



SAN DIEGO
HOUSING
COMMISSION

We're About People

San Diego Housing Commission (SDHC)

Fiscal Year (FY) 2021 Annual Financial Audit Report

Presentation to the SDHC Board of Commissioners
November 12, 2021

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Senior Vice President &
Chief Financial Officer
Financial Services Department

Marie Lalas
Director, Audit & Reporting
Financial Services Department



SDHC FY 2021 Annual Financial Audit Report

Agenda

- Audit Timeline
- Introduction
- Summary of Annual Audit
- Financial Results
- Operational Highlights



We're About People

The San Diego Housing Commission's (SDHC) Achievement Academy is a learning and resource center and computer lab located at SDHC's headquarters. Its programs—including Family Self-Sufficiency—emphasize career planning, job skills, and personal financial education to help individuals and families become more financially self-reliant. Current Bridges to Careers Opportunities participants are pictured above.



SDHC FY 2021 Annual Financial Audit Report

FY 2021 Audit Timeline



SDHC FY 2021 Annual Financial Audit Report

Introduction

- Audit Committee in attendance: Chair Spoon and Commissioner Hester
- Legal Counsel in attendance: Christensen & Spath LLP
- Independent Auditors: CohnReznick LLP presented:
 - Unmodified Opinion
 - No Management Letter Comments
 - No Passed Audit Adjustments
- CFO presented:
 - FY2021 Comprehensive Annual Financial Report (Annual Report) and Single Audit Report (SEFA)
- Audit Committee:
 - Approved the FY2021 Annual Report and SEFA
 - Recommends SDHC Board Approve the FY2021 Annual Report and SEFA



SDHC FY 2021 Annual Financial Audit Report

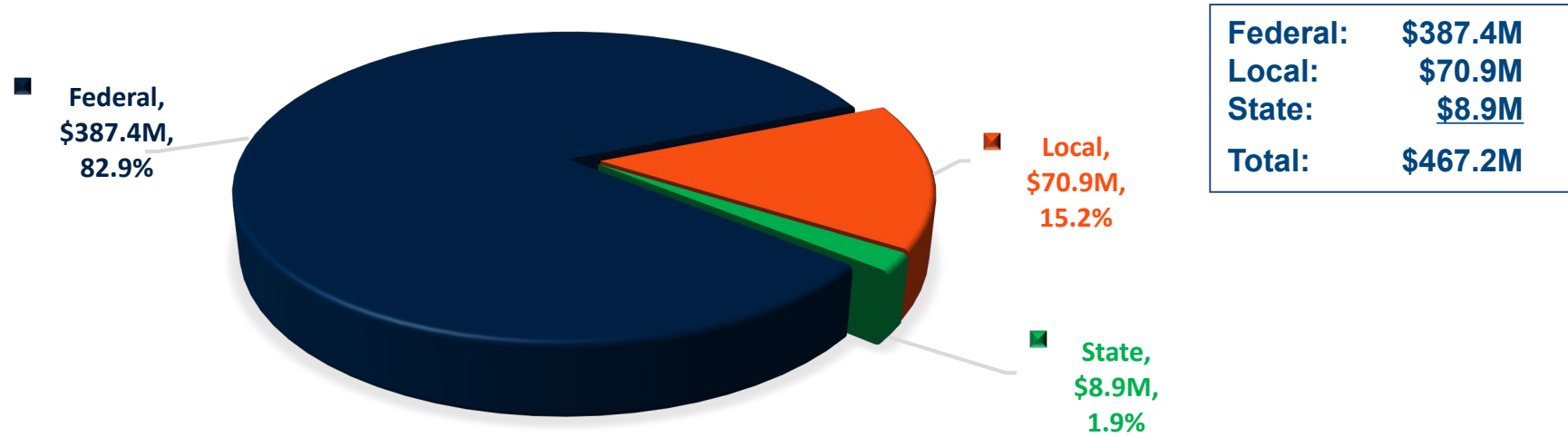
Financial Results Summary

- Total revenues: \$467.2 Million
- HUD & US Treasury grants: 83% of revenues
- Total expenses: \$366.9 Million
 - Housing Assistance Expenses: \$237.8 Million
 - Other Expenses: \$129.1 Million
- Expenses related to programs serving individuals and families experiencing homelessness: \$190.0 Million
- Multifamily and homeownership loans funded: \$28.8 Million
- Total capital expenditures, including hotel acquisitions: \$112.3 Million
- COVID-19 Emergency Rental Assistance Program (ERAP): \$15.1 Million received, \$15.0 Million expended by program's end, December 31, 2020
- COVID-19 Housing Stability Assistance Program (HSAP): \$42.3 Million received, \$29.9 Million expended by June 30, 2021
- Transfer of properties to SDHC's nonprofit affiliate, Housing Development Partners (HDP) recognition: \$33.2 Million



