

San Diego Housing Commission Business Plan

Fiscal Years 2009 – 2011

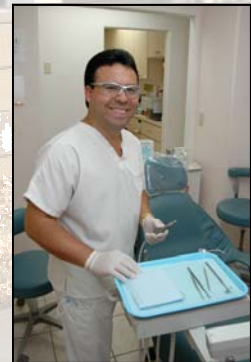
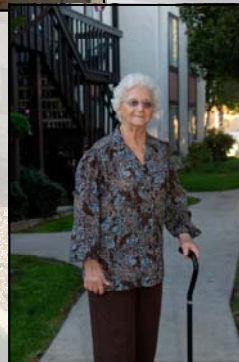


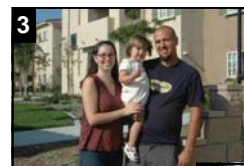
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THE FACES OF AFFORDABLE HOUSING

The San Diego Housing Commission's award-winning housing and economic advancement programs serve a broad range of populations, including low-income families, seniors and persons with disabilities or debilitating illnesses. Here are just a few examples of how SDHC has changed lives:

- 1) SDHC's Aspire Program has put Hing and Fang on the road to "financial fitness." They recently opened their first bank account.
- 2) Ethel and daughter Jessemina were once homeless. Today, they're thriving with support from SDHC's Section 8 Rental Assistance Program. Ethel is also advancing her career with help from the agency's Family Self-Sufficiency Program.
- 3) Michael, a construction worker, his wife Megan and daughter Heidi are able to live affordably in an apartment community created through SDHC funding and inclusionary housing policies.
- 4) Irene would not be able to afford her rent without her Rental Assistance voucher.
- 5) Rafael's career dream came true with help from the agency's Family Self-Sufficiency program.



Mission & Goals

Mission

We are committed to providing affordable housing opportunities to improve the quality of life for those in need.

Business Plan Goals, FY 2009 – 2011

1. Continue to be the leading provider of affordable housing opportunities for lower income families and individuals in the City of San Diego.
2. Achieve financial independence and economic stability through the application of private sector business practices within the context that the agency's highest priority is to provide homes at below-market rates for those who can least afford it.
3. Become the regional housing leader, expert and authority in initiating and implementing new, progressive solutions to San Diego's affordable housing needs.
4. Provide a positive customer experience through the seamless, efficient and professional delivery of our products, programs and services.



5. Become an employer of choice in San Diego.

Executive Summary

The San Diego Housing Commission (SDHC) is a public agency working to expand affordable housing opportunities in the City of San Diego. Each year, the agency helps 80,000 lower income individuals with affordable housing through award-winning programs that benefit the city's economy and revitalize neighborhoods. The agency also finances affordable housing development and advises the San Diego City Council on housing policy matters.

Founded in 1979 with just 50 employees and a budget of about \$15 million, the agency now has an annual budget of \$231.3 million and 245 employees. The agency's primary source of funding is the U.S. Department of Housing and Urban Development (HUD). The agency does not receive any City of San Diego General Funds.

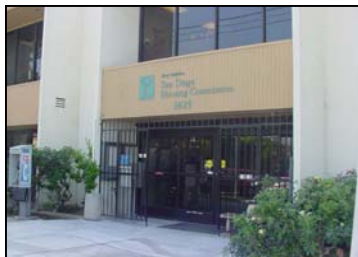
In 2004, the agency's leadership team began utilizing three-year business plans as a strategic management tool to identify priorities, guide agency activities, and align staff and resources behind common goals. This document, which builds upon previous plans, offers a clear roadmap for the next three fiscal years – 2009-2011.

The FY 2009-2011 Business Plan is presented at a pivotal turning point in the agency's history. In FY 2008, SDHC transitioned out of the federal Public Housing Program in favor of a private sector asset management model. This allows

continued



Above:
Original offices at
Spreckels building
(1979-1984)



Right: Offices at
Newton Avenue
(1984-2006)



SDHC's main offices are now located at Smart Corner, a smart growth development in downtown San Diego. The agency's Silver LEED-certified building is environmentally friendly and conveniently located near public transit.

Executive Summary

SDHC access to equity and to better utilize revenues generated by more than 1,350 apartment units previously under HUD control. As such, SDHC is poised to pursue new strategies and service delivery models to achieve its mission.

The agency's Commissioners, management team and multiple levels of staff provided input into the development of the Business Plan. This effort resulted in five focused goals:

Business Plan Goals, FY 2009-2011

1. Continue to be the leading provider of affordable housing opportunities for lower income families and individuals in the City of San Diego.
2. Achieve financial independence and economic stability through the application of private sector business practices within the context that the agency's highest priority is to provide homes at below-market rates for those who can least afford it.
3. Become the regional housing leader, expert and authority in initiating and implementing new, progressive solutions to San Diego's affordable housing needs.
4. Provide a positive customer experience through the seamless, efficient and professional delivery of our products, programs and services.
5. Become an employer of choice in San Diego.

Business Plan Structure

The Business Plan is modeled after private sector business planning practices:

- The Operations Plan includes 66 strategies in support of the five Business Plan goals;
- The Financial Analysis presents the agency's fiscal position and revenue sources;
- The Agency Analysis reviews the agency's past success indicators and unique qualifications;
- The Market Analysis and Customer Analysis provides context of the agency's current environment and identifies the agency's customers and their needs; and
- The Marketing Plan demonstrates how the strategies will be communicated to the agency's customers and how feedback will be collected in an effort to make continuous improvements.

The agency's Business Plan and financial reporting run on a fiscal year calendar of July 1 through June 30. ■



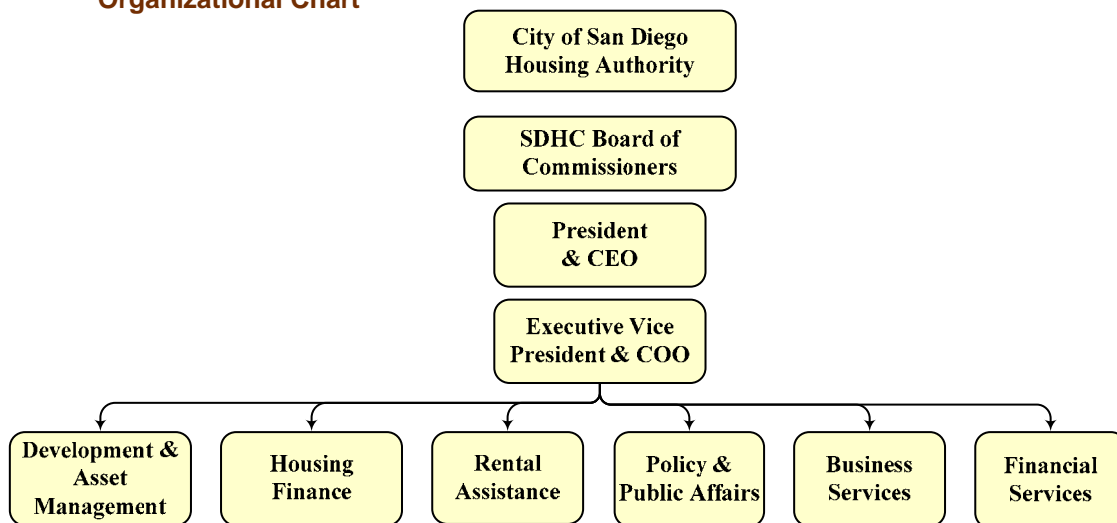
Operations Plan

The San Diego Housing Commission’s organizational structure is composed of a President & Chief Executive Officer, an Executive Vice President & Chief Operating Officer, and six Department Directors, as shown below. The President & CEO is responsible to the Board of Commissioners and to the City of San Diego Housing Authority. The Department Directors are responsible to the Executive Vice President & COO and are charged with developing and operating all programs and activities.

Each year, each Department develops its next fiscal year budget based on the degree to which existing strategies will be continued and new strategies will be added.

In the following Operations Plan, each Department has established ongoing and new strategies, including the action to be implemented, measure of success, date of completion, and approximate cost. Each of the 66 strategies support one or more of the Business Plan’s five primary goals. ■

Organizational Chart



Operations Plan Development & Asset Management

Development & Asset Management is responsible for the agency's real estate assets, comprised of nearly 1,750 apartment units, a main office location and two satellite locations. The Department is comprised of three work units: Asset Services, Property Management, and Workforce & Economic Development. From FY 2009-FY2011, Development & Asset Management will focus on implementation of the Public Housing Disposition Strategy and the transition to a private sector approach in the management of all SDHC-owned property and the services provided to the residents in these properties. ■



SDHC owns and manages nearly 1,750 award-winning affordable apartments that serve low-income families, seniors and persons with disabilities. The well-maintained sites are designed to blend into and enhance their neighborhoods.

Operations Plan Development & Asset Management *Asset Services*

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
1. Manage Smart Corner office building.	Assume in-house management of the office building and participate in lease process for potential tenants on ground and second floors.	Achieve full occupancy by leasing remaining ground floor and second floor spaces.	FY2010	N/A	2
2. Provide technical support services for maintenance.	Assist with development of a redesigned building maintenance operation, including parts distribution, inventory, dispatching and work order system software testing.	New operations implemented; benchmarks to be developed for measurement.	FY2009 – FY2011	N/A	4
3. Update capital improvements.	Identify new potential work items given transition to private sector methodology, establish funding source for work items, and contract for work.	Complete needs assessment and highest priority work.	FY2009 – FY2011	\$1,200,000/year	1

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
4. Develop additional affordable housing units.	Produce and/or acquire additional SDHC-owned rental units to meet commitment of 350 units using the most cost-effective financing methods available.	210 units built and/or acquired.	FY2009 – FY2011	TBD	1

“N/A” indicates that this action will be accomplished using staff with no additional costs anticipated.

