

RESOLUTION NO. 2024-98
RESOLUTION NO. 2024-02 (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 2024-2025 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 2024-2025 budget; and

WHEREAS, Greystar submitted a budget letter describing highlights of the proposed Preston Park Housing Area FY 2024-2025 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 2024-2025; 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 2024-2025, 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 4th day of September 2024, by the following vote:

AYES: COUNCIL MEMBERS: McAdams, Visscher, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: McCarthy, Biala

ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

August 21, 2024

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

Re: Preston Park FY 2024/2025 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:** Solar lighting installation was completed in the month of January.
- 2) **Landscaping/Asphalt Repairs/Preventative Maintenance:** The annual tree trimming, gutter cleaning, irrigation repairs and replanting were completed in May and June. Irrigation Smart Timers were installed property wide in November. Gopher abatement has been a continual project year over year with the assistance of ADM. Roof preventative maintenance was completed in February 2024. Dryer Vent cleaning is included in the 24/25 proposed budget year.
- 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 continues 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 of (2.4%), 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.

Proposed Budget Targeted Rental Increase applies the allowable 2.4% Rental Increase to in-place residents who are currently under the Fair Market Rental Rate as computed by averaging rates from the Monterey County Housing Authority and the HUD Fair Market Rent schedule and is adjusted for a determined amount for the Water, Sewer and Garbage that residents pay directly to the provider for those services. A reduced Rental Increase amount proportionate to their current rent would be applied to households that may not qualify for the standard Rental Increase.

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 the proposed Budget, a year over year increase of 4.81% in overall Total Rental Income from the 23/24 budget year to the proposed 24/25 budget year totals \$352,941. This figure includes a budgeted 2.4% increase for all market rate in place residents at lease renewal in addition to new occupant move in's at current market rates, with a turnover ratio of 8% annually. This 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: Twenty 2-Bedroom homes and Nine 3-Bedroom home have additional features that warrant higher than average rental rates.

The Average of HUD Fair Market Rents (FMR) published in May 2024 and the Monterey County Housing Authority Peninsula Payment Standards published in January 2024 are as follows:

Unit Bedroom Size	Averaged HUD Fair Market & HA Peninsula Payment Standard Rent	Utility Allowance	Adjusted Rental Amount
Two Bedroom	\$3,139.00	\$292.00	\$2,847.00
Three Bedroom	\$4,403.00	\$382.00	\$4,021.00

A number of in-place market renters in Preston Park homes are leasing below the averaged Fair Market Rent. The Fair Market Rates above include an allowance for utilities paid directly by Preston

Park residents in addition to their monthly rental amount. The two-bedroom average in-place market rent at Preston Park is \$1,825, while the average three-bedroom in-place market rent at Preston Park is \$2,455.

Affordable Rents

Affordable rental rates are derived from median income schedules published by governmental agencies. Rental rates at Preston Park are based upon 50% and 60% and 80% of the median income for Monterey County. The U.S. Department of Housing and Urban Development calculates the maximum household income by family size in Monterey County, generally once a year. As of the date of this memo, the rental rates are based upon families at 50% and 60% and 80% of the Monterey County median income for 2024. Rental increases are not being proposed for the proposed budget year.

Maximum Household Income Limits for 2024 as published in May of 2024.

Income Category	Two Person	Three Person	Four Person	Five Person	Six Person	Seven Person	Eight Person	Nine Person
50% Very Low	\$53,000	\$59,600	\$66,200	\$71,500	\$76,800	\$82,100	\$87,400	\$92,680
60% Low/Lower	\$82,550	\$92,900	\$103,220	\$111,450	\$119,700	\$127,950	\$136,200	\$144,508
80% Low	\$84,800	\$95,400	\$105,950	\$114,450	\$122,950	\$131,400	\$139,900	\$148,330

Income

FY 24/25 budget assumes \$8,244,964 in Total Income vs. FY 23/24 budget of \$7,444,032. Further, FY 24/25 budget includes \$2,109,094 in Total Operating Expenses vs. FY 23/24 budget of \$1,991,258 resulting in an increase of (\$117,836) or a 5.92% variance.