SDHC FY 2021 Annual Financial Audit Report

Financial Results – Revenues by Funding Type



Section 8/MTW	\$251.6M
Other Federal- CRF Funds Acquisitions	\$47.7M
Other Federal- ERA1 HSAP	\$29.9M
Other Federal- CRF Funds ERAP	\$9.6M
CDBG	\$21.5M
ESG/CoC	\$18.0M
Home	\$9.1M
Total Federal	\$387.4M

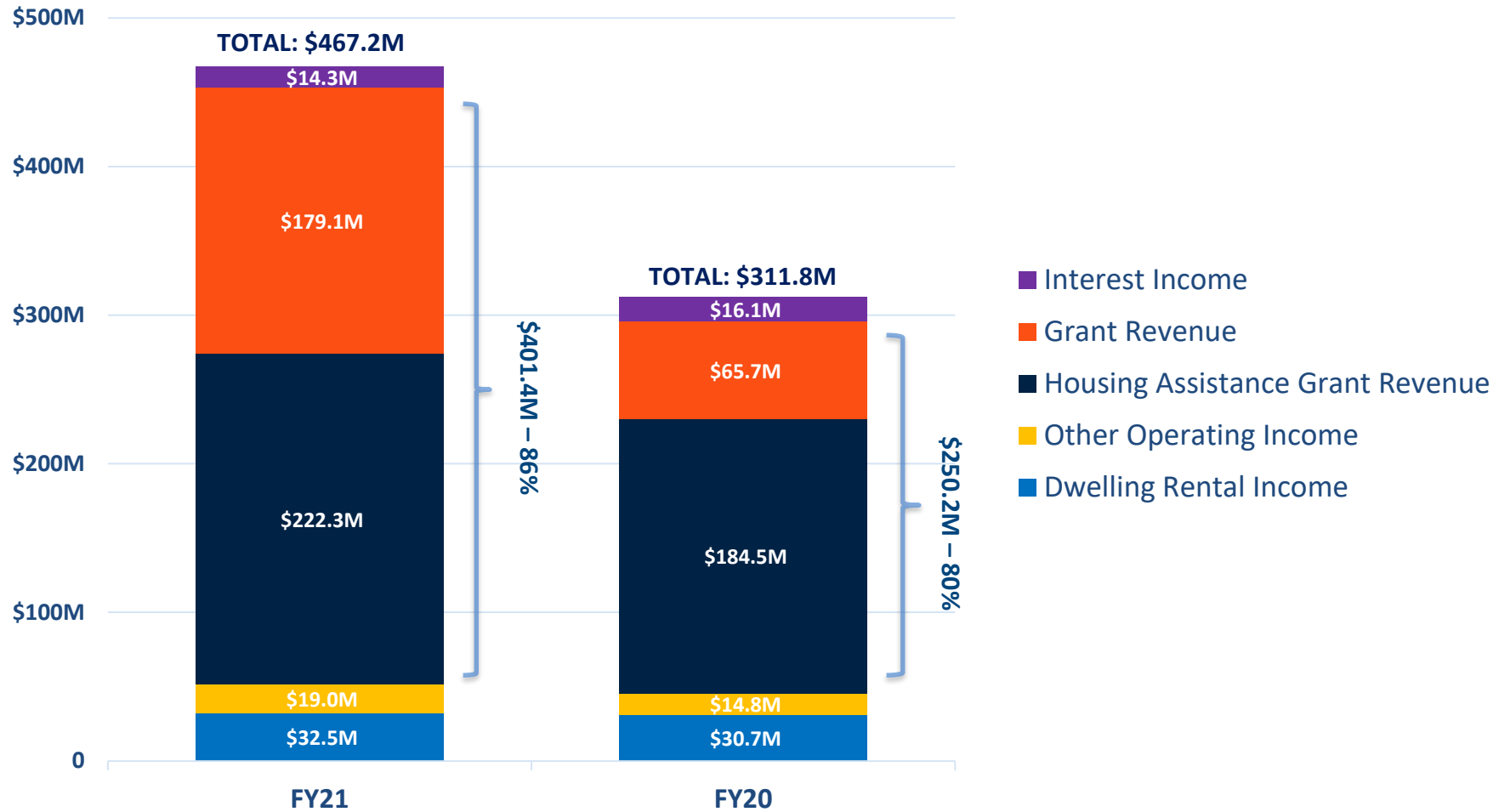
California Homeless Emergency Aid Program	\$8.7M
CALHOME Mortgages	\$0.2M
Total State	\$8.9M