Operations Plan
Development & Asset Management
Property Management

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
5. Transition to private sector model of property management.	Develop and implement techniques for marketing to and retaining private market clients (80% AMI).	Vacancy rate at or below 5%.	FY2009	N/A	3
	Identify key staff and assign to oversee new operations office.	Fully staffed operations office.	FY2009	N/A	3
	Install private sector software for property management.	Fully automate administration and record keeping of SDHC-owned and/or managed properties.	FY2010	\$90,000	4
	Develop new policies and procedures consistent with private sector industry standards.	Implement new policies and procedures and benchmark costs against private sector management.	FY2011	N/A	3

Operations Plan
Development & Asset Management
Workforce & Economic Development

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
6. Promote resident self-sufficiency efforts.	Integrate financial education as core program component and expand partnership base.	450 families served through Family Self-Sufficiency program (FSS).	FY2009 – FY2011	\$50,000	3
	Assess and centralize service delivery at Learning Opportunity Centers.	Improved efficiency and utilization of staff and funding.	FY2009 – FY2011	N/A	3
	Increase total funding to \$250,000.	Increased total funding available.	FY2009 – FY2011		2

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
7. Promote resident self-sufficiency efforts.	Develop and implement a Youth Financial Education and Individual Development Account Program by designing a pilot program at Learning Opportunity Centers.	75 youth served.	FY2009	\$20,000	3
	Establish an Economic Development Academy through redesign of program and relocating services to central location(s). Pursue ongoing funding.	400 youth and adults served.	FY2009 – FY2011	\$195,000	4
	Expand current Homeownership Education and resource component. Track and report families moving to homeownership.	Additional funding received (20 families).	FY2010	\$20,000	2

Operations Plan

Housing Finance

The Housing Finance Department applies its resources to four areas of work:

Rental Housing Production: Through favorable financing and incentives to nonprofit and for-profit developers, SDHC has helped produce more than 12,000 affordable housing units;

Housing Rehabilitation: SDHC provides technical and financial assistance to owners of older homes in need of repair;

Homeownership: Through closing cost assistance, downpayment grants and “silent second” mortgages, SDHC has helped 4,300 families purchase their first home; and

Special Purpose Housing: SDHC provides financial assistance to community service organizations that provide transitional housing and services to San Diego’s most vulnerable populations, including shelters for victims of domestic violence, supportive housing for the homeless, and permanent housing for persons who are elderly, disabled or have debilitating illnesses.

In the next three years, in addition to advancing production and preservation in all four of these areas, Housing Finance will contribute to the agency’s financial stability through revenue enhancement and cost recapture, increase permanent supportive housing opportunities for persons who are elderly and/or disabled, participate in the City’s effort to develop a permanent homeless shelter, and continue to pursue the production of workforce housing. ■



Operations Plan
Housing Finance
Affordable Rental Housing Production

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
8. Continue to provide financing for development of affordable housing units through a variety of activities.	Provide NOFA project structuring, underwriting and residual receipts loans to affordable housing developers and operators.	Annual creation of 400 new affordable housing units restricted for 55 years.	FY2009 – FY2011	HOME, Affordable Housing Fund \$12,000,000/year	1
	Implement Multifamily Bond Program by obtaining project financial analysis, underwriting and approvals to issue from both the State and Housing Authority.	Production rate of four new bond issuances per year.	FY2009 – FY2011	N/A	1
	Provide Early Assistance and Capacity-Building Loans by review of project proposals and feasibility to support loan amount requested.	Production rate of four loans per year.	FY2009 – FY2011	HOME, Housing Trust Fund \$50,000/year	3
	Continue project management: monitor construction, review and approve loan payments and any relocation or prevailing wage activities, through construction completion and lease-up; establish date for loan payments to begin.	All loans and units that were funded were completed and occupied.	FY2009 – FY2011	N/A	1
9. Implement land-use based affordable housing programs for the City such as Inclusionary, NCFUA, Condo Conversion, Coastal Affordable Housing, Density Bonus; collect fees for services.	Operate or develop programs, provide services to other governmental or private development entities, update fee schedule for various programs.	Receipt of fees for services (\$150,000 per year anticipated).	FY2009	N/A	4

Operations Plan
Housing Finance
Housing Rehabilitation

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
10. Continue to offer rehabilitation assistance through several programs.	Review, obtain approvals and fund rehabilitation loans; provide technical assistance to low-income owner borrowers.	Provide 150 rehabilitation loans per year.	FY2009 – FY2011	HOME, Housing Trust Fund \$2,150,000/year	1
	Review, approve and fund grant; provide technical assistance; apply for two new HUD Lead Grants for FY2009-FY2011.	Lead paint reduction for 150 units per year.	FY2009 – FY2011	\$1,400,000 annual award from HUD	1
	Review, approve and fund grant; provide technical assistance.	Provide 10 accessibility grants per year.	FY2009 – FY2011	Housing Trust Fund \$35,000/year	1
11. Administer Redevelopment Area rehabilitation programs in seven redevelopment areas.	Enter into two new agreements with Redevelopment in FY2009; obtain a fee for services.	Add two more redevelopment areas. Provide 75 rehabilitation loans per year.	FY2011	Redevelopment \$2,250,000/year	1

Operations Plan
Housing Finance
Homeownership

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
12. Provide first-time home buyer resources and funding tools.	Underwrite, process and fund all first-time home buyer program loans and grants in accordance with SDHC policies, guidelines and regulations.	Assist 80 homebuyers per year.	FY2009 – FY2011	\$6,000,000/year	1
13. Maintain relationships with participating lending institutions; outreach to obtain additional participating banks.	Engage in marketing activities to individual banks to solicit participation.	Ensure enough banks to maintain the program.	FY2011	N/A	3
14. Market programs; attendance at housing fairs.	Utilize staff to attend fairs and answer questions; make marketing materials available.	Attend two promotional activities per year.	FY2009 – FY2011	N/A	3

Operations Plan
Housing Finance
Special Purpose Housing

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
15. Continue commitment to expand housing opportunities for persons with special needs.	Provide deferred loans or grants for development of permanent supportive housing and transitional housing for homeless, disabled individuals and their families (beds).	40 beds per year.	FY2009 – FY2011	HOME, Affordable Housing Fund \$2,000,000/year	1
	Provide deferred loans or grants for the operation of transitional housing throughout the City.	400 beds citywide per year.	FY2009 – FY2011	Housing Trust Fund \$1,000,000/year	1
16. Participate in City's Continuum of Care for new and renewal HUD funding for permanent supportive housing.	Provide technical assistance to nonprofits applying for funding.	Nonprofits receive funding awards from HUD.	FY2009 – FY2011	N/A	1

Operations Plan Housing Finance *New Strategies*

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
17. Homeownership: Increase % AMI on deferred second trust deed loans to 120% to support workforce housing effort and to take advantage of product on market.	Seek program approval at HC and HA.	Assist 80 households per year.	FY2009 – FY2011	Housing Trust Fund, others \$6,000,000	1
18. Homeownership: Achieve approval at the federal level of an increase to HOME program limits to 120% AMI to take advantage of market conditions.	Provide input to elected officials and their staff.	Obtain a program change.	FY2010	HOME, \$3,000,000	3
19. Address foreclosure situation in City of San Diego.	Contract with nonprofit credit counseling agency to promote one-time emergency assistance to eligible families at risk of losing their homes to foreclosure.	Ten households per year assisted to prevent loss of their homes to foreclosure.	FY2009 – FY2010	\$50,000/year	3
20. Pursue new affordable housing financing sources and tools to obtain better leverage of loan dollars.	Encourage use of, and interface existing loan programs with: MHSA, and Prop 1C, TOD and Infrastructure funds.	Combine at least one additional new source in project finance structures.	FY2009 – FY2011	N/A	3
21. Revise Rental Housing Production NOFA to include new ways to promote green building, energy efficiency and universal design.	Consult developers, architects, experts, consultants to develop proper measurement standards or thresholds to be encouraged in the NOFA.	Affordable housing projects that include these amenities are given preference for financing.	FY2009	N/A	3

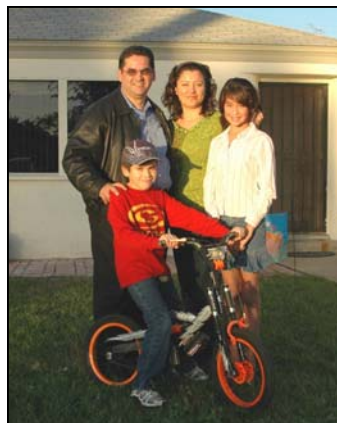
Operations Plan
Housing Finance
New Strategies (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
<p>22. Support Development & Asset Management via: (1) assistance with site identification, financial plans and solicitation of development partners; and (2) a real estate asset management plan involving disposition, acquisition.</p>	<p>Engage in planning, dialogue.</p>	<p>Successful and expeditious production of SDHC-owned units. Complete a 5-year plan.</p>	<p>FY2009 – FY2011</p>	<p>N/A</p>	<p>2</p>
<p>23. Pursue sources for development financing for Special Purpose housing including Project-Based Section 8.</p>	<p>Investigate loan products with banks, other lenders; work with Rental Assistance to earmark vouchers for project-basing.</p>	<p>Identify a loan program that can be used to develop new units utilizing Project-Based Section 8.</p>	<p>FY2009</p>	<p>TBD</p>	<p>3</p>
<p>24. Homelessness: Permanent shelter</p>	<p>Assist in City effort to locate site; create financing plan for development and operation of a permanent shelter.</p>	<p>Source for operating expenses is identified.</p>	<p>FY2011</p>	<p>TBD</p>	<p>1 & 3</p>
<p>25. Homelessness: Make more transitional housing program beds available to homeless families and adults by providing next level of housing support.</p>	<p>Design and fund Tenant-Based Rental Assistance program to enable timely exit from transitional housing and domestic violence programs to stable housing.</p>	<p>50 families with 2-year vouchers.</p>	<p>FY2009 – FY2011</p>	<p>HOME \$900,000</p>	<p>1 & 3</p>
<p>26. Work with County HCD and County Mental Health to provide new housing for persons with mental health disabilities using the MHSA funding.</p>	<p>Provide technical assistance to County Mental Health and to housing developers.</p>	<p>Housing is developed with MHSA funds as part of financing.</p>	<p>FY2009</p>	<p>Additional leverage to \$100,000 per unit developed w/ MHSA.</p>	<p>1 & 3</p>
<p>27. Obtain Public Housing Authority Issuer Credit Rating for SDHC from Standard & Poors.</p>	<p>Research criteria and submit application.</p>	<p>Obtain rating.</p>	<p>FY2011</p>	<p>\$40,000/year</p>	<p>2</p>

Operations Plan Rental Assistance

Each month, SDHC's Rental Assistance Program helps more than 13,700 low-income families, seniors and persons with disabilities pay rent in private apartments.

