San Diego Housing Commission Financial Highlights

Fiscal Year Ended June 30, 2013
2013 Popular Annual Financial Report

San Diego Housing Commission
Financial Services Department
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org

Housing Authority of the City of San Diego

Interim Mayor and Council President
Todd Gloria, 3rd District
Council President Pro Tem
Sherri Lightner, 1st District
Kevin Faulconer, 2nd District
Myrtle Cole, 4th District
Mark Kersey, 5th District
Lorie Zapf, 6th District
Scott Sherman, 7th District
David Alvarez, 8th District
Marti Emerald, 9th District

SDHC Board of Commissioners

Chairman of the Board Gary Gramling
Vice Chair Roberta Spoon
Khadija Basir
Ben Moraga
Allen Sims
Frank Urtasun
James T. Waring

SDHC President & CEO

Richard C. Gentry

Visit SDHC website at: **www.SDHC.org**

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SDHC Headquarters

The San Diego Housing Commission's (SDHC) Popular Annual Financial Report (PAFR) for the fiscal year that ended on June 30, 2013, was prepared by the Financial Services Department to provide readers an easy-to-understand summary of SDHC's financial activities.

This report provides a condensed presentation of SDHC's significant financial highlights for fiscal year 2013. The Comprehensive Annual Financial Report (CAFR) is the source of the data for this summary report. The CAFR is a more detailed financial report audited by CohnReznick, LLP and fully conforms to Generally Accepted Accounting Principles (GAAP). The CAFR is available on SDHC's website at:

www.sdhc.org/SDHCBudget/

SDHC welcomes any questions or comments on any of the information provided in this report. Requests for additional information should be addressed to Nicole DeBerg, Chief Financial Officer and Vice President of Financial Services, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

SDHC is a state-chartered government entity. It was created by the City of San Diego (City), on April 23, 1979, in accordance with the Housing Authority Law of the State of California.

SDHC Board of Commissioners

SDHC is an affordable housing developer, a lender and a rental assistance provider through the federal Housing Choice Voucher Program (HCV) (Section 8), which serves more than 14,000 low-income households. SDHC also plays a major role in addressing homelessness in the City of San Diego.

SDHC is governed by the Housing Authority of the City of San Diego (Housing Authority). Composed of the nine members of the San Diego City Council, the Housing Authority has final authority over SDHC's budget and major policy decisions.

A seven-member Board of Commissioners, appointed by the Mayor and confirmed by the City Council, oversees SDHC operations. Two commissioners must be residents of assisted housing, and one of the resident commissioners must be age 62 or older.

SDHC's Core Values: Respect, Integrity, Collaboration and Excellence

Mission: We are committed to providing quality housing opportunities to improve the lives of those in need.

Vision: An affordable home for every San Diegan

Strategic Business Goals:

Five goals make up the Business Plan, which is developed by SDHC's Board of Commissioners, management team, and SDHC staff.

- Broaden SDHC's mission to provide affordable housing for a wider San Diego population, from assistance for the homeless to opportunities for workforce housing.
- Model effective application of private sector techniques in a public sector operation.
- Become a national model in initiating and implementing new, progressive ideas to address affordable housing needs across the country.
- Provide a positive customer experience through the seamless, efficient and professional delivery of our programs and services.
- Continue to be an employer of choice in the City of San Diego by offering professional development initiatives and treating staff members in a fair and equitable manner.

Established in 1979, SDHC is an award-winning public agency dedicated to preserving and increasing affordable housing within the City of San Diego.

PAFR Award

The Government Finance Officers Association of the United Stated and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report for the fiscal year ended June 30, 2012. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose content conforms to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SDHC has received the Popular Award for the last three consecutive years (fiscal years ended 2010-2012). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA.

The PAFR is available on our website at:

www.sdhc.org/SDHCBudget/

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

San Diego Housing Commission California

For its Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CAFR Award

SDHC's comprehensive annual financial reports (CAFR) for the years ended 2008-2012, from which information on pages 7-8 has been drawn were awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our CAFR continues to meet the Certificate of Achievement program requirements and we are submitting our CAFR for the current year to the GFOA.

Fiscal Year 2014 will offer many important challenges to SDHC. We will continue with a business approach to organization management, strategic thinking and entrepreneurial leadership. President & CEO Richard C. Gentry's goal is to expand SDHC's national influence as a leader in affordable housing development. SDHC continues to work on reducing homelessness and developing additional affordable housing for the City of San Diego.

The majority of SDHC's programs depend on federal financial assistance from the U.S. Department of Housing and Urban Development (HUD) to continue operations. SDHC's largest funding source is grant income from HUD initiatives. In Fiscal Year 2013, SDHC received 81 percent of its total revenue from HUD, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial stability are greatly affected by the financial condition of the federal government and Congress's annual appropriation to HUD.