SDHC Real Estate	\$37.3M
Inclusionary/Housing Impact Fee	\$15.8M
Other Local (Primarily City General Funds)	\$10.6M
Unrestricted (Includes Bond, Compliance Monitoring Fees)	\$7.2M
Total Local	\$70.9M



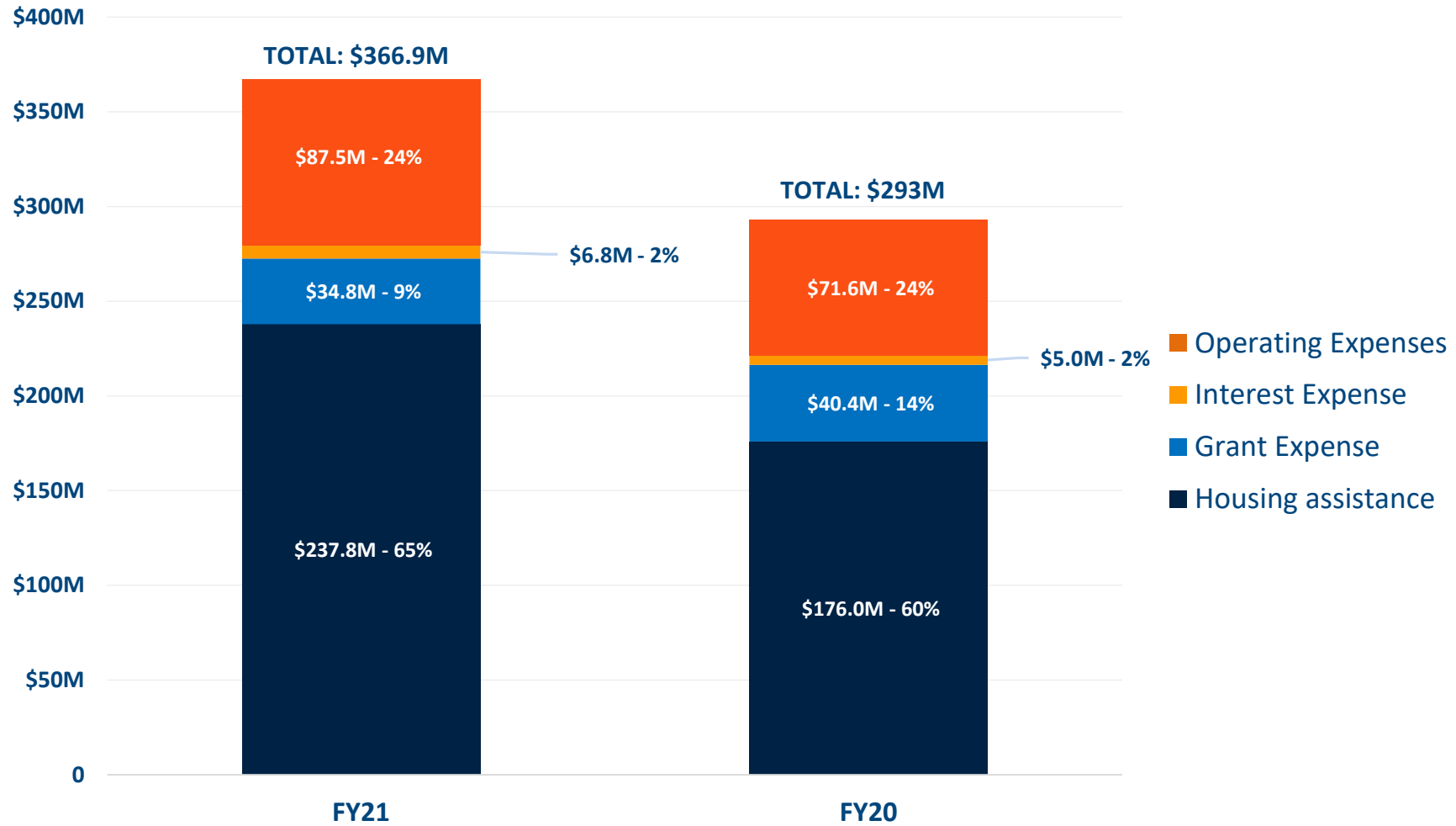
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Financial Results – Revenues (in Millions)



