



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission

A Component Unit of the City of San Diego

Popular Annual Financial Report

Fiscal Year Ended June 30, 2018

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
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, 2018, 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 2018 (July 1, 2017 – June 30, 2018). 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/about-us/budget-finance

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

Who We Are



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 is one of only 39 public housing authorities nationwide, out of 3,400, to receive the Moving to Work (MTW) designation from HUD. In addition, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of low-income and homeless San Diegans.



SDHC Board of Commissioners

SDHC administers a variety of federally funded affordable housing programs and services, including the Section 8 Housing Choice Voucher Program, which provides rental assistance to more than 15,400 low-income families in the City of San Diego.

SDHC's Rental Assistance Division manages the program and is dedicated to assisting families with supportive services and individualized case management to encourage economic independence.

SDHC is also an affordable housing developer, a lender, and plays a major role in the City of San Diego's efforts to address homelessness through its **HOUSING FIRST – SAN DIEGO** homelessness action plan (covering fiscal years 2018 – 2020), and by administering the City's Homeless Shelters and Services programs.

SDHC is governed by the San Diego City Council, sitting as the Housing Authority of the City of San Diego (Housing Authority).

SDHC President & CEO Richard C. Gentry is the Executive Director of the Housing Authority.

The Housing Authority has final authority over SDHC's budget and major policy decisions. Housing Authority approval is required for amending the annual budget for amounts in excess of \$500,000.

A seven-member Board of Commissioners oversees SDHC's operations and makes recommendations to the Housing Authority. The Mayor appoints Commissioners, who are confirmed by the San Diego City Council.

The Board reviews proposed changes to housing policy, property acquisitions and other financial commitments. The Board offers policy guidance to SDHC staff through its communications with the agency's President & CEO.

SDHC Mission Statement

Provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and provide opportunities to improve the quality of life for the families that SDHC serves.



SDHC Strategic Plan 2016 - 2020

SDHC developed the 2016-2020 Strategic Plan, an agency-wide, four-year Strategic Plan, which the Board approved on September 9, 2016.

This Strategic Plan builds upon the accomplishments of SDHC's 2014-2016 Strategic Plan, and ensures that SDHC operates efficiently; shares its voice through advocacy at the forefront of national, state, and local decision-making; and meets the needs of as many low-income and homeless families as possible.

SDHC's 2016-2020 Strategic Plan identifies three major Goals, which include metrics to monitor progress:

1. Maximize resources through operational efficiencies and technological innovations;
2. Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego; and
3. Advocate for more effective affordable housing policies and resources.

SDHC Strategic Plan – Accomplishments

1. Maximize resources through operational efficiencies and technological innovations

Wait List Portal – SDHC launched a new Rental Assistance Wait List Portal on August 28, 2017. The portal allows rental assistance applicants to submit new applications or update their information, and to check their wait list status from anywhere they have Internet access. Approximately 80,000 households in the City of San Diego are on the wait list for rental assistance. The average wait to obtain a housing voucher from SDHC is approximately 10 to 12 years.

Employee Development Plan – SDHC implemented a robust Employee Development Plan during Fiscal Year 2018 to ensure business continuity and employee professional growth. The plan was developed with input from employee focus groups, interviews with management, and an employee survey.

SDHC Website Redesign – Throughout Fiscal Year 2018, SDHC developed a redesigned agency website that launched on July 2, 2018. This is the first comprehensive redesign of SDHC's website in close to 10 years. The new website is easier to navigate, more visually appealing, responsive to different mobile devices, and clearly communicates the agency's mission. Feature highlights of the new website are:

- Accessibility tool to help individuals with disabilities more effectively access the information available online;
- Google Translate for visitors to select the language they would like to use for the website;
- "Let's Get You There" search function to help the public identify the information they want based on general subject areas;
- List of affordable housing developments currently pending construction and contact information;
- Maps, searchable by ZIP Code, that identify affordable rental housing throughout the City of San Diego;

Green Physical Needs Assessment (GPNA) – In Fiscal Year 2018, SDHC completed \$8.7 million in capital improvements at 90 of the 154 properties that it owns. These renovations were identified through a GPNA previously conducted on a sample of 10-20 percent of the affordable housing units at each of SDHC's rental FY 2018 Popular Annual Financial Report



properties. The renovations included new roofs, windows, kitchen and bathroom cabinets, exterior paint, plumbing line replacement and site lighting improvements. These renovations benefitted more than 2,100 residents.

2. Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego

Creating and Preserving Affordable Housing – As part of its 2016-2020 Strategic Plan, SDHC set an objective to create 2,000 units of mixed-income and affordable housing – approximately 500 units per year.

