



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, 2019

San Diego Housing Commission
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www.sdhc.org





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* As of June 30, 2019

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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, 2019, was prepared by the SDHC 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 2019 (July 1, 2018 – June 30, 2019). 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, Senior Vice President of Financial Services and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

Who We Are



SDHC is a public agency formed by local ordinance pursuant to the provisions of applicable Housing Authority law of the State of California. The organizational meeting of the SDHC Board of Commissioners occurred on January 5, 1979, at which Commissioners were sworn in and established a regular meeting schedule and guidelines for conducting business.

SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive the Moving to Work (MTW) designation from the U.S. Department of Housing and Urban Development (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 San Diegans with low income and/or experiencing homelessness.



SDHC Board of Commissioners

SDHC administers a variety of federally funded affordable housing programs and services, including the federal Section 8 Housing Choice Voucher program, which provides rental assistance to more than 15,800 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 also creates and preserves affordable housing through its roles as a lender, Multifamily Housing Revenue Bond issuer, administrator of City of San Diego (City) affordable housing programs, and owner or manager of affordable rental housing units. In addition, SDHC is a leading partner in collaborative efforts to address homelessness in the City, including SDHC's homelessness action plan, HOUSING FIRST – SAN DIEGO, 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 SDHC 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 agency-wide 2016-2020 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:

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

SDHC Vendor Portal – On January 2, 2018, SDHC launched its new Vendor Portal through Planet Bids, an online management system. Benefits of the system include:

- Automatic notification of bid opportunities;
- The ability to download bid documents directly from the Internet;
- Automatic notification of addenda;
- Access to bidding information 24 hours per day and 7 days a week; and
- Alerts to vendors when the expiration of their insurance certificate is approaching.

SDHC Landlord Portal – In November of 2018, SDHC launched its upgraded online Landlord Portal, with improved performance and enhanced capabilities, such as one login to access all of a landlord's accounts. The improved capabilities enable SDHC staff to guide landlords through the portal more effectively, providing enhanced customer service. In addition, SDHC made the Landlord Portal available to landlords participating in the Landlord Engagement & Assistance Program (LEAP) of HOUSING FIRST – SAN DIEGO, SDHC's homelessness action plan.

SDHC Loan Servicing Borrower Portal – SDHC launched its Loan Servicing Borrower Portal in February 2019, making it possible for borrowers working with the Real Estate Division to view their loan balance, accrued interest, payment activity and download loan documents. The portal provides an enhanced user experience.

First-Time Homebuyer Lender Portal – As of June 2019, all applications for First-Time Homebuyer (FTHB) Assistance can be submitted to SDHC's Real Estate Division online via SDHC's FTHB Lender Portal. Participating lenders can also use the portal to view loan status and required items, and access loan document updates. The portal helps streamline internal processing by staff.



Green Physical Needs Assessment (GPNA) – In Fiscal Year 2019, SDHC completed \$2 million in capital improvements at 23 of the 154 affordable rental housing properties that it owns.

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. In Fiscal Year 2019, 297 affordable units closed financing, for a total of 1,542 affordable units thus far.

HOUSING FIRST – SAN DIEGO SDHC’s homelessness action plan, HOUSING FIRST – SAN DIEGO, has created more than 7,600 housing opportunities in less than five years for individuals and families experiencing homelessness in the City of San Diego.

HOUSING FIRST – SAN DIEGO, an effective, diverse funding and housing strategy, launched on November 12, 2014. The current phase of this action plan launched on July 1, 2017, and continues through June 30, 2020.

The current phase of HOUSING FIRST – SAN DIEGO surpassed its three-year goal in two years, creating more than 4,700 housing opportunities as of June 30, 2019.

This phase of SDHC’s homelessness action plan consists of programs that provide a variety of housing interventions to address the diverse housing needs of San Diegans experiencing homelessness:

- Landlord Engagement and Assistance Program (LEAP)
- SDHC Moving Home Rapid Rehousing
- Homelessness Prevention & Diversion
- New Permanent Supportive Housing
- SDHC Moving On Rental Assistance
- Coordinated Outreach
- U.S. Department of Housing and Urban Development (HUD) Mainstream Vouchers

In the first three years of HOUSING FIRST – SAN DIEGO (2014-2017), the programs of SDHC’s homelessness action plan created 2,934 housing opportunities for individuals experiencing homelessness—nearly doubling the initial goal of 1,500.