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Financial Results – Expenses (in Millions)



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Financial Results – Revenues and Expenses

	FY21 Actual	FY20 Actual	\$ Change	% Change
Total Revenue	\$467.2M	\$311.8M	\$155.4M	50%

- Total revenue higher by \$155.4M is primarily due to increases in:
 - Grant revenue from increased Homelessness activities \$119.2M and COVID-19 relief programs \$44.9M, offset by
 - Decrease in Affordable Housing Fund Inclusionary collections \$6.9M and interest \$1.8M

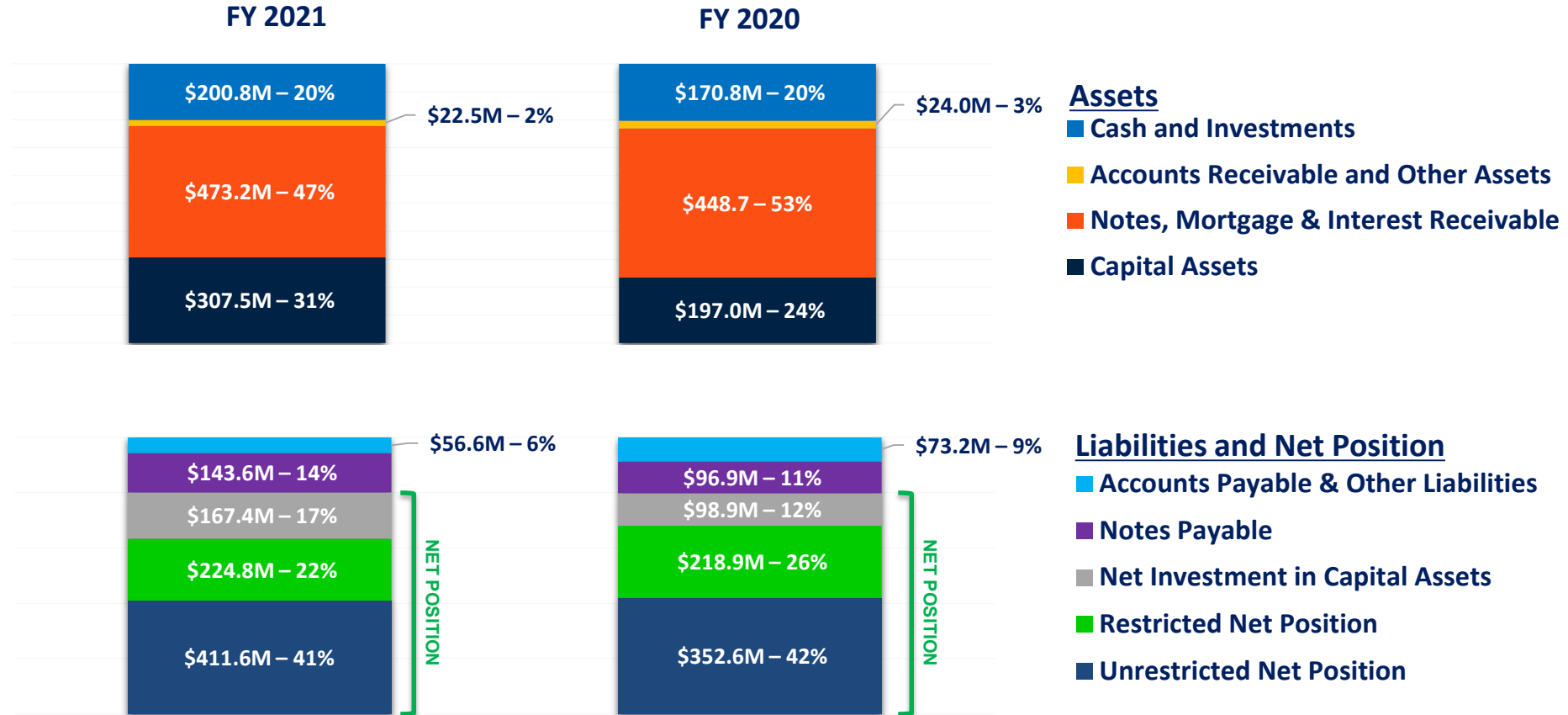
	FY21 Actual	FY20 Actual	\$ Change	% Change
Total Expenses	\$366.9M	\$293.0M	\$73.9M	25%