HOUSING FIRST – SAN DIEGO

The new programs of HOUSING FIRST – SAN DIEGO, SDHC’s homelessness action plan, were presented to the SDHC Board of Commissioners at an informational workshop. These new programs, which launched on July 1, 2017, will create permanent housing opportunities over three fiscal years (2018-2020) for at least 3,000 San Diegans currently experiencing homelessness or at risk of experiencing homelessness. Beginning in Fiscal Year 2018, SDHC will direct \$79.7 million in federal, City of San Diego and SDHC resources over three fiscal years (2018 – 2020) to six programs:

- Landlord Engagement and Assistance Program (LEAP)
- New Permanent Supportive Housing;
- SDHC Moving Home Rapid Rehousing Assistance;
- SDHC Moving On Rental Assistance;
- Homeless Prevention & Diversion; and
- Coordinated Outreach.

In Fiscal Year 2018, HOUSING FIRST – SAN DIEGO: 2018-2020 created more than 2,000 housing opportunities for individuals and families who were at risk of or experiencing homelessness.

The above initiatives build on the accomplishments of the first three years of HOUSING FIRST – SAN DIEGO, which was launched on November 12, 2014, and is on target to impact the lives of close to 3,000 homeless San Diegans-Veterans, families and individuals in the City of San Diego – which far exceeds the initial goal of 1,500 San Diegans experiencing homelessness. Also in Fiscal Year 2018, SDHC reached the goal of its Housing Our Heroes initiative to provide housing opportunities for 1,000 Veterans experiencing homelessness in the City of San Diego. More than 430 individual landlords participated in the Housing Our Heroes initiative.

3. Advocate for more effective affordable housing policies and resources

One notable accomplishment occurred on October 14, 2017, when Governor Edmund G. “Jerry” Brown also signed into law Assembly Bill 1637, on which SDHC worked together with the City of San Diego and Assembly member Todd Gloria. Known as the “Missing Middle Housing Act,” AB 1637 allows public housing authorities in the City of San Diego and the County of Santa Clara to make loans to developers of mixed-income developments if:

- 40 percent of the units are affordable to low-income households (up to 80 percent of Area Median Income); and
- At least 10 percent of the units are affordable to middle-income households (up to 150 percent of Area Median Income)



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

Popular Annual Financial Reporting Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report (PAFR) for the fiscal year that ended on June 30, 2017. 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.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform 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 a Popular Award for the last eight consecutive years (fiscal years ended 2010-2017). SDHC believes this current report continues to conform to the Popular Annual Financial Reporting requirements, and SDHC is submitting it to GFOA.

The PAFR is available on SDHC's website:

www.sdhc.org/about-us/budget-finance



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, 2017

Christopher P. Morill
Executive Director/CEO

Comprehensive Annual Financial Report Award

SDHC's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended 2008-2017, from which information on pages 9-10 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.

To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. SDHC believes its CAFR continues to conform to the Certificate of Achievement program requirements, and SDHC will be submitting its CAFR for the Fiscal Year 2018 to the GFOA.



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. In fiscal year 2018, SDHC received 72% of its revenue from HUD, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2018 and will have a balanced budget in fiscal year 2019.

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2018 MTW Plan on June 27, 2017. HUD's fiscal year runs from October to September. HUD approved the 2019 MTW Plan on August 16, 2018. The plans can be viewed at <https://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>

San Diego county's unemployment rate declined 0.9% compared to a year ago (3.5% versus 4.4%), whereas the nation's unemployment rate declined only 0.5% compared to a year ago (4.1% versus 4.6%)¹. According to the San Diego Regional EDC, San Diego is known as being one of the nation's leading high-tech hubs wherein its innovation economy (encompassing life sciences, cleantech, software industries and the like) continues to foster jobs creation. There has also been an increase in the working-aged population in San Diego which should further facilitate jobs recovery in 2019².

While San Diego's unemployment rate remains below the nation's average and its average weekly wages was \$112 more than the nation's, costs related to all items, energy and housing remain higher than the nation's¹. The price paid by San Diegans for all items and energy was 3.6% and 14.9%, respectively, whereas the price paid by the nation, for all items and energy was 2.9% and 12.1%, respectively¹. The median home value in San Diego is \$623,000 (6.5% increase from last year), the median home sales price is \$699,000 and the median rent price is \$2,750³. The median home value for the United States is \$218,000, the median home sales price is \$278,900 and the median rent price is \$1,695⁴.