Expenses

Expenses include Operating Expense projections and relevant changes from the FY 2023/2024 budget to the FY 2024/2025 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 2024/2025 is 5.92% higher than the Estimated Actuals for FY 2023/2024. 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 \$2M 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, carpeting and 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 - \$49,500
- 2) Reserve Study - \$13,990
- 3) Gutter Cleaning - \$7,810
- 4) Dryer Vent Cleaning - \$11,000
- 5) Roof Maintenance - \$25,828
- 6) Termite Inspection \$20,900
- 7) Landscape Upgrades, Tree Trimming, Arborist, Irrigation Repairs and Valve Repl - \$76,495
- 8) Unit renovations x4 - \$174,900
- 9) Asphalt Repairs and Tree Root removal of roads - \$201,400

Capital Reserves Fund

Adoption of the proposed budget will result in a maximum contribution of \$3,372 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. Furthermore, a Capital Reserve Study is proposed to be conducted by a consulting firm to further assess future costs to maintain the project over a span of 30+ years in the 24/25 proposed budget.

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:

- FY 2024/25 Budget Summary
- F. Capital Improvement Plan/Reserve Withholding

Attachment A

Preston Park
Budget Year 2024 - 2025

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	Fiscal Year 2023-24				Fiscal Year 2024-25				
	Approved Budget	Estimated Year-End	Variance of Estimated Year-End to Approved		Proposed Budget	Variance from Fiscal Year 2023-24 Approved		Variance from Fiscal Year 2023-24 Estimated	
INCOME									
TOTAL RENTAL INCOME-RESIDENTIAL	\$ 7,330,173	\$ 7,536,656	\$ 206,483	2.8%	\$ 7,686,680	\$ 356,507	4.86%	\$ 150,024	2.0%
Other Income-Residential	113,859	553,454	439,595	386.1%	558,285	444,426	390.3%	4,830	0.9%
TOTAL INCOME	\$ 7,444,032	\$ 8,090,110	\$ 646,078	8.7%	\$ 8,244,964	\$ 800,932	10.8%	\$ 154,854	1.9%
EXPENSES									
Payroll & Benefits	635,843	623,492	(12,351)	(1.9)%	646,948	11,105	1.7%	23,456	3.8%
Repairs & Maintenance	142,675	151,030	8,355	5.9%	152,847	10,172	7.1%	1,817	1.2%
Make-Ready / Redecorating	176,240	143,549	(32,691)	(18.5)%	157,527	(18,713)	-10.6%	13,978	9.7%
Contract Services	121,226	119,589	(1,637)	(1.4)%	121,963	737	0.6%	2,374	2.0%
Advertising / Marketing / Promotions	2,448	4,446	1,998	81.6%	4,330	1,882	76.9%	(116)	(2.6)%
Office Expenses	43,354	50,100	6,746	15.6%	56,883	13,529	31.2%	6,783	13.5%
Other General & Administrative	47,107	60,382	13,275	28.2%	62,572	15,465	32.8%	2,190	3.6%
Utilities	221,580	209,973	(11,607)	(5.2)%	239,452	17,872	8.1%	29,479	14.0%
Management Fees	186,101	187,164	1,063	0.6%	206,124	20,023	10.8%	18,960	10.1%
Taxes	140,532	136,559	(3,973)	(2.8)%	139,290	(1,242)	-0.9%	2,731	2.0%
Insurance	274,152	321,860	47,708	17.4%	321,157	47,005	17.1%	(703)	(0.2)%
TOTAL OPERATING EXPENSES	\$ 1,991,258	\$ 2,008,144	\$ 16,886	0.8%	\$ 2,109,094	\$ 117,836	5.9%	\$ 100,950	5.0%
NET OPERATING INCOME	\$ 5,452,774	\$ 6,081,966	\$ 629,192	11.5%	\$ 6,135,870	\$ 683,096	12.5%	\$ 53,904	0.9%
NON-OPERATING									
Less Distributions	1,999,992	1,999,992	-	0.0%	1,999,992	-	0.00%	-	0.0%
Less Debt Service	1,491,925	1,520,935	29,010	1.9%	1,541,656	49,731	3.33%	20,721	1.4%
Less Capital / Renovation Expense	1,296,653	920,910	(375,743)	-29.0%	1,094,160	(202,493)	(15.62%)	173,250	18.8%
Net of Transfer-In from Capital Reserves	(400,000)	(400,000)	-	0.0%	-	400,000	-100.00%	400,000	100.0%
TOTAL NON OPERATING	\$ 4,388,570	\$ 4,041,837	\$ (346,733)	(7.9)%	\$ 4,635,808	\$ 247,238	5.63%	\$ 593,971	14.7%
NET INCOME AFTER NON-OPERATING	\$ 1,064,204	\$ 2,040,129	\$ 975,925	91.7%	\$ 1,500,062	\$ 435,858	41.0%	\$ (540,067)	(26.5)%