3. Advocate for more effective affordable housing policies and resources

SDHC maintains a careful watch on emerging issues or trends that could impact the families and individuals the agency assists through its three major program functions: providing rental assistance; creating and preserving affordable housing; and addressing homelessness.

SDHC’s goal is to demonstrate that its partnership developments revitalize neighborhoods and strengthen the community fabric by providing families with safe, affordable places to live. In advocating for more effective affordable housing policies and resources, throughout Fiscal Year (FY) 2019, SDHC continued to enhance the agency’s engagement and leadership role among stakeholders to expand SDHC’s influence on policy decisions that are consistent with SDHC’s mission.



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 Awards

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, 2018. 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 nine consecutive years (fiscal years ended 2010-2018). 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, 2018

Christopher P. Morill
Executive Director/CEO

Comprehensive Annual Financial Report Awards

SDHC's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended 2008-2018, 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 2019 to the GFOA.



The majority of SDHC's programs depend on federal funding from HUD to continue operations. In Fiscal Year 2019, SDHC received 74.5 percent 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's 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 taxpayers' money, SDHC has the greatest possible impact with limited financial resources. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC maintained a balanced budget in Fiscal Year 2019 and will have a balanced budget in Fiscal Year 2020.

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 2019 MTW Plan on August 15, 2018. HUD's fiscal year runs from October to September. HUD approved the 2020 MTW Plan on June 28, 2019. The plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>



Tre Léna with her daughter

Federal Section 8 Housing Choice Voucher rental assistance participants

Chief Financial Officer's Message



The unemployment rate for San Diego County remained steady at 3.6 percent from July 2018 to July 2019, according to the U.S. Bureau of Labor Statistics. The nation's unemployment rate declined only 0.1 percent compared to the same time period, from 4.1 percent in July 2018 to 4.0 percent in July 2019.

While San Diego County's unemployment rate remains below the national average and the average weekly wage of San Diego residents was \$116 more than the national average, costs related to all items and energy and housing remain higher than the national averages¹.

The median home value in San Diego County is \$591,500, an increase of 1.1 percent over last year. The median home sales price is \$563,600 and the median rent price is \$2,750¹. The median home value for the United States is \$229,000 (up 5.2 percent over the past year), and the median home sales price is \$235,500 and the median rent price is \$1,735².

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as "We All Count" was conducted on January 25, 2019. This year's count identified 8,102 individuals (3,626 sheltered and 4,476 unsheltered) in San Diego County. This number is down slightly from last year's observed total of 8,576. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year. San Diego's regional count is coordinated by the Regional Task Force on the Homeless San Diego.



Point-in-Time Count

January 25, 2019

Through the execution of SDHC's Fiscal Year 2020 Budget of \$452 million, SDHC will continue to demonstrate the prudent and responsible management of its financial resources toward helping SDHC's customers by providing a high level of service.

Tracey McDermott
Senior Vice President and Chief Financial Officer

¹ <https://www.zillow.com/san-diego-ca/home-values>, July 31, 2019

² <https://www.zillow.com/home-values>, July 31, 2019



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 2019, SDHC's assets exceeded liabilities by \$651.5 million, an increase of 3 percent from Fiscal Year 2018.

Total assets increased by \$29.4 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 \$3.8 million primarily due to the acquisition of land from the City of San Diego for the Via Las Cumbres, San Diego Square and La Jolla Marine properties. In addition, rehabilitation projects at Via Las Cumbres, Maya Linda, Hotel Sandford, Adaptable Housing and Otay Villas were completed.

Total liabilities increased by \$8.9 million, or 7 percent. This is primarily due to an increase in unearned revenue of \$11.9 million offset by a decrease of \$3.0 million of notes payable.

SDHC's total net position increased 3 percent, or \$20.5 million, in Fiscal Year 2019.

Net investment in capital assets increased \$7.2 million primarily as a result of the increase in capital assets referenced above.