The high cost of living and affordability of homes continues to be a challenge in San Diego, with San Diego's homeownership percentage declining to 52.6% (at calendar Q1 2018), from 57.9% (at calendar Q1 2017) and it is not anticipated that homeownership rates will rise over the next year due to the continued rise of home prices and rising mortgage rates⁵. Because of the decline in homeownership and the demand shift from suburban living to city dwelling, there is an increase demand for rental housing. With only 6,400 construction starts for multi-family housing as of December 2017, rental housing inventory remains low and rents continue to rise⁶. According to RENTCafe, San Diego was the 5th largest city to have the most significant year-over-year rent change in August 2018.

¹ Bureau of Labor and Statistics, August 29, 2018 Update

² ft Journal Staff, San Diego County Employment Chart Update 06/08/18, ft Journal

³ <https://www.zillow.com/san-diego-ca/home-values>, July 31, 2018

⁴ <https://www.zillow.com/home-values>, July 31, 2018

⁵ ft Journal Staff, San Diego County Home Prices Continue to Rise Chart Update 06/08/18, ft Journal

⁶ ft Journal Staff, San Diego County Homeownership Chart Update 06/08/18, ft Journal

Chief Financial Officer's Message



Because of the continued need for affordable housing and the high rate of homelessness in the city (8,576 per the Regional Task Force on the Homeless' 2018 count), SDHC remains committed to creating and preserving affordable housing and as such on September 4, 2018, announced that up to \$50 million (administered by SDHC) is now available to help fund the construction of new affordable rental housing, including units for San Diegans experiencing homelessness, or to rehabilitate and preserve existing affordable housing in the City of San Diego. The \$50 million is comprised of three Notices of Funding Availability:

- Up to \$20 million to create affordable rental housing with supportive services for San Diegans experiencing homelessness. These funds are part of the current phase of HOUSING FIRST – SAN DIEGO. This NOFA also includes 525 federal rental housing vouchers committed by SDHC to provide rental assistance for San Diegans experiencing homelessness.
- Up to \$20 million to create affordable rental housing for low-income San Diegans; and
- Up to \$10 million to rehabilitate affordable rental housing units and/or extend their affordability.

In addition, through the execution of SDHC's 2019 budget of \$388 million, SDHC plans to continue to demonstrate the prudent and responsible management of SDHC's financial resources to help those in need with a high level of service for SDHC's clients.

Tracey McDermott
Senior Vice President and Chief Financial Officer



Kwanzaa with her daughter and son

Federal Section 8 Housing Choice Voucher rental assistance participants



Statement of Net Position

The abbreviated **Statement of Net Position** presented in this report (in thousands) is a useful indicator of SDHC's financial position. In Fiscal Year 2018, SDHC's assets exceeded liabilities by \$631.0 million, an increase of 11 percent from Fiscal Year 2017.

Total assets increased by \$62.1 million. The increase in current and other assets is primarily attributed to an increase in loans made (notes and mortgages receivable) and associated accrued interest. In addition, capital assets net of depreciation increased \$12.4 million primarily due to the purchase of Quality Inn and West Park Inn properties and the completion of improvements related to Green Physical Needs Assessment (GPNA) rehabilitation and other projects, offset by the disposition of the Town and Country property.

Total liabilities decreased by \$1.8 million, or 1 percent. This is primarily due to a decrease in unearned revenue.

SDHC's total net position increased 11 percent, or \$63.9 million, in Fiscal Year 2018.

Net investment in capital assets increased \$11.3 million primarily as a result of the increase in capital assets referenced above.

Restricted net position increased \$16.8 million to \$199.4 million primarily due to an increase in reserves from HUD's HOME Investment Partnerships Program notes receivable and accrued interest.

Unrestricted net position increased \$35.7 million to \$324.3 million. Although these funds are defined as unrestricted under the applicable accounting standards, these funds are not necessarily indicative of funds available for discretionary use.

	June 30, 2018	June 30, 2017	Change %
ASSETS			
Current and other assets	\$ 542,178	\$ 492,493	10%
Capital assets net of depreciation	211,805	199,370	6%
Total assets	\$ 753,983	\$ 691,863	9%
LIABILITIES			
Current liabilities	\$ 21,215	\$ 24,072	-12%
Notes payable and non-current liabilities	101,786	100,704	1%
Total liabilities	\$ 123,001	\$ 124,776	-1%
NET POSITION			
Net investment in capital assets	\$ 107,299	\$ 95,954	12%
Restricted	199,382	182,546	9%
Unrestricted	324,301	288,587	12%
Total net position	630,982	567,087	11%
Total liabilities and net position	\$ 753,983	\$ 691,863	9%

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: Balance of net position not included in net investment in capital assets or restricted.