As such, SDHC is affected by the federal budget-balancing challenge now widely referred to as "sequestration." Sequestration is a policy adopted by Congress to deal with the federal budget deficit. It first appeared in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985. Sequestration is the cancellation of budgetary resources which results in an "automatic" form of spending cuts. Sequestration generates funding cuts to the nation's poverty programs and subsidized housing programs, such as public housing and the HCV Program, as well as many of the nation's homeless programs.

HUD has granted SDHC considerable flexibility in allocating its available funding by designating it as a MTW agency. Over the years, SDHC has managed its programs in a cost-effective and efficient manner, and consequently, has programmatic reserves available that have been used to prevent SDHC from thus far having to remove existing families from its programs.

There is an expectation that HUD grants for housing programs and program administration funding will continue to decrease in the years ahead. Through a combination of expense reduction and the prudent utilization of available programmatic resources, SDHC will be able to balance its budget for the upcoming fiscal year.

MTW plans are prepared and submitted to HUD on an annual basis. Each annual plan describes initiatives to be implemented over the next fiscal year, and the related reports give an accounting of activities put into action over the previous fiscal year. SDHC's fiscal year 2014 MTW plan was approved by HUD on August 6, 2013, and can be viewed at http://www.sdhc.org/Rental-Assistance.aspx?id=5424. As HUD's fiscal year runs from October to September annually, more information on HUD appropriations levels for SDHC's fiscal year 2015 will likely become available in the spring and summer of 2014.

The local economic conditions in the City of San Diego have improved over the past year. This is indicated by the increase in local housing market values, lower rental vacancies and higher rental rates. According to the San Diego County Apartment Association, the rental housing market in San Diego continues to remain low. The vacancy rate is 4.5 percent. Average rental rates increased to $1,330 in May 2013, compared to $1,232 12 months earlier.[1]

[1] R. Showley, Apartment Rents Up, Vacancies Steady, Survey Shows, http://www.utsandiego.com June 4, 2013

This trend results in low vacancy rates in SDHC-owned and operated units. On the other hand, low vacancy rates and higher rental costs could result in higher rental subsidy payments required on behalf of SDHC's HCV clients.

Other factors affecting housing needs in the City of San Diego are job growth, home foreclosures and homelessness. Foreclosure and short sales will continue to be part of the market realities for San Diego in the near future. However, local unemployment fell to 7.8 percent in July 2013 compared to 9.5 percent in July 2012[2]. Despite the fact that employment seems to be slowly recovering, homelessness is a continuing concern for SDHC. Although homelessness throughout San Diego County has decreased to 8,897 homeless persons, a decline of approximately 7.9 percent [3] from May 2012 to May 2013, the total homeless population still remains 4.5 percent higher than 2010.[4].

SDHC has committed more than 1,200 federal housing vouchers toward addressing homelessness in the City of San Diego.

The need for affordable housing in San Diego remains very high in comparison to the rest of the nation. The number of people served and the level of service SDHC provides are constrained only by the amount of resources available for those services.

With SDHC's Board-approved fiscal year 2014 budget of $304.3 million, SDHC will continue to strive towards providing the highest quality of services to low- an dmoderate-income San Diegans, delivered in a fiscally prudent manner.

Although the economic funding and development challenges previously discussed remain unresolved, the financial outlook for SDHC appears sound and we remain hopeful for a strong and affordable housing market for all of San Diego.

Nicole DeBerg
Vice President and Chief Financial Officer

[2] CA Employment Development Department, Unemployment Rate & Labor Force, http://www.labormarketinfo.edd.ca.gov

[3] 2013 WeALLCount Data & Results, http://www.rtfhsd.org

[4] Gary Warth, County's Homeless Population Drops, http://www.utsandiego.com, April 18, 2013

Statement of Net Position

The abbreviated ***Statement of Net Position*** presented in this report is a useful indicator of SDHC's financial position. In fiscal year 2013, SDHC's assets exceeded liabilities by $444.1 million, an increase of 5 percent from fiscal year 2012.

Total assets increased by $18.8 million. The increase is attributed to an increase in loans made as notes receivable. In addition, the $7.9 million increase in capital assets net of depreciation, is mostly due to the purchase of Park Crest Apartments.

Total liabilities decreased by $2.6 million, or 2 percent. This is primarily due to SDHC electing to pay down $1.5 million of the loan on the Smart Corner building. In addition, SDHC made payments on current debt.

Total net position increased a total of $21.4 million. Net investment in capital assets increased $0.5 million due to a $7.9 million increase in capital assets and $1.8 million decrease in notes payable, offset by spending $9.2 million of loan proceeds.

