



October 1, 2016

Newspaper Publishes Correction Requested by SDHC

October 1, 2016 - The San Diego Union-Tribune correction:

“A story on Page B1 on Sept. 15 incorrectly reported the findings of a report by San Diego City Auditor Eduardo Luna about loans to developers from the San Diego Housing Commission. The report found flaws in the way the commission was reconciling financial information submitted by developers. There was no finding that the agency failed to collect interest that was due.”

Issued September 15, 2016

Union-Tribune Article Factually Incorrect

**By Richard C. Gentry
President & Chief Executive Officer
San Diego Housing Commission**

The [San Diego Union-Tribune's September 15, 2016, article by Jeff McDonald](#) was factually wrong in its claim that the San Diego Housing Commission (SDHC) failed to collect millions of dollars in interest from multifamily affordable rental housing developers. This statement is false.

In fact, SDHC continues to collect all of the loan payments that are due under the terms of its contracts with affordable rental housing developers.

Had Mr. MacDonald called SDHC, he would have known that there was no cash available in seven of the 10 highest outstanding loans to pay the interest that accrued in the applicable year. In fact, 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.

These types of residual receipts loans are common in the affordable housing industry. The Office of the City Auditor acknowledged these facts in its report on its performance audit of SDHC, which was the basis for the Union-Tribune's article.

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

Exhibit 10 of the Office of the City Auditor's report identifies 10 SDHC loans. For seven of these 10 loans, SDHC had not received payments as of June 30, 2015. Payments were not collected because the development had no cash flow or the deferred developer fee was required to be paid before payments would be made to SDHC.

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. And SDHC would have appreciated the opportunity to discuss the auditor's report with Mr. McDonald.