



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, 2017

San Diego Housing Commission
Financial Services Department
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, 2017, 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 2017 (July 1, 2016 – June 30, 2017). 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/SDHCbudget/

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 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 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 Board of Commissioners

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, and by administering the City's Homeless Shelters and Services programs.

SDHC is governed by the Housing Authority of the City of San Diego (Housing Authority). Composed of the nine members of the San Diego City Council, the Housing Authority has final authority over SDHC's budget and major policy decisions. SDHC President & Chief Executive Officer Richard C. Gentry is the Executive Director of the Housing Authority.

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

SDHC Mission

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

SDHC's agency-wide, four-year Strategic Plan 2016 - 2020 was approved by the SDHC Board of Commissioners 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 Fiscal Year 2017

SDHC Strategic Plan accomplishment highlights during Fiscal Year 2017 include:

- **Green Physical Needs Assessment (GPNA) Capital Improvements** - SDHC completed \$12.7 million in capital improvements at 85 of the 155 properties that SDHC owns. These renovations were identified through a GPNA previously conducted on a sample of 10 - 20% of the affordable housing units at each of SDHC's rental properties. The renovations included new roofs, windows, kitchen and bathroom cabinets, exterior paint and site lighting improvements. These renovations had a positive impact on more than 2,000 residents.
- **Acquired Town & Country Property** - In February 2017, SDHC purchased Town & Country Village Apartments, a 145-unit multifamily housing rental development with 97 affordable housing units restricted to 50-60 percent of San Diego's Area Median Income and 48 market-rate units. In May of 2017, SDHC entered into a Purchase and Sale agreement with a limited partnership composed of SDHC's nonprofit affiliate, Housing Development Partners, and Chelsea Investment Corporation. In November 2017, after the end of Fiscal Year, the Housing Authority authorized the issuance of up to \$30,000,000 in Multifamily Housing Revenue Bond to facilitate the acquisition and rehabilitation of Town & Country Apartments.
- **SDHC's Adaptable Housing (State Sites Conversion)** – On April 30, 2017, 35 rental apartment units across five scattered sites in City Heights and Old Town were converted into Federal Public Housing, after the completion of comprehensive property renovations, which had an estimated cost of \$3.9 million. These properties have an original construction loan from the California Department of Housing and Community Development, who agreed to defer payments for an additional 55 years due to the transition of these assets to the Public Housing program.
- **State Legislation, AB 1637** – SDHC worked together with the City of San Diego and California Assembly member Todd Gloria on Assembly Bill 1637, known as the Missing Middle Housing Act, to allow public housing authorities in the City of San Diego and Santa Clara County to make gap financing loans to support the creation of middle-income housing, if 40% of the units will be affordable to low-income households (up to 80% of Area Median Income) and at least 10% of the units will be affordable to middle-income households (up to 150% of Area Median Income). This is an affordability range not previously served by public housing authorities. This new middle-income range will also create the opportunity for public housing authorities to attract new types of revenue sources for affordable housing, and incentivize the production of mixed-income rental housing developments. California Governor Jerry Brown signed AB1637 into law on October 14, 2017, after the end of Fiscal Year 2017.

HOUSING FIRST – SAN DIEGO

On April 7, 2017, the proposed 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 for at least 3,000 homeless San Diegans over the next three fiscal years (2018 - 2020).

SDHC will direct \$79.7 million in Federal, City of San Diego and SDHC resources to these six programs:

1. **Landlord Incentives** – Assist at least 3,000 homeless households by increasing the resources for SDHC's landlord incentives and benefits program.
2. **New Permanent Supportive Housing** - Invest Federal "Moving to Work" (MTW) and City of San Diego Affordable Housing Funds to create 500 permanent supportive housing units, which will also be eligible for Federal rental housing vouchers to provide rental assistance for homeless San Diegans.



