment D** include Operating Expense projections and relevant changes from the FY 2022/23 budget to the FY 2023/24 proposed budget. Operating expenses typically include expenditures for routine maintenance of the property, redecorating expenses as they apply to unit turns, and expenditures relating to the daily operations of the Leasing Office. Overall, total operating expenses proposed for FY 2023/24 are 0.9% higher than the Estimated Actuals for FY 2022/23. Greystar seeks to maximize cost savings, e.g., lower utilities expenses through installation of water/energy saving devices, while contending with cost increases.

Owner Distributions

The proposed budget accounts for \$1.9M in annual distributions.

Capital Expenses

Expenses categorized as Capital Expenses directly impact the long-term value of the community, including roof replacements, exterior painting, large-scale landscaping improvements, and interior upgrades including appliances and carpeting/vinyl. Note that amounts labeled for interior upgrades in future budget years are placeholders and are anticipated to change based on Annual Inspection findings.

Recommended capital projects include:

- 1) Sidewalk, tree root and gutter repairs - \$45,000
- 2) Garage Door Opener Installation Project - \$351,000
- 3) Gutter Cleaning - \$7,100
- 4) Roof Maintenance - \$28,388
- 5) Termite Inspection \$19,000
- 6) Landscape Upgrades, Tree Trimming, Arborist, Irrigation Repairs and Timer Repl - \$67,500
- 7) Solar Lighting Additions - \$93,000
- 8) Unit renovations x4 - \$140,000

Capital Reserves Fund

Adoption of the proposed budget will result in a maximum contribution of \$2,516 per unit during this fiscal year. Please note the replacement reserve only conceptualizes typical replacements. It does not contemplate or allow for unknown expenses which are typical, particularly as a building continues to age.

In reviewing the physical needs of the property, and in conjunction with recommendations from the City of Marina Building Department, Greystar recommends the maximum reserve withholding per unit per year going forward. This withholding would ensure that the asset holds adequate reserves to perform necessary replacements and repairs to protect the useful life of the buildings **(Attachment F)**.

We will continue to look for new ways to improve our services over the coming year and remain committed to meeting the objectives set by the City of Marina.

Please feel free to contact me at (831) 384-0119 should you have additional questions or concerns.

Regards,

Analily Puckett
Community Manager

Cc: Sumer Perkins, Director of Real Estate

Cc: Vanessa Gonzales, Regional Manager

Attachments:

- A. FY 2023/24 Budget Revenue Summary
- D. FY 2023/24 Budget Highlights of Operating Expenses
- F. Capital Improvement Plan/Reserve Withholding

Preston Park Budget Memo Attachment A - Revenue Summary

Attachment A

2023/2024 Budget

Revenue	Approved Budget FY 2022/2023	Estimated Actuals FY 2022/2023	Proposed FY 2023/2024		Variance of "Approved" Budget From 2022/2023 "Estimated" Actuals	%	Comments		Variance of "Proposed" Budget from FY 2022/2023 "Estimated" Actuals	%	Comments		2023/2024 "Proposed" Budget vs. 2022/2023 "Approved" Budget	%
GROSS MARKET POTENTIAL	\$7,529,720	\$7,510,475	\$7,526,140	D	(\$19,245)	-0.3%	Decrease in Approved 22/23 budget vs estimated actuals attributed to budgeted LTL/GTL included in GP, however reflected in Total Rental Income.	I	\$15,664	0.2%	Increase in Proposed Budget to Estimated Actual due to proposed budget assuming Market Rent increase upon turnover and renewal at 1-3%.	I	(\$3,580)	0.0%
TOTAL RENTAL INCOME (Gross Potential Rent minus vacancy, non-rev units, bad debt)	\$7,346,433	\$7,373,929	\$7,330,173	I	\$27,496	0.4%	Increase from approved 22/23 budget vs estimated actuals attributed to budgeted LTL/GTL originally included in GP, however reflected in Total Rental Income offsetting GP variance.	D	(\$43,756)	-0.6%	Decrease in Proposed Budget to Estimated Actual due to proposed budget assuming above increase in Market Rent offset by assumption of 98% vacancy at higher market rate versus forecast of 99% at current market rates; assumes increase in bad debt write-offs.	I	(\$16,260)	-0.2%
TOTAL OTHER INCOME	\$73,316	\$118,936	\$113,859	I	\$45,620	62.2%	Increase from approved 22/23 budget vs estimated actuals attributed to vendor rebates that were received in the 22/23 year that were not anticipated.	D	(\$5,077)	-4.3%	Decrease in Proposed Budget to Estimated Actual due to unbudgeted vendor rebates received. Proposed budget anticipates and increase in other income as a result of increases YOY in interest income payments and higher assessed late fees.	I	\$40,543	55.3%
TOTAL INCOME (Total Rental Income plus Total Other Income.	\$7,419,749	\$7,492,865	\$7,444,032	I	\$73,116	1.0%	Increase from approved 22/23 estimated actuals is a result of higher forecasted vacancy loss.	D	(\$48,833)	-0.7%	Decrease in Proposed Budget to Estimated Actuals due estimating future vacancy projections at roughly 98.6% ave occupancy as opposed to forecast of 99% ave in order to allocate a small contingency for higher vacancy loss. The property is still trending in line with proposed budget by 0.3% YOY.	I	\$24,283	0.3%
NET OPERATING INCOME	\$5,446,148	\$5,518,481	\$5,452,774	I	\$72,333	1.3%	Increase from approved 22/23 estimated actuals is a result of higher forecasted vacancy loss.	D	(\$65,706)	-1.2%	Decrease due to Operating Expenses detailed on Attachment D, however, in line with proposed budget ahead by 0.1%.	I	\$6,627	0.1%