Restricted net position increased $9.0 million to $151.4 million. These funds are subjected to external restrictions on how they may be used.

Unrestricted net position increased $11.8 million to $237.3 million. This balance includes funds that will be spent for future years' contractual, grant and other obligations, funds invested in notes receivable, public housing funds, capital funds needed for future property maintenance and improvements, available FHA and Fannie Mae loan proceeds, funds reserved for future MTW program initiatives, and unrestricted funds available for operations and contingencies.

SDHC's total net position increased 5 percent due to a $21.4 million surplus generated during fiscal year 2013.

	June 30, 2013	June 30, 2012	Change %
ASSETS			
Current and other assets	$ 404,975	$ 394,128	3%
Capital assets net of depreciation	165,796	157,891	5%
Total assets	$ 570,771	$ 552,019	3%
LIABILITIES			
Current liabilities	$ 12,447	$ 13,039	-5%
Notes payable and non-current liabilities	114,270	116,285	-2%
Total liabilities	$ 126,717	$ 129,324	-2%
NET POSITION			
Net investment in capital assets	$ 55,291	$ 54,769	1%
Restricted	151,444	142,431	6%
Unrestricted	237,319	225,495	5%
Total net position	444,054	422,695	5%
Total liabilities and net	$ 570,771	$ 552,019	3%

Key Terms

Here are some definitions of accounting terms that will assist you throughout the financial section of the PAFR and CAFR reports:

Assets: What is owned by SDHC.
Liabilities: What SDHC owes.
Net position: The difference between SDHC's assets and liabilities. It is the net worth of SDHC.
Current and other assets: Cash, restricted cash and equivalents, investments, prepaid items, and accounts receivable.
Capital assets, net of depreciation: Land, building, building improvements, equipment, construction in progress and depreciation.
Current liabilities: Accounts payable, accrued payroll, compensated absences, notes payable and unearned income.
Notes payable and non-current liabilities: Long term notes payable obligations due in the future years.
Net investment in capital assets: Capital assets less accumulated depreciation and any outstanding debt related to acquiring these assets.
Restricted: Funds subject to various external restrictions.
Unrestricted: Funds available for SDHC to use for operations.

Statement of Revenue, Expenses and change in Net Position

The abbreviated ***Statement of Revenue, Expenses and change in Net Position*** accounts for all of SDHC's revenue and expenses and reports the difference between the two as the change in net position. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's credit worthiness and its ability to successfully recover all its costs through grants, tenant charges and other income.

Operating revenues increased by $1.5 million in fiscal year 2013, in part due to an increase in program income and rental income from Park Crest Apartments, which was acquired on October 10, 2012.

Operating expenditures increased by $4.3 million, in part due to increases in property maintenance expenses, housing assistance payments and the expansion of the SDHC internal infrastructure and enterprise resources systems.

Other non-operating income and expenses, net, increased $6.2 million in fiscal year 2013. This is primarily due to a $3.9 million increase in federal HOME program revenue and a $2.4 million increase in Affordable Housing Trust funds

This year's overall surplus of $21.4 million represents a $3.2 million increase, or 17 percent from fiscal year 2012.

	June 30, 2013	June 30, 2012	Change %
Operating revenues			
Dwelling rental income	$ 25,670	$ 25,083	2%
Land lease and other rental income	2,023	1,892	7%
Fee revenue	2,030	1,886	8%
Other revenue	1,927	1,292	49%
Total Operating revenues	31,650	30,153	5%
Operating expenses	197,181	192,868	2%
Deficit before depreciation and other non-operating income and expenses	(165,531)	(162,715)	2%
Depreciation	4,113	3,920	5%
Deficit before other non-operating income and expense	(169,644)	(166,635)	2%
Other non-operating income and expenses, net	191,003	184,815	3%
Change in net position	$ 21,359	$ 18,180	17%