3. **SDHC Moving Home Rapid Rehousing Assistance** - Assist approximately 600 homeless households to obtain and maintain permanent housing through light case management and short-term rental assistance.
4. **SDHC Moving On Rental Assistance Program** - Provide rental assistance to 50 formerly homeless individuals who are transitioning out of permanent supportive housing, but continue to need rental assistance.
5. **Homeless Prevention & Diversion Services** - Assist up to 1,450 households, which will reduce the inflow of newly homeless individuals and families
6. **Coordinated Street Outreach for Coordinated Entry** - Expand support and coordination among existing street outreach efforts.

These new 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 its initial goal of 1,500 homeless San Diegans:

- **Award Development Funds** - Up to \$30 Million (up to \$10 million per year) - Awarded \$30.0 million toward the creation of 407 permanent supportive housing units.
- **Commit up to 1,500 Federal Rental Housing Vouchers** – Committed 1,869 rental housing vouchers to nonprofit agencies and affordable housing developments to assist homeless San Diegans.
- **Renovate Hotel Churchill** - Created 72 units of permanent supportive housing: 56 for homeless Veterans; 8 for transitional age youth, ages 18 - 25; and 8 for adults exiting the corrections system. SDHC invested \$9.2 million in Federal MTW funds toward the \$20.6 million total rehabilitation cost. Grand Reopening: September 19, 2016.
- **Invest MTW Federal Funds to Acquire Property** - Invested \$15 million in MTW funds to purchase the 120-unit Village North Senior Garden Apartments on May 1, 2015, and set aside 44 rental apartments, or 36%, for homeless seniors.
- **Dedicate SDHC - owned Housing Units** - Committed 25 SDHC-owned housing units year-round, which have assisted 36 families (139 individuals, including 89 children); 16 families have become financially self-reliant and are able to pay rent on their own.
- **The Guardian Scholars Program** - Provide rental assistance for up to 100 San Diego State University (SDSU) students who have been homeless or at risk of homelessness.
- **The Monarch School Project** - Provide rental housing vouchers for up to 25 families who have at least one child enrolled at the Monarch School, one of the few schools in the nation specifically serving homeless children.
- **Housing Our Heroes** - Provide housing opportunities for 1,000 homeless Veterans in the city of San Diego. As of June 30, 2017, 800 previously homeless Veterans secured permanent housing, and 328 homeless Veterans were searching for housing with rental assistance. In addition, 388 individual landlords had joined Housing Our Heroes. On September 28, 2017, after the end of Fiscal Year 2017, the Housing Our Heroes initiative reached its goal of helping 1,000 previously homeless Veterans obtain permanent rental housing.



Established in 1979, SDHC is an award-winning public agency dedicated to preserving and increasing 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, 2016. 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.

In order 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 seven consecutive years (fiscal years ended 2010-2016). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

The PAFR is available on SDHC's website:

www.sdhc.org/SDHCBudget/



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, 2016

Jeffrey R. Egan
Executive Director/CEO

Comprehensive Annual Financial Report Award

SDHC's Comprehensive Annual Financial Reports (CAFR) for the years ended 2008-2016, 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.

In order 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. We believe our CAFR continues to conform to the Certificate of Achievement program requirements, and we will be submitting our CAFR for the current year to the GFOA.

Chief Financial Officer's Message



Building upon SDHC's accomplishments in Fiscal Year 2017, the agency will continue its innovative, entrepreneurial approach to address the affordable rental housing needs of low-, middle-income, and homeless San Diegans as a Federal "Moving to Work" (MTW) agency. SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive the MTW designation from the U.S. Department of Housing and Urban Development (HUD). This MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for the City of San Diego. SDHC President & CEO Richard C. Gentry serves on the national MTW Steering Committee, which includes all 39 MTW agencies.

SDHC's largest program is the Federally funded Section 8 Housing Choice Voucher rental assistance program. In Fiscal Year 2017, SDHC received 74 percent of its revenue from HUD, most of which was awarded to SDHC for MTW initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the Federal government and the U.S. Congress' annual appropriation to HUD.