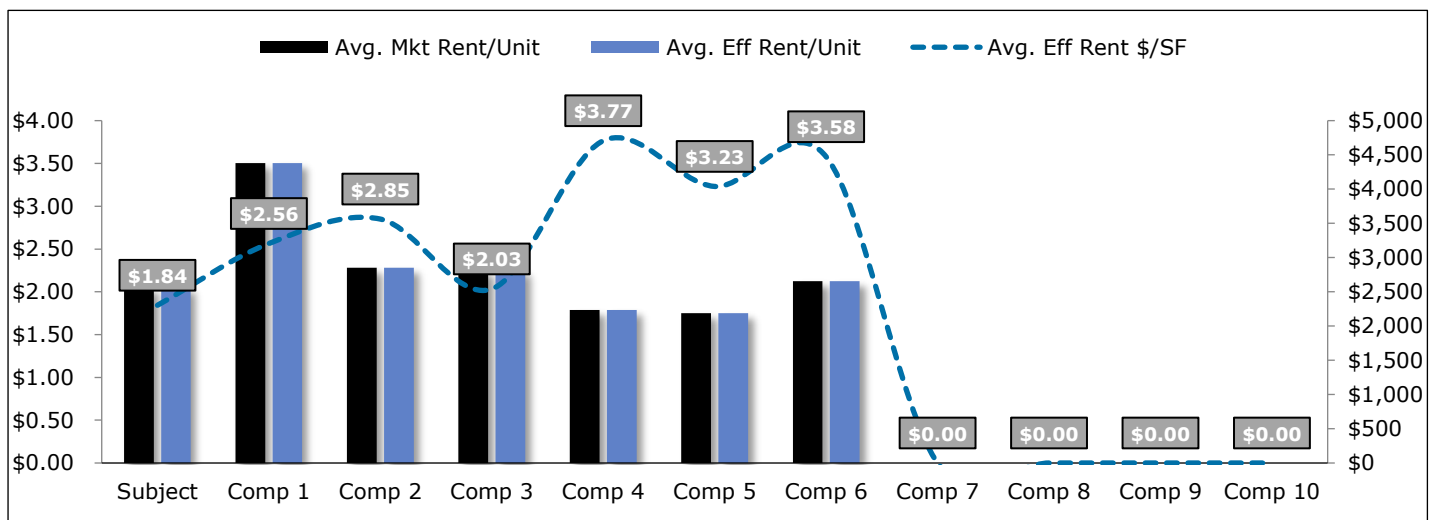
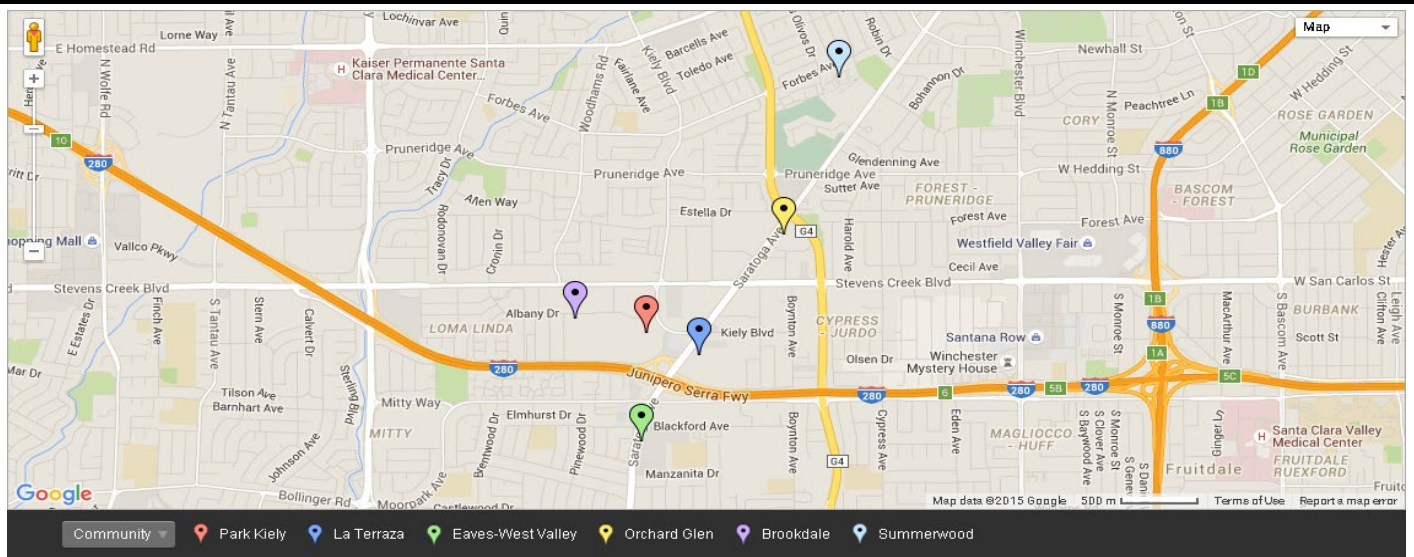
I -- DESIGNATES INCREASE