Unrestricted net position increased \$12.1 million to \$336.4 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, 2019	June 30, 2018	Change %
ASSETS			
Current and other assets	\$ 567,786	\$ 542,178	5%
Capital assets net of depreciation	215,634	211,805	2%
Total assets	\$ 783,420	\$ 753,983	4%
LIABILITIES			
Current liabilities	\$ 33,099	\$ 21,215	56%
Notes payable and non-current liabilities	98,844	101,786	-3%
Total liabilities	\$ 131,943	\$ 123,001	7%
NET POSITION			
Net investment in capital assets	\$ 114,532	\$ 107,299	7%
Restricted	200,545	199,382	1%
Unrestricted	336,400	324,301	4%
Total net position	651,477	630,982	3%
Total liabilities and net position	\$ 783,420	\$ 753,983	4%

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 \$20.5 million represents a decrease of 68 percent, or \$43.4 million, from the change in net position in Fiscal Year 2018, mainly due to a decrease of \$25.7 million of grant revenue and the absence of the \$13.7 million gain on sale of property to component unit.

Operating revenues remained steady at \$44.2 million in both Fiscal Year 2018 and Fiscal Year 2019.

Operating expenses increased by \$7.8 million in Fiscal Year 2019. This increase is primarily due to an increase in grant expense (principally due to the forgivable loans), housing assistance payments and personnel costs.

	June 30, 2019	June 30, 2018	Change %
Operating revenues			
Dwelling rental income	\$ 31,520	\$ 31,061	1%
Land lease and other rental income	2,969	2,601	14%
Fee revenue	3,164	4,214	-25%
Other revenue	6,571	6,277	5%
Total Operating revenues	44,224	44,153	0%
Operating expenses	240,883	233,042	3%
Deficit before depreciation and other non-operating income and expenses	(196,659)	(188,889)	4%
Depreciation	8,118	7,215	13%
Deficit before other non- operating income and expense	(204,777)	(196,104)	4%
Other non-operating income and expenses, net	225,272	246,318	-9%
Change in net position before capital transactions	20,495	50,214	-59%
Gain on sale to component unit	-	13,681	100%
Change in net position	\$ 20,495	\$ 63,895	-68%
Net position:			
Beginning of year	630,982	567,087	
End of year	\$ 651,477	\$ 630,982	

Additional Key Terms

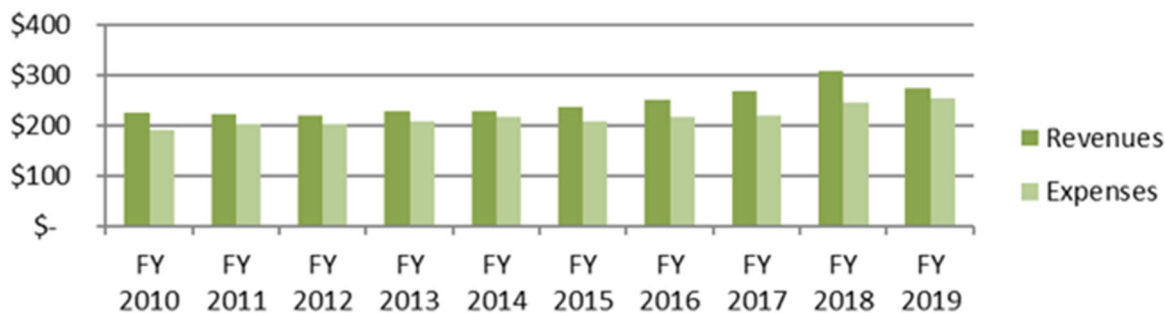
Operating Revenues: Dwelling rent, commercial rent, land leases, management fees and other fees.

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.

Revenue and Expenses for Fiscal Year 2010 - 2019
(in millions)



Investments



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, 2019, was \$162.4 million, an increase of 11.0 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.

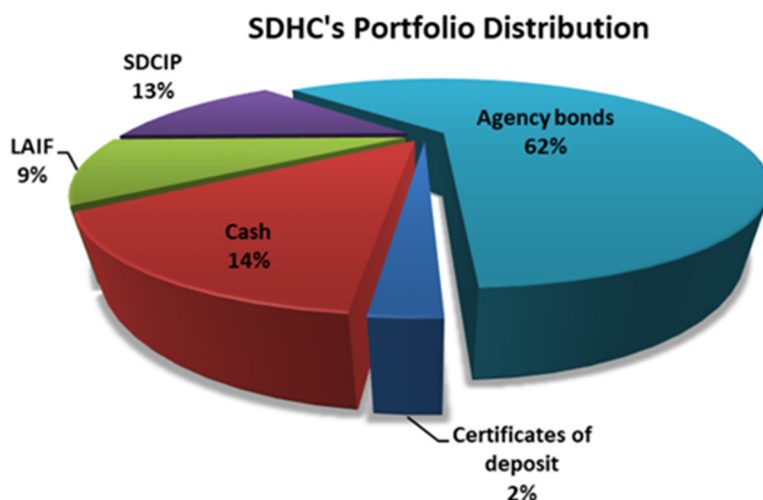
Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as Certificates of Deposits (CDs), bonds, government agency securities and demand deposit accounts are kept with commercial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

