



INFORMATIONAL REPORT

DATE ISSUED: July 1, 2021 **REPORT NO:** HCR21-061

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of July 9, 2021

SUBJECT: Agency Financial Statements – Third Quarter Fiscal Year 2021 (Unaudited)

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

The purpose of the San Diego Housing Commission's (Housing Commission) Financial Statements Report is to show year-to-date variances of actual sources and uses of funds compared to Housing Commission Board-approved budgeted amounts (Attachment 1). The budget in this report has been amended to reflect the following adjustments:

- City of San Diego COVID-19 Emergency Rental Assistance Program (ERAP) budget. This amendment increased the total budget by \$15.1 million, as previously noted in the Second Quarter Fiscal Year 2021 report.
- Approved acquisition of two extended-stay hotels (properties located on Hotel Circle and Kearny Mesa Road) to create permanent affordable rental housing with supportive services for individuals who experienced homelessness. This amendment increases the total budget by \$98.0 million, as previously noted in the Second Quarter Fiscal Year 2021 report.
- City of San Diego COVID-19 Housing Stability Assistance Program (HSAP) budget. This amendment increased the total budget by \$92.2 million of funding sources and \$28.5 million of expenses. The March 2021 year-to-date financial statements include \$0.9 million of actual sources compared to \$92.2 million of budget, as well as \$0.9 million of actual HSAP expenses compared to \$7.1 million of budget.

The report also provides summary explanations for significant year-to-date variances.

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual March 2021 year-to-date funding sources available were \$544.3 million, which was 14 percent, or \$90.2 million, lower than budget. This was primarily due to new sources of funds that were \$101.2 million lower than budget, offset by the beginning fund balance that was \$11.0 million higher than budget. The explanations below provide more details about significant variances:

Federal Sources

- The \$22.8 million lower-than-budget variance in Section 8/Moving-To-Work (MTW) funding was primarily due to the timing of spending on budgeted activities. These include Comprehensive Renovations, Increased Housing Assistance Payment levels, Rapid Rehousing and an Affordable Housing Preservation Notice of Funding Availability (NOFA). The

Affordable Housing Preservation NOFA has been significantly undersubscribed with a considerable portion of this included in the proposed Fiscal Year 2022 budget. These have been offset by Coronavirus Aid, Relief, and Economic Security (CARES) Act revenues that were higher than expected. This variance is expected to remain through the end of the fiscal year.

- The \$2.3 million higher-than-budget variance in Homeless Housing Innovations was primarily due to higher than expected Emergency Solutions Grant – Coronavirus 2 (ESG-CV2) revenues used to fund City of San Diego Bridge Shelter operations. These funds have been used in place of State Homeless Housing, Assistance and Prevention (HHAP) funds. This variance is expected to increase over the remainder of the year.
- The \$79.5 million lower-than-budget variance in Community Development Block Grant (CDBG) & Other Federal Funds was primarily due to the timing of the receipt and utilization of HSAP funds offset by the timing of the issuance of CDBG revolving loan funds used as part of the Housing Commission's acquisition of an extended-stay hotel in Mission Valley to create permanent housing with supportive services for individuals experiencing homelessness. This variance is expected to decrease over the remainder of the year.

Local Sources

- The \$2.0 million higher-than-budget variance in Housing Commission Real Estate was primarily due to revenues earned on the Hillcrest Inn and two extended-stay hotel properties acquired in Fiscal Year 2021.
- The \$1.4 million higher-than-budget variance in Unrestricted Funds was primarily due to higher-than-expected collections of Multifamily Housing Revenue Bond administrative fees.
- The \$6.6 million higher-than-budget variance in Affordable Housing Fund was primarily due to higher-than-expected collections early in the year, as well as payments on notes receivable that were higher than anticipated. Recent collections have diminished significantly and are expected to continue on this trajectory, which will lessen the budget variance over the remainder of the year.

State Sources

- The \$10.9 million lower-than-budget variance was primarily due to cost savings on the operations of City of San Diego Bridge Shelters as well as the utilization of Federal ESG-CV2 funds rather than State HHAP funds. Further variance can be attributed to lower-than-expected expenditures relating to Homeless Emergency Aid Program (HEAP) or HHAP-funded programs (Flex Spending and Prevention and Diversion) due to the impact of the COVID-19 eviction moratorium as well as the timing of spending on Storage Centers and Safe Parking. This variance is expected to increase over the remainder of the year.

Beginning Fund Balance

The beginning fund balance represents the sources available from the prior year. The \$11.0 million higher-than-budget variance consists of restricted-use funds that are committed to programs. The increase was primarily attributed to additional City of San Diego Affordable Housing Fund in-lieu fees received in prior fiscal years and higher-than-budgeted federal HOME program income, which are both largely committed for the development of future affordable housing units through the current Notice of Funding Availability (NOFA) process.

USES OF FUNDS: Total actual March 2021 year-to-date funding uses were \$544.3 million, which was 14 percent, or \$90.2 million, lower than budget. This was primarily due to the ending fund balance that was \$28.9 million below budget as well as lower-than-budget variances of \$1.2 million in personnel and \$60.2 million in non-personnel. The explanations below give more details about significant variances:

Personnel Expenses

- The \$1.2 million lower-than-budget variance was primarily due to vacancies across the agency during the fiscal year. This is expected to reduce over the remainder of the year.