Financial Summary



Statement of Revenue, Expenses and Change in Net Position

The abbreviated **Statement of Revenue, Expenses and Change in Net Position** (in thousands) 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 creditworthiness and its ability to successfully recover its costs through grants, tenant charges, and other income.

This year's overall increase in net position of \$63.9 million represents an increase of 32 percent, or \$15.4 million, from the change in net position in Fiscal Year 2017, mainly due to the \$13.7 million gain on sale of property to component unit.

Operating revenues increased by \$2.7 million in Fiscal Year 2018, in part primarily due to an increases in housing assistance payment revenue and salary reimbursements.

Operating expenses increased by \$24.6 million in Fiscal Year 2018. This increase is primarily due to an increase in grant expense (principally due to the temporary bridge shelter costs), property maintenance and housing assistance payments.

	June 30, 2018	June 30, 2017	Change %
Operating revenues			
Dwelling rental income	\$ 31,061	\$ 30,080	3%
Land lease and other			
rental income	2,601	2,493	4%
Fee revenue	4,214	4,512	-7%
Other revenue	6,277	4,408	42%
Total Operating revenues	44,153	41,493	6%
Operating expenses	233,042	208,448	12%
Deficit before depreciation			
and other non-operating			
income and expenses	(188,889)	(166,955)	13%
Depreciation	7,215	5,765	25%
Deficit before other non-			
operating income			
and expense	(196,104)	(172,720)	14%
Other non-operating income			
and expenses, net	246,318	221,242	11%
Change in net position before	50,214	48,522	3%
capital transactions			
Gain on sale to componet unit	13,681	-	100%
Change in net position	\$ 63,895	\$ 48,522	32%
Net position:			
Beginning of year	567,087	518,565	
End of year	\$630,982	\$567,087	

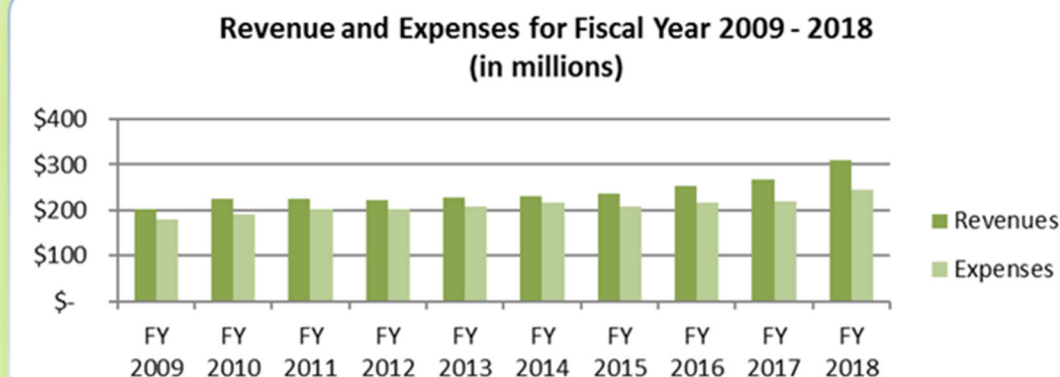
Additional Key Terms

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, grant expense and supportive services to assist SDHC in performing its functions.

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





SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities. The fair value of cash and investments on June 30, 2018, was \$146.4 million, a decrease of 6.2 percent from the previous year.

In accordance with California state statute and HUD regulations, SDHC has authorized the Chief Financial Officer, or designee, to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy.

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and for amounts over \$250,000, collateralized with securities held by the pledging financial institutions in SDHC's name in accordance with California Government Code.

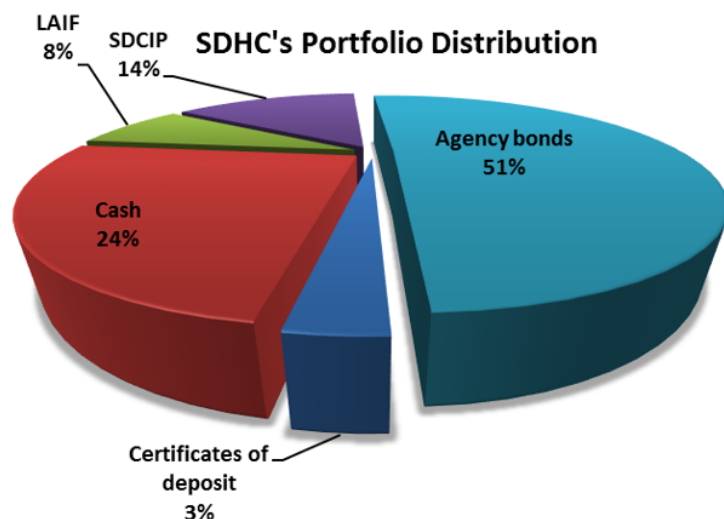
Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as Certificates of Deposits (CDs), bonds, government agency securities and demand deposit accounts are kept with commercial banking institutions.