Investment Risk Factors

The foremost objective of SDHC's Investment Policy 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			
	6/30/2019	6/30/2018	Variance
Cash	\$22.03	\$35.84	(\$13.81)
LAIF	15.42	11.18	4.24
SDCIP	21.44	21.00	0.44
Agency Bonds	100.06	73.93	26.13
Certificates of Deposit	3.43	4.41	(0.98)
Total	\$162.38	\$146.36	\$16.02

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, <https://www.sdhc.org/governance-legislative-affairs/sdhc-board-of-commissioners/meetings/>



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 2019, SDHC had approximately \$215.6 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 2019, \$5.4 million of building improvements transferred out of "construction in progress" due to the completion of rehabilitation projects at Via Las Cumbres, Maya Linda, Hotel Sandford, Adaptable Housing and Otay Villas.

In addition, SDHC acquired the underlying land from the City of San Diego for the Via Las Cumbres, San Diego Square and La Jolla Marine properties. These additions were valued at \$6.8 million.

Depreciation expense for the Fiscal Year that ended on June 30, 2019, was \$8.1 million.

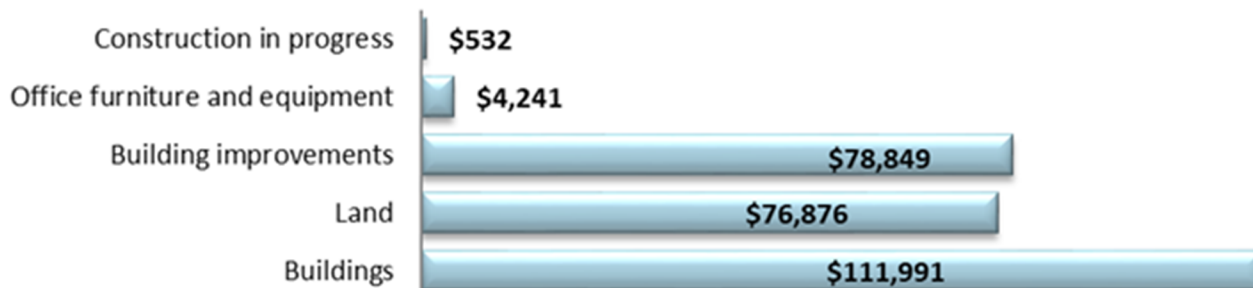


Town & Country

SDHC worked with its nonprofit affiliate, Housing Development Partners, as well as Chelsea Investment Corporation to rehabilitate Town & Country

Total Capital Assets

In thousands of dollars (does not include depreciation)





As of June 30, 2019, SDHC owns 155 properties with 2,195 affordable housing rental apartments, of which 189 are federal public housing apartments SDHC operates in the City of San Diego.

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 nonprofit and for-profit developers, and the City of San Diego.

In Fiscal Year 2019, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- The Nook, 90 affordable housing units for low-income families, including 8 units of permanent supportive housing for Veterans experiencing homelessness
- Island Inn, extended affordability for 201 affordable housing units for low-income families
- Zephyr Grantville Veterans, 84 permanent supporting housing units for Veterans experiencing homelessness
- New Palace Hotel, 79 affordable housing units for seniors at risk of homelessness
- Vista Del Puente, 51 affordable housing units for low-income families, including 38 units of permanent supportive housing
- Alpha Lofts, 52 permanent supportive housing units for Veterans experiencing homelessness
- Villa Encantada, 66 affordable housing units for low-income families
- Town and Country, 143 affordable housing units for low-income families
- Coronado Terrace, 310 affordable housing units for low-income families
- Luna at Pacific Highlands Ranch, 77 affordable housing units for low-income families
- Luther Tower, 198 affordable housing units for low-income seniors



Alpha Lofts

52 Affordable Apartments with supportive services for veterans who have experienced homelessness.

As of June 30, 2019, SHDC has committed \$57.3 million towards loans and grants for additional affordable housing projects that had not yet been fully funded or completed.