Attachment B

Detailed Budgetary Comparison - Preston Park Revenues

	Fiscal Year 23-24 Approved and Year-End Estimate				Fiscal Year 24-25 Proposed			General Comments
	Approved	Year-End Estimate	Variance from Approved		Proposed	Variance from FY 23-24 Year-End		
			Amount	%		Amount	%	
INCOME								
Potential Rent	\$ 7,526,140	\$ 7,706,722	\$ 180,582	2.40%	\$ 7,931,664	\$ 224,943	3%	Budget assumes Market Rents starting at \$649,659 per month or \$7.9M annually with annual projected rent growth of 2.9%.
One-Time Concessions	-	(313)	(313)		-			
Vacancy Loss	(106,066)	(69,655)	36,411	-34.33%	(201,652)	(131,997)	190%	Budget assumes an average annual occupancy rate of 97.5%, with a projection of 30 move outs, 30 move in's, 270 lease renewals and an average economic occupancy rate of 96.9%. Annual Vacancy trends have increased and are attributed to turnover at pre-pandemic rates realized in the 23/24 FY.
Non Revenue Units	(76,901)	(65,950)	10,951	-14.24%	(37,332)	28,618	-43%	Budget represents one (1) exempt staff unit at 100%. Annual favorable variance attributable to prior year accounting for two (2) units, whereas we now have one (1) unit at Preston and one (1) at Abrams, fulfilling DRE requirements.
Bad Debt	(13,000)	(34,147)	(21,147)	162.67%	(6,000)	28,147	-82%	Budget assumes \$6k annually as a contingency for bad debt write off's. Annual anomaly due to one eviction balance write off.
Other Income-Residential	113,859	553,454	439,595	386%	558,285	4,830	1%	Budget assumes other income sources such as application fees, damages, late fees, pet rent and \$29k per month in interest income.
TOTAL INCOME	\$ 7,444,032	\$ 8,090,110	\$ 646,078	8.7%	\$ 8,244,964	\$ 154,854	1.9%	Budget assumes Total Income of \$8.2M

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	\$2,569	\$1.84	\$2,569	\$1.84
Comp 1	Shadow Market	1973	16	100%	1193	\$3,225	\$2.70	\$3,225	\$2.70
Comp 2	Marina Square Apartments	1978	48	100%	1000	\$2,850	\$2.85	\$2,850	\$2.85
Comp 3	Abrams Park	1978	194	99%	1386	\$2,820	\$2.03	\$2,820	\$2.03
Comp 4	Sunbay Suites	1989	266	95%	593	\$2,353	\$3.97	\$2,353	\$3.97
Comp 5	Marina Del Sol	1977	108	98%	677	\$2,188	\$3.23	\$2,188	\$3.23
Comp 6	Shoreline Apartments	1973	84	98%	742	\$2,518	\$3.39	\$2,518	\$3.39
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%	1049	\$2,541	\$2.73	\$2,541	\$2.73
Total/Avg. (Market less Subject)			716	98%	879	\$2,527	\$3.16	\$2,527	\$3.16