Investment Risk Factors

SDHC's Investment Policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Fair Value in Millions			
	6/30/2018	6/30/2017	Variance
Cash	\$35.84	\$26.84	\$9.00
LAIF	11.18	11.10	\$0.08
SDCIP	21.00	17.24	\$3.76
Agency Bonds	73.93	98.45	(\$24.52)
Certificates of Deposit	4.41	2.45	\$1.96
Total	\$146.36	\$156.08	(\$9.72)

SDHC's Quarterly Investment Report details are provided on a quarterly basis as an informational report to the SDHC Board. The reports are posted on SDHC's website, www.sdhc.org



The Board-appointed Investment Committee meets twice each year to review the investment results for the portfolio.

Capital Assets



At the end of Fiscal Year 2018, SDHC had approximately \$211.8 million (net of depreciation) invested in capital assets. The majority of SDHC's investment in capital assets is composed of ownership of land, affordable housing stock and the Smart Corner office building.

In Fiscal Year 2018, \$15.9 million of building improvements transferred out of construction in progress due to completion of rehabilitation. The building improvements related to the completion of Green Physical Needs Assessment (GPNA) rehabilitation projects inclusive of new roofs, windows and garage doors at various properties such as Hotel Sanford and multiple properties within the Fannie Mae Central portfolio. Additionally, completion of the Via Las Cumbres and Adaptable Housing rehab contributed to the building improvements. There was \$2.0 million addition to land and \$13.5 million addition to buildings related to the acquisition of the Quality Inn and West Park Inn properties.

SDHC sold the Town & Country property to Housing Development Partners of San Diego (HDP), SDHC's nonprofit affiliate, which resulted in the disposition of land and buildings in the amount of \$1.3 million and \$9.2 million, respectively. The sale of the Town & Country property to HDP also resulted in a gain of \$13.7 million due to the excess acquisition price over carryover basis.

Depreciation expense for the Fiscal Year that ended on June 30, 2018, was \$7.2 million.

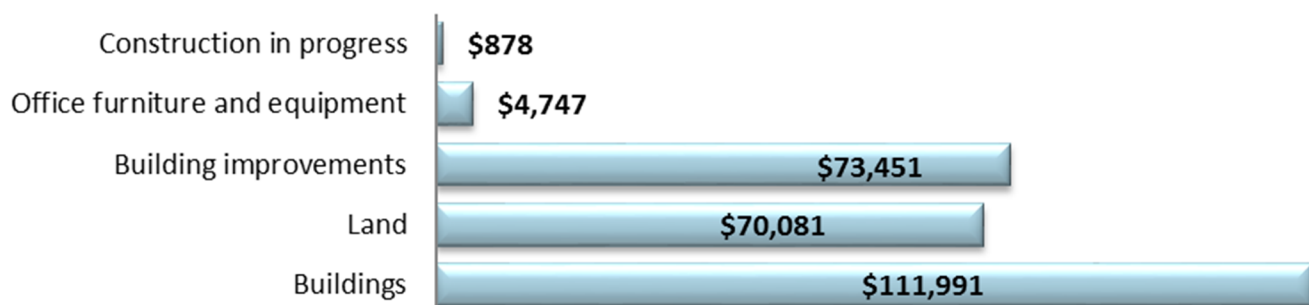


University Canyon West

One of 85 SDHC-owned properties that received GPNA Capital Improvements

Total Capital Assets

In thousands of dollars (does not include depreciation)





As of June 30, 2018, SDHC owns 154 properties with 2,006 affordable housing rental apartments, including 189 Federal public housing apartments SDHC operates in the City of San Diego. During Fiscal Year 2018, one property, Town & County Apartments (145 apartments) was transferred to SDHC's nonprofit affiliate, Housing Development Partners (HDP), for a comprehensive rehabilitation utilizing the Low-Income Housing Tax Credit program.

Overall, HDP, has developed 1,537 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which includes 366 units on SDHC-owned land that is ground leased to HDP:: Parker-Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit) and West Park Inn (46 affordable units and one manager's unit).