- Total expenses higher by \$73.9M primarily due to increases in:
 - Housing assistance \$61.8M (COVID-19 relief programs \$34.9M, Housing Choice Voucher and Mainstream vouchers)
 - Salaries and personnel expense \$10.6M (includes COVID-19 programs staffing/admin costs of \$7.2M)
 - Other Costs \$4.0M, primarily HSAP utilities/other housing costs \$2.8M; tenant relocation and PPE/sanitizing costs
 - Interest and Depreciation Expense \$3.1M; offset by
 - Net decrease in Grant Expense \$5.6M (decreased service-released loan expense, decreased HUD-held recapture, offset by increase in homelessness programs)



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Financial Results – Assets, Liabilities and Net Position (in Millions)



* Liabilities \$200.2M + Net Position \$803.8M = \$1,004M

** Liabilities \$170.1M + Net Position \$670.4M = \$840.5M



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Statement of Net Position – Changes from Prior Fiscal Year (in Millions)

	FY21 Actual	FY20 Actual	\$\$ Change	% Change
Total Assets	\$1,004M	\$840.5M	\$163.5M	19%
<i>Total Liabilities</i>	<i>200.2M</i>	<i>170.1M</i>	<i>30.1M</i>	<i>18%</i>
<i>Total Net Position</i>	<i>803.8M</i>	<i>670.4M</i>	<i>133.4M</i>	<i>20%</i>
Total Liabilities + Net Position	\$1,004M	\$840.5M	\$163.5M	19%

- The increase in total assets of \$163.5M is primarily due an increase in:
 - Capital Assets (net) of \$110.5M (acquisition of 3 properties)
 - Noncurrent Assets of \$37.3M (primarily loans made)
 - Current Assets of \$15.7M (primarily cash received for HSAP)
- The increase in Liabilities of \$30.1M relates primarily due to:
 - Loans to purchase Valley Vista and Kearny Vista \$49.8M, offset by
 - Decrease in Unearned Revenue and other liabilities \$19.7M due to recognition in Fiscal Year 2021
- The change in Net Position of \$133.4M is primarily due to the increase in total assets related to capital acquisitions and loans funded, offset by the debt incurred to acquire the three properties.



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Net Position Categories

- Net Investment in Capital Assets: \$167.4M
 - The amount spent on capital assets and is used for operations
- Restricted Net Position: \$224.8M
 - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position: \$411.6M
 - This balance of \$411.6M is not indicative of funds available for discretionary use. GASB (accounting) definitions require this amount to be classified as “unrestricted net position” for financial reporting on the Annual Comprehensive Financial Report (Annual Report). See Slide #13 for detailed explanation of commitments.