Terry and her daughters Jazlyn, Lesly, and Ashley (Left to right)

Federal Section 8 Housing Choice Voucher rental assistance recipients

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayers' money, it is our responsibility to have the greatest possible impact with limited financial resources. Through a combination of expense reduction and prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in Fiscal Year 2017 and will have a balanced budget in Fiscal Year 2018 (July 1, 2017 – June 30, 2018).

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. HUD approved SDHC's 2017 MTW Plan on June 30, 2016. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD's fiscal year runs from October to September. HUD approved the 2018 MTW Plan on June 27, 2017. The plans can be viewed at <http://www.sdhc.org/Rental-Assistance/MovingForward-MTW/>

The city of San Diego is the eighth largest city in the nation. The outlook for San Diego is similar to the national economy, slow growth (2.5 percent growth in Gross Domestic Product, which is the sum of all goods and services produced within a year) with unemployment edging up slightly, according to a presentation from University of San Diego Professor Alan Gin at the 33rd Annual San Diego County Economic Outlook on January 19, 2017. However, a steady demand for housing will continue, which will cause housing prices to increase in the short term and keep the affordability index low for those looking to buy a home, according to a presentation at the same event from Ray Major, chief economist of the San Diego Association of Governments.

According to the U.S. Department of Labor's Bureau of Labor Statistics, overall unemployment rate in San Diego in August 2017 was 4.3% which was slightly lower than the national rate of 4.9%; however, the year-over-year change in prices paid for all items by San Diegans was more than 1 percent greater than the U.S. city average, while the average weekly wages for all industries in San Diego was more than \$100 less than the U.S. city average. In addition, a report from real estate website Zillow.com lists the median list price of a home at \$675,000 and the vacancy rate

Chief Financial Officer's Message



in the rental housing market in the City of San Diego hovering at 3.3 percent, there is a great need for affordable housing. In addition, the January 2017 Point-in-Time Count of homeless individuals, coordinated by the Regional Task Force on the Homeless, found 9,116 homeless individuals in the County of San Diego, up from 8,692 in the prior year. To address homelessness in the City of San Diego, SDHC has awarded more than 2,800 federal housing vouchers since 2010. SDHC is committed to creating and preserving affordable housing, and has set an objective to create approximately 2,000 units of mixed-income and affordable housing over a 4-year period (2016 - 2020).

In addition, SDHC will create permanent housing opportunities for at least 3,000 homeless individuals through **HOUSING FIRST-SAN DIEGO: 2018-2020**, which directs \$79.7 million in Federal, City of San Diego, and SDHC resources over the next three fiscal years into six programs.

SDHC has earned a national reputation as a model public housing agency, with affordable housing programs and services that stimulate the local economy, revitalize neighborhoods, and impact the lives of low-income and homeless San Diegans.



Jamie and daughter JoAnn

Single mom to seven children avoided eviction after falling behind on rent by joining SDHC's Homelessness Prevention & Diversion program

SDHC's fiscal year 2018 budget of \$433.0 million will 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
Vice President and Chief Financial Officer



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 2017, SDHC's assets exceeded liabilities by \$567.1 million, an increase of 9 percent from Fiscal Year 2016.

Total assets increased by \$52.5 million. The increase in current and other assets is primarily attributed to an increase in inclusionary fee payments received and invested in longer term investments, as well as loans made as notes receivable. In addition, capital assets net of depreciation increased \$21.2 million primarily due to the acquisition of Town & Country apartments and the completion of improvements of SDHC's Adaptable Housing and continued rehabilitation of various properties.

Total liabilities increased by \$4.0 million, or 3 percent. This is primarily due to an increase in accounts payable primarily related to construction in progress.

SDHC's total net position increased 9 percent, or \$48.5 million, in Fiscal Year 2017.

Net investment in capital assets increased \$22.8 million primarily as a result of the increase in capital assets referenced above.

Restricted net position increased \$6.6 million to \$182.5 million primarily due to an increase in reserves from HUD's HOME Investment Partnerships Program notes receivable and accrued interest.