Marina I O

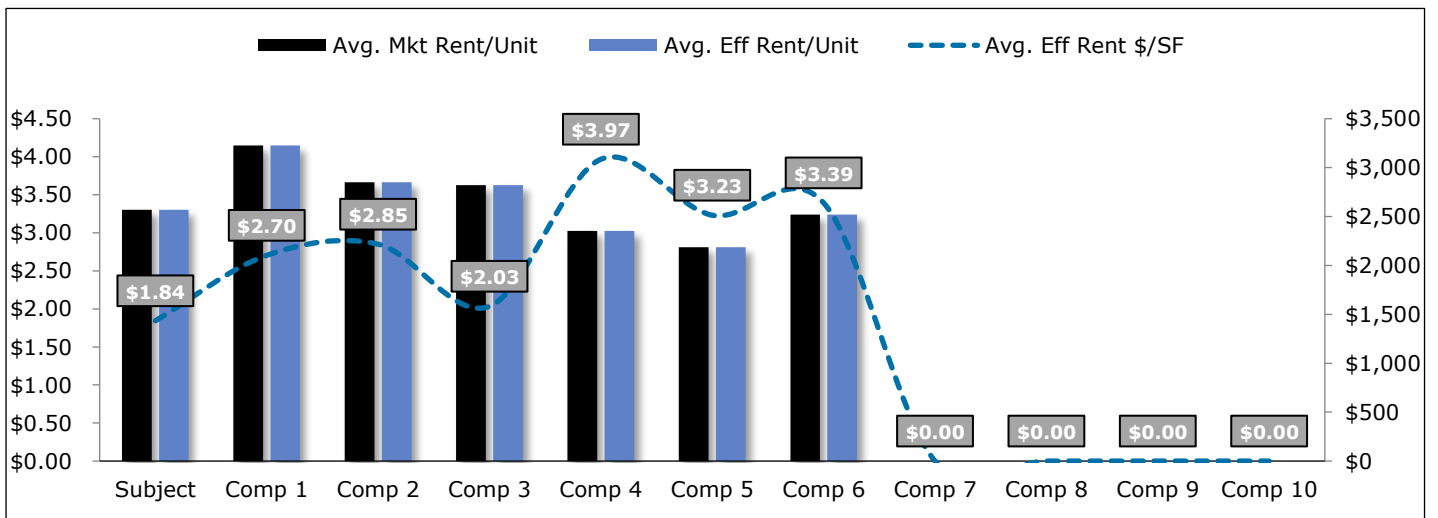
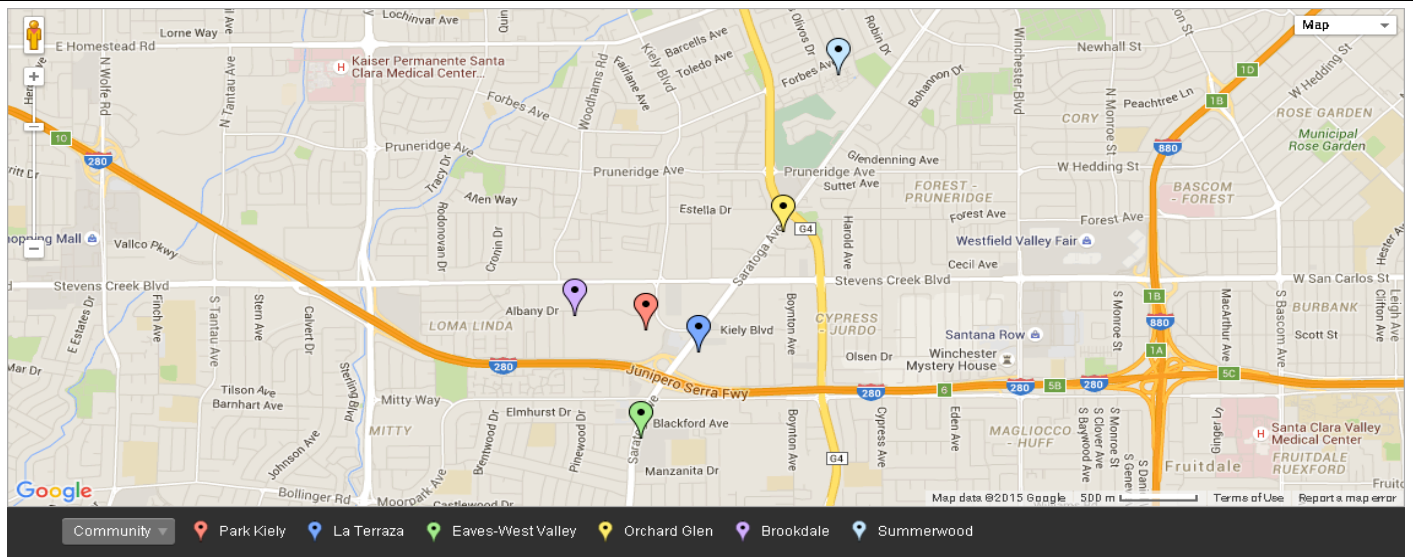