D -- DESIGNATES DECREASE

GREYSTAR: THE GLOBAL LEADER IN RENTAL HOUSING™

	Property Name	Year Built	# of units	% Occupied	Avg. Unit Size (SF)	Avg. Mkt Rent/Unit	Avg. Mkt Rent \$/SF	Avg. Eff Rent/Unit	Avg. Eff Rent \$/SF
Subject	Preston Park	1987	354	99%	1393	\$2,567	\$1.84	\$2,567	\$1.84
Comp 1	Shadow Market	1973	16	100%	1709	\$4,382	\$2.56	\$4,382	\$2.56
Comp 2	Marina Square Apartments	1978	48	97%	1000	\$2,850	\$2.85	\$2,850	\$2.85
Comp 3	Abrams Park	1978	194	100%	1386	\$2,819	\$2.03	\$2,819	\$2.03
Comp 4	Sunbay Suites	1989	266	95%	593	\$2,233	\$3.77	\$2,233	\$3.77
Comp 5	Marina Del Sol	1977	108	98%	677	\$2,188	\$3.23	\$2,188	\$3.23
Comp 6	Shoreline Apartments	1973	84	96%	742	\$2,656	\$3.58	\$2,656	\$3.58
Comp 7	7	0	0	0%	0	\$0	\$0.00	\$0	\$0.00
Comp 8	8	0	0	0%	0	\$0	\$0.00	\$0	\$0.00
Comp 9	9	0	0	0%	0	\$0	\$0.00	\$0	\$0.00
Comp 10	10	0	0	0%	0	\$0	\$0.00	\$0	\$0.00
Total/Avg (Market)			1070	98%	1057	\$2,538	\$2.69	\$2,538	\$2.69
Total/Avg. (Market less Subject)			716	98%	890	\$2,524	\$3.11	\$2,524	\$3.11

Marina I O



Calculation of Affordable Units FY 23/24 Rent Levels

(A) MAXIMUM HOUSEHOLD INCOME LIMITS (ANNUAL)

HUD AMI Level	Number of Persons							
	1	2	3	4	5	6	7	8
Very Low (50% AMI)	\$ 42,150	\$48,200	\$54,200	\$60,200	\$65,050	\$69,850	\$74,650	\$79,500
Low (80%) AMI	\$67,450	\$77,100	\$86,750	\$96,350	\$104,100	\$111,800	\$119,500	\$127,200

Source: CA Department of Housing and Community Development 2023 Income Limits

	2BD		3BD (Preston Only)		4BD	
	22/23	21/22	22/23	21/22	22/23	21/22
Very Low (50% AMI)	\$ 1,091	\$ 1,091	\$ 1,260	\$ 1,260	\$ 1,406	\$ 1,406
Less Utilities	\$ (202)	\$ (202)	\$ (264)	\$ (264)	\$ (328)	\$ (328)
Monthly Rent Net of Utilities	\$ 889	\$ 889	\$ 996	\$ 996	\$ 1,078	\$ 1,078
Low (60% AMI)	\$ 1,310	\$ 1,310	\$ 1,512	\$ 1,512	\$ 1,688	\$ 1,688
Less Utilities	\$ (202)	\$ (202)	\$ (264)	\$ (264)	\$ (328)	\$ (328)
Monthly Rent Net of Utilities	\$ 1,108	\$ 1,108	\$ 1,248	\$ 1,248	\$ 1,360	\$ 1,360