Over the next three years, the Rental Assistance Department will focus on maximizing available Housing Assistance Payment funding to serve the highest number of clients possible while remaining in strict compliance with federal, state and local requirements. The Department will also identify innovative methods to move away from the traditional model and toward a Profit Center/Private Sector model. Staff will streamline procedures involved in the processing of client files and adjust the structure of the department to remove redundancies among teams and increase efficiency across the department. In addition, Rental Assistance will explore areas in which the customer experience can be improved (e.g., internet tools). ■



Operations Plan Rental Assistance

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
28. Retain High Performing Agency Rating.	Ensure that performance in SEMAP measurements result in High Performer rating all three years.	High Performer rating each year.	FY2009 – FY2011	N/A	3
29. Maximize use of available housing assistance by maintaining average lease-up rate of 99-100%.	Manage leasing efforts to ensure that vouchers freed up through attrition or allocated from HUD are promptly issued to those on waiting list.	Monthly leasing rates are maintained between 98-101%.	FY2009 – FY2011	N/A	1

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
30. Increase owner outreach.	Annually survey owners to determine areas where adjustments would increase customer satisfaction. Work with Communications to create innovative ways to attract new owners to program.	20% improvement in customer satisfaction from FY 2009 to FY 2011. Year Three survey will determine objectives achieved and identify areas for improvement.	FY2009 – FY2011	\$15,000	4
31. Develop strong alliance with Apartment Association, owners, HUD, and area Housing Authorities.	Regular attendance at Apartment Association meetings and maintain active membership. Maintain active memberships in conferences including NAHRO, HAASC, PSWRC, SCNAHRO, etc.	Recognized for active role in collaborative meetings and conferences with local, state and national partners involving broad range of RAP staff.	FY2009 – FY2011	N/A	3
32. Expand web-based services.	Provide online services for clients including user-friendly vacancy listing, and information about unit inspections, rent portion and assigned worker. Explore available technology for managing large groups of customers.	Four new online tools added for Section 8 clients and owners.	FY2009 – FY2010	\$110,000	4

Operations Plan Policy & Public Affairs

The Policy & Public Affairs Department is comprised of two work units: Policy and Communications. Policy is responsible for forming and revising local housing policy, acting as the policy advisor to the City Council, and for managing all government relations activities on the local, state and federal levels. Communications is responsible for all external and internal communications, public relations and community outreach activities, with the goal of increasing awareness of and support for the agency's programs and services among all audiences.

Over the next three years, Policy will focus on local regulatory issues and will maintain existing relationships and housing policy committee memberships. Staff will also seek to establish and strengthen both state and federal connections to better serve low-income families in San Diego and raise the agency's profile by bringing attention to SDHC's legislative priorities.

Communications will create new ways to communicate with stakeholders, customers and the general public through a redesigned, user-friendly website, educational newsletters, brochures, and improved processes. ■



Operations Plan
Policy & Public Affairs
Policy

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
33. Provide policy guidance to City on existing policies and ordinances.	Recommend elimination of the Inclusionary In-Lieu Fee or raise the fee to the full 100% of the need.	Implementation of full fee.	FY2009	N/A	3
	Revise SRO Ordinance through meetings with City/CCDC Staff; convene SRO Working Group; write report; schedule for hearing(s).	Implementation of new ordinance or require developers to provide the units.	FY2009	N/A	3
34. Be seated on Community Land Trust Initiative Board (CLT).	Get seated on CLT Board; assist in steering the direction and purpose of the CLT.	Continual participation; positive positioning for SDHC.	FY2009 – FY2011	N/A	3
35. Prepare City's Consolidated Plan for 2010-2014.	Continue with contracted consultant to gather requisite data from SDHC, City and County; submit to Council.	Adoption of Plan by Council and HUD.	FY2010	\$50,000	3

Operations Plan
Policy & Public Affairs
Policy (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
36. Expand role and participation of SDHC in all aspects of affordable housing promotion.	Create active and dynamic federal and state bill tracking system.	Creation of list and capacity to maintain it.	FY2010	\$1,000 - \$2,000	3
	Strengthen relationships in elected officials' offices, Mayor's office, and increase involvement in state/federal housing associations and related organizations.	Inclusion in all local, statewide and national meetings and discussions relating to housing.	FY2009 - FY2011	N/A	3
	Approach Council campaigns to schedule meeting times to introduce SDHC.	Well- informed elected candidates who understand SDHC and housing issues.	FY2009 and each successive election cycle	N/A	3
37. Create a low-income development parking reduction ordinance.	Convene working group to implement consultant's recommendations.	Passage of reduced parking ratios for affordable housing developments.	FY2010	\$40,000	3
38. Create a tenant relocation ordinance.	Write report; brief Council; schedule for hearing(s).	Completion of ordinance.	FY2011	N/A	3
39. Create annual legislative priority list.	Convene bi-yearly meetings of Housing Finance, Policy and Section 8 management to discuss upcoming legislation; rank legislative priorities and effectuate appropriate legislation per priority list..	Passage of important legislation that benefits SDHC mission.	FY2009 - FY2011	N/A	3
40. Create dedicated funding source for affordable housing infrastructure costs.	Convene stakeholder group; identify the source of funding; begin seeking support; write report(s); schedule for hearings.	Local bond passed by voters.	FY2011	N/A	1

Operations Plan
Policy & Public Affairs
Communications

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
41. Increase awareness and build support among all audiences for and about the agency's accomplishments, programs, offerings, and initiatives.	<ul style="list-style-type: none"> • External newsletters targeted to specific audiences (<i>Housing Matters, Good Neighbors, Voucher Advantage</i>) • Collateral materials (fact sheets, brochures, letters) • Media relations • Website management • Special events • Speaker's bureau • Issues management • Award applications • Affordable Housing Guide • Public Information Requests 	<ul style="list-style-type: none"> • Readership surveys will measure how to improve content, delivery. • Opinion leader survey will measure how to improve content, delivery. • 50 positive media stories/year. • 5 speaking engagements/year. • 3 award "wins"/year. 	FY2009 – FY2011	N/A	3
42. Improve flow of information within the agency between management and staff and among departments.	<ul style="list-style-type: none"> • Employee Newsletters (<i>Around the Corner, Operations Update</i>) • Intranet Management • All-Staff Meetings (<i>Anything Goes, Annual Meeting</i>) 	Readership/employee surveys will measure how to improve content, delivery.	FY2009 – FY2011	N/A	4
43. Obtain community and client feedback about the agency's performance.	Develop survey/feedback tool for use by Ombudsman.	10% reduction in number of calls and complaints.	FY2009 – FY2011	\$10,000	4

Operations Plan
Policy & Public Affairs
Communications (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
<p>44. Create easier, user-friendly methods for current and potential customers to access information about agency's affordable housing services.</p>	<p>Redesign external website.</p>	<p>Integrate analytical web tools to measure page visits, unique visitors, etc., and incorporate online feedback/survey forms to gather input on useability.</p>	<p>FY2009</p>	<p>\$50,000</p>	<p>4</p>
	<p>Develop searchable affordable housing database for customers to research available housing opportunities.</p>	<p>Incorporate online feedback/survey forms to gather input on useability.</p>	<p>FY2010</p>	<p>\$1,000 - \$2,000</p>	
	<p>Re-write and simplify agency's voicemail information scripts.</p>	<p>25% reduction in customer complaints.</p>	<p>FY2009</p>	<p>N/A</p>	
<p>45. Measure community's perception of agency and of affordable housing issues.</p>	<p>Conduct opinion leader survey.</p>	<p>Survey will establish current public perception baseline. Results will be used to prioritize communications programming, tactics and messages. Future survey(s) will measure public perception shift based on communications programming.</p>	<p>FY2010</p>	<p>\$10,000</p>	<p>3</p>
<p>46. Present an agency image that reflects private sector professionalism and business-like practices.</p>	<p>Rebrand all agency communications materials.</p>	<p>Completion of all agency materials and assets.</p>	<p>FY2009</p>	<p>N/A</p>	<p>4</p>

Operations Plan Business Services

During the next three years, Business Services will continue to improve the customer experience and provide excellent service delivery in support of the agency's departments through Information Technology, Human Resources, Purchasing & Procurement, and Organizational Development & Training. The Business Plan goals will be accomplished through broad collaboration, recruiting and developing appropriate staff, providing the right goods and services and delivering the best current technology. ■



Operations Plan
Business Services
Information Technology

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
<p>47. Continue to provide information technology and telecommunication services to the agency.</p>	<ul style="list-style-type: none"> • Acquisition, project management and implementation of commercial off-the-shelf technology • Software application maintenance • Developing and maintaining systems and security policies • Database management • Custom report development • Network and user support • Computer training for users 		<p>FY2009 – FY2011</p>	<p>N/A</p>	<p>4</p>

Operations Plan
Business Services
Information Technology (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
48. Implementation of document imaging throughout agency.	Implement document imaging technology to replace standard Section 8 files and most other critical hard copy documents.	Departments completed including RAP case files.	FY2009	\$100,000	4
		Development & Asset Mgt.	FY2010	\$20,000	
		Human Resources	FY2010	\$5,000	
		Housing Finance (Loan Management)	FY2011	\$50,000	
49. Improve IT response to departments based on needs assessment.	Add two Business Analyst positions to support major departments. The Business Analysts will be primarily dedicated to high demand operating departments (Rental Assistance and Development & Asset Management).	25% decrease in response time between needs identification by department and completion of project.	FY2010	\$85,000	4
		Increased quality of technical expertise and customer service delivery.	FY2011	\$90,000	
50. Develop agency business continuity and disaster recovery plan in conjunction with agency management team.	Develop and complete project scope with management approval.	Documented plan approved by Housing Commission.			
		Plan completed and disseminated.	FY2009	\$25,000	2
51. Virtualize agency server environment to facilitate management, business continuity and disaster recovery.	Develop technical project scope. Acquire and implement solution.	Improved operational flexibility. Improved business continuity. Consolidation of infrastructure.	FY2009	\$100,000	2
			FY2010		