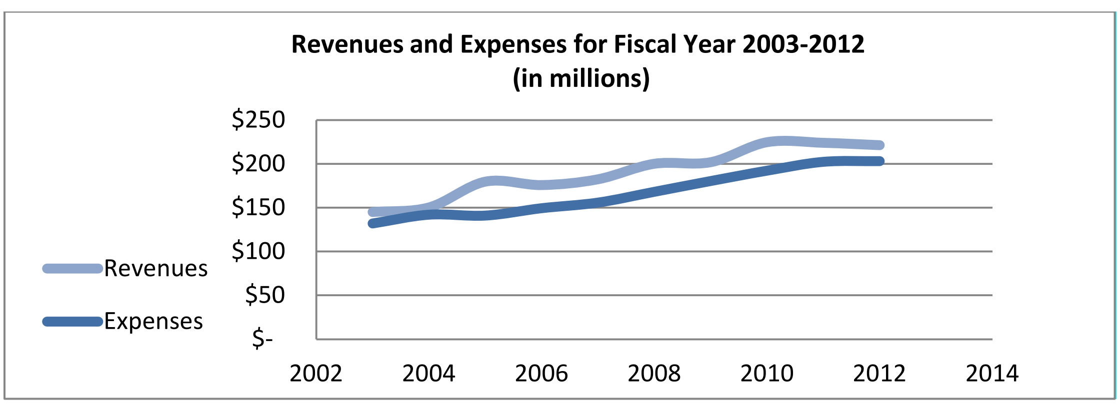
Additional Key Terms

Operating Revenues: Dwelling rent, commercial rent, land leases, management fees and other fees.

Non-Operating Revenues: Grant revenues from state, local and federal agencies and interest income.

Operating Expenses: Expenses related to operations and supportive services to assist SDHC in performing its functions.

Change in Net Position: The total revenue earned less total expenses.



Investments

SDHC invests idle funds in accordance within the provisions of U.S. Department of Housing & Urban Development (HUD) Notice PIH 96-33 and California Government Code Sections 5922 and 53601. SDHC's approved Investment Policy contains provisions concerning the Standard of Care that include Prudence, Ethics, Conflict of Interest and Delegation of Authority.

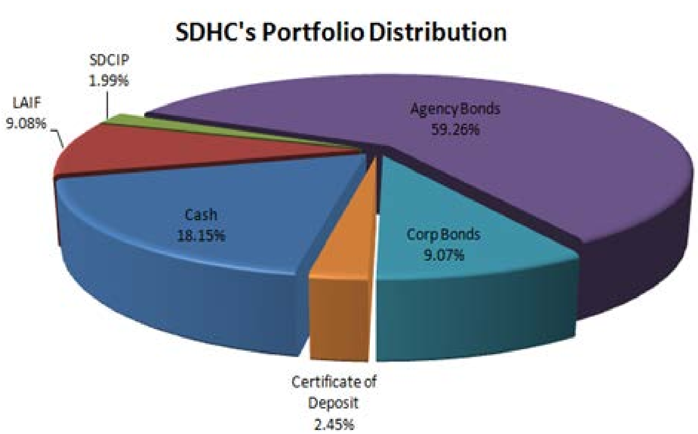
The overriding investment strategy of SDHC's investment portfolio is to protect the principle investment. Second to safety of principle is liquidity of investments to meet anticipated cash flow needs. Subordinate to both safety and liquidity is yield. This principle of Safety, Liquidity then Yield, known as SLY, is the overriding principle used to evaluate each investment and the portfolio as a whole.

Portfolio Overall Position

Market Value in Millions			
	6/30/2012	6/30/2013	Variance
Cash	$12.27	$21.80	$9.53
LAIF	9.89	10.91	1.02
SDCIP	22.33	2.39	(19.94)
Agency Bonds	70.04	71.17	1.13
Corp Bonds	10.99	10.89	(0.10)
Certificate of Deposits	0	2.94	2.94
Bankers Acceptance	1.12	0	(1.12)
Total	$126.64	$120.10	($6.54)

The total funds invested on June 30, 2013, decreased by 5.16 percent from the previous year. Virtually all of the decrease is from the use of proceeds from debt financing activities to acquire additional local affordable housing. Funds obtained from debt financing are expected to be expended within the next year and therefore reside in liquid investment such as the State of California's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP).

The blended rate of return at year-end was 1.13 percent. This is down slightly from the prior year-ending blended rate of 1.19 percent but significantly higher than the two year Treasury benchmark of 0.36 percent. Investment returns remain low despite the Federal Reserve's efforts to stimulate economic growth through monetary policies such as purchasing longer-term bonds (Quantitative Easing) and pledging to keep its benchmark interest rate at record lows. This has created additional demand for fixed income securities. The added demand continues to lift bond prices, pushing yields lower on all asset classes in the portfolio.



SDHC's investment portfolio is presented in detail to the Board- appointed Investment Committee on a quarterly basis. After each Investment Committee meeting, the report is officially sent to the SDHC Board as an informational report and posted on SDHC website. Further investment detail from the September 3013 report can be view at http://www.sdhc.org/HCR13068InvestmentReportQ4FY2013ALL.aspx