Preston Park Budget Memo Attachment D - Highlights of Operating Expenses

Attachment D Operating Expenses	Approved Budget FY 2022/2023	Estimated Actuals FY 2022/2023	Proposed FY 2023/2024		Variance of "Approved" Budget From 2022/2023 "Estimated" Actuals	%	Comments		Variance of "Proposed" Budget from FY 2022/2023 "Estimated" Actuals	%	Comments		2023/2024 "Proposed" Budget vs. 2022/2023 "Approved"	%
PAYROLL	\$640,610	\$659,294	\$635,843	I	(\$18,684)	-2.9%	Increase in estimated actuals versus the approved 22/23 budget is a result of funds spent for temporary staffing while positions remained open and overtime worked to cover vacant positions that remained open for several months, several times in the 22/23 yr.	D	\$23,451	3.6%	Payroll savings from prior year forecast is a result of position restructuring, a full staff of 14 and zero temp staffing.	D	\$4,767	0.7%
CONTRACT SERVICES	\$109,064	\$105,680	\$121,226	D	\$3,384	3.1%	Decrease in estimated actuals versus the approved 22/23 budget is a result of reduced need for janitorial costs as they are utilized on an as needed basis and the integration of security services in Oct, vs the beginning of the budget yr.	I	(\$15,546)	-14.7%	Increase in Proposed Budget over Estimated Actuals include confirmed rate increases for landscaping, security, trash removal, pest control, fire life safety and cleaning services.	I	(\$12,162)	-11.2%
UTILITIES	\$141,636	\$217,494	\$221,580	I	(\$75,858)	-53.6%	Increase in estimated actuals versus the approved 22/23 budget is a result of utility provider increases primarily for water/sewer passed on through the provider.	I	(\$4,086)	-1.9%	2023/2024 budget based upon 2022/2023 actuals with projected increase in rates.	I	(\$79,944)	-56.4%
MAKE READY/REDECORATING	\$179,400	\$163,217	\$176,240	D	\$16,183	9.0%	Decrease in estimated actuals versus the approved 22/23 budget is a result of higher projected turnover vs lower realized turnover in last quarter of the fiscal year than original budget assumptions.	I	(\$13,023)	-8.0%	Tracking YOY, budget assumes slight increase in turnover YOY.	D	\$3,160	1.8%
MAINTENANCE	\$115,740	\$144,424	\$142,675	I	(\$28,684)	-24.8%	Increase in Estimated Budget over Approved Budget due to increased in overall supply costs as a result of inflation.	D	\$1,749	1.2%	Decrease in Proposed Budget over Estimated Budget due to reduction in in misc maintenance categories as a result of new equipment purchases. YOY budgets reflect rising costs due to inflation.	I	(\$26,935)	-23.3%
MARKETING	\$2,738	\$2,631	\$2,448	D	\$107	3.9%	Tracking from Estimated Budget over Approved Budget	D	\$183	7.0%	Tracking YOY with slight decrease.	D	\$290	10.6%
ADMINISTRATIVE/OFFICE EXPENSE	\$96,012	\$108,309	\$90,462	I	(\$12,297)	-12.8%	Increase in estimated actuals versus the approved 22/23 budget due to unanticipated increased telephone contract costs in the budget year.	D	\$17,847	16.5%	Decrease in Proposed Budget over Estimated Budget due to reducing costs in multiple GL's and savings in telephone costs as a result of switching provider services.	D	\$5,550	5.8%
INSURANCE & TAXES	\$279,888	\$386,994	\$414,684	I	(\$107,106)	-38.3%	Reflects higher rates than anticipated.	I	(\$27,690)	-7.2%	Increase due to anticipated tax increase and insurance premium.	I	(\$134,796)	-48.2%
NON-ROUTINE MAINTENANCE	\$243,340	\$307,314	\$307,665	D	(\$63,974)	-26.3%	Increase in estimated actuals versus the approved 22/23 budget due to the increased demand and need for occupied unit repairs to tubs, showers, kitchen and vanity countertops and full contract paints as the buildings age.	I	(\$351)	-0.1%	FY 23/24 budget includes occupied unit improvements budget, gutter cleaning, annual inspection supplies, roof preventive maintenance, arborist tree inspection, tree trimming, irrigation replacements, landscape replenishments and unforeseen maintenance events.	I	(\$64,325)	-26.4%
MANAGEMENT FEES	\$185,494	\$186,342	\$186,101	I	(\$848)	-0.5%	Tracking from Estimated Budget over Approved Budget.	D	\$241	0.1%	Increase due to increase in Total Income.	I	(\$607)	-0.3%
TOTAL OPERATING EXPENSES	\$1,973,601	\$1,974,384	\$1,991,258	I	(\$783)	0.0%	Increase from estimated actuals vs approved budget is a result of inflation.	I	(\$16,874)	-0.9%	Increase proposed to account for rising costs/inflation.	I	(\$17,657)	-0.9%