SDHC also is a developer of new affordable housing. The agency's hallmark has been its ability to foster affordable housing projects by forging partnerships with the City of San Diego's development agencies as well as nonprofit and for-profit developers.

SDHC completed several affordable housing partnership developments in Fiscal Year 2018 throughout the City of San Diego:



North Park Seniors

75 Affordable Rental Housing Units
Grand Reopening – April 27, 2018

- Mesa Verde, Navajo Community, 89 affordable housing units for low-income families;
- North Park Seniors, North Park Community, 75 affordable housing units for low-income seniors, including 8 units of permanent supportive housing;
- Cypress Apartments, Downtown San Diego, 62 permanent supportive housing units for San Diegans experiencing chronic homelessness.



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 that HDP is legally separate from SDHC.

HDP develops and preserves affordable housing for low-income San Diegans through the rehabilitation of existing buildings and new construction.

Rental housing for seniors, families, Veterans, workers, and tenants with special needs are among the developments in HDP's real estate portfolio.

Since its inception, HDP, has developed 1,537 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which includes 366 units on SDHC-owned land that is ground leased to HDP: Parker-Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit) and West Park Inn (46 affordable units and one manager's unit).

The abbreviated financial statements are for the period ending December 31, 2017, and are presented in thousands of dollars.

HDP – Discretely Presented Component Units December 31, 2017

ASSETS	
Current and other assets	\$ 27,471
Capital assets net of depreciation	69,604
Total assets	<u>97,075</u>
LIABILITIES	
Current liabilities	3,469
Notes Payable and non-current liabilities	95,425
Total liabilities	<u>98,894</u>
NET POSITION	
Restricted	14,245
Unrestricted	(16,064)
Total liabilities and net position	<u>\$ 97,075</u>
OPERATING REVENUES	
Dwelling rental income	\$ 6,873
Other revenue	285
Total Operating revenues	7,158
OPERATING EXPENSES	
Income before depreciation and other non-operating income and expenses	1,982
Depreciation	3,158
Deficit before other non-operating income and expense	(1,176)
Other non-operating income and expenses, net	(1,447)
Change in net position before capital transactions	(2,623)
Capital contributions, net	3,487
Acquisition cost over carryover basis	(13,873)
Change in net position	<u>\$ (13,009)</u>
Net position:	
Beginning of year	11,190
End of year	<u>\$ (1,819)</u>



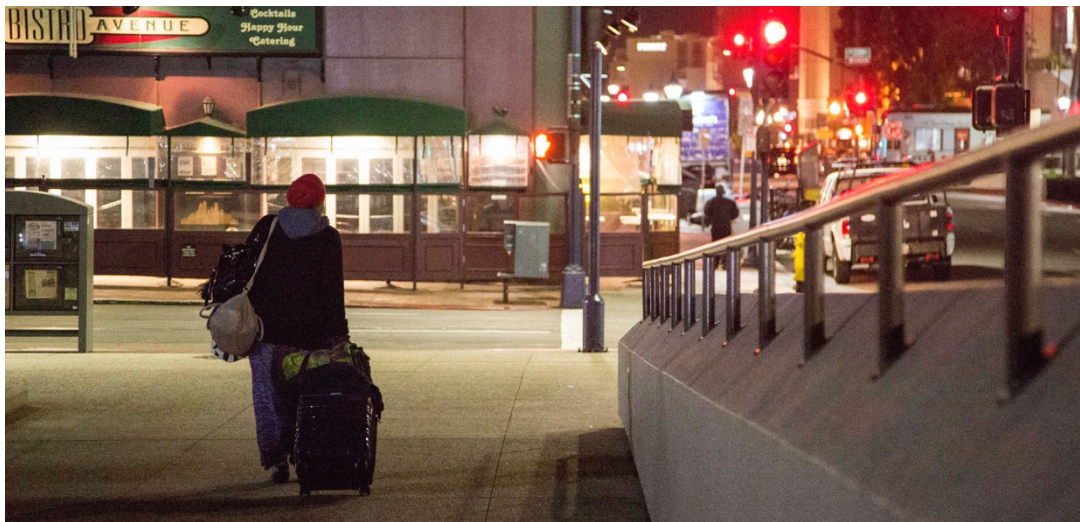
Quality Inn
HDP Rehabilitation

Addressing Homelessness



In addition to its homelessness action plan, HOUSING FIRST – SAN DIEGO, SDHC administers programs that address homelessness in the City of San Diego. These programs serve single adults, families, youth, Veterans and seniors.