Exhibit D

Calculation of Affordable Units - FY 24/25 Rent Levels

(A) MAXIMUM HOUSEHOLD INCOME LIMITS (ANNUAL)

HUD AMI Limit	Number of Persons							
	1	2	3	4	5	6	7	8
Very Low (50% of AMI)	46,350	53,000	59,600	66,200	71,500	76,800	82,100	87,400
Low (80% of AMI)	74,150	84,800	95,400	105,950	114,450	122,950	131,400	139,900

Source: California Department of Housing and Community Development, 2024

	2 Bedroom		3 Bedroom (Preston Only)		4 Bedroom	
	23/24	22/23	23/24	22/23	23/24	22/23
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

Attachment E - Preston Park Expense Budget

Detailed Budgetary Comparison - Preston Park Expenses

	Fiscal Year 23-24 Approved and Year-End Estimate				Fiscal Year 24-25 Proposed			General Comments
	Approved	Year-End Estimate	Variance from Approved		Proposed	Variance from FY 23-24 Year-End		
			Amount	%		Amount	%	
EXPENSES								
Payroll & Benefits	\$ 635,843	\$ 623,492	\$ (12,351)	-2%	\$ 646,948.5	\$ 23,456.3	3.8%	Budget assumes a full staff of 14 employees billed 60% to Preston Park. Annual Turnover of five (5) employees occurred in the 23/24 budget year.
Repairs & Maintenance	142,675	151,030	8,355	6%	152,847	1,817	1.2%	Budget assumes \$152k annually to account for higher turnover in repairs and maintenance. Reflects a 1.2% increase overall.
Make-Ready / Redecorating	176,240	143,549	(32,691)	-19%	157,527	13,978	9.7%	Budget assumes \$157k annually to account for higher projected turnover in make ready/redec costs. 9.7% increase overall.
Contract Services	121,226	119,589	(1,637)	-1%	121,963	2,375	2.0%	Budget assumes \$121k annually to account for a 2% projected increase in contract services overall.
Advertising / Marketing / Promotions	2,448	4,446	1,998	82%	4,330	(116)	-2.6%	Budget assumes \$4.3k annually in marketing costs. 0% projected increase as costs remain static.
Office Expenses	43,354	50,100	6,746	16%	56,883	6,782	13.5%	Budget assumes \$56k annually in office expenses which includes a year over year projected increase of 13.5% as a result of increased software and contract equipment cost increases.
Other General & Administrative	47,107	60,382	13,274	28%	62,572	2,190	3.6%	Budget assumes \$62k annually in administrative expenses which includes a year over year projected increase of 3.6%.
Utilities	221,580	209,973	(11,607)	-5%	239,452	29,478	14.0%	Budget assumes utilities with a projected overall increase of 14.0%. PG&E average utility rate increases propose a 14.4% increase, whereas water is projected at 10% and sewer projected at 15% in the 24/25 FY.
Management Fees	186,101	187,164	1,063	1%	206,124	18,960	10.1%	Budget assumes management fees at 2.5% of gross receipts per the PMA.
Taxes	140,532	136,559	(3,973)	-3%	139,290	2,732	2.0%	Budget assumes property taxes annualized with a 2% annual overall increase.
Insurance	274,152	321,860	47,708	17%	321,157	(703)	-0.2%	Budget assumes insurance premiums based on recent policy renewal.
TOTAL OPERATING EXPENSES	\$ 1,991,258	\$ 2,008,144	\$ 16,887	0.8%	\$ 2,109,094	\$ 100,950	5.0%	Budget assumes total operating expenses with an overall increase of 5% YOY.