I -- DESIGNATES INCREASE
D -- DESIGNATES DECREASE

GREYSTAR FORESIGHT2020					
	Total Budget	Prior Year Forecast	Variance		(Optional) Off-Line Comments
			\$	%	
INCOME					
Potential Rent	\$ 7,526,140	\$ 7,510,475	\$ 15,664	0.2%	Potential includes a 3% rate increase for in place market rate residents only with a 2.5% turnover ratio annually.
Net Potential Rent	\$ 7,526,140	\$ 7,510,475	\$ 15,664	0.2%	
Vacancy Loss	\$ (106,066)	\$ (49,099)	\$ (56,967)	(116.0)%	Vacancy assumes an average occupancy rate of 98.6%.
Non Revenue Units	\$ (76,901)	\$ (66,594)	\$ (10,307)	(15.5)%	Non revenue units include office, community center and two employee units.
Bad Debt	\$ (13,000)	\$ (20,853)	\$ 7,853	37.7%	Assumes \$13k annually in bad debt write off's for outgoing resident balances.
Total Rental Income-Residential	\$ 7,330,173	\$ 7,373,929	\$ (43,756)	(0.6)%	
Other Income-Residential	\$ 113,859	\$ 118,936	\$ (5,077)	(4.3)%	Other income includes, late fees, application fees, damages, interest income and grandfathered pet rent. Variance in prior year forecast to proposed budget is attributed to vendor rebates that were received in the 22/23 year that are not guaranteed and remain unbudgeted.
Total Income	\$ 7,444,032	\$ 7,492,865	\$ (48,833)	(0.7)%	
EXPENSES					
Payroll & Benefits	\$ 635,843	\$ 659,294	\$ 23,451	3.6%	Payroll savings from prior year forecast is a result of position restructuring and a full staff of 14. Prior year forecast included funds spent for temporary staffing while positions remained open and overtime worked to cover vacant positions that remained open for several months, several times in the 22/23 yr.
Repairs & Maintenance	\$ 142,675	\$ 144,424	\$ 1,749	1.2%	R&M trending slightly below forecast. Budget includes cost projections for unit inspection repairs and general expenses to maintain the buildings as they age.
Make-Ready / Redecorating	\$ 176,240	\$ 163,217	\$ (13,023)	(8.0)%	Make Ready expenses tie into turnover projections and have a contingency of 8% for inflation to account for rising vendor costs.
Contract Services	\$ 121,226	\$ 105,680	\$ (15,546)	(14.7)%	Contract Services include confirmed rate increases for landscaping, security, trash removal, pest control., fire life safety and cleaning services.
Advertising / Marketing / Promotions	\$ 2,448	\$ 2,631	\$ 183	7.0%	Advertising/Marketing costs tracking below forecast. Costs include monthly newsletter and annual garage sale event budget.
Office Expenses	\$ 43,354	\$ 52,401	\$ 9,046	17.3%	Office expenses tracking below forecast due to savings in telephone costs of \$9k annually as a result of implementation of a new provider and cancelling old services with higher rates.
Other General & Administrative	\$ 47,107	\$ 55,909	\$ 8,801	15.7%	Other general & administrative categories tracking below forecast as a result of the reduced need for budgeted eviction services. Greater collection strategies have decreased the need for these services on a go forward basis.
Utilities	\$ 221,580	\$ 217,494	\$ (4,087)	(1.9)%	Utilities tracking slightly above forecast as a result of anticipated future rate increases.
Controllable Expenses	\$ 1,390,473	\$ 1,401,048	\$ 10,575	0.8%	
Management Fees	\$ 186,101	\$ 186,342	\$ 241	0.1%	Management fees calculated at 2.5% of total gross revenue per the PMA.
Taxes	\$ 140,532	\$ 137,768	\$ (2,763)	(2.0)%	Property taxes tracking greater than forecast due to an anticipated 2% increase.
Insurance	\$ 274,152	\$ 249,226	\$ (24,926)	(10.0)%	Insurance tracking greater than forecast due to an anticipated 10% increase.
Non-Controllable Expenses	\$ 600,784	\$ 573,336	\$ (27,448)	(4.8)%	
Total Operating Expenses	\$ 1,991,258	\$ 1,974,384	\$ (16,873)	(0.9)%	
Total Operating / Non Recoverable Expenses	\$ 1,991,258	\$ 1,974,384	\$ (16,873)	(0.9)%	Budget accounts for a (0.9)% overall increase to address inflation for goods and services.
Net Operating Income	\$ 5,452,774	\$ 5,518,481	\$ (65,706)	(1.2)%	NOI to account for a (1.2)% overall projected increase vs forecast as a result of anticipated inflation costs.
Routine Replacement Expense	\$ 307,665	\$ 307,314	\$ (351)	(0.1)%	Routine replacements tracking in line with forecasted expenses.
Capital / Renovation Expense	\$ 988,988	\$ 32,890	\$ (956,098)	0.0%	Capital/Renovations expense higher than forecast projections to account for larger scale projects in the 23/24 budget year.
NOI After Replacements	\$ 4,156,121	\$ 5,178,277	\$ (1,022,156)	(19.7)%	
Debt Service	\$ 1,491,925	\$ 1,508,646	\$ 16,721	1.1%	Reflects current mortgage rate schedule.
Total Non-Operating Expense	\$ 1,491,925	\$ 1,508,646	\$ 16,721	1.1%	