Operations Plan
Business Services
Human Resources

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
52. Provide new performance evaluation tool.	Review and research evaluation tools. Identify and implement performance tools.	Standardized performance measurements completed with 85% of all evaluations.	FY2010 – FY2011	\$25,000	4
53. Expand online benefits enrollment.	Provide access for employees to make benefit changes online.	95% online participation.	FY2010	\$10,000	4
54. Complete classification and compensation study.	Finalize RFP process. Obtain firm to initiate/ conclude study; and provide analysis. Identify market salary lead/ lag benchmarks; utilize in recruitment/retention processes.	Implementation of revised job specifications and compensation system.	FY2009 Implement compensation recommendations beginning in FY2010.	\$100,000 TBD	5

Operations Plan
Business Services
Organizational Development & Training

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
<p>55. Develop, implement, and coordinate a yearly training and professional development curriculum based on agency needs.</p>	<p>Identify agency training priorities. Conduct one-on-one meetings with Directors/Supervisors to review and assess the existing training system, roadblocks, and recommendations.</p>	<p>Conduct minimum of 9-12 trainings annually. Assess and evaluate trainings and outcomes based on required performance standards.</p>	<p>FY2011</p>	<p>\$50,000</p>	<p>5</p>
<p>56. Expand the Succession Planning Program for the agency.</p>	<p>Identify and include other key target and feeder positions. Establish pre- and post-assessment evaluation tools for candidates. Establish tools to evaluate each Project Work Plan.</p>	<p>Increase the number of targeted positions by three classifications each fiscal year.</p> <p>Increase the number of participants by 100% each fiscal year.</p> <p>Use the evaluation criteria for each Project Work Plan.</p>	<p>FY2009 – FY2011</p>	<p>\$15,000</p>	<p>5</p>
<p>57. Establish an internship program to develop and build current candidate pool. Increase interest in affordable housing as a career opportunity.</p>	<p>Identify and recruit current college and university undergraduate and graduate students with an interest in the housing. (One-year internship commitment required.)</p> <p>Establish work-study curriculum based on affordable housing field.</p> <p>Develop benchmark tasks and evaluation criteria for participants to continue in internship program.</p>	<p>Coordinate four affordable housing mini-workshops.</p> <p>Conduct three information and outreach presentations at local colleges and universities, targeting majors/programs such as urban planning, economic development, and public policy.</p> <p>Present the SDHC mission and vision to generate interest in affordable housing careers.</p>	<p>FY2010</p>	<p>\$17,000</p>	<p>5</p>

Operations Plan
Business Services
Purchasing & Procurement

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
58. Provide best quality, best service and best value possible to all SDHC departments in support of agency functions.	Create a streamlined vendor database process to increase supplier access to procurement opportunities (online form).	Improve 90% of accessibility to information on qualified vendors via web.	FY2009 – FY2011	\$10,000	4
	Deliver user-friendly and efficient buying methods by implementing online requisition program on SDHC intranet.	50% increase in time savings and efficiency for all departments.			
	Increase the amount of business SDHC does with qualified small, disadvantaged, and women-owned business concerns.				

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
59. Create a standardized procurement process in current decentralized system.	Implement Contract Administration guidelines to ensure standardization in the contracting process and effective management.	100% improvement in procurement practices and compliance with existing policies.	FY2009	\$5,000	2
60. Ensure agency compliance with procurement policy.	Review process to monitor cost and compliance.	No annual audit findings on procurement process in each fiscal year.	FY2009 – FY2011	\$10,000	2
	Improve accountability in the procurement of goods and services.			\$5,000	

Operations Plan Financial Services

Over the next three years, Financial Services will focus on improving processes and the product delivered to internal and external customers. The Department will pursue innovative methods to increase customer satisfaction and will become recognized as a model for a dynamic housing agency. ■



Operations Plan Financial Services

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ Amount	Business Plan Goal
61. Improve operating effectiveness of the department.	Provide timely response to other departments' inquiries or service requests.	Two-day response time to all departmental requests.	FY2009 – FY2011	N/A	4
	Provide monthly, quarterly and annual closing procedures to supervisors to ensure work is reviewed on a continual basis instead of at year-end. Make managers responsible for assigned general ledgers and deadlines.	Written procedures in place and implemented.	FY2009	N/A	2
	Strengthen technical skills, knowledge base and leadership skills of Accounting Supervisors through trainings and seminars.	A professional leadership team.	FY2009 – FY2011	\$5,000 – \$10,000	5
	Cross-train Accounting Technicians through education on other aspects of Financial Services. Offer job rotation to staff.	Cross-training procedures in place and implemented.	FY2009 – FY2011	N/A	5

Operations Plan Financial Services (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ Amount	Business Plan Goal
62. Produce a Comprehensive Annual Financial Report that meets the standards for certification by the Government Financial Officer's Association.	Submit Comprehensive Annual Financial Report to Government Financial Officer's Association for certification.	A GFOA Certification on a Housing Commission CAFR.	FY2009 – FY2011	N/A	3
63. Provide business analysis services to the agency.	Conduct business analysis functions for financial viability of new business ventures, development of new housing projects, and tenant acquisitions for Smart Corner building.	Analytical review of new projects and business partnerships from a financial perspective.	FY2009 – FY2011	\$100,000	2
64. Maximize financial performance in investment portfolio.	Broaden scope of investment instruments and develop list of agency-approved and certified investment firms.	Increase income by approximately \$50,000 - \$250,000 annually.	FY2011	N/A	2
65. Determine need for new accounting software.	Research and implement new accounting software that better meets the needs of agency.	New software in place and operating.	FY2011	\$500,000	3
66. Increase interaction with City financial leaders.	Work with CEO, COO, and Policy & Public Affairs to identify and develop key relationships with City's Independent Budget Analyst, Chief Financial Officer, City Treasurer, and others. Participate on boards that impact the financial situation of the agency.	Working relationships established with key financial persons in place.	FY2010 – FY2011	N/A	3

In the following Financial Analysis, the proforma financial statements will present the forecast of SDHC's financial performance during the FY 2009-2011 Business Plan cycle.

The current audited financial statements were used as a starting point to which forecasts and estimates were made to reflect the financial data projected for the time covered by the proforma.

Proforma statements are generally used in connection with a long-term financial planning process. These proforma financial statements focus on SDHC's financial future, reflecting a dynamic environment in which change is possible and a variety of different alternatives can be forecasted.

The proforma includes the basic historical financial statements which include: **Statement of Net Assets; Statement of Activities & Changes in Net Assets; and Statement of Capital Assets.**

These projections generally include an inflation factor, estimate of continuation of current federal and state grants, and the goals and future activities projected in the Operations Plan.

The financial statements offer short- and long-term financial information about SDHC's activities, using accounting methods similar to those used by private sector companies.

continued

Projected Financial Highlights, FY2009 – FY2011

- SDHC's **Net Assets** will increase 22% to approximately \$361 million over the next four years (includes FY08) due to a \$28 million increase in HOME loans, an increase of \$24 million of investments in Capital Assets, less associated debt, and an increase of \$12 million in unrestricted net assets.
- SDHC's **Unrestricted Net Assets** will increase slightly, 8.7%, to approximately \$154 million, due to use of funds for ongoing programs.
- SDHC's **Capital Assets** will increase by \$85 million from FY2007 due to the acquisition and development of real property.
- **Operating Revenues** will increase by \$2.3 million, from FY2007, due to an increase in dwelling unit rents, Smart Corner lease income and fee revenues.
- **Non-operating Revenues** are projected to increase 16% from FY2007 to \$193 million. The increase is largely attributed to 1.5% annual increases in state and local grant funds received during the next four years (includes FY08) and increases in Housing Choice Voucher revenues, as well as increases in investment income from a diversified investment portfolio.
- **Operating Expense** will increase approximately 5% annually to \$189 million by FY2011. The increase is due principally to new programs initiated by SDHC and increases in grants and programs, administrative, asset management costs, and general expenses through FY2011.
- **Capital Grants** and **Public Housing** funds will diminish significantly after FY2008, as a result of the Public Housing disposition.

Financial Analysis Discussion of Proforma Statements

The following analysis assesses SDHC's projected net assets (Chart 1, p. 36) and changes in net assets (Chart 2, p. 36) during the FY 2009-2011 Business Plan cycle.

Discussion of Chart 1 : Projected Net Assets

Chart 1 shows that Total Net Assets are projected to increase by \$64 million (22%) to \$361 million by 2011 as a result of operating surpluses. Total Assets are projected to increase by \$127 million and projected Total Liabilities increase by \$63 million.

The financial worksheet (Appendix – Table 1) also indicates that:

- Current assets, other than cash and investments, are projected to increase by \$1.25 million and current liabilities are projected to increase \$1.4 million by 2011.
- Net assets invested in capital assets, net of debt are projected to increase to \$24 million by 2011.
- Unrestricted Net Assets are projected to increase \$12 million by FY2011.
- Unrestricted assets include funds that have been encumbered for future year's contractual obligations, funds that are restricted in their use by funding sources, funds that are invested in notes receivable and unrestricted funds available for operations.

- Restricted Net Assets will increase to \$115 million, a 32 percent increase. Restricted Net Assets include HOME loans and associated accrued interest.

Future years' overall surplus of \$64 million represents small annual increases from the base year. The increases are largely attributed to increases in grants and other income and gains on the portfolio investments. In addition, associated operating expenses will increase from year to year.

Discussion of Chart 2: Changes in Net Assets

Chart 2 indicates that SDHC will continue to rely on non-operating income in the form of grants and subsidies to provide necessary services, and make up the difference between operating costs and operating revenues. The agency currently administers 97 individual grants. By 2011, SDHC will administer 125 individual grants for ongoing programs.