CAPITAL REPLACEMENT AND
RENOVATION EXPENDITURES - 2024/2025

		8/21/2024						
Project	Detail	Completed 2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	
Projected Replacement Reserve Fund Balance		\$ 250,134	\$ 580,643	\$ 652,621	\$ 961,092	\$ 1,297,663	\$ 1,711,659	
Projected Replacement Reserve Fund Contribution		\$ 1,193,751	\$ 1,193,751	\$ 1,193,751	\$ 1,193,751	\$ 1,193,751	\$ 1,193,751	
COMMUNITY WIDE								
Lighting	Replacement and Additions	\$ 93,783	\$ -	\$ -	\$ -	\$ -	\$ -	
Landscape/ Irrigation	Replacement / Upgrades	\$ 75,937	\$ 76,495	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	
Parking Expansion	Additional Parking Spaces	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Playgrounds	Replacement/Upgrades	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Mailbox Replacement	Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Asphalt (Slurry)	Seal Coat Streets	\$ -	\$ 190,000	\$ -	\$ -	\$ -	\$ -	
Concrete Repairs (Trip Hazards)	fix uplifted/broken sidewalks	\$ 25,105	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	
BUILDINGS								
Garage Door Openers	install gararage door openers and power outlets	\$ -	\$ -	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	
Roof	Repair/*Replacement	\$ 23,480	\$ 25,828	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	
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	\$ 750	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	
Gutter Cleaning	Annual cleaning of gutters	\$ 7,100	\$ 7,810	\$ 7,810	\$ 7,810	\$ 7,810	\$ 7,810	
Termite Inspection	Inspecting buildings for termites	\$ -	\$ 20,900	\$ -	\$ 20,900	\$ -	\$ 20,900	
Miscellaneous Capital	Includes plumbing, leaks, etc.	\$ 8,577	\$ 9,435	\$ -	\$ -	\$ -	\$ -	
UNITS								
Duct Cleaning/Heater Vent								
Cleaning/Repairs/Dryer Vent Cleaning	Repairing Heater vents every 5; Dryer vent cleaning every other year.	\$ -	\$ 11,000	\$ -	\$ 12,000	\$ -	\$ 12,000	
Full Unit Renovations	3 per year @ \$55,000 each	\$ 107,000	\$ 165,651	\$ 165,000	\$ 165,000	\$ 165,000	\$ 165,000	
Occupied Unit Renovations	Paint, reglaze and repair of tubs, kitchen countertops, bathroom vanity	\$ 148,659	\$ 163,525	\$ 156,000	\$ 120,000	\$ 108,000	\$ 108,000	
Dishwasher	Replacement (assume 10 year life). Represents 19 units	\$ 10,026	\$ 11,029	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	
Refrigerators	Replacement (assume 15 year life). Represents 36 units	\$ 23,770	\$ 26,147	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	
Stove/Range hood/Microwave	Replacement (assume 15 year life). Represents 19 units	\$ 31,148	\$ 34,263	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	
Garbage Disposal	Replacement (assume 10 year life). Represents 30 units	\$ 4,011	\$ 4,412	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	
Hot Water Heaters	Replacement (assume 15 year life). Represents 15 units	\$ 13,306	\$ 14,637	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	
Carpet	Replacement (assume 10 year life). Represents 15 units.	\$ 56,508	\$ 62,159	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	
Vinyl	Replacement (assume 10 year life). Represents 24 units.	\$ 142,663	\$ 156,929	\$ 125,000	\$ 100,000	\$ 63,975	\$ 63,975	
HVAC Furnace	Replacement (assume 15 year life). Represents 4 units.	\$ 20,300	\$ 22,332	\$ 22,500	\$ 22,500	\$ 22,500	\$ 22,500	
Fire Extinguishers	Replacement (assume 15 year life). Represents 4 units.	\$ 20,300	\$ 22,332	\$ 22,500	\$ 22,500	\$ 22,500	\$ 22,500	
PROPERTY MANAGEMENT								
Resident Business Center	Resident Business Center contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Leasing Office	Leasing Office maintenance contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Attachment G - Preston Park Cash Allocations