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Unrestricted Net Position (in Millions)

Total Unrestricted Net Position

\$411.6M

Less:

Contingency Reserves required by the City

(\$13.4M)

Repair and Maintenance Reserve

(\$10M)

Board-Committed Affordable Housing Loans + Programs

(\$132.9M)

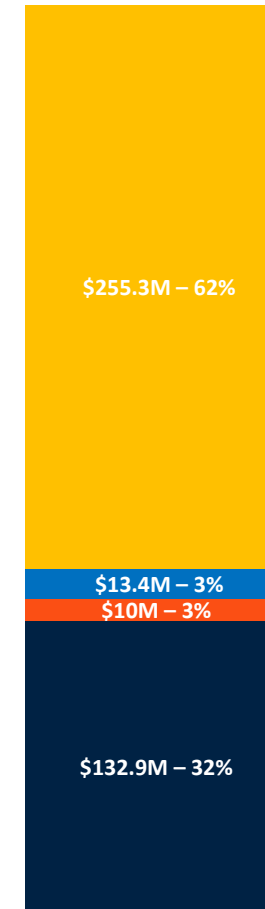
Existing Affordable Housing Loans

(\$255.3M)

Remaining Available for Use

\$0

TOTAL: \$411.6M



- Existing Affordable Housing Loans
- Contingency Reserves Required by City
- Repair + Maintenance Reserve
- Board Committed Affordable Housing Loans + Programs



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SDHC Operational Highlights

Rental Assistance Division

Federal Section 8 Housing Choice Vouchers (HCV):

- 431 Federal Project-Based vouchers and 80 Sponsor-Based vouchers committed to affordable housing developments.
- 1,421 families moved to Enterprise or Choice communities.
- Paid more than \$412,000 in security deposit loans.
- 775 households received mobility counseling and assistance.

SDHC Achievement Academy:

- 1,277 participants received core services.
- 191 participants placed in jobs, and 200 participants increased earnings
- \$16.80 average hourly wage of participants.
- More than 2,300 participants attended 217 workshops on various topics.
- San Diego EnVision Center served 284 clients prior to the COVID-19 shutdown.



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SDHC Operational Highlights (Continued)

Real Estate Division

- Completed the following affordable housing property acquisitions:
 - **Hillcrest Inn Apartments** – 47 housing units for low-income and middle-income families
 - **Kearny Vista Apartments** – 144 housing units for individuals who experienced homelessness
 - **Valley Vista Apartments** – 192 housing units for individuals who experienced homelessness
(Units include unrestricted managers' units)
- Completed several affordable housing partnership developments:
 - **Stylus** – 201 affordable rental units for San Diegans with low income
 - **Wesley Terrace** – 159 affordable rental units for low-income seniors
 - **Mission Terrace Apartments** – 76 affordable rental units for San Diegans with low income
 - **Hillside Views Apartments** – 297 affordable rental units for San Diegans with low income
 - **Benson Place** – 82 affordable rental units for San Diegans experiencing homelessness
- – \$7.8M in renovations, of which \$2.8M were capital improvements primarily elevator modernization and stair replacement



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SDHC Operational Highlights (Continued)

Homeless Housing Innovations

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- More than 9,100 housing opportunities created since November 2014.
- New Program:
FLEX – flexible housing subsidy pool