Net Income	\$ 2,664,196	\$ 3,669,631	\$ (1,005,435)	(27.4)%	
CAPITAL BALANCE SHEET					
Contributions / Distributions	\$ (1,999,992)	\$ (1,749,996)	\$ 249,996	14.3%	Distribution of \$1.9M per City directive in 23/24 fiscal yr.
Escrows/Prepays/Reserves	\$ (400,000)	\$ (29,061)	\$ 370,939	0.0%	Reserve's replacement withdrawals received to reimburse operating account for qualified capital project expenses of \$100k per quarter. YOY fund has not been utilized in prior years.
Net Cash	\$ 1,064,202	\$ 1,947,380	\$ (883,179)	(45.4)%	Net cash flow variance from prior forecast is a result of capital project costs.

Preston Park	Attachment F						
CAPITAL REPLACEMENT AND RENOVATION EXPENDITURES - 2022/2023							
					Updated: 6/30/2023		
		Committed/Comp					
Project	Detail	leted 2022-2023	2023 - 2024	2024-2025	2025-2026	2026-2027	2027-2028
Projected Replacement Reserve Fund Balance		\$ 664,217	\$ 1,232,370	\$ 614,077	\$ 1,043,586	\$ 1,404,195	\$ 1,789,104
Projected Replacement Reserve Fund Contribution		\$ 890,664	\$ 890,664	\$ 890,664	\$ 890,664	\$ 890,664	\$ 890,664
COMMUNITY WIDE							
Lighting	Replacement and Additions		\$ 93,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Landscape/ Irrigation	Replacement / Upgrades	\$ 40,000	\$ 75,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Parking Expansion	Additional Parking Spaces						
Playgrounds	Replacement/Upgrades		\$ 10,000	\$ 10,000	\$ 10,000		
Mailbox Replacement	Replacement						
Seal Coat Streets	Seal Coat Streets					\$ 20,000	
Sidewalk repairs	fix uplifted/broken sidewalks		\$ 45,000		\$ 5,000		\$ 5,000
BUILDINGS							
Garage Door Openers	install gararage door openers and power outlets		\$ 569,070				\$ 10,000
Roof	Repair/*Replacement		\$ 28,388	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Exterior Paint	Exterior Paint						
Exterior Unit Doors	Replacement						
Windows / Sliding Glass Doors	Replace Windows/Sliding Doors						
Building Exterior	Dry rot Repairs, etc.						
Fence repairs / slat replacement	Fencing repair and replacement		\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Gutter Cleaning	Annual cleaning of gutters	\$ 8,456	\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,100
Termite Inspection	Inspecting buildings for termites		\$ 19,000				
UNITS							
Duct Cleaning	Cleaning/Repairing Heater vents		\$ 145,000				
Full Unit Renovations	4 per year @ \$35,000 each		\$ 140,000	\$ 105,000	\$ 140,000	\$ 140,000	\$ 140,000
Occupied Unit Renovations	Paint, reglaze and repair of tubs, kitchen countertops, bathroom vanity	\$ 78,379	\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000
Dishwasher	Replacement (assume 10 year life). Represents 24 units	\$ 9,662	\$ 9,600	\$ 9,600	\$ 9,600	\$ 9,600	\$ 9,600
Refrigerators	Replacement (assume 15 year life). Represents 24 units	\$ 9,887	\$ 15,600	\$ 15,600	\$ 15,600	\$ 15,600	\$ 15,600
Stove/Range hood/Microwave	Replacement (assume 15 year life). Represents 24 units	\$ 16,697	\$ 9,100	\$ 9,100	\$ 9,100	\$ 9,100	\$ 9,100
Garbage Disposal	Replacement (assume 10 year life). Represents 12 units	\$ 2,643	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
Hot Water Heaters	Replacement (assume 15 year life). Represents 24 units	\$ 12,148	\$ 16,800	\$ 16,800	\$ 16,800	\$ 16,800	\$ 16,800
Carpet	Replacement (assume 10 year life). Represents 36 units.	\$ 59,183	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000	\$ 61,000
Vinyl	Replacement (assume 10 year life). Represents 36 units.	\$ 58,456	\$ 63,975	\$ 63,975	\$ 63,975	\$ 63,975	\$ 63,975
HVAC Furnace	Replacement (assume 15 year life). Represents 4 units.	\$ 27,000	\$ 54,000	\$ 54,000	\$ 54,000	\$ 54,000	\$ 54,000
PROPERTY MANAGEMENT							
Resident Business Center	Resident Business Center contribution		\$ 10,000				
Leasing Office	Leasing Office maintenance contribution				\$ 4,000		
New Office Computers	Replace existing old computers			\$ 2,500			
Maintenance Vehicles	Purchase new				\$ 25,000		
Applicable Construction Management Expenses	Miscellaneous (6% fee on all items requiring a project manager)		\$ 55,624	\$ 6,780	\$ 9,180	\$ 8,880	\$ 9,780
Capital Expenses - uninflated (included as Capital Assets in the Standard Budget)		\$ 322,511	\$ 1,508,957	\$ 461,155	\$ 530,055	\$ 505,755	\$ 501,655
Ending Replacement Reserve Fund Balance - uninflated		\$ 1,232,370	\$ 614,077	\$ 1,043,586	\$ 1,404,195	\$ 1,789,104	\$ 2,178,113
Projects expected to be subject to the 6% Greystar project manager fee based on oversight needs							