Housing Development Partners



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 521 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 Garden Apartments (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit) and San Diego Square (154 affordable units and one manager's unit).

The abbreviated financial statements are for the period ending December 31, 2018, and are presented in thousands of dollars.

HDP – Discretely Presented Component Units

December 31, 2018

ASSETS	
Current and other assets	\$ 21,965
Capital assets net of depreciation	97,421
Total assets	<u>119,386</u>
LIABILITIES	
Current liabilities	6,772
Notes Payable and non-current liabilities	118,231
Total liabilities	<u>125,003</u>
NET POSITION	
Restricted	12,095
Unrestricted	(17,712)
Total liabilities and net position	<u>\$ 119,386</u>
OPERATING REVENUES	
Dwelling rental income	\$ 9,851
Other revenue	1,700
Total Operating revenues	11,551
OPERATING EXPENSES	
	8,863
Income before depreciation and other non-operating income and expenses	2,688
Depreciation	2,812
Deficit before other non-operating income and expense	(124)
Other non-operating income and expenses, net	(3,511)
Change in net position before capital transactions	(3,635)
Capital contributions, net	(163)
Change in net position	<u>\$ (3,798)</u>
Net position:	
Beginning of year	(1,819)
End of year	<u>\$ (5,617)</u>



New Palace Hotel
HDP Rehabilitation



The City Homeless Shelters and Services Programs provide temporary shelter and supportive services to some of the City's most vulnerable residents. SDHC administers these programs through a Memorandum of Understanding (MOU) with the City that first took effect on July 1, 2010.

In addition, on November 14, 2017, the San Diego City Council authorized a separate MOU for SDHC to oversee, administer, and manage the City's Bridge Shelters. These Bridge Shelters support a total of 665 beds for single individuals, families with children and veterans experiencing homelessness

The first amendment to this MOU was authorized by the City Council on March 20, 2018, to also address the duties of the City and SDHC concerning the City's Storage Connect Center, previously known as a Transitional Storage Center, at 116 South 20th Street. The storage center has 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.



City of San Diego Storage Connect Center

On June 25, 2019, the City of San Diego extended the MOU for an initial one-year term from July 1, 2019, through June 30, 2020, with four options to renew. The City's homelessness programs also include:

- Day Center Facility for Homeless Adults;
- 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
- A rapid rehousing program.

In Fiscal Year 2019, SDHC also supported more than 260 transitional housing beds with City of San Diego Inclusionary Housing Funds and Housing Trust Funds. With Federal Emergency Solutions Grant 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 Housing Navigation Center was approved by the San Diego City Council on November 13, 2018. SDHC will administer the Housing Navigation Center with the awarded operator, Family Health Centers of San Diego. The Housing Navigation Center 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. The Housing Navigation Center is expected to open in fall of 2019.

In Fiscal Year 2019, SDHC also received approval from the City Council to administer three additional rapid rehousing (RRH) programs and expand the successful Family Reunification program, operated by the Downtown San Diego Partnership, with funding from the Homeless Emergency Assistance Program (HEAP). The RRH programs will become fully operational in Fiscal Year 2020 and are expected to serve 120 homeless households (both families and individuals).



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 residents in the City with low income and/or experiencing homelessness.

SDHC’s MTW status has allowed SDHC to leverage its available resources to address homelessness. To date, SDHC has committed more than 4,200 rental housing vouchers that help families experiencing homelessness secure housing.

In Fiscal Year 2019, SDHC committed 486 federal Project-Based Housing Vouchers, 16 HUD Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers and 100 Sponsor-Based Housing Vouchers.

Additional MTW Programs

SDHC’s MTW operating budget in Fiscal Year 2019 was \$166,136,417. 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 federal 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.

In Fiscal Year 2019, 695 families moved to Enterprise or Choice communities.

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 2019, more than 2,000 SDHC Achievement Academy participants attended 275 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments.

Envision Center. The SDHC Achievement Academy is one of the key partners in the collaboration among SDHC, the City of San Diego, and the San Diego Workforce Partnership that HUD selected to be an EnVision Center, which promotes financial self-reliance among federal rental assistance participants and public housing residents.