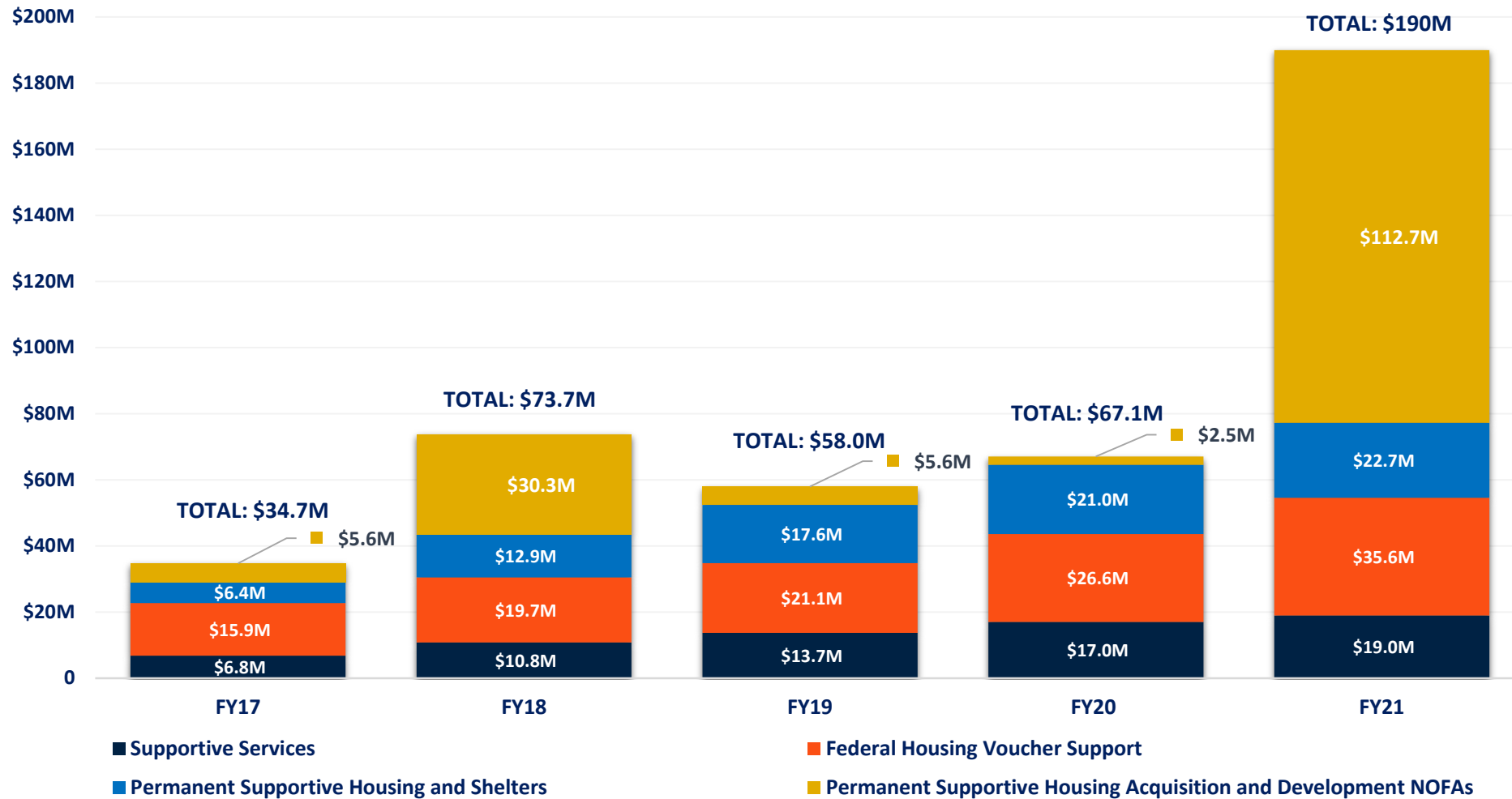
Homeless Shelters and Services Programs

- 138 transitional housing beds supported
- Coordinated Outreach Program – neighborhood-based approach, aligned with national best practices
- Three Rapid Rehousing Programs funded by State Homeless Housing Assistance and Prevention (HHAP) and American Rescue Plan Act (ARPA)



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FY 2017 - 2021 Expenditures on Homelessness Activities (in Millions)



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SDHC Operational Highlights (Continued)

City of San Diego Coronavirus-19 Relief Programs

Emergency Rental Assistance Program (ERAP)

- \$15.1 Million total received in FY 2021 from the City of San Diego
- Program launched July 2020 and ended December 31, 2020.
- \$4,000 or \$2,000 assistance payments made to low-income households directly affected by COVID-19
- Program expenditures: \$13.6 Million
- Admin expenditures: \$1.4 Million

Housing Stability Assistance Program (HSAP)

- \$42.3 Million received in FY 2021 from the City of San Diego
- \$92.8 Million Total Program (ERA1) funds expected to be received
- Program launched March 15, 2021, and is ongoing.
- Pays rent, utilities and/or other housing costs for households with low income that experience financial hardship due to or during the COVID-19 pandemic
- Program expenditures through June 30, 2021: \$24.1 Million
- Admin expenditures through June 30, 2021: \$5.8 Million



SDHC FY 2021 Annual Financial Audit Report Recognition

Financial Services

- Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for Comprehensive Annual Financial Report (CAFR) 2008 – 2020
- Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) from GFOA for 2010 - 2020



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Diego Housing Commission
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

*Certificate of Achievement for
Excellence in
Financial Reporting*



Questions & Comments