	Bank Statement	Proposed Fiscal Year 2024-25						Fiscal Year 2025-26
		Beginning					Reallocated End.	Est. Beginning
	June 30, 2024	Balance	Revenues	Transfers	Expenses	Est. Ending Balance	Balance	Balance ⁽¹⁾
Banking Balances								
Operating	\$ 534,400	\$ 200,000	\$ 8,244,964		\$ (6,772,515)	\$ 1,672,449	\$ 200,000	\$ 200,000
Security deposit	581,161	581,161	-		-	581,161	581,161	581,161
Replacement reserves in trust	250,138	250,138	-		-	250,138	250,138	250,138
Bridgebank Reserve	11,068,440	11,402,840	-		-	11,402,840	12,875,289	12,875,289
	<u>\$ 12,434,139</u>	<u>\$ 12,434,139</u>	<u>\$ 8,244,964</u>		<u>\$ (6,772,515)</u>	<u>\$ 13,906,588</u>	<u>\$ 13,906,588</u>	<u>\$ 13,906,588</u>
Allocation of Operating and Capital Balances								
Operating cash	200,000	200,000	8,244,964	(1,193,751)	(5,650,742)	1,600,471	200,000	200,000
Restricted security deposit	581,161	581,161	-	-	-	581,161	581,161	581,161
Replacement reserves in trust	250,138	250,138	-	-	-	250,138	250,138	250,138
Replacement reserves	580,643	580,643	-	1,193,751	(1,121,773)	652,621	652,621	1,846,372
Loan reserves	10,822,197	10,822,197	-	-	-	10,822,197	12,222,668	11,028,917
	<u>\$ 12,434,139</u>	<u>\$ 12,434,139</u>	<u>\$ 8,244,964</u>	<u>\$ -</u>	<u>\$ (6,772,515)</u>	<u>\$ 13,906,588</u>	<u>\$ 13,906,588</u>	<u>\$ 13,906,588</u>

(1) Adjusted for Fiscal Year 25/26 Reserve Commitment

-

August 22, 2024

Item No. **10f(3)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of September 4, 2024

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

Corporation Board Meeting
of September 4, 2024

**CITY COUNCIL AND PRESTON PARK SUSTAINABLE COMMUNITY
NON-PROFIT CORPORATION BOARD CONSIDER ADOPTING
RESOLUTION NO. 2024-, AND 2024- (PPSC-NPC), APPROVING
PRESTON PARK HOUSING AREA BUDGET FOR FY 2024-25 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. 2024- and Resolution No. 2024- (PPSC-NPC), approving the Preston Park Sustainable Community Non-Profit Corporation Preston Park Housing Area Budget for FY 2024-25, 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 2024/2025 Proposed Budget Memo
- Attachment A Preston Park Budget Overview
- Attachment B Preston Park Income
- Attachment C Market Survey
- Attachment D Affordable Rents
- Attachment E Preston Park Expenses
- Attachment F Preston Park Capital Budget Projections 2024-2025
- 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 2024/2025 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 Budget Overview

This document provides an overall summary of the Approved Fiscal Year 2023-24 Budget and the estimated year-end results; and the Proposed Fiscal Year 2024-25 Budget. In addition to net income from operations, this worksheet also includes non-operating revenues and expenses, such as ownership distributions, capital/renovation expenses, and contributions from capital reserves.

At the close of Fiscal Year 2023/24, the Preston Park net income from operations was \$6,081,966. This was \$629,192 or 10.3% greater than the original budget, while net non-operating expenses were \$346,233 less than anticipated. The reduction in non-operating expenses was primarily due to the continuation of projects or the carry-forward of capital expenses, net of greater than planned debt service costs.

In Fiscal Year 2024-25, Preston Park is anticipated to yield net income of \$6,135,870. This is \$683,096 or 12.5% greater than the originally approved budget, or \$53,904 or 0.9% greater than the Fiscal Year 2023-24 Estimated Year-End. The Fiscal Year 2024-25 Proposed Budget includes \$2 million in owner distributions, annual debt service costs, and capital/renovation expenditures of \$1.1 million.