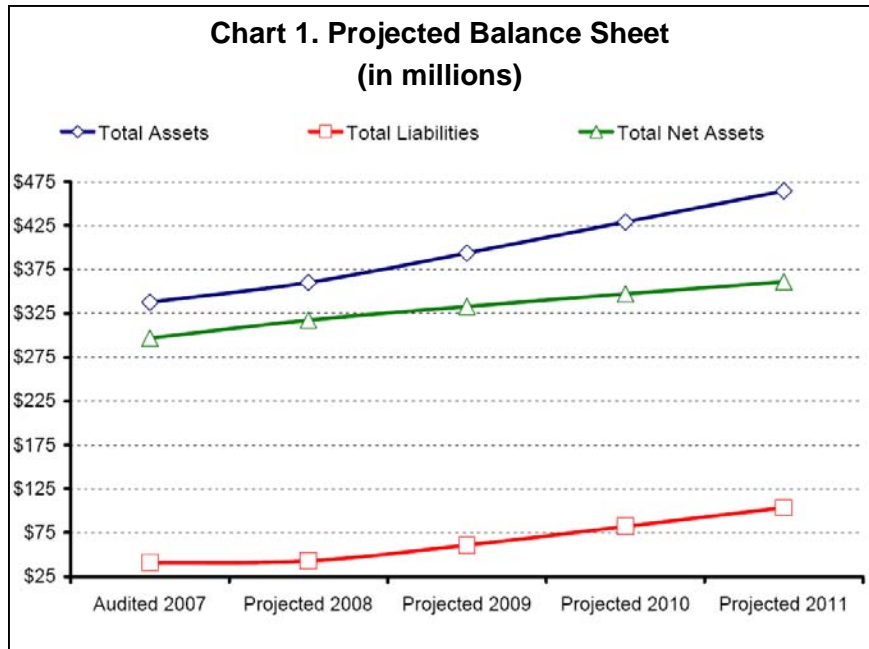
Operating expenses will increase by 5% annually, primarily due to increases in administrative, tenant services, asset management, and grant expenditures.

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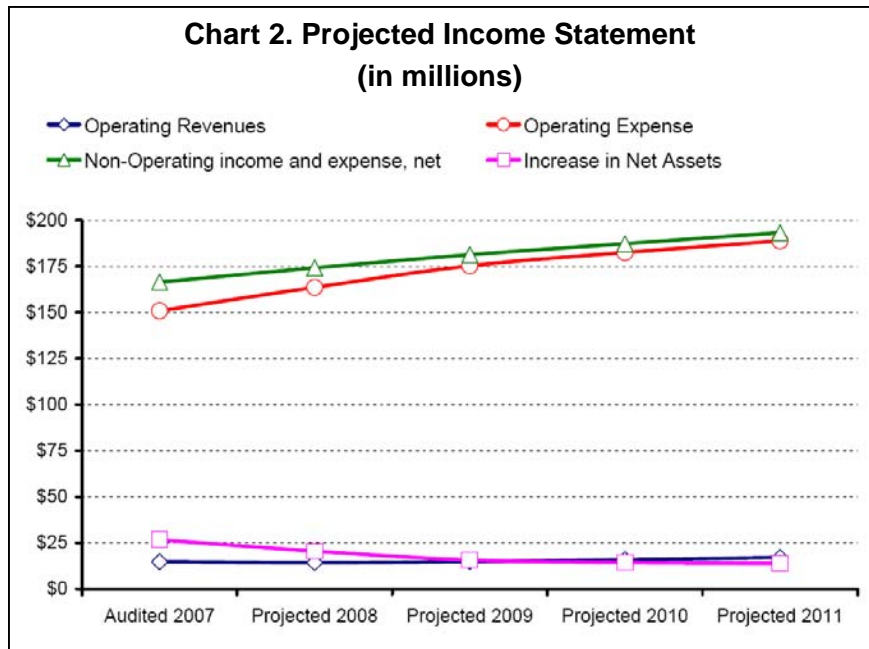
Financial Analysis

Balance Sheet & Income Statement

Balance Sheet (Statement of Net Assets) includes SDHC's assets and liabilities from FY2007-FY2011, and provides information about the nature and projected amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rates of return, evaluating the agency's capital structure, and assessing the future liquidity and financial flexibility.



Income Statement (Statement of Activities and Changes in Net Assets) accounts for all of SDHC's projected revenue and expenses from FY2008-FY2011. The statement reflects the forecasted results of operations over this business plan cycle and can be used to determine projected credit worthiness, and ability to successfully recover all costs through grants, tenant charges and other income.



Financial Plan

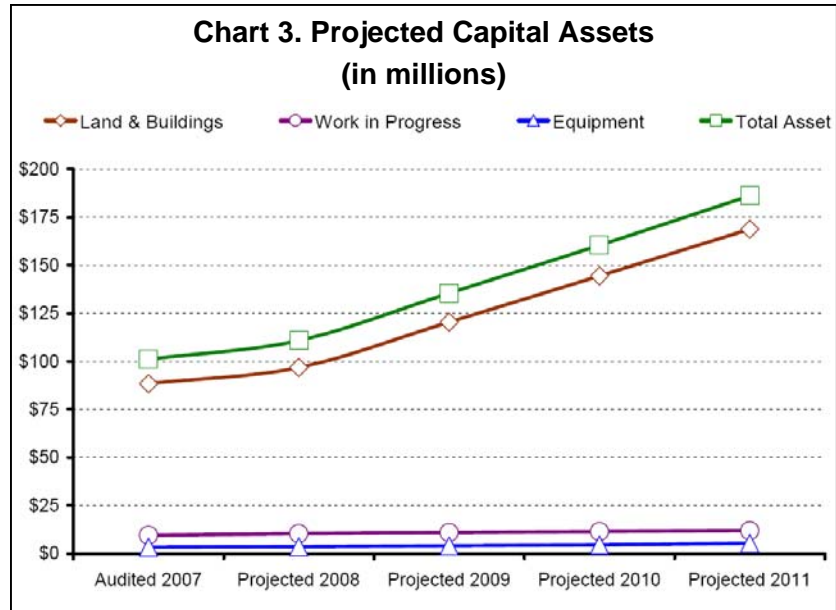
Discussion of Projected Capital Assets

Discussion of Chart 3: Projected Capital Assets

Chart 3 summarizes SDHC's capital assets from FY2008-FY2011. At the end of FY2007, the agency had over \$101.1 million invested in fixed assets, including office furniture, equipment, vehicles, land, building and building improvements.

By the end of FY2011, over \$186 million is projected to be invested in fixed assets, including land, building, building improvements, office furniture, equipment, and vehicles. This is 84% more than the 2007 amount in fixed assets. This increase is mainly due to the planned acquisition/construction of 210 additional units of affordable housing by the end of FY2011.

continued



Proforma Financial Statements: Assumptions Made

- General operating expenses will increase by 5% annually.
- Administrative expenses will increase by 2.5% annually.
- Grant revenues will grow by approximately 1.5% annually.
- All goal strategies/activities identified in the Business Plan will occur as projected.
- Investment income will increase from a diversified portfolio.
- Dwelling rental income will increase by 5% annually due to acquisition of additional units.
- Current liabilities will grow annually by 5% through 2011.
- Current assets, other than cash and investments, will increase by 3% annually through 2011.
- The US Bank note due in full in 2011 will be refinanced and not paid off.
- SDHC will continue to expand and manage housing units.

The financial data expressed on Charts 1- 3 are taken from financial worksheets in the Appendix.

Political, Business and Economic Factors Affecting the Projections

In comparison to most other major metropolitan centers in the United States, there has historically been a greater need for affordable housing in the San Diego area, with mounting pressure to provide more quality housing at more affordable levels. In addition, questions concerning the number of residents served and the level of services provided will need to be addressed during the FY 2009-2011 Business Plan cycle. At this time, however, SDHC's FY2009 budget is being prepared and funding of \$265 million roughly reflects the resources available to provide the essential services.

One of the main challenges facing SDHC is determining the proper role it should play within the political and business community while at the same time developing a framework to address new issues as they are raised. To that end, SDHC will be improving services and implementing new processes to better provide for its clients, as well as evaluating new programs and grants by applying discerning criteria to ensure that each program is self-supporting and all administrative obligations are met. This ensures that SDHC will continue to be fiscally solvent while still providing new and better services to its clients.

Although many funding challenges have yet to be fully resolved, it is anticipated that most of SDHC's programs will continue to receive full

funding. The Section 8 program is projected to grow significantly due to the transition of public housing units to Section 8 vouchers, and SDHC is committed to building additional housing units. Occupancy rates for SDHC-owned property should also continue at full utilization, and Section 8 will continue to be at or near 100% of leasing capacity.

In conclusion, while it seems true that housing growth in the near future will be sluggish at best for the San Diego area, the overall financial outlook for SDHC appears to be outstanding. As always, SDHC continues to strive to provide the highest quality services to both its clients and to the community at large, delivered in an efficient and fiscally prudent manner. ■

Contacting SDHC's Financial Management

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Financial Officer
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

Founded in 1979, the San Diego Housing Commission is a public agency working to expand affordable housing opportunities in the City of San Diego. Each year, the agency helps more than 80,000 lower income individuals with affordable housing through award-winning programs that benefit the city’s economy and revitalize neighborhoods. With an annual budget of \$231.3 million, the agency has expanded its role and mission beyond that of a typical public housing agency. SDHC applies its resources to three areas of work:

1) Housing Assistance – The agency helps more than 13,700 families pay rent in private housing each month. SDHC also owns and manages nearly 1,750 apartments and provides residents with academic support and career development tools.

2) Housing Finance Partner – Through favorable financing and incentives, SDHC has helped nonprofit and for-profit developers create nearly 25,000 homes, of which 12,000 units are currently affordable. Agency programs have enabled 4,300 families to buy their first homes and 10,000 to repair older homes. SDHC also assists in the development of supportive housing for vulnerable populations. The agency manages a \$213 million loan portfolio and has issued nearly \$1 billion in tax-exempt bonds.

3) Housing Policy Advisor – The agency helps shape the city’s affordable housing programs by providing policy advice to the San Diego City Council, as well as initiating, monitoring or

implementing municipal ordinances that advance affordable housing production and protect existing stock (inclusionary zoning, density bonus, single room occupancy preservation, and condo conversion protections).

Unique Qualifications

Nationally, SDHC is recognized as one of the most innovative and well-managed housing agencies in the nation. In a special and rare commendation, the U.S. Department of Housing & Urban Development in 1994 stated, “This public housing agency is one of the best in the United States.”

The agency’s success is largely due to applying private-sector management principles to ensure streamlined operations and fiscal accountability, as evidenced by low overhead of seven percent.

In addition, the agency’s leaders have proactively

continued

Awards & Recognition

SDHC has received more than 100 national and local awards in for business-like practices, sophisticated programs and affordable housing developments from a variety of organizations, including:

- The National Association of Housing Redevelopment Officials (NAHRO)
- The National Association of Local Housing Finance Agencies (NAHLFA)
- San Diego Housing Federation
- San Diego County Apartment Association
- Chicano Federation of San Diego County
- San Diego Association of Governments
- Urban Land Institute San Diego/Tijuana

educated the community, policymakers and stakeholders about the need for affordable housing and its positive economic impact on the region. This has been accomplished by forging partnerships with groups and individuals not previously involved in affordable housing, such as chambers of commerce, builders, civic leaders, universities, and employers. As a result, SDHC has garnered widespread support for progressive initiatives, such as a local affordable housing trust fund and inclusionary zoning.

The agency's leaders also recently spearheaded the relocation of the agency's headquarters to a new "green" office building at Smart Corner, a mixed-use, transit-oriented development in downtown San Diego. The new building addresses many structural and logistical challenges to providing efficient delivery of services to customers that had been problematic in the former facility.

Organizational Structure & Workforce

The agency's structure consists of a President & Chief Executive Officer, an Executive Vice President & Chief Operating Officer, and six Department Directors (p. 6). The President & CEO is responsible to a Board of Commissioners. Certain financial commitments and housing policy matters must also be approved by the eight members of the City Council, who sit as the San Diego Housing Authority.

Employee Recruitment, Development, Retention & Succession Plan

SDHC is committed to the recruitment, development and retention of highly talented and skilled employees.

The agency recently implemented a Succession Plan Program for leadership development by providing a reservoir of qualified candidates, selected through a competitive process, who will be prepared to assume the duties and responsibilities of higher level positions with minimal operational disruption.

SDHC is also integrating career development into the annual evaluation process to support staff who may not be members of the formal Succession Planning Program. All appropriate staff will be encouraged to discuss their career aspirations with their supervisor, and to take advantage of agency sponsored seminars, special assignments, tuition reimbursement program, and professional development programs. ■



The activities of SDHC are affected by several external markets: first-time home buyers, housing development and rental housing. This Market Analysis focuses on the affordable rental housing market, as the agency's activities target renters and the availability and use of affordable rental housing.

Availability of Affordable Housing

Historically, the City of San Diego has had a severe deficiency of available affordable housing. As a response, in August 2002, the Mayor and City Council took

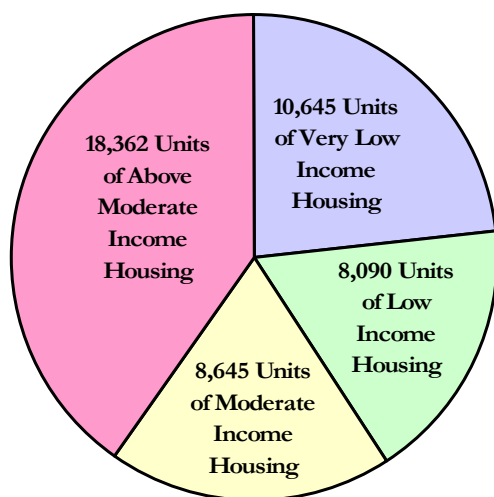
two significant steps: 1) adopted a resolution declaring a state of emergency in San Diego due to the severe shortage of affordable housing in the City, and 2) created an Affordable Housing Task Force to develop solutions to the problems identified in the resolution, which included the inability of many San Diegans to afford housing in the City.

In the past, the lack of affordable housing was primarily an issue for low- and very low-income residents and for persons with special needs.

Today, the majority of San Diegans cannot afford to

continued

Chart 4. 2003-2010 City of San Diego Regional Housing Share Goal (45,742 Units)



Market Analysis Summary

- The City of San Diego has and will continue to have a pressing need for affordable housing for low-income renters;
- In 2000, over 85,000 low-income households paid more than 30 percent of their income toward housing costs and nearly 56,000 of those households spent more than 50 percent towards housing costs.
- The vacancy rate of available rental housing has averaged 3.2% in the past 11 years, and 3.3% in the past six years.
- The annual rent increase in the County of San Diego has averaged 4.8% over the past eight years, and 3.6% over the past five years.
- Between one-, two- and three-bedroom units, the greatest annual rent increase has been in the one- and two-bedroom units, because of the greater demand for those units.

purchase the median price home in the City and must rely on rental housing.¹

Affordable Housing Need

Chart 4 indicates the number of housing units, in four income categories, allocated to the City of San Diego, as the City's share of the San Diego Association of Governments' Regional Housing Needs Assessment for the 2005-2010 Housing Element Cycle. Each jurisdiction's housing goals, as required by state law, are based on local market demand for housing, employment opportunities, the availability of suitable sites and public facilities, and other variables.²

In 2000, the City of San Diego had approximately 181,572 very low- and low-income households (earning 0-80 percent of Area Median Income (AMI)). Approximately 71 percent of these households are renter households and the remainder are homeowner households. The following is a breakdown of the renter households who were overpaying for housing in 2000.¹

- Of the 81,113 very-low income (0-50 AMI) renter households, 78 percent paid more than 30 percent of their income toward housing costs and 64 percent spent more than 50 percent of their income toward housing costs.
- Of the 47,383 low-income (51-80 AMI) renter households, 46 percent paid more

than 30 percent of their income on housing costs and 8 percent spent more than 50 percent of their income toward housing costs.

Present Market Conditions

In the fourth quarter of 2007, apartment availability (vacancy rates) trended downward, while rents for available apartments trended upward. In 2008, it is projected that growth within the market may slow due to the recent wildfires which claimed more than 1,100 buildings in San Diego county. History suggests that major natural disasters have a drag on the local economy as people try to recover. However, as the area starts its recovery process, it is estimated that \$1 billion in insurance claims will be filed due to fire damage. This influx of capital will likely spur growth in the construction sector and have a ripple effect on the rest of the economy. An additional factor during this projected construction upswing is that some will be forced to find temporary housing in the local apartment market.³

City of San Diego Apartment Vacancy Rates

The San Diego County Apartment Association, in its December 2007 Vacancy Rate Survey, reported an overall 3.5 percent vacancy rate of available apartment units in the City of San Diego. This is a decrease from its June 2007 Vacancy Rate Survey which reported an overall 5.4 percent vacancy rate. The June survey

continued

attributed the upward spike to hundreds of unsold/unrented condominiums entering the market. The current decline in vacancies can be attributed to the absorption of condominium conversions that returned to the rental market; and foreclosed homeowners returning to the market as renters.

Chart 5 shows the City of San Diego’s vacancy rate from 1997-2007⁽⁴⁾. In December 2007, San Diego had a 3.5% vacancy rate, representing 820 vacant available apartment units.



Average Rent Rates

Chart 6 shows that County of San Diego average rent increases are trending upward from an annual increase of 3.2% in 2004 to an annual increase of 4.3% in 2007.

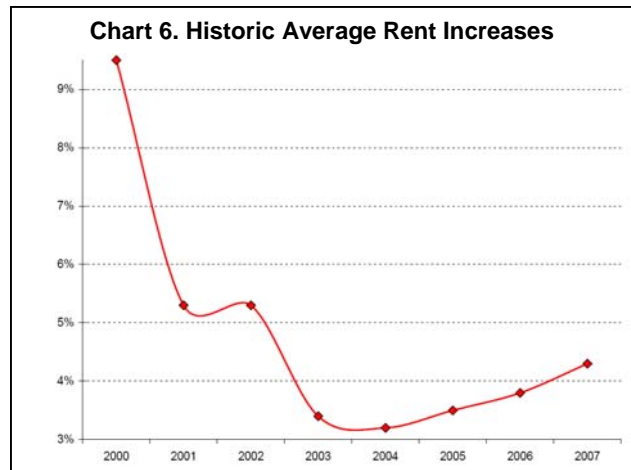
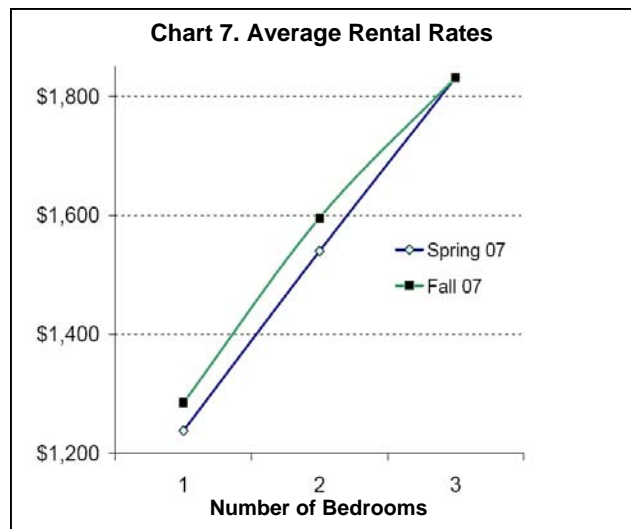


Chart 7 indicates that average rent increases have been in the smaller one- and two-bedroom units, from the beginning to the end of 2007. The annual rise in overall rental rates follows the law of supply and demand: as vacancy rates decrease, rental rates increase, although operational costs also have an impact. ■



¹ City of San Diego General Plan, Housing Element, FY2005 – 2010.

² San Diego Association of Governments — Regional Housing Needs Assessment — City of San Diego — February 2005.

³ Apartment Update, 2007, Southern California Region, Third Quarter, Hendricks & Partners.

⁴ Fall 2007 Vacancy & Rental Rate Survey, San Diego

Customer Analysis

The San Diego Housing Commission draws rental assistance customers from its waiting list, which currently numbers over 19,000. Due to lower incomes, these households who currently rent on the open market are paying a disproportionate amount of their income for housing.

The waiting list was recently purged of applicants who no longer qualified for services or who had moved to other jurisdictions. Within SDHC's various programs that draw from this list there are established preferences to serve the populations of elderly, disabled, homeless with disabilities, and families with children.

Chart 8 shows the income and demographic percentages of rental assistance applicants registered on the waiting list, as well the number of bedrooms in the preferred housing unit based on the size of their family.

Chart 9 shows the income and demographic percentages of current rental assistance clients, as well the number of bedrooms in the housing unit they occupy.

Families on the SDHC waiting list as well as families who are current Section 8 rental assistance clients are predominantly very-low income.

continued

Chart 8. SDHC Waiting List (19,000) Families	
Annual Income	Percentage
Below \$20,000	79%
Between \$20,000 & \$30,000	15%
Between \$30,000 & \$40,000	5%
Families with Children.	51%
Elderly Families.	11%
Families with Disabilities.	30%
Families needing 1-Bedroom Unit	53%
Families needing 2-Bedroom Unit	41%
Families needing 3-Bedroom Unit	5%

Chart 9. SDHC Section 8 (14,700) Families	
Annual Income	Percentage
Below \$20,000	70%
Between \$20,000 & \$30,000	19%
Between \$30,000 & \$40,000	8%
Families with Children.	56%
Elderly Families.	27%
Families with Disabilities.	14%
Families with 1-Bedroom Unit	35%
Families with 2-Bedroom Unit	21%
Families with 3-Bedroom Unit	16%

SDHC-Owned & SDHC-Managed Affordable Housing: Good Tenant/Good Neighbor Policy

SDHC’s commitment to maintaining the quality of its housing is demonstrated by its responsibility to the public trust. SDHC’s property management program is designed to achieve the following objectives:

- To provide improved living conditions for extremely low, very low, and low-income families while maintaining their rent payments at an affordable level.
- To operate a socially and financially sound public housing agency that provides decent, safe, sanitary and in good repair housing within a drug-free, suitable living environment for residents and their families.
- To avoid concentrations of economically and socially deprived families in any one of SDHC’s affordable housing developments.
- To lawfully deny the admission of applicants, or occupancy of residents, whose habits and practices reasonably may be expected to adversely affect the health, safety, comfort or welfare of other residents or the physical environment of the neighborhood, or create a danger to SDHC employees.
- To provide opportunities for upward mobility for families who desire to achieve economic self-sufficiency.

In HUD’s latest Public Housing Assessment System ratings, SDHC received a “High

Performer” rating, including a perfect scores in “Security”, which included: Screening of Applicants; Lease Enforcement; Drug Prevention and/or Crime Reduction Program Goals; and Tracking and Reporting Crime-Related Problems.

Tenant Profile

SDHC’s managed housing tenants are a stable and reliable customer base. Forty-nine percent of the 1,576 families who live in SDHC-owned properties have lived in their unit five or more years, and over 82% have lived in their unit two or more years. This program serves those who work and/or live in the City of San Diego who are low-income families, persons with disabilities, seniors (62-years or older) or meet criteria for the “San Diego area homeless” category. **Chart 10** shows the maximum eligible total household income limits, as checked through an Income Verification System.

continued

Chart 10. Maximum Annual Income for Rental Assistance & SDHC Owned / Managed Units	
Household Size	Maximum Income
1 Person	\$44,250
2 Persons	\$50,550
3 Persons	\$56,900
4 Persons	\$63,250
5 Persons	\$68,250
6 Persons	\$73,300
7 Persons	\$78,350
8 Persons	\$83,400

Family Self-Sufficiency Program

Each year, over 500 rental assistance and managed housing tenants participate in the SDHC's five-year long Family Self-Sufficiency Program. Through strategic partnerships with local businesses and community agencies, SDHC helps participants achieve economic self-sufficiency through **Education Services, Career Planning, Financial Literacy, Asset Building, and Job Training**, all free of charge.

Five years ago Kimberly was unemployed, and as a single parent, struggled to support her family. While participating in FSS, she obtained a temporary job as a phone operator.

Kimberly took advantage of staff development trainings offered by her company and was hired on a permanent basis as a flooring specialist doing quality control. She now conducts orientations for new employees and is working towards becoming a full-time trainer.



Above: Kimberly aspires to be a full-time trainer.

Kimberly said: "Sometimes all it takes is one person to believe in you to help you believe in yourself, and that person was my FSS Coordinator."



Above: Celebrating graduation from the FSS program. *From left to right:* Rosemary Uribe, FSS coordinator; Luz, FSS graduate; and Nallely Candel, housing assistant.

When Luz enrolled in the FSS program, she worked as an admissions advisor for an employment company. Her goal was to become an office manager, but she did not know what credentials, experience and education she needed. With the support of her FSS coordinator and employer, she was able to acquire the skills and training she needed to reach her goal.

Luz said: "The FSS program helped me to set goals and gave me direction with my job. I really enjoyed the FSS Weekend Workshops and the supportive staff." ■

As demonstrated throughout the FY2009-2011 Business Plan, SDHC serves a complex range of audiences that require varying levels of information and messages delivered in a targeted manner through distinct channels.

Audiences

The agency's audiences fall into four primary categories, in no particular order:

1. **Opinion Leaders** (elected officials, Commissioners, City staff, other government agencies, housing advocacy groups, industry groups, community leaders/influencers, community planning groups, business/civic leaders, etc.)
2. **General Public & Media**
3. **Employees** (current and prospective)
4. **Customers & Partners** (current and prospective residents; end-users of agency programs; business partners and vendors)

Research

A strategic communications plan is currently in place and being implemented by the Policy & Public Affairs Department. With the development of the agency's FY2009-2011 Business Plan as well as the agency's transition to new leadership and private sector business practices, additional research is needed to examine current attitudes and opinions about the agency and affordable housing issues. As such, the agency will conduct a public opinion survey in FY2009 to measure the perception of

the agency and of affordable housing issues among the agency's four primary audiences. The data collected from this survey will be used to refine current communications strategies and to prioritize communications programming, tactics and messages to better serve all audiences. As envisioned, a follow-up survey will be conducted during the Business Plan cycle to assess the shift in public opinion based on communications programming and to make adjustments as needed.

Strategies

Key strategies are in place to support the marketing and delivery of the agency's services and programs. These include:

- Increase awareness and build support among all audiences for and about the agency's accomplishments, programs, services and offerings;
- Create user-friendly methods for current and potential customers to access information about the agency's affordable housing services;
- Measure the community's perception of the agency and affordable housing issues, as well as obtain community and client feedback about the agency's performance;
- Improve the flow of information within the agency between management and staff and among departments; and

continued

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- Present an agency image that reflects private sector professionalism and business-like practices.
 - Rebranding initiative with new agency logo to reflect professional image
 - Ombudsman service to respond to customer concerns and issues about the agency's performance

Existing Activities

SDHC is currently implementing a variety of communications activities in support of these strategies, including but not limited to:

- Newsletters targeted to specific audiences, including *Housing Matters* for opinion leaders; *Good Neighbors* for residents of SDHC-owned properties; *Voucher Advantage* for Section 8 property owners; and *Around the Corner* and *Operations Update* for employees
- Collateral materials and publications for all audiences (fact sheets, brochures, mass mailings to residents, annual report)
- Media relations to reach the general public audience and potential customers (average of 30 positive stories per quarter)
- External and internal website management
- Special events (groundbreaking and dedication ceremonies; housing fairs)
- Awards to recognize agency programs and services
- A comprehensive Affordable Housing Guide for customers seeking housing assistance
- Speaker's bureau and presentations
- Public Information Requests

New Activities

In FY 2009, the Policy & Public Affairs Department will undertake several major initiatives to improve customer access to information about the agency's services. The agency's website, www.sdhc.org, will be redesigned to provide user-friendly content, improved infrastructure and logical navigation. The website redesign will incorporate several unique tools, including a comprehensive affordable housing database for customers to easily research available housing opportunities. Second, the agency's voicemail recording system will be re-structured and simplified to better serve customers who do not have access to the Internet. It is anticipated that these two initiatives, as well as other activities, will greatly improve the level of service and information the agency is able to provide to its customers. ■

Table A – Projected Balance Sheet: Net Assets in Thousands of Dollars

Includes assets and liabilities, from FY2008 – FY2011. Provides information about the nature and projected amounts of investments in resources (assets) and the obligations to creditors (liabilities). Provides the basis for computing rates of return, evaluating the capital structure, and assessing the future liquidity and financial flexibility.

	Audited June 30 2003	2004 Growth Rate	Audited June 30 2004	2005 Growth Rate	Audited June 30 2005	2006 Growth Rate	Audited June 30 2006	2007 Growth Rate	Audited June 30 2007	2008 Growth Rate	Projected June 30 2008	2009 Growth Rate	Projected June 30 2009	2010 Growth Rate	Projected June 30 2010	2011 Growth Rate	Projected June 30 2011
Assets:																	
Cash & Investments	45,075	-25.85%	33,424	59.37%	53,268	18.92%	63,344	20.33%	76,221	-13.19%	66,165	-7.61%	61,127	-5.69%	57,646	-8.23%	52,902
Other Current Assets			14,187	35.62%	19,240	-45.01%	10,580	-5.85%	9,961	3%	10,260	3%	10,568	3%	10,885	3%	11,211
Capital & Non-Current Assets	172,108	2.74%	176,824	8.76%	192,319	12.19%	215,756	16.52%	251,408	9.58%	283,639	13.50%	321,936	12.04%	360,705	11.00%	400,371
Total Assets	217,183		224,435		264,827		289,680		337,590		360,064		393,630		429,236		464,484
Liabilities:																	
Current Liabilities	5,888	-9.99%	5,300	14.28%	6,057	-11.19%	5,379	38.67%	7,459	-10.78%	6,655	10.00%	7,320	10.00%	8,052	10.00%	8,858
Notes Payable & Non-Current Liabilities	9,370	0.81%	9,446	58.49%	14,971	-5.78%	14,105	136.34%	33,336	8.51%	36,173	47.88%	53,491	38.48%	74,073	27.77%	94,644
Total Liabilities	15,258		14,746		21,028		19,484		40,795		42,828		60,812		82,125		103,501
Net Assets:																	
Invested in Capital Assets, Net of Debt	76,225	-1.82%	74,834	-9.11%	68,018	-1.07%	67,289	0.90%	67,893	10.17%	74,800	9.84%	82,160	5.37%	86,569	5.93%	91,706
Restricted Assets			0	4.09%	72,051		74,995	15.93%	86,944	8.05%	93,944	7.45%	100,944	6.93%	107,944	6.48%	114,944
Unrestricted Assets	125,700	7.28%	134,854	-23.08%	103,730	23.31%	127,912	10.98%	141,958	10.00%	148,492	0.82%	149,714	1.93%	152,598	1.14%	154,333
Total net assets	201,925		209,688		243,799		270,196		296,795		317,236		332,818		347,111		360,983
Total Liabilities & Net Assets	217,183		224,434		264,827		289,680		337,590		360,064		393,630		429,236		464,484

Table B – Projected Income Statement: Changes in Assets in Thousands of Dollars

Accounts for all projected revenue and expenses, from FY2008 – FY2011. Reflects the forecasted results of operations over the years and can be used to determine projected credit worthiness and ability to successfully recover all its costs through grants, tenant charges and other income.

	Audited June 30 2004	2005 Growth Rate	Audited June 30 2005	2006 Growth Rate	Audited June 30 2006	2007 Growth Rate	Audited June 30 2007	2008 Growth Rate	Projected June 30 2008	2009 Growth Rate	Projected June 30 2009	2010 Growth Rate	Projected June 30 2010	2010 Growth Rate	Projected June 30 2011
Operating revenues	17,334	5.99%	18,372	-0.78%	18,229	-19.62%	\$14,653	-2.94%	\$14,222	3.82%	\$14,766	6.80%	\$15,770	7.36%	\$16,931
Operating expenses	138,739	-0.93%	137,443	6.28%	146,080	3.27%	150,863	8.44%	163,597	7.13%	175,264	4.10%	182,447	3.47%	188,781
Deficit before depreciation & other expenses	(121,405)	-1.92%	(119,071)	7.37%	(127,851)	6.54%	(\$136,210)	9.67%	(\$149,375)	7.45%	(\$160,498)	3.85%	(\$166,677)	3.10%	(\$171,850)
Depreciation	3,125	3.04%	3,220	-8.23%	2,955	22.81%	3,629	20.00%	4,355	20.00%	5,226	20.00%	6,271	20.00%	7,525
Deficit before other non-operating income and expense	(124,530)	1.80%	(122,291)	6.96%	(130,806)	6.91%	(139,839)	9.93%	(153,730)	7.80%	(165,724)	4.36%	(172,948)	3.72%	(179,375)
Non-operating income and expenses, net	132,460	21.5%	160,955	-2.33%	157,203	5.87%	166,438	4.65%	174,171	4.10%	181,306	3.27%	187,241	3.21%	193,247
Increase in net assets	\$7,930	387.6%	\$38,664	-31.73%	\$26,397	0.77%	\$26,599	-23.15%	\$20,442	-23.77%	\$15,582	-8.27%	\$14,293	-2.95%	\$13,872

Appendix

Table C – Projected Capital Assets
Summarizes SDHC's capital assets from FY2008 – FY2011.

	Audited June 30 2004	Growth Rate 2005	Audited June 30 2005	Growth Rate 2006	Audited June 30 2006	Growth Rate 2007	Audited June 30 2007	Growth Rate 2008	Projected June 30 2008	Growth Rate 2009
Land and buildings	75,350	-1.7%	74,049	-5.1%	70,251	25.7%	88,325	9.6%	96,787	1.5%
Work in progress	7,308	18.2%	8,637	15.1%	9,943	-4.5%	9,500	9.6%	10,410	1.5%
Equipment	54	-1.9%	53	1760.4%	986	232.9%	3,282	9.6%	3,596	8.0%
Total	82,712		82,739		81,180		101,107		110,793	

	Projected June 30 2009	Growth Rate 2010	2010 Business Plan	Projected June 30 2010	Growth Rate 2011	2011 Business Plan	Projected June 30 2011
2009 Business Plan	120,438	1.5%	22,200	144,445	1.5%	22,200	168,812
	10,931	1.5%		11,477	1.5%		11,936
200	4,084	8.0%	90	4,501	8.0%	500	5,361
	135,453			160,423			186,109

Our Partners

The San Diego Housing Commission partners with hundreds of community organizations, businesses and other entities throughout San Diego and nationwide. This is just a partial list of the agency's many partners, vendors and service providers.

For information on how to do business with SDHC and current contracting opportunities, please visit www.sdhc.org.



Access to Independence
Cal Pacific Mortgage
Elder Legal Center of San Diego
ACCION
Capital Cleaning, Inc
Emerald Mortgage
Ace Parking
Capstar Financial Group
Emphasys Computer Solutions, Inc.
Affinity Financial
Casa Familiar
Episcopal Community Services
Affirmed Housing Group
Catholic Charities
Fair Housing Council of SD
African Alliance
Center for Social Advocacy
Family Health Centers of SD
After-School All Stars
Centre City Development Corp.
Family Resource Centers of SD
Aging & Independent Services
Chase Home Finance
First American Mortgage
Allstate Services Environmental
Chelsea Investment Corp.
First Magnus Financial Corp
Alvarado Design Studio
Citibank
First Mortgage Corporation
American Mortgage & Credit
City of San Diego
Fred Pryor Training
Apple One Employment Services
College Opportunity Foundation
FTHB & American Dream
Asher & Company
Community HousingWorks
Association for Community Housing Solutions
Community Interface Services
Gamma Builders, Inc.
Automated Data Processing, Inc
Consumer Credit Counseling
General Mortgage Corporation
Aztec Landscaping
Countrywide Home Loans
GMAC Mortgage Corporation
Baja Pacific
County of San Diego
Golden Care Academy
Bank of America
CSSE / Alpha Program
Green Point Mortgage Funding
Barrio Station
D.R. Elrod & Associates
Grondin Construction
Bayside Community Center
Davis Davis Architects, Inc.
Guild Mortgage Company
BHI Mortgage
Deaf Community Services of SD
H&R Block
Bonded Window Coverings, Inc
Del Sol Apartments, L.P.
Hawkins Delafield & Wood
Boys & Girls Clubs of San Dieguito
Denny & Son
Hazlo Inc.
Bradley Security & Detective Agency
DHI Mortgage Company
Heads on Fire
Burkett & Wong
Dixieline Builders Fund Control
The Holman Group
Dress for Success
Housing Development Partners
Cal Home Shared Appreciation
ElderHelp of San Diego
Human Resources Capital
J.P. Witherow Roofing Company
National University
San Diego Housing Federation
Jacobs Family Foundation
Nationwide Realty Services, Inc.
San Diego Interfaith Housing Found.
JTB Restorations, Inc.
Neighborhood House Association

Our Partners

San Diego National Bank	San Diego Youth & Community Services	Father Joe's Villages/St. Vincent De Paul
Junior's Concrete	Sadi Arbor Crest	Streamline Applications Solutions
Networking Interpreting Service	San Diego-Imperial Counties Labor Council	Starbucks Corporation
San Diego Padres	Mortgage One Lending	Wakeland Housing & Community Development Corp
Kaiser Financial Services	Salerno / Livingston Architects	YMCA of San Diego County
Ninteman Construction Services	SCH Consulting Services	Steadfast Villa Nueva
San Diego Regional Center	MSC Janitorial Service	Wells Fargo Home Mortgage
Nonprofit Management Solutions	Tibbet & Associates	Youth Council of San Diego
San Diego Reinvestment Task Force	The Lenders Group	Stepping Stone
Latino Builders Industry Assn.	Salvation Army	West Coast Mortgage
Novadebt	Townspeople	YWCA of San Diego County
San Diego Foundation	Strong Arm Construction	Sterling Companies, Inc.
Law Offices of Kimbal, Tirey & St. John	SCME Mortgage Bankers	Windsor Capital Mortgage
Office Depot	Unifirst Corporation	San Diego Community College District
San Diego Funding	Swift Real Estate Partners	Hyland Software, Inc.
Legal Aide Society	Senior Community Centers	Interwest Electric
Office Max	Union Bank of California	San Diego County Apartment Assn.
Nan McKay & Associates	Tayman Industries, Inc.	Intergis
Loan Link Financial Services	Signs & Services Co.	San Diego Home Loan Counseling & Education Center
Office Pavilion	Union of Pan Asian Communities	Environmental Health Coalition
National Community Renaissance	TCS Mortgage, Inc.	MAAC Project
Local Initiatives Support Corp.	Skillpath	SDG&E Energy Team
Optera	United Way of San Diego	Southeast Economic Dev. Corp.
National Conflict Resolution Center	The Association for Community Housing Solutions	City of SD Redevelopment Agency
M.W. Steele Group, Inc.	Small Business Development & International Trade Center.	Jewish Family Services
Palm Engineering	University of California, San Diego	Clancy Contracting Services
National Credit Reporting (NCR)	The Center for Social Advocacy	Alpha Project
McCullough Landscape Architecture	South Bay Community Services	Corporation for Supportive Housing
Pathfinders of San Diego	University of San Diego	Urban Housing Corporation
San Diego Bank & Trust	The Centre for Organizational Effectiveness	City Heights CDC
MDC Financial Service Group	South County Career Center	Chicano Federation of SD County
Plaza Home Mortgage, Inc.	Urban Corps of San Diego	San Diego Youth & Family Services
San Diego Safe Harbor	The Epler Company	Bayview CDC
Mental Health Systems	South Pacific Financial Corp.	HOPE Community Dev. Corp.
Public Relations Society of America	US Bank	Richard Bundy & David Thompson
San Diego Second Chance	Stewart National Mortgage Comp.	Ashkins & Associates
Michael Baker Electric	Springboard	Chicago Title Company
Rebuilding Together San Diego	Strategic Business Resources	San Ysidro Livable Neighborhoods
San Diego Workforce Partnership	Villa Financial	
Mission Federal Credit Union		
Rolling Readers		
Veterans Village of San Diego		
Morgan Home Loan Funding Corp		