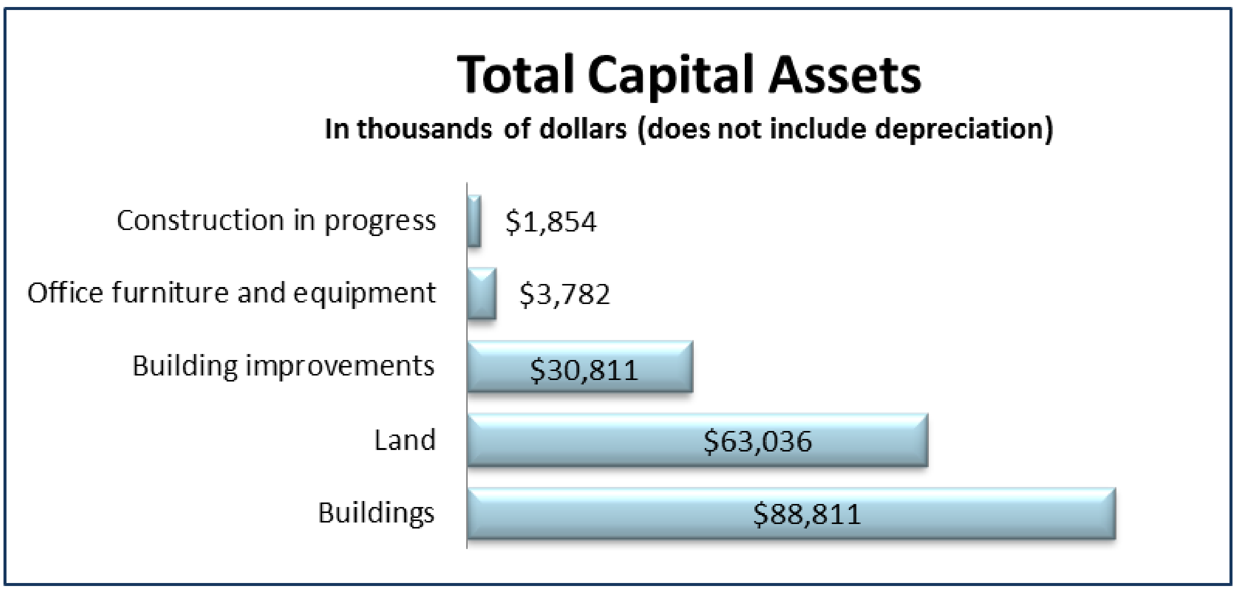
Capital Assets

At the end of fiscal year 2013, SDHC had nearly $165.8 million (net of depreciation) invested in capital assets, including office furniture and equipment, construction in progress, land, building and building improvements. This was an increase of $7.9 million, or 5 percent from the previous year. The majority of SDHC's investment in capital assets is composed of ownership of land, affordable housing stock, the Smart Corner office building, and construction-in-progress that represents rehabilitation projects underway.

The increase in total capital assets is primarily related to the purchase of Park Crest Apartments on October 10, 2012. The complex consists of 71 units located on a 0.652 acre site. This resulted in an addition of land in the amount of $2.5 million and buildings of $4.1 million

The increase in building improvements is primarily related to the completion of prior-year construction projects. The improvements completed in fiscal year 2013 included $4.2 million for Hotel Sandford; $3.5 million for Parker-Kier and $3.0 million for Picador. In addition, there were $2.3 million in building improvements for the Maya Apartments, all done in fiscal year 2013.

Depreciation expense for the fiscal year that ended on June 30, 2013 was $4,058,829.



September 10, 2012, marked the fifth anniversary of SDHC receiving HUD approval to transition out of the Public Housing Program and assume full ownership and operating authority for 1,366 units at 137 sites.

On September 11, 2009, an innovative Finance Plan to tap into the equity from this new portfolio to generate additional housing was approved unanimously by SDHC's Board of Commissioners. It subsequently was approved by the Housing Authority.

SDHC raised $95.3 million in total loan proceeds and created 810 additional affordable rental housing units that will remain affordable for 55 years or more. SDHC exceeded the terms of the HUD agreement, which called for 350 additional units.

To generate the $95.3 million of loan proceeds, 33 of SDHC's larger properties were leveraged with three loans from Fannie Mae under the conventional multifamily loan program, generating $37.1 million in loan proceeds. These loans closed in December 2009. Another portion of SDHC's portfolio, 44 properties, was leveraged under the Federal Housing Administration's (FHA) 223(f) program and generated $58.2 million in loan proceeds. Two of the FHA loans closed in August 2010 and one in September 2010. The loans were obtained by grouping the properties into six SDHC wholly owned Limited Liability Companies (LLCs). The LLCs were primarily based on property location. All of the LLCs' loans are non-recourse obligations of SDHC.

