



INFORMATIONAL REPORT

DATE ISSUED: February 25, 2021

REPORT NO: HCR21-026

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 5, 2021

SUBJECT: Agency Financial Statements – Second Quarter Fiscal Year 2021 (Unaudited)

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

The purpose of the San Diego Housing Commission's (Housing Commission) Financial Statements Report is to show year-to-date variances of actual sources and uses of funds compared to budgeted amounts approved by the Housing Commission Board of Commissioners (Attachment 1). The budget has been amended to reflect the approved City of San Diego COVID-19 Emergency Rental Assistance Program (ERAP) budget. This amendment increased the total budget by \$15.1 million, and the December 2020 year-to-date financial statements include \$15.0 million of actual ERAP expenses. The budget has also been amended to reflect the approved acquisition of an extended-stay hotel on Hotel Circle and an extended-stay hotel in Kearny Mesa to create permanent affordable rental housing with supportive services for individuals who experienced homelessness. This amendment increases the total budget by \$98.0 million. The December 2020 year-to-date financial statements include \$107.9 million of actual acquisition expenses as well as \$98.0 million of budget. The report also provides summary explanations for significant year-to-date variances.

FINANCIAL SUMMARY – SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS: Total actual December 2020 year-to-date funding sources available were \$463.1 million, which was 4 percent, or \$16.2 million, higher than budget. The overage was primarily due to the beginning fund balance that was \$11.0 million higher than budget and the receipt of new funds, which were \$5.2 million higher than budget. The explanations below provide more details about significant variances:

Federal Sources

- The \$6.6 million lower-than-budget variance in Section 8/Moving-To-Work (MTW) funding was primarily due to the timing of spending on budgeted activities. These include Comprehensive Renovations, Increased Housing Assistance Payment levels, and an Affordable Housing Preservation Notice of Funding Availability. The budgeted acquisitions of Hillcrest Inn and the extended-stay hotel properties on Hotel Circle and in Kearny Mesa were completed in the second quarter.
- The \$1.1 million lower-than-budget variance in U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program funds was primarily due to the

timing of the loans to be funded. Committed loans are expected to be funded through the remainder of Fiscal Year 2021 and beyond.

- The \$2.2 million lower-than-budget variance in Homeless Housing Innovations is primarily due to the timing of Emergency Solutions Grant (ESG) Coronavirus Aid, Relief, and Economic Security (CARES) Act funding and the timing of spending of Continuum of Care (CoC) funds on YWCA and Transitional-Aged Youth (TAY) Rapid Rehousing programs.
- The \$11.7 million higher-than-budget variance in Community Development Block Grant (CDBG) & Other Federal Funds is primarily due to the timing of the issuance of CDBG revolving loan funds used as part of the acquisition of the extended-stay hotel on Hotel Circle.

Local Sources

- The \$7.1 million higher-than-budget variance in Affordable Housing Fund was primarily due to higher-than-expected collections, as well as payments on notes receivable that were higher than anticipated.

State Sources

- The \$4.4 million lower-than-budget variance was primarily due to cost savings relating to City of San Diego Bridge Shelter operations. This can be attributed to food service costs not being invoiced for the Bridge Shelters due to the broader Operation Shelter to Home expense processes, and staffing costs coming in lower than projected. Further variance can be attributed to lower-than-expected expenditures relating to Homeless Emergency Aid Program (HEAP) or Homeless Housing, Assistance and Prevention (HHAP) programs due to the impact of the COVID-19 eviction moratorium (Flex Spending and Homelessness Prevention and Diversion) and the timing of the start to spending (Storage Centers and Safe Parking, etc.).

Beginning Fund Balance

The beginning fund balance represents the sources available from the prior year. The \$11.0 million higher-than-budget variance consists of restricted-use funds that are committed to programs. The increase was primarily attributed to additional City of San Diego Affordable Housing Fund in-lieu fees received in prior fiscal years and higher-than-budgeted federal HOME program income, which are both largely committed for the development of future affordable housing units through the current Notice of Funding Availability (NOFA) process.

USES OF FUNDS: Total actual December 2020 year-to-date funding uses were \$463.1 million, which was 4 percent, or \$16.2 million, higher than budget. This was primarily due to personnel and non-personnel expenses that were lower than budget by \$1.0 million and \$21.7 million respectively, offset by ending fund balance that was \$39.0 million higher than budget. The explanations below give more details about significant variances:

Personnel Expenses

- The \$1.0 million lower-than-budget variance was primarily due to vacancies across the agency during the fiscal year-to-date.