Non-Personnel Expenses

- The \$15.5 million lower-than-budget variance in housing assistance payments was primarily due lower-than-expected impact of COVID-19, the timing of payments relating to HSAP, as well as lower-than-expected spending relating to Homelessness programs (Prevention and Diversion and Flex Spending) due to the eviction moratorium. This variance is expected to increase slightly over the remainder of the year.
- The \$40.6 million lower-than-budget variance in grant expense was primarily due to:
 - Lower-than-expected expenditure on the MTW preservation NOFA that was undersubscribed; \$16.6 million has been included in the Fiscal Year 2022 budget.
 - Lower-than-expected expenditure on Hotel Supportive Services. This reflects the timing of expenditures for supportive services at the two extended-stay hotel properties the Housing Commission acquired in November 2020 to create permanent housing with supportive services for individuals experiencing homelessness.
 - Cost savings relating to City of San Diego Bridge Shelter operations; and
 - Lower-than-expected expenditure on Homelessness programs (Storage, Safe Parking, Prevention & Diversion, Flex Spending and Family Reunification) due to the eviction moratorium and COVID-related travel restrictions.

This variance is expected to increase over the remainder of the year.

- The \$9.8 million lower-than-budget variance in loans made was primarily due to the timing of funding multifamily housing loans. This variance is likely to continue at this level through the end of the year, although funding has been committed for the loans.
- The \$1.4 million higher-than-budget variance in debt services and loan fees was primarily due to costs relating to the Housing Commission's acquisition of the two extended-stay hotel properties during the fiscal year.
- The \$4.5 million higher-than-budget variance in capital expenditure was primarily due to the timing of acquisitions and rehabilitation projects compared to the budget.

Ending Fund Balance

Ending fund balance as of March 2021 was \$166.4 million, which was 15 percent, or \$28.9 million, lower than budget, primarily due to lower-than-expected receipt of new sources. This was offset by higher-than-expected beginning fund balance of \$11 million, as well as lower-than-expected non-personnel expenses of \$60.2 million which were both outlined above. Funds in the ending fund balance are committed for use to create and preserve affordable housing.

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Respectfully submitted,

Tracey McDermott

Tracey McDermott
Chief Financial Officer
Financial Services Department

Approved by,

Jeff Davis

Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments: 1) Year-to-Date Statement of Sources and Uses

Docket materials are available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.

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**SAN DIEGO HOUSING COMMISSION
STATEMENT OF SOURCES AND USES
FISCAL YEAR-TO-DATE AS OF March 31, 2021**

	YTD Actual	YTD Budget	Over/(Under) Budget	% Variance
SOURCES OF FUNDS				
NEW SOURCES				
FEDERAL				
Section 8/MTW	186,263,000	209,084,000	(22,821,000)	-11%
HOME	10,829,000	10,428,000	401,000	4%
Housing Innovation Funds	9,653,000	7,354,000	2,299,000	31%
CDBG & Other Federal Funds	79,561,000	159,047,000	(79,486,000)	-50%
TOTAL FEDERAL	286,306,000	385,913,000	(99,607,000)	-26%
LOCAL				
SDHC Real Estate	76,736,000	74,766,000	1,970,000	3%
Unrestricted Funds	2,949,000	1,546,000	1,403,000	91%
Affordable Housing Fund	11,218,000	4,608,000	6,610,000	143%
Other Local Funds	5,694,000	6,350,000	(656,000)	-10%
TOTAL LOCAL	96,597,000	87,270,000	9,327,000	11%
STATE	7,342,000	18,264,000	(10,922,000)	-60%
TOTAL NEW SOURCES	390,245,000	491,447,000	(101,202,000)	-21%
BEGINNING FUND BALANCE	154,075,000	143,107,000	10,968,000	8%
TOTAL SOURCES OF FUNDS	544,320,000	634,554,000	(90,234,000)	-14%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	22,364,000	23,041,000	(677,000)	-3%
Fringe Benefits	7,853,000	8,352,000	(499,000)	-6%
SUBTOTAL PERSONNEL	30,217,000	31,393,000	(1,176,000)	-4%
NON-PERSONNEL				
Housing Assistance Payments	163,036,000	178,489,000	(15,453,000)	-9%
Grant Expense	19,892,000	60,448,000	(40,556,000)	-67%
Property Expenses	7,352,000	7,200,000	152,000	2%
Professional Services	4,424,000	5,025,000	(601,000)	-12%
Services, Supplies & Other	6,164,000	6,023,000	141,000	2%
Loans Made	21,982,000	31,772,000	(9,790,000)	-31%
Debt Principal Payments	7,177,000	5,768,000	1,409,000	24%
Capital Expenditures	117,644,000	113,153,000	4,491,000	4%
SUBTOTAL NON-PERSONNEL	347,671,000	407,878,000	(60,207,000)	-15%
TOTAL FUNDS EXPENDED	377,888,000	439,271,000	(61,383,000)	-14%
ENDING FUND BALANCE	166,432,000	195,283,000	(28,851,000)	-15%
TOTAL USES OF FUNDS	544,320,000	634,554,000	(90,234,000)	-14%