Attachment G Preston Park Cash Allocations

Preston Park Cash Balances, 5/31/23

Accounts	Actual Bank Balance	Proposed Beginning Budget Allocations (after Operating Sweep)	Estimated Year End Allocations	Estimated Beginning Allocation for 2024.25
Operating	\$570,857	\$200,000	\$1,207,956	\$200,000
Security Deposit	\$585,686	\$568,686	\$568,686	\$568,686
Replacement Reserve	\$250,138	\$250,138	\$250,138	\$250,138
Bridgebank Reserve Total Balance	\$9,539,502	\$9,910,359	\$10,918,315	\$11,926,271
RESERVES ALLOCATIONS				
Capital Reserve				
Beginning Balance		\$1,232,370		\$614,077
Revenues		\$890,664		\$890,664
Expenditures		\$1,508,957		\$938,155
Ending Balance		\$614,077		\$566,586
Loan Reserves (debt buy down for refinance)		\$9,019,695		\$11,035,607
Total All Accounts (minus security deposits)	\$10,946,183	\$10,360,497	\$12,376,409	\$12,376,409

July 10, 2023

Item No. **13b**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of July 18, 2023

Chair and Board Members of
Preston Park Sustainable Community Non-Profit Corporation

Corporation Board Meeting
of July 18, 2023

**CITY COUNCIL AND PRESTON PARK SUSTAINABLE COMMUNITY
NON-PROFIT CORPORATION BOARD CONSIDER ADOPTING
RESOLUTION NO. 2023-, AND 2023- (PPSC-NPC), APPROVING
PRESTON PARK HOUSING AREA BUDGET FOR FY 2023-24 AND
AUTHORIZING FINANCE DIRECTOR TO MAKE APPROPRIATE
ACCOUNTING AND BUDGETARY ENTRIES**

REQUEST:

It is requested that the City Council and Corporation Board consider:

1. Adopting Resolution No. 2023- and Resolution No. 2023- (PPSC-NPC), approving the Preston Park Sustainable Community Non-Profit Corporation Preston Park Housing Area Budget for FY 2023-24, and;
2. Authorizing Finance Director to make appropriate accounting and budgetary entries.

BACKGROUND:

The City of Marina purchased the 354-apartment unit community of Preston Park in 2016. Greystar Residential has been retained to provide property management services.

ANALYSIS:

The budget package provided for the City Council's consideration includes:

- Greystar Preston Park FY 2023/2024 Proposed Budget Memo
- Attachment A Preston Park Income
- Attachment B Market Survey
- Attachment C Affordable Rents
- Attachment D Preston Park Expenses
- Attachment E Preston Park Standard Budget
- Attachment F Preston Park Capital Budget Projections 2023-2024
- Attachment G Preston Park Cash Allocations

Information in each of the sections below is intended to highlight each of these pieces of the budget package. Please refer to the attachments themselves for greater details.

Greystar Preston Park FY 2022/2023 Proposed Budget Memo

This document provides larger capital project accomplishments for the year, summary of revenue/rents, summary of expenses and capital budget spending.

Attachment A Preston Park Income

Summarizes the performance of the current year revenues and projects revenues for 2022/2023 budget year. Revenue for FY 2022-2023 is projected to end the year \$73,116 over budget. Net revenue for FY 2022-2023 actual is estimated to close \$73,116 more than budgeted. The increased revenue is resulting from unexpected vendor rebates. FY 2023-2024 budget revenue totals \$7,444,032. This is a \$24,283 increase over FY 2022-2023 FY budget, primarily due to low

vacancy rates, increases in rents on new move ins and the 3% rent increase for in place market rate tenants.