Hotel Sandford – SDHC Owned
129 Affordable Units and 1 Manager Unit
Rededication – 10.30.13

As a result of its entrepreneurial real estate finance strategy, SDHC rescued a foreclosed property, preserved senior housing, built multifamily developments that reduce energy costs, and renovated aging properties. Utilizing these loan proceeds, SDHC purchased three properties and another one in partnership with a government entity:

- Hotel Sandford, 129 affordable units and a manager's unit, $6.46 million, closed March 2010
- Courtyard Apartments, 37 affordable units, $7.85 million, closed September 2010
- Mariner's Village, 171 affordable units and a manager's unit, $34.8 million, closed October 2010
- Park Crest Apartments, 70 affordable units and a manager's unit, $8.91 million, closed September 2012

These properties will serve families with incomes at 80 percent of the San Diego Area Median Income (AMI) or less.

SDHC also invested in six public-private partnerships, in which SDHC purchased the land and provided a loan and ground lease to the developer.

- Arbor Village, 111 affordable units and a manager's unit, $7.98 million, March 2010
- Riverwalk Apartments, 49 affordable units and a manager's unit, $4.52 million, closed March 2010
- Vista Grande Apartments, 48 affordable units and a manager's unit, $3.85 million, closed October 2010
- Estrella del Mercado Apartments, 91 affordable units and a manager's unit, $7.1 million, closed March 2011
- Mission Apartments, 84 affordable units and a manager's unit, $6 million, closed May 2011
- Park Terramar Apartments, 20 affordable units and a manager's unit, $2.15 million, closed July 2011

These properties will serve families with incomes at 60 percent of the San Diego AMI or less.

Estrella del Mercado Apartments
Completed — 10.19.12
In Partnership: Chelsea Investment Corporation and the former City of San Diego Redevelopment Agency

Vista Grande Apartments
Completed — 9.29.11
In Partnership: Wakeland Housing & Development Corporation

In 2009, SDHC's Board of Commissioners and the Housing Authority approved the Finance Plan for Acquisition of New Affordable Housing Units. The Finance Plan was created to structure and monitor the usage of equity from a portion of SDHC's real estate portfolio for the purpose of acquiring additional affordable housing in the San Diego area. As outlined in the Letter of Transmittal, SDHC leveraged 33 properties in fiscal year 2010, with three Fannie Mae loans generating $37.1 million. In fiscal year 2011, SDHC leveraged an additional 44 properties under the FHA's 223(f) program and received three additional loans for $58.2 million. This resulted in a total borrowing amount for the LLCs of $95.3 million.

SDHC also utilized the Build American Bonds (BABs) program that was offered by the Federal government. The BABs program provides a 35 percent interest rebate, for the life of the loan, of the interest paid on debt used by a municipality to construct, acquire, or rehabilitate facilities or other qualified capital expenditures. The Belden SDHC FNMA LLC, the Northern SDHC FHA LLC and the Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC has received $815,646 in fiscal year 2013 BABs subsidy payments.

SDHC has created or preserved 810 new units of affordable housing for a total investment of $88.276 million as listed below. These acquisitions include to-be-constructed properties as well as the acquisition and rehabilitation of existing properties.

Partnerships	**# of Affordable Units**	**Investment**		**Closing Date**
Riverwalk Apartmnets	49	$	4,475	04/2010
Arbor Village Apartments	111		7,900	04/2010
Vista Grande Apartments	48		3,812	10/2010
Estrella de Mercado	91		7,000	03/2011
Mission Apartments	84		6,000	05/2011
Park Terramar	20		2,150	07/2011
Sub-total	**403**	**$**	**31,337**	
Publicly Owned				
Hotel Sandford	129	$	6,095	03/2010
Mariner's Village Apartments	171		34,331	10/2010
Courtyard Apartments	37		7,686	09/2010
Park Crest	70		8,827	10/2012
Sub-total	**407**	**$**	**56,939**	
Total	**810**	**$**	**88,276**	

Housing Development Partners of San Diego

Beginning with fiscal year 2012, SDHC included the consolidated financial statements of its nonprofit affiliate, Housing Development Partners (HDP), as a discretely presented component unit. They are reported in a separate column in the financial statements to emphasize they are legally separate from SDHC. The consolidated financial statements of HDP include HDP, HDP Mason Corporation, Casa Colina LP, Logan Development II, LP and Logan Development Management. Intercompany transactions have been eliminated.

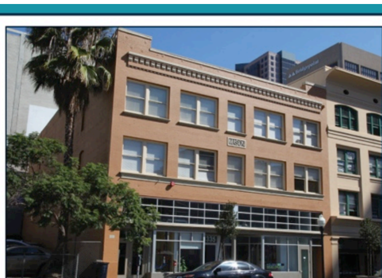
The abbreviated financial statements are for the period ending December 31, 2012, and are presented in thousands of dollars.

HDP's mission is to preserve and increase affordable housing opportunities for low- and moderate-income San Diegans. HDP strives for housing that is functional, financially practical, environmentally sustainable and compatible with its surroundings. Its portfolio includes buildings specially designed for seniors, families, workers and tenants with needs.