The homeless population in the San Diego region, as measured by the annual Point-in-Time Count conducted on January 26, 2018, decreased by 6 percent from 2017. The Point-in-Time Count identified 8,576 individuals experiencing homelessness (sheltered and unsheltered) in the County of San Diego, including 4,912 in the City of San Diego, which was a 13 percent decrease from 2017.



Point-in-Time Count

January 26, 2018

SDHC administers the City's Homeless Shelters and Services Programs based on a Memorandum of Understanding between the City and SDHC that took effect on July 1, 2010 and was amended and restated as approved by the SDHC Board on May 9, 2014, and the City Council on June 17, 2014. The MOU was further amended as approved by the SDHC Board on April 10, 2015, and the City Council on April 28, 2015. The City's homelessness programs include:

- Day Center Facility for Homeless Adults;
- Homeless Transitional Storage Center;
- Three interim housing programs (Connections Housing Downtown, the City-sponsored one-stop housing and services center for San Diegans experiencing homelessness; Cortez Hill Family Center, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; and the City's Year-Round Permanent Interim Housing Program); and
- Rapid re-housing programs.

The City and SDHC entered into a separate MOU for the administration of three Temporary Bridge Shelters, which was approved by the SDHC Board on November 3, 2017, and by the City Council on November 14, 2017. The three bridge shelters support a total of 674 beds for single individuals, families with children and Veterans experiencing homelessness.



On April 3, 2018, the City Council approved an amendment to the MOU to include administration of an agreement for the operation of the City's Storage Connect Center, a facility in the Sherman Heights neighborhood that provides up to 500 storage bins for persons experiencing homelessness. This storage facility is in addition to the lockers and storage bins that serve more than 400 persons experiencing homelessness at the City's Homeless Transitional Storage Center in Downtown San Diego.

In Fiscal Year 2018, SDHC also supported more than 260 transitional housing beds with City of San Diego Inclusionary Housing Funds and Housing Trust Funds. With Federal ESG and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services.

Also, an MOU and operating agreement for the City's proposed Housing Navigation Center was approved by the San Diego City Council on November 13, 2018. SDHC will administer the contract for the operations of the Housing Navigation Center, which will provide core services to address housing crises and on-site intake, assessment, triage, and referrals for permanent and longer-term housing opportunities to individuals, families, and youth experiencing homelessness in the City,



City's Temporary Bridge Shelter (Father Joe's Villages)

Serves Families and Single Women



SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive a “Moving to Work” (MTW) designation from HUD. MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for low-income and homeless residents who live in the City of San Diego.

Committing Federal Rental Housing Vouchers to Address Homelessness

SDHC’s MTW status has allowed SDHC to leverage its available resources to address homelessness. In Fiscal Year 2018, SDHC committed 323 federal Project-Based Housing Vouchers, 31 HUD Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers, 75 HUD VASH vouchers, 120 Sponsor-Based Housing Vouchers, and 50 local Non-traditional Housing Vouchers.

SDHC also was awarded an additional 75 HUD VASH vouchers in FY 2018.

At the close of FY 2018, SDHC had committed a total of 2,970 rental assistance subsidies for homeless families and individuals. Additionally, 1,075 VASH vouchers are allocated to serve homeless Veterans.

Additional MTW Programs

SDHC’s MTW operating budget in Fiscal Year 2018 was \$161,670,593. Examples of MTW initiatives that SDHC has implemented are the expansion of Choice Communities and its corresponding payment standards; Path to Success; the HOUSING FIRST – SAN DIEGO programs Guardian Scholars, Monarch School Project, Moving Home Rapid Rehousing and Moving On Rental Assistance; and the SDHC Achievement Academy.

Choice Communities. SDHC’s Choice Communities initiative provides families that receive rental assistance with more flexibility to choose to live in neighborhoods that offer more opportunities for transportation, schools, and employment.

To increase housing opportunities through this initiative and to assist as many low-income families as possible, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

SDHC divided City of San Diego ZIP Codes into three groups, each with its own payment standards:

- Choice Communities
- Enterprise Communities
- Signature Communities

The payment standard is the maximum subsidy payment that the Section 8 Housing Choice Voucher would pay for an apartment or rental house, minus the applicable tenant rent portion. Families pay a predetermined amount of the rent, and SDHC pays the remainder of the rent, up to the applicable payment standard, directly to the landlord.

SDHC Achievement Academy. The SDHC Achievement Academy is a learning and resource center and computer lab located at SDHC’s downtown San Diego headquarters. Its programs emphasize career development, job skills and personal financial education. These services are available at no charge to families receiving Federal Section 8 Housing Choice Voucher rental assistance and public housing residents.