Unrestricted net position increased \$20.1 million to \$288.6 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, 2017	June 30, 2016	Change %
ASSETS			
Current and other assets	\$ 492,493	\$ 461,185	7%
Capital assets net of depreciation	199,370	178,135	12%
Total assets	\$ 691,863	\$ 639,320	8%
LIABILITIES			
Current liabilities	\$ 24,072	\$ 15,243	58%
Notes payable and non-current liabilities	100,704	105,512	-5%
Total liabilities	\$ 124,776	\$ 120,755	3%
NET POSITION			
Net investment in capital assets	\$ 95,954	\$ 73,123	31%
Restricted	182,546	176,981	3%
Unrestricted	288,587	268,461	7%
Total net position	567,087	518,565	9%
Total liabilities and net position	\$ 691,863	\$ 639,320	8%

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 \$48.5 million represents an increase of 39 percent, or \$13.7 million, from the change in net position in Fiscal Year 2016, mainly due to a \$12.9 million increase in other non-operating income and expenses, net. This was primarily due to an increase in grant revenue.

Operating revenues increased by \$3.1 million in Fiscal Year 2017, in part due to an increase in dwelling rental income and fee revenue.

Operating expenses increased by \$1.7 million in Fiscal Year 2017. This increase is primarily due to an increase in administrative expenses to support expanded services such as the Housing Our Heroes initiative and Green Physical Needs Assessment program.

	June 30, 2017	June 30, 2016	Change %
Operating revenues			
Dwelling rental income	\$ 30,080	\$ 28,090	7%
Land lease and other			
rental income	2,493	2,669	-7%
Fee revenue	4,512	3,867	17%
Other revenue	4,408	3,777	17%
Total Operating revenues	41,493	38,403	8%
Operating expenses	208,448	206,744	1%
Deficit before depreciation and other non-operating income and expenses	(166,955)	(168,341)	-1%
Depreciation	5,765	5,131	12%
Deficit before other non-operating income and expense	(172,720)	(173,472)	0%
Other non-operating income and expenses, net	221,242	208,325	6%
Change in net position	<u>\$ 48,522</u>	<u>\$ 34,853</u>	<u>39%</u>

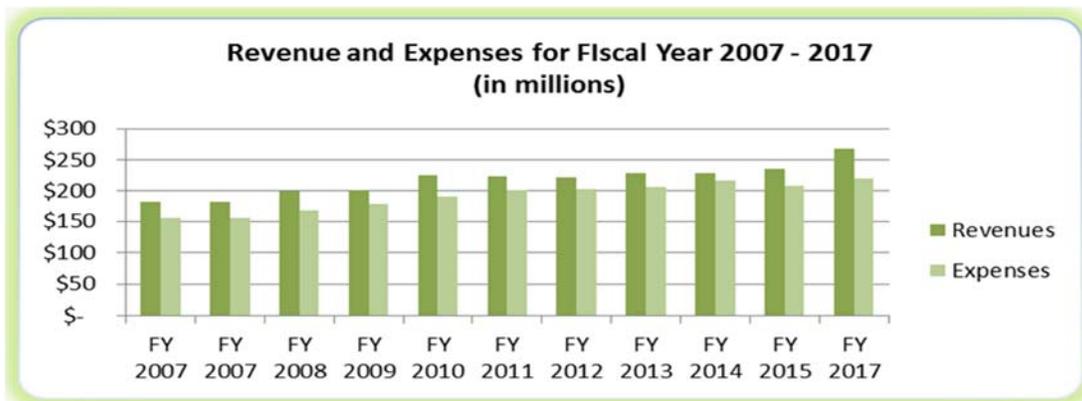
Additional Key Terms

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.



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, 2017, was \$156.1 million, an increase of 12.8 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.