HDP had developed 789 apartments, townhomes and single-occupancy units.

ASSETS	
Current and other assets	$ 3,834
Capital assets net of depreciation	14,214
Total assets	18,048
LIABILITIES	
Current liabilities	1,418
Notes Payable and non-current liabilities	14,674
Total liabilities	16,092
NET ASSETS	
Unrestricted	1,956
Total liabilities and net assets	$ 18,048

OPERATING REVENUES	
Dwelling rental income	$ 1,595
Fee revenue	66
Other revenue	70
Total Operating revenues	1,731
OPERATING EXPENSES	1,493
Deficit before depreciation and other non-operating income and expenses	238
Depreciation	356
Deficit before other non-operating income and expense	(118)
Other non-operating income and expenses, net	(453)
Change in net assets before capital transactions	(571)
Capital distributions	384
Change in net assets	$ (187)



The Mason

Casa Colina del Sol

Island Village Apartments

Federal Funds

With a total budget of $304.3 million and 273 employees, SDHC fuels the region's economy by expanding the supply of affordable housing and overseeing programs that help approximately 125,000 San Diegans annually. For more information on our major federally funded programs, the annual single audit report can be viewed at http://www.sdhc.org/SDHCBudget/

SDHC's Rental Assistance Division (RAD) administers SDHC's largest program, the federally funded **HCV Program,** which provides rental assistance to more than 14,000 low-income families in the City of San Diego. RAD also provides opportunities to help HCV participants and public housing residents become more financially self-reliant.

With SDHC's **MTW** designation, RAD has recently engaged in significant administrative streamlining projects and has created new programs and partnerships. Some of the innovative activities undertaken include: the **Choice Communities Program**, **Sponsor-Based Housing Voucher Program, Project-Based Housing Voucher Program**, and **Path to Success.**

SDHC also administers HUD-**Veterans Affairs Supportive Housing (VASH) Vouchers**, which help homeless veterans rebuild their lives. HUD has awarded 620 VASH vouchers, with an estimated annual value of $5,843,500, to SDHC.

Another innovative initiative made possible with MTW status is the **SDHC Achievement Academy**, a 9,600-square-foot, state-of-the-art learning and skills center and computer lab available at no charge to HCV families and SDHC public housing residents. The SDHC Achievement Academy emphasizes career planning, job skills and personal financial education.

In addition, the **Housing Innovations Department** supports initiatives designed to prevent or reduce homelessness in the City of San Diego. Populations served include chronically homeless individuals, families, veterans, and seniors. SDHC administers the City's Homeless Emergency Winter Shelter programs. **The Single Adult Shelter** provides 220 beds and is operated by Alpha Project for the Homeless. **The Veterans Shelter** provides 150 beds and is operated by Veteran's Village of San Diego. SDHC also administers the City's family shelter program, Cortez Hill Family Center, which assists about 45 homeless families per night, and Neil Good Day Center, which provides case management, medical and counseling services, legal assistance, a computer lab, free storage for belongings and additional assistance to homeless San Diegans.

The **HOME** Program was created under Title II (the Home Investment Partnerships Act) of the National Affordable Housing Act of 1990 to provide decent, safe, and affordable housing for all Americans and to alleviate the problems of excessive rent burdens, homelessness and deteriorating housing stock nationwide. HOME funds a broad range of activities, including new construction, rehabilitation and acquisition of standard housing, assistance to new homebuyers, and tenant-based rental assistance.

SDHC is one of 39 MTW agencies designated by HUD. This designation allows SDHC certain regulatory exemptions from the HCV and Public Housing programs. It permits SDHC to combine operating, capital and rental assistance funds. This provides flexibility to create and test innovative programs that address San Diego's unique housing needs and to further assist our more than 14,000 HCV households. SDHC's MTW operating budget in FY 2013 was $199,939,670.

The three statutory objectives for MTW are: Reduce administrative costs to more efficiently allocate federal funds; provide incentives for low-income families to become self-sufficient; and Increase housing choices for low-income families and address homelessness. Examples of MTW initativesimplemented by SDHC are:

- **Choice Communities**. Nearly 180 low-income families in the City of San Diego have been able to move to areas with better transportation, schools and employment opportunities. This MTW program helps HCV participants move to low-poverty neighborhoods in the City of San Diego and allows participating families to increase the percentage of monthly adjusted income they pay toward rent so they can move to these communities of enhanced opportunities.

- **The Sponsor-Based Housing Voucher Program**. On July 1, 2010, SDHC became one of the first housing agencies in the nation to receive approval from HUD to direct federal Sponsor-Based Housing Vouchers to make housing available for homeless San Diegans. SDHC awards Sponsor-Based Housing Vouchers to a nonprofit organization, or sponsor, that provides supportive services to homeless San Diegans. SDHC has committed 347 Sponsor-Based Housing Vouchers with an estimated annual value of $2,481,744 to this important effort.

- **Project-Based Housing Voucher Program**. SDHC also awards Project-Based Housing Vouchers to help address homelessness in the City of San Diego and support housing for low-income San Diegans. Project-Based Housing Vouchers link rental assistance to a specific housing program, including transitional housing. SDHC has committed 233 Project-Based Housing Vouchers with an estimated annual value of $1,966,753 to address homelessness.

- SDHC's **Graduation Incentive Program**. This program encourages families to pursue and complete higher education by offering a monetary award upon graduation from an eligible institution of higher learning.

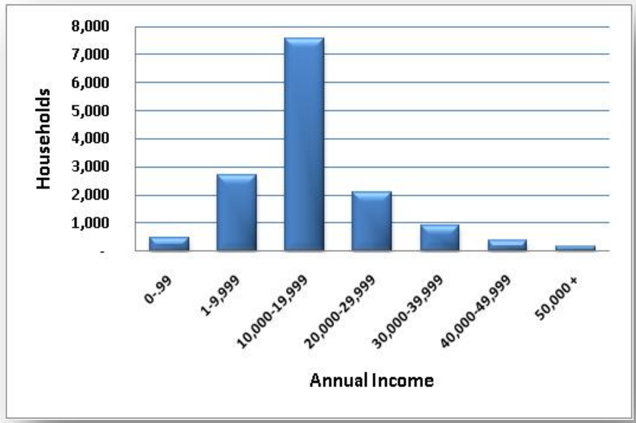
- **Path to Success.** Implemented on July 1, 2013, Path to sets minimum monthly rent payment amounts for HCV and public housing participants who are able to work (Work-Able). The minimum monthly rent payment amounts are based on California's minimum wage standards. As this Work-Able population contributes more toward their rents, SDHC will be able to expand the program and provide more HCV assistance to others on the waiting list. SDHC will guide Work-Able families to become more financially self-reliant through enrollment at the SDHC Achievement Academy.

HCV Program

Funded by HUD and managed by SDHC’s RAD, the HCV Program serves more than 14,000 extremely and very low-income San Diego individuals and families. With fiscal year 2013 funding of $199.9 million, HCV is SDHC’s largest program.

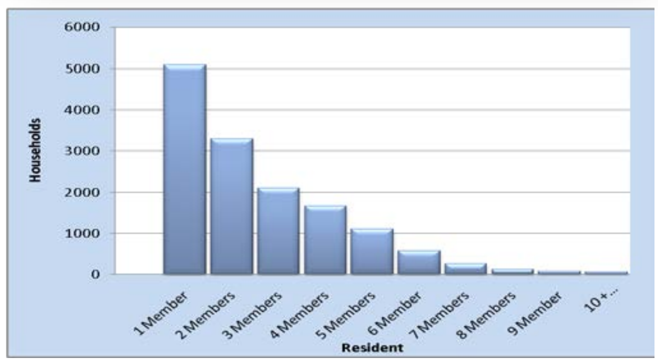
Income per HCV Household

- 52.9 percent of Housing Choice Voucher program recipients’ income is between $10,000 and $19,999.



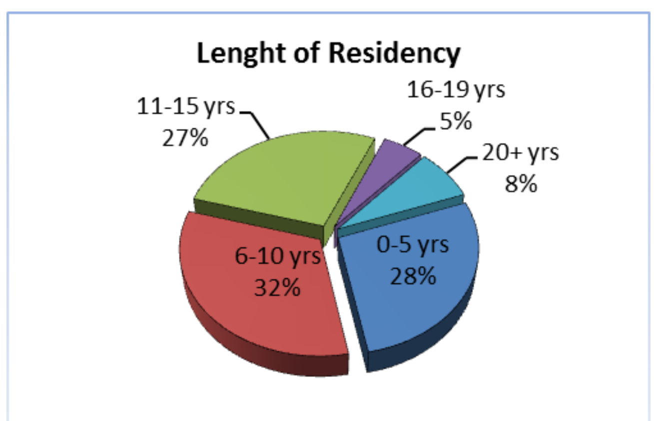
Resident Members per Household

- 5,091 (35.49 percent) of 14,345 households are single-member households.
- Second- and third-largest groups are two-member households, 3,284 (22.89 percent), and three-member households, 2,101 (14.65 percent).



Years in HCV Program

- 4,230 HCV residents have been in the program 6-10 years.
- 4078 have been in the program from 11-15 years.
- 3,368 have been in the program from 0-5 years.



SAN DIEGO HOUSING COMMISSION

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