In Fiscal Year 2018, nearly 1,900 SDHC Achievement Academy participants attended 263 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments.

Path to Success. Path to Success modified the method used to determine the monthly rent payment amounts for families that receive rental assistance from SDHC and public housing residents. The new rent methodology was designed to motivate families to increase earnings.

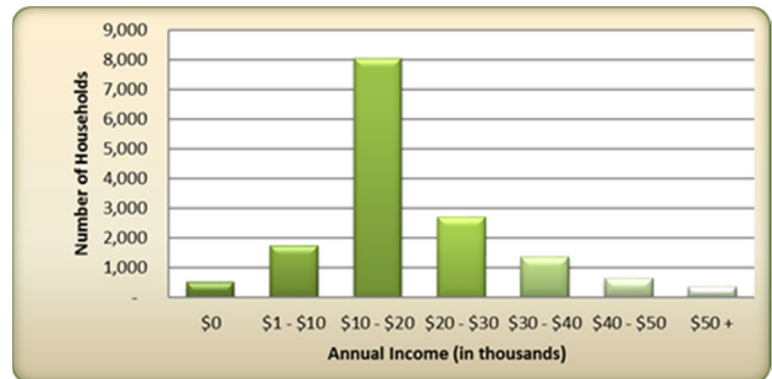
Demographics of the HCV Program



Funded by HUD and managed by SDHC's Rental Assistance Division, the Section 8 Housing Choice Voucher Program (HCV) provided rental assistance to more than 15,400 low-income families in the City of San Diego. The number of HCV households fluctuates throughout the year, as HCV families are able to move on and leave the program at different times, enabling SDHC to bring new families into the program from the waiting list. On June 30, 2018, the last day of Fiscal Year 2018, more than 15,400 households were renting housing units with HCV rental assistance from SDHC.

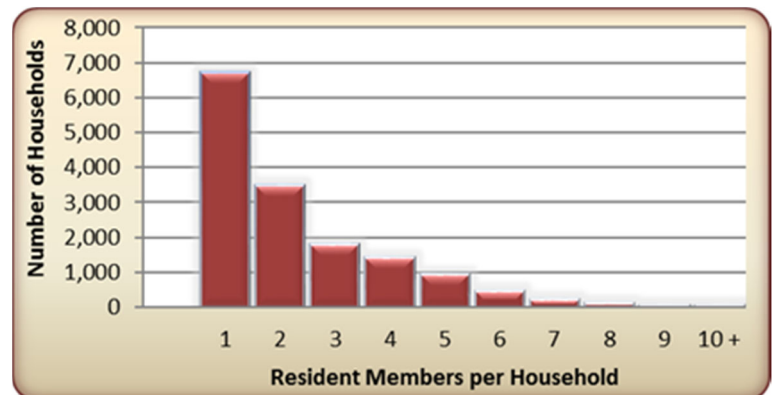
Income per HCV Household

- 52.3 percent of HCV recipients' income is between \$10,000 and \$19,999.



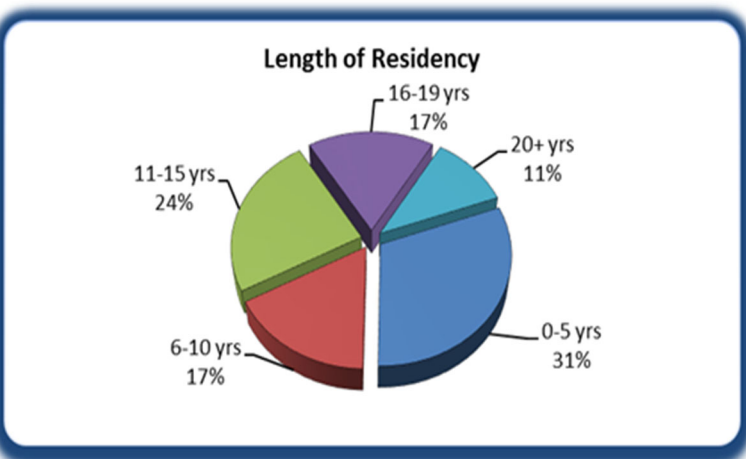
Resident Members per Household

- 43.6 percent are single-member households.
- 22.7 percent are households with two members.
- 11.9 percent are households with three members



Years in HCV Program

- 0-5 years: 4,760 households
- 6-10 years: 2,588 households
- 11-15 years: 3,727 households
- 16-19 years: 2,656 households
- 20+ years: 1,684 households





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HOUSING

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We're About People

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