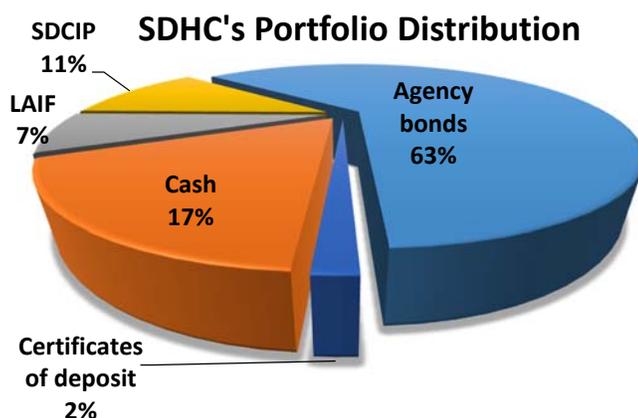
Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and for amounts over \$250,000, collateralized with securities held by the pledging financial institutions in SDHC's name in accordance with California Government Code.

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			
	6/30/2017	6/30/2016	Variance
Cash	\$26.84	\$27.45	(\$0.61)
LAIF	11.10	11.05	\$0.05
SDCIP	17.24	17.09	\$0.15
Agency Bonds	98.45	79.87	\$18.58
Certificates of Deposit	2.45	2.94	(\$0.49)
Total	\$156.08	\$138.40	\$17.68



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 2017, SDHC had nearly \$199.4 million (net of depreciation) invested in capital assets, including office furniture and equipment, construction in progress, land, building, and building improvements. This was an increase of \$21.2 million, or 11.9 percent, from the previous year. The majority of SDHC's investment in capital assets is composed of ownership of land, affordable housing stock, the Smart Corner office building, and construction-in-progress, which represents rehabilitation projects underway.

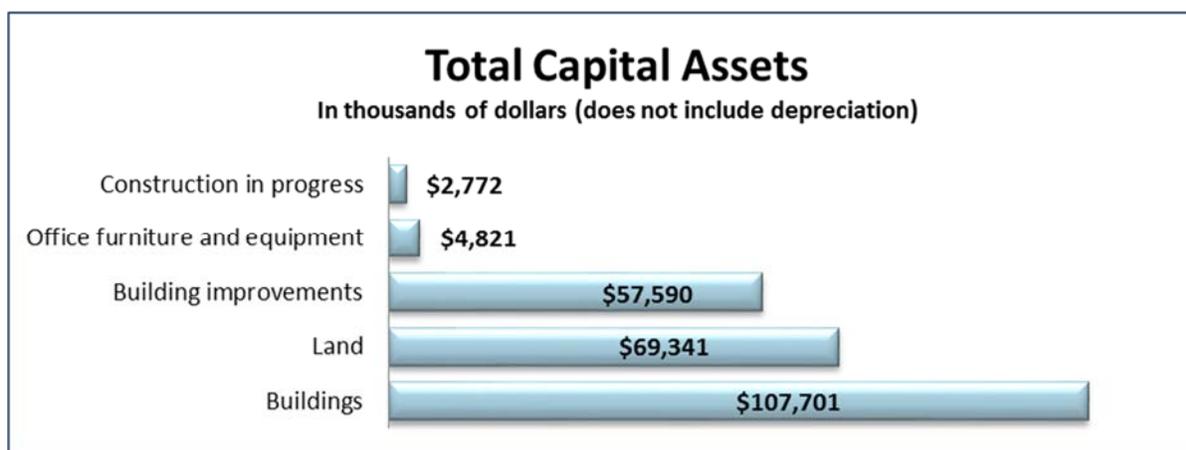
There was a \$1.3 million addition to land and \$9.2 million increase in buildings that related to the acquisition of the Town & Country property. In addition, building improvements increased \$21.6 million primarily as a result of the completion of improvements of SDHC's Adaptable Housing and the rehabilitation of various properties.

The increase in total capital assets, net, is offset by depreciation. Depreciation expense for the Fiscal Year that ended on June 30, 2017, was \$5.8 million.



Pulitzer Place Apartments

One of 85 SDHC-owned properties that received GPNA Capital Improvements in Fiscal Year 2017





SDHC owns 156 properties with 2,559 affordable housing rental units, including 189 Federal public housing units that SDHC operates in the City of San Diego.