Non-Personnel Expenses

- The \$7.7 million lower-than-budget variance in housing assistance payments (HAP) was primarily due to the timing of the usage of budgeted HAP initiatives in the year-to-date. Staff anticipate higher usage for the remainder of the year.
- The \$12.7 million lower-than-budget variance in grant expense was primarily due to:
 - The timing of expenditures relating to Rapid Rehousing/Supportive Services budgeted for the Housing Commission’s hotel acquisitions. These did not commence operations until after the completion of the hotel purchases in the second quarter. A portion of the funding related to these savings is being diverted toward Operation Shelter to Home at the Convention Center for the remaining half of the year; and
 - Cost savings relating to the Bridge Shelter operations for the first half of the year.
- The \$3.7 million lower-than-budget variance in loans made was primarily due to the timing of multifamily housing loans. The variance is expected to decrease as loans are funded through the remainder of the year.
- The \$3.2 million higher-than-budget variance in capital expenditure was primarily due to the acquisition of the extended-stay hotel on Hotel Circle, using CDBG revolving loan funds, which was budgeted to occur later in the fiscal year.

Ending Fund Balance

Ending fund balance as of December 2020 was \$169.3 million, which was 30 percent, or \$39.0 million, higher than budget, primarily due to the higher-than-budget beginning fund balance, as well as the lower-than-budget spending of personnel and non-personnel expenses, explained above. Even though ending fund balance was higher-than-budget, the funds are committed for use to create and preserve affordable housing.

Respectfully submitted,

Tracey McDermott

Tracey McDermott
Senior Vice President & Chief Financial Officer
Financial Services Department

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Year-to-Date Statement of Sources and Uses

Docket materials are available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.

SAN DIEGO HOUSING COMMISSION
STATEMENT OF SOURCES AND USES
FISCAL YEAR-TO-DATE AS OF December 31, 2020

	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Budget</u>	<u>Over/(Under)</u> <u>Budget</u>	<u>%</u> <u>Variance</u>
SOURCES OF FUNDS				
NEW SOURCES				
FEDERAL				
Section 8/MTW	132,781,000	139,389,000	(6,608,000)	-5%
HOME	5,805,000	6,952,000	(1,147,000)	-16%
Housing Innovation Funds	2,676,000	4,903,000	(2,227,000)	-45%
CDBG & Other Federal Funds	77,226,000	65,491,000	11,735,000	18%
TOTAL FEDERAL	218,488,000	216,735,000	1,753,000	1%
LOCAL				
SDHC Real Estate	67,018,000	66,546,000	472,000	1%
Unrestricted Funds	1,258,000	1,031,000	227,000	22%
Affordable Housing Fund	10,180,000	3,072,000	7,108,000	231%
Other Local Funds	4,300,000	4,233,000	67,000	2%
TOTAL LOCAL	82,756,000	74,882,000	7,874,000	11%
STATE	7,796,000	12,176,000	(4,380,000)	-36%
TOTAL NEW SOURCES	309,040,000	303,793,000	5,247,000	2%
BEGINNING FUND BALANCE	154,075,000	143,107,000	10,968,000	8%
TOTAL SOURCES OF FUNDS	463,115,000	446,900,000	16,215,000	4%
USES OF FUNDS				
PERSONNEL				
Salaries and Wages	14,888,000	15,415,000	(527,000)	-3%
Fringe Benefits	5,157,000	5,632,000	(475,000)	-8%
SUBTOTAL PERSONNEL	20,045,000	21,047,000	(1,002,000)	-5%
NON-PERSONNEL				
Housing Assistance Payments	111,475,000	119,172,000	(7,697,000)	-6%
Grant Expense	13,205,000	25,899,000	(12,694,000)	-49%
Property Expenses	4,369,000	4,871,000	(502,000)	-10%
Professional Services	2,958,000	3,354,000	(396,000)	-12%
Services, Supplies & Other	3,432,000	4,026,000	(594,000)	-15%
Loans Made	17,458,000	21,181,000	(3,723,000)	-18%
Debt Principal Payments	4,517,000	3,846,000	671,000	17%
Capital Expenditures	116,349,000	113,153,000	3,196,000	3%
SUBTOTAL NON-PERSONNEL	273,763,000	295,502,000	(21,739,000)	-7%
TOTAL FUNDS EXPENDED	293,808,000	316,549,000	(22,741,000)	-7%
ENDING FUND BALANCE	169,307,000	130,351,000	38,956,000	30%
TOTAL USES OF FUNDS	463,115,000	446,900,000	16,215,000	4%