The San Diego EnVision Center had its soft opening in November 2018. More than 300 clients have received services at the EnVision Center between November 2018 and June 30, 2019, including financial counseling, résumé assistance, employment referrals and training, and educational counseling.

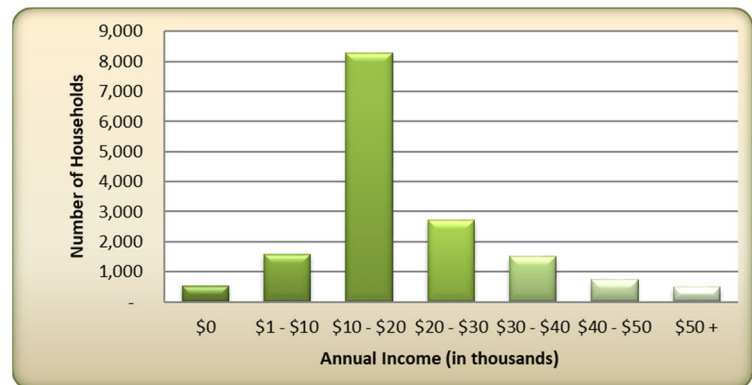
Demographics of the HCV Program



Funded by HUD and managed by SDHC's Rental Assistance Division, the federal Section 8 Housing Choice Voucher Program provided rental assistance to more than 15,800 low-income families in the City of San Diego. The number of rental assistance households fluctuates throughout the year, as participating 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, 2019, the last day of Fiscal Year 2019, more than 15,400 households were renting housing units with HCV rental assistance from SDHC.

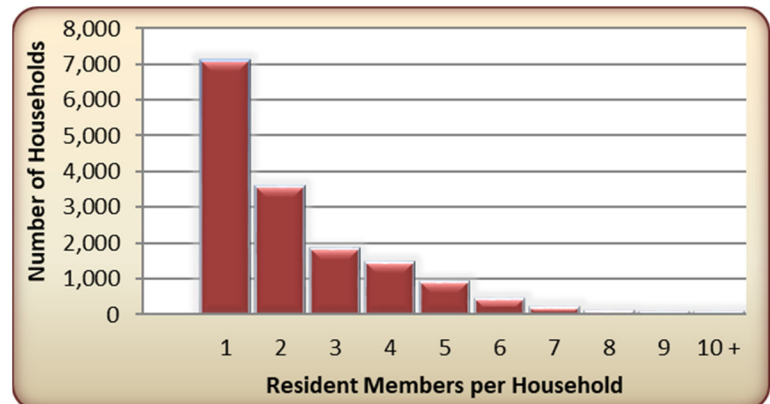
Income per HCV Household

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



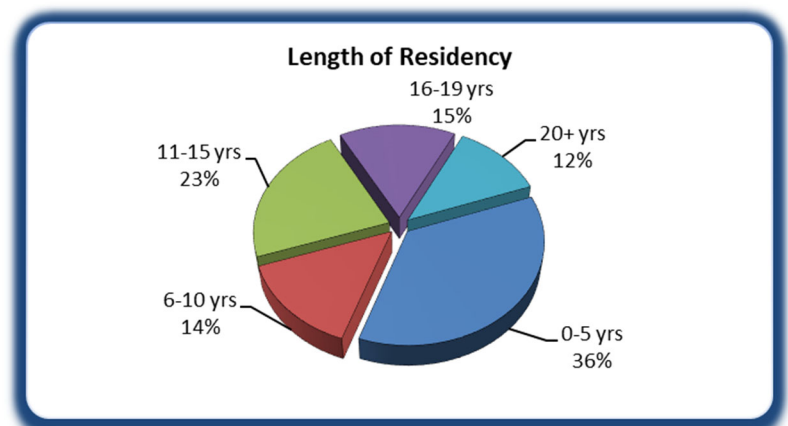
Resident Members per Household

- 44.6 percent are single-member households.
- 22.7 percent are households with two members.
- 11.6 percent are households with three members



Years in HCV Program

- 0-5 years: 5,700 households
- 6-10 years: 2,282 households
- 11-15 years: 3,559 households
- 16-19 years: 2,415 households
- 20+ years: 1,922 households





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