SDHC is an active and innovative 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 seven affordable housing partnership developments in Fiscal Year 2017 throughout the City of San Diego, such as:

- **Atmosphere**, Downtown San Diego, 151 affordable units for families and 51 permanent supportive housing units for homeless San Diegans.
- **Trolley Park Terrace**, Encanto, 51 affordable units for families.
- **Hotel Churchill**, Downtown San Diego, 72 units of permanent supportive housing for veterans, transitional age youth and adults exiting the corrections system.
- **Fairbanks Terrace**, Black Mountain Ranch, 82 affordable units for seniors.



Atmosphere Apartments
202 Affordable Rental Housing Units
Grand Reopening – May 31, 2017

In addition, SDHC's Adaptable Housing (state sites) transitioned 35 affordable rental units at five locations in City Heights and Old Town to federal public housing on April 30, 2017, following the completion of comprehensive property renovations with an estimated cost of \$3.9 million. These properties have an original construction loan from the California Department of Housing and Community Development, which agreed to defer payments due for an additional 55 years due to the transition of these assets to the Public Housing program.



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 1,133 apartments, townhomes and single-room occupancy units, including 382 units that are owned by HDP, 107 SDHC-owned units that are leased by HDP, and 644 units through partnership developments.

The abbreviated financial statements are for the period ending December 31, 2016, and are presented in thousands of dollars.

HDP – Discretely Presented Component Units December 31, 2016

ASSETS	
Current and other assets	\$ 13,267
Capital assets net of depreciation	57,246
Total assets	<u>70,513</u>
LIABILITIES	
Current liabilities	8,799
Notes Payable and non-current liabilities	50,524
Total liabilities	<u>59,323</u>
NET POSITION	
Unrestricted	11,190
Total liabilities and net position	<u>\$ 70,513</u>
OPERATING REVENUES	
Dwelling rental income	\$ 5,872
Other revenue	272
Total Operating revenues	6,144
OPERATING EXPENSES	
Deficit before depreciation and other non-operating income and expenses	1,662
Depreciation	2,674
Deficit before other non-operating income and expense	(1,012)
Other non-operating income and expenses, net	(1,203)
Change in net position before capital transactions	(2,215)
Capital distributions	2,927
Change in net position	<u>\$ 712</u>



New Palace Hotel

79 Affordable Rental Units for Seniors at Risk of Homelessness

Addressing Homelessness



SDHC supports 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 27, 2017, increased approximately 5 percent from 2016. The Point-in-Time Count identified 9,116 homeless individuals (sheltered and unsheltered) in the County of San Diego, including 5,619 in the City of San Diego, which was a 10 percent increase from 2016.



Point-in-Time Count

January 27, 2017

SDHC administers the City of San Diego's Homeless Shelters and Services Programs based on a Memorandum of Understanding between the City of San Diego and SDHC that took effect on July 1, 2010 and was amended and restated as approved by the Housing Commission Board on May 9, 2014, and the City Council on June 17, 2014. The MOU was further amended as approved by the Housing Commission on April 10, 2015, and the City Council on April 28, 2015. The City's homelessness programs include a homeless day center, and three shelter programs (Connections Housing Downtown, the City-sponsored one-stop housing and services center for homeless San Diegans; Cortez Hill Family Center, which provides short-term housing and services to help homeless families stabilize their lives; and the City's Year-Round Permanent Interim Housing Program).

SDHC supports Connections Housing Downtown with Federal Project-Based Housing Vouchers that provide rental assistance for 73 studio apartments and 16 interim housing units for individuals with special needs. A year-round facility, Connections Housing Downtown is part of an innovative approach to addressing homelessness that combines housing with an array of support services for men and women who previously lived on the streets of Downtown San Diego. Connections Housing Downtown helps its residents with substance abuse counseling, employment services and additional services. A health clinic operated by Family Health Centers of San Diego is located on the first floor of Connections Housing Downtown. SDHC contracts with People Assisting the Homeless (PATH) San Diego to operate a total of 150 interim housing beds at Connections Housing Downtown on behalf of the City of San Diego. The interim bed program served 559 clients in Fiscal Year 2017, funded through Federal Community Development Block Grant (CDBG) funds, Emergency Solutions Grant (ESG) funds, City General Funds and SDHC locally generated funds, such as lease or rental revenue, for a total of \$723,128.

SDHC also administers the City's family shelter program, Cortez Hill Family Center, which provides housing units for 120-day stays to 45 homeless families at a time. Cortez Hill assisted 232 families in Fiscal Year 2017.

Addressing Homelessness



The Day Center for Homeless Adults, provides showers, laundry facilities, mail services, a computer lab, free storage for belongings, assessment, counseling, information and referral services and additional assistance to homeless San Diegans. In Fiscal Year 2017, 6,735 homeless adults were served.

Additionally, SDHC administers the City's Year-Round Interim Housing Program for Homeless Adults, a 350 - bed permanent shelter operated by Father Joe's Villages at the Paul Mirabile Center at its Downtown San Diego campus, which replaced two seasonal shelters the City had provided during the winter months for nearly 30 years. The City's Interim Housing Program opened July 1, 2015. This program served approximately 1,692 homeless men and women during Fiscal Year 2017, and is part of the Father Joe's Villages continuum of homeless housing and services downtown. Homeless adults living at the shelter have access to Father Joe's Villages wide array of on-site services, including three meals per day, basic living skills, job readiness and vocational job training programs, case management, housing locator assistance, and medical clinic. The permanent facility was funded with slightly more than \$2 million in CDBG funds, ESG Funds, and City General Funds.

In Fiscal Year 2017, SDHC also supported more than 600 transitional housing beds with City of San Diego Inclusionary Housing Funds and Housing Trust Funds. This program served 1,301 homeless individuals in Fiscal Year 2017. With Federal ESG and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing Programs, which served 244 individuals representing 171 households in Fiscal Year 2017. The programs help to pay security deposits and short-term rents. Additionally, the programs provided services to help clients find housing and not return to homelessness.



SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive a “Moving to Work” (MTW) designation from HUD. As an MTW agency, SDHC designs innovative, cost-effective ways of providing housing assistance to low-income families, using a combination of federal funding allocated to SDHC for public housing and Federal Section 8 Housing Choice Voucher (HCV) rental assistance. SDHC's MTW operating budget in FY 2017 was \$161,538,565.

The three statutory objectives for MTW are:

- Use federal dollars more efficiently
- Help residents on their path to economic independence
- Improve housing choices for low-income families

Examples of MTW initiatives implemented by SDHC are:

- **Choice Communities.** Since SDHC’s Choice Communities program began on January 1, 2010, 338 low-income families in the City of San Diego have been able to move to areas that are closer to more employment and educational opportunities. This MTW program helps HCV participants move to low-poverty neighborhoods in the city of San Diego and allows participating families to increase the percentage of monthly adjusted income they pay toward rent so they can move to these communities of enhanced opportunities.
- **Sponsor-Based Housing Voucher Program.** SDHC awards Federal Sponsor-Based Housing Vouchers to nonprofit organizations, or “sponsors,” that provide supportive services to homeless San Diegans. Since 2010, SDHC has awarded 860 Federal Sponsor-Based Housing Vouchers to nonprofit organizations. These vouchers have an annual value of \$9,721,440, based on the monthly cost of the voucher, \$942.



MTW Initiative
SDHC Achievement Academy
CPR Training

- **Project-Based Housing Voucher Program.** SDHC awards federal Project-Based Housing Vouchers to specific affordable housing developments to provide rental assistance linked to their units. When a tenant moves on, the rental housing voucher remains with the unit to help another homeless San Diegan move off the street. SDHC has committed 882 Project-Based Housing Vouchers with an annual value of \$8,678,880 to address homelessness, based on the monthly cost of the voucher, \$820.
- **SDHC Achievement Academy.** Located at SDHC’s Downtown San Diego headquarters, the 9,600 square-foot SDHC Achievement Academy is a learning and resource center and computer lab with programs that emphasize career planning, job skills, and personal financial education—available at no charge to Federal HCV recipients and SDHC public housing residents. During Fiscal Year 2017, nearly 2,000 individuals attended workshops. Of those, 1,346 received core services, resulting in 287 increasing their earnings and 218 participants placed in jobs.
- **Path to Success.** Path to Success modified the method used to determine the monthly rent payment amount for families that receive rental assistance from SDHC and public housing residents. The new rent methodology was designed to motivate families to increase earnings.

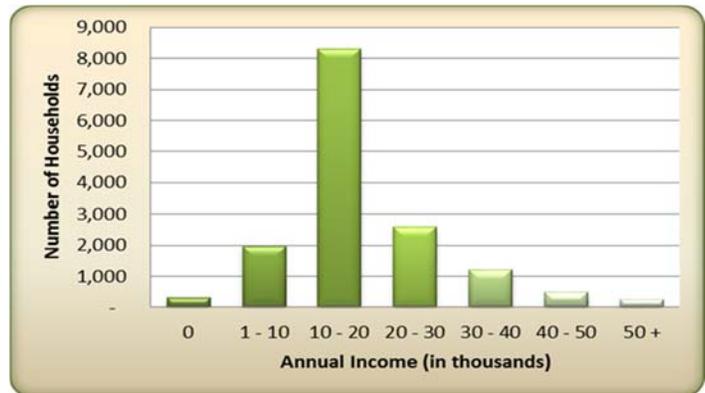
Demographics of the HCV Program



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 15,000 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, 2017, the last day of Fiscal Year 2017, almost 15,000 households were renting housing units with HCV rental assistance from SDHC.

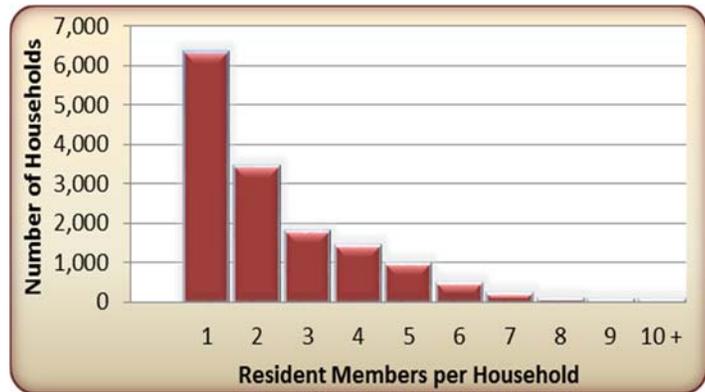
Income per HCV Household

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



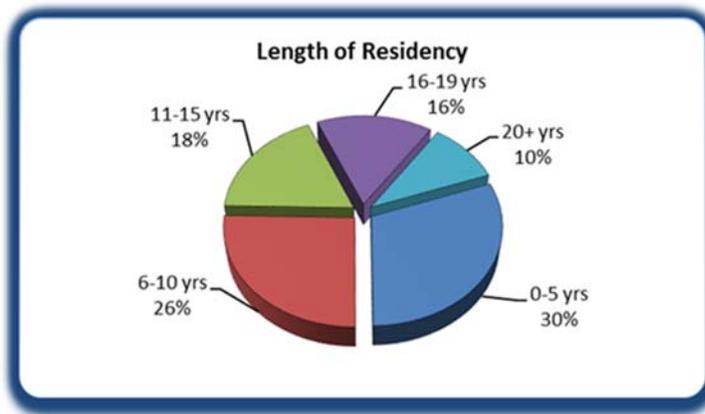
Resident Members per Household

- 42.2 percent are single-member households.
- 23.0 percent are households with two members.
- 12.1 percent are households with three members



Years in HCV Program

- 0-5 years: 4,564 households
- 6-10 years: 3,818 households
- 11-15 years: 2,748 households
- 16-19 years: 2,365 households
- 20+ years: 1,501 households





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