Details and assumptions related to revenues, expenditures, and estimated cash balances are provided within the subsequent sections and attachments.

Attachment B: Preston Park Income

The Fiscal Year 2023-24 estimated ending income for Preston Park was \$8,090,110. This represents an increase of \$646,078 or 8.0% greater than the Approved Budget. The budgetary variance reflects rental income that was \$206,483 or 2.7% higher than initially projected due to increased market rents associated with new move-ins. Other Income receipts also exceeded budgetary projections by \$435,595, which was primarily driven by increased interest earnings.

The Proposed Fiscal Year 2024/25 revenues are projected to be \$800,932 greater than the Fiscal Year 2023/24 approved revenues; and \$154,854 or 1.9% greater than the Estimated Year-End amounts. This primarily reflects a \$150,024 or 2% increase in rental income revenues, resulting along with a modest increase in Other Income. The Fiscal Year 2024-25 Budget includes a 3% increase for all market rate in-place residents at lease renewal; and an estimate to adjust lease rates to reflect market conditions for new occupants.

Supporting line item details, as well as assumptions are included in Attachment B.

Attachment C: Market Survey

Current market survey for five 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 D: Affordable Rents

Current year Affordable Rents included in the proposed budget memo for the current 19-Very Low-Income qualifying units and 29-Low/Low Income and 2-Low Income qualifying units.

Attachment E: Preston Park Expenses

In Fiscal Year 2023-24, the estimated amount of ending operating expenses for Preston Park were \$2,008,144. This represents an increase of \$16,886 or 0.8% greater than the Approved Budget. The budgetary variance reflects increased insurance costs of \$47,708, net of changes within other expense categories.

The Proposed Fiscal Year 2024/25 expenses are projected to be \$2,109,094. This reflects an increase of \$117,836 when compared to the Fiscal Year 2023/24 approved budget; and \$100,950 or 5.0% greater than the Estimated Year-End amounts. This projected increase reflects approximately \$29,000 in additional sewer service fees; \$19,000 for management fees to align with management fee calculation of 2.5% of gross receipts; and various other costs to reflect the rising costs of goods and services.

Supporting line item details, as well as assumptions are included in Attachment E.

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 \$580,643. The proposed capital expenditures for FY 2024-2025 are \$1,121,773, which includes replacement funds for unit renovations, appliances, new flooring and paint for occupied units in need. The budget also includes an additional \$190,000 for slurry seal coating for streets within the property and \$13,990 for a formal Capital Reserve or asset management study. The current asset management plan, which serves as the foundation for setting aside reserve funds and maintaining the property, is an internal document that was developed several years ago. The proposed study, which will be performed by a firm that specializes in facility and rental property maintenance, will serve as a future roadmap for capital projects, equipment replacement, and financial planning.

In accordance with the established plan, the budget includes a \$1.2 million 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 2024-2025 are estimated to \$652,621.

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 balance, as of June 30, 2024 is \$580,643 for capital expenses and \$10,822,197 in debt retirement reserves. To fund the \$1,121,773 in capital expenses this year, the Capital Reserve will need an additional \$1.2 million 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 is projected to be \$652,621.

2023-24 Budget Changes and Highlights

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 million. At the close of Fiscal Year 2023-2024, the loan reserve balance was \$10,822,197, while the Fiscal Year 2024-2025 ending loan reserve balance is projected to be approximately \$12.2 million. The Preston Park loan is due to be refinanced before the end of 2026. In addition to continuing to set aside funds for the refinancing effort, the City plans to explore options to refinance the loan in 2025.

There is no proposed change to the City's ownership distribution. The proposed annual distribution of \$2.0 million supports the use of the City's Administration and Building Division staff to regularly perform duties related to this property.

FISCAL IMPACT:

Should the City Council and Corporation Board elect to approve this request for the FY 2024-2025 Budget, the owner distribution as proposed will be \$2.0 million.

CONCLUSION:

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

Respectfully submitted,

Tori Hannah
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina