



**Statement by
SDHC President & CEO Richard C. Gentry
Calling for a Correction to Factually Inaccurate
News Article on SDHC Performance Audit**

I have asked *The San Diego Union-Tribune* to publish a correction to a story that misrepresents the recommendations of a performance audit of SDHC by the City of San Diego's Office of the City Auditor.

The article, published September 15, stated incorrectly that SDHC "failed to collect millions of dollars from builders who borrow public money to develop low-income apartments."

The City Auditor's report did not state that SDHC "failed" to collect funds. SDHC continues to collect all of the loan payments that are due under the terms of its contracts with affordable rental housing developers.

The auditor's report cited 10 of the highest outstanding loans from SDHC to developers. In seven of those 10 loans, there was no cash available to pay the interest that accrued in the applicable year. The interest is still due to SDHC. SDHC hasn't forgiven the interest. The accrued but unpaid interest has not been lost. In any year in which cash flow exists in the project, it will be paid to SDHC.

Had the reporter contacted SDHC, I would have explained to him that, in fact, no payments were required to be made on these loans, based on the terms of the contracts with the affordable housing developers, which vary among developments.

The auditor's report acknowledged that "If residual receipts are zero or negative, no payment is required but interest accrues and developers can make a balloon payment at loan maturity."

The City Auditor's Finding #3, and related recommendations – on which the factually incorrect story was based – recommends enhancements to SDHC's current loan servicing procedures.

Clearly, SDHC did fulfill its responsibilities with all 10 loans, each of which is in compliance with the terms of its financial obligations to SDHC.

In addition, developers regularly employ certified public accountants to submit their cash flow calculations, and SDHC staff currently reviews developers' documents regarding the calculations.

It is important that the public understand that SDHC is fulfilling its responsibilities. The *San Diego Union-Tribune* article misinforms the public, and needs to be corrected.

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