Attachment B Market Survey

Current market survey for 5 similar apartment communities in Marina, plus a “shadow market” or non-apartment complex comparable units. This survey is used to determine the rents for new market rate move-in tenants. The survey is updated throughout the year to reflect the most recent market rents of the comparable apartment homes in Marina.

Attachment C Affordable Rents

Current year Affordable Rents included in the proposed budget memo for the current 19-Very Low-Income qualifying units and 31-Low Income qualifying units.

Attachment D Preston Park Expenses

Summary of all operating expenses. FY 2022-2023 is estimated to close with \$783 in expenses more than budgeted. This is primarily due to an increase in utility rates and non-routine maintenance expenses for unit repairs to tubs, showers, kitchens, etc. Proposed FY 2023-2024 operating expenses total \$1,991,258, This is a \$17,657 increase over FY 2022-2023 FY budget, primarily due to rising costs for goods and services and inflation.

Attachment E Preston Park Standard Budget

This document contains a summary sheet supported by the detailed budget line items. The summary sheet combines the Revenue and Operating Expenses described in the Attachments above, and adds accounting for the debt service, the City’s distribution and the Capital Replacement and Project spending.

Attachment F Preston Park Capital Budget Projections

A five-year projection of capital projects. This sheet also provides accounting for the Capital Reserves. The beginning balance of the Capital Reserve set aside funds is \$1,232,370. The capital expenditures for FY 2023-2024 equal \$1,517,357 with the largest expenditures being lighting upgrades throughout the community and the installation of garage door openers. Also included this year are replacement funds for unit renovations, appliance replacement and new flooring and paint for occupied units in need. Each year there is a \$890,664 set-aside contribution (Replacement Reserve) in the budget. After the set-aside contribution and capital expenses, the final Capital Reserve set aside funds for FY 2023-2024 will equal \$605,677.

Attachment G Preston Park Cash Allocations

This attachment is an accounting of all cash on hand and how it is allocated for the Preston Park bank accounts. Demonstrated are the actual bank balances for each of the three bank accounts that are maintained by Preston Park. The operating account is a checking account and used to pay ongoing operating expenses. The Security Deposit account is a trust account where security deposits are held. The final account is a savings account for the property’s reserves. This account handles the reserves for capital expenses and reserves for debt retirement. Excess cash in the Operating account is annually swept into the debt retirement portion of the reserve account where they are dedicated towards buying down the debt. The reserve account is currently at \$1,232,370 for capital expenses and \$9,910,359 in debt retirement reserves. To fund the \$1,517,357 in capital expenses this year, the Capital Reserve receives an \$890,644 contribution from the operating funds. This amount is based on a steady annual contribution that meets the long-term capital replacement needs within budgetary means. The ending balance for the capital reserves will be \$605,677.

2023/24 Budget Changes and Highlights

Staff is working with Greystar staff to prepare for the roll out of a parking management program this fiscal year. To ensure a successful program to address the parking needs within Preston Park, efforts need to be made to use of the parking inventory already available. Part of the whole solution to the parking challenges will be for residents to utilize their garages for parking. Over the last couple of years, detailed inventories of parking in Preston Park have been carried out. It was found that the major contributing factor to the parking challenges is residents not using their garages to park their vehicles. Currently more than 90% of residents use their garage for storage rather than to park a vehicle. Garages in the community equate to 354 parking spaces, which are currently highly underutilized. To facilitate the need for tenants to park in their garage, garage door openers will be installed in each unit starting this fall at a cost of \$569,070.

Another notable change this year is the City disbursement from the property. Since the City purchased Preston Park in 2016, the annual owner distribution has been \$1,750,000. This distribution has not increased over the last 7 years, due to the City Council being mindful of the needed capital improvements and the need to buy down the debt to refinance the loan in 2026. The property today has been able to fund much of the initial capital improvements needed when the City acquired the property and is on a stable path for continued ongoing capital improvements and replacements needed going forward. The target to set aside for debt buy down in 2026 has been \$10,000,000. The property is well on target to meet this goal. Public Works, Finance, Administration, and Building Division staff regularly perform duties related to the property. City staff time and costs associated with management of the property continue to increase, causing additional burdens on the general fund. Therefore, the owner's distribution is being increased this year to \$2,000,000 offset general fund costs.

FISCAL IMPACT:

Should the City Council and Corporation Board elect to approve this request for the FY 2022-2023 Budget, the owner distribution as proposed will be \$2,000,000.

CONCLUSION:

This request is submitted for City Council and PPSC-NPC Corporation Board consideration and possible action.

Respectfully submitted,

Matt Mogensen
Assistant City Manager
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina