



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Popular Annual Financial Report Fiscal Year Ended June 30, 2016

San Diego Housing Commission
Financial Services Department
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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, 2016, 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 2016 (July 1, 2015 – June 30, 2016). 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.

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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 an affordable housing developer, a lender and a rental assistance provider through the Federal Section 8 Housing Choice Voucher Program, which can serve more than 16,000 low-income households. In Fiscal Year 2016, a total of 16,533 households in the city of San Diego received Federal Section 8 Housing Choice Voucher rental assistance from SDHC. 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. SDHC also plays a major role in addressing homelessness in the city of San Diego, including **HOUSING FIRST – SAN DIEGO**, SDHC’s landmark three-year Homelessness Action Plan (2014-17).

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 (CEO) 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. Two Commissioners must be residents of assisted housing, including one aged 62 or older.

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, two-year 2014-16 Strategic Plan provided SDHC with a framework to identify how it can have the greatest possible impact with limited financial resources in the years ahead.

SDHC’s 2014-16 Strategic Plan identified three major Goals:

- A) Create and Preserve Quality Affordable Housing;
- B) Provide Housing Choice Voucher Families with Opportunities for Them to Become More Financially Self-Reliant; and
- C) Foster a Culture of Excellence and Innovation.



SDHC Board of Commissioners



SDHC's 2014-16 Strategic Plan was approved by the SDHC Board of Commissioners on January 17, 2014. On September 12, 2014, an important objective was added to the 2014-16 Strategic Plan: "Ensure that the most effective and cost-efficient business practices are in place to create and preserve quality affordable housing" in the city of San Diego.

On September 9, 2016, The SDHC Board of Commissioners approved a new four-year 2016-20 Strategic Plan to build upon the accomplishments of SDHC's 2014-16 Strategic Plan. Three major Goals were identified, 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
3. Advocate for more effective affordable housing policies and resources

HOUSING FIRST – SAN DIEGO

SDHC leveraged its available resources to address homelessness through **HOUSING FIRST – SAN DIEGO**, SDHC's landmark three-year Homelessness Action Plan (2014-17).

Launched on November 12, 2014, **HOUSING FIRST – SAN DIEGO** will impact the lives of as many as 1,500 homeless San Diegans.

HOUSING FIRST – SAN DIEGO is rooted in the national "Housing First" model of addressing homelessness – to provide homeless individuals with housing as quickly as possible, with supportive services as needed.

HOUSING FIRST – SAN DIEGO was originally launched as a five-point action plan:

1. Award up to \$30 million over three years (up to \$10 million per year) to create Permanent Supportive Housing that will remain affordable for 55 years.
Accomplishment: SDHC has awarded \$12 million toward four affordable rental housing developments that will create 167 rental housing units dedicated to homeless Veterans, families, seniors, and individuals (Cypress Apartments – 62 units; Talmdage Gateway Apartments – 59 units; Vista del Puente – 38 units; and The Nook East Village – 8 units).
2. Commit up to 1,500 Federal rental housing vouchers to provide housing to homeless individuals and families.
Accomplishment: SDHC has awarded 925 Federal rental housing vouchers, with an annual value of \$9.2 million, to affordable housing developments and programs.
3. Renovate the historic Hotel Churchill to create 72 units of Permanent Supportive Housing for homeless Veterans, transitional age youth, and adults exiting the corrections system.
Accomplishment: The Grand Reopening of Hotel Churchill was held on September 19, 2016. Of the 72 studios, 56 are set aside for homeless Veterans who are part of SDHC's The 1,000 Homeless Veterans Initiative. They will receive on-site supportive services from the U.S. Department of Veterans Affairs.



Services for the 16 non-Veteran residents will be funded by the State Mental Health Services Act, administered by the County of San Diego's Behavioral Health Services Division.

4. Invest up to \$15 million from the Federal "Moving to Work" (MTW) rental assistance program to acquire a property that will set aside 20 percent of its units for Permanent Supportive Housing for homeless San Diegans.

Accomplishment: On May 1, 2015, SDHC invested \$15 million in Federal MTW funds to purchase Village North Senior Garden Apartments (Village North), located at 7720 Belden Street in the Clairemont Mesa community. SDHC set aside 44 of Village North's 120 apartments, or 36 percent, for homeless seniors, and committed 44 Project-Based Housing Vouchers to provide rental assistance for residents of these units.

5. Dedicate 25 of SDHC's own affordable rental housing units year-round to provide furnished apartments for homeless individuals and families through a Rapid Re-housing model. SDHC is one of the first public housing agencies in the nation to commit affordable rental housing that it owns for this purpose.

Accomplishment: Since this program launched on January 1, 2015, SDHC has assisted 35 families with 137 individuals, including 88 children. Thirteen families have achieved financial self-reliance and are now able to pay rent on their own.

HOUSING FIRST – SAN DIEGO – New Initiatives:

In Fiscal Year 2016, SDHC announced four new initiatives of **HOUSING FIRST – SAN DIEGO**:

1. **SDHC's 1,000 Homeless Veterans Initiative** – Launched on March 1, 2016, this initiative will provide housing opportunities for up to 1,000 homeless Veterans within one year – March 2017. The initiative will invest close to \$12.5 million over two years in Federal, City and SDHC resources to provide housing in the city of San Diego for Veterans who are living on the streets or living in shelters. SDHC's 1,000 Homeless Veterans Initiative includes the "Housing Our Heroes" landlord outreach program.
2. **The Guardian Scholars Program** – Through a nationally unprecedented partnership between SDHC and San Diego State University (SDSU), up to 100 students in SDSU's Guardian Scholars Program who have been homeless or at risk of homelessness will receive financial rental assistance.
3. **The Monarch School Project** – SDHC will provide Federal rental housing vouchers for up to 25 homeless families over three years who have at least one child enrolled at The Monarch School, one of the few schools in the nation specifically serving homeless children.
4. **Award development Funds** – For the second consecutive year, up to \$10 million will be awarded by SDHC to developers to create Permanent Supportive Housing or convert existing transitional housing to Permanent Supportive 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 ended June 30, 2015. 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 six consecutive years (fiscal years ended 2010-2015). 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, 2015


Executive Director/CEO

Comprehensive Annual Financial Report Award

SDHC's Comprehensive Annual Financial Reports (CAFR) for the years ended 2008-2015, 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.



Building upon SDHC's accomplishments in Fiscal Year 2016, the agency will continue its innovative, entrepreneurial approach to address the affordable rental housing needs of low-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 2016, 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.

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 2016 and projects a balanced budget in Fiscal Year 2017 (July 1, 2016 – June 30, 2017).

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next Fiscal Year. HUD approved SDHC's Fiscal Year 2016 MTW Plan on August 14, 2015. Following each year, SDHC issues an MTW Report that provides an accounting of activities that were implemented during the Fiscal Year. The plans can be viewed at <http://www.sdhc.org/Rental-Assistance.aspx?id=5424>

The city of San Diego is the eighth largest city in the nation. Economic conditions have shown solid improvements over the past year as indicated by the increase in local housing market values, low inflation rates, low rental vacancies and improvement in the labor market. Low inflation rates and an improved job market should benefit the low- and moderate-income population that SDHC serves. However, some economic conditions, such as high rents and low rental vacancy rates, create affordable housing challenges.

More than 45 percent of renters in the city of San Diego spent more than 35 percent of their income on rent, according to a July 2016 report that the London Group Realty Advisors prepared for the San Diego Regional Chamber of Commerce. The U.S. Department of Housing and Urban Development (HUD) defines housing as affordable when no more than 30 percent of income is expected on housing.

In addition, increased housing costs may have an adverse effect on first-time home buyers. Local residential real estate prices continue to increase with higher home values and low mortgage rates. June 2016 saw home prices increase 6.3 percent more than prices of a year earlier. Nationally, inflation is expected to remain low for the foreseeable future, with economists forecasting the core consumer price index for inflation to be at approximately 2.2 percent for calendar year 2016 and 2.1 percent for 2017.



According to the San Diego County Apartment Association's spring survey, the vacancy rate in the rental housing market in the city of San Diego is 3.2 percent, a decrease from the 4.2 percent vacancy rate the previous spring. San Diego continues to experience a severe shortage of residential rental units, despite the new development of several large multifamily apartment complexes in San Diego. Average overall rental rates were \$1,560 in June 2016, a 3.1 percent increase from a year ago.

Another indication that the local economy is continuing to improve is the Index of Leading Economic Indicators. The Index for the region was 140.8 in April 2016, which is the highest level in the past 9 years. Additionally, local unemployment fell to 4.0 percent in May 2016, compared to 4.8 percent in June 2015.

At the same time that the local economy is improving, HUD's 2015 Annual Homeless Assessment Report to Congress showed that San Diego County had the fourth-largest homeless population in the nation. The annual Point-in-Time Count, conducted the morning of January 29, 2016, by the Regional Task Force on the Homeless, identified 8,692 homeless individuals throughout San Diego County, which includes 5,093 individuals in the city of San Diego. This reflects a small decrease of less than 1 percent from January 2015 to January 2016.

SDHC has awarded more than 2,100 federal rental housing vouchers since 2010 to address homelessness in the city of San Diego. For example, SDHC's 1,000 Homeless Veterans Initiative includes 300 VASH vouchers to provide rental assistance to chronically homeless Veterans with an honorable discharge and a disabling condition who need supportive services. SDHC also administers the City of San Diego's Homeless Shelters and Services 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.

SDHC's fiscal year 2017 budget of \$368.0 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



Luis

Formerly Homeless U.S. Navy Veteran
Hotel Churchill Resident
SDHC's 1,000 Homeless Veterans Initiative



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 2016, SDHC's assets exceeded liabilities by \$518.6 million, an increase of 7 percent from Fiscal Year 2015.

Total assets increased by \$33.0 million. The increase in current assets is primarily attributed to an increase in inclusionary payments received and proceeds from the sale of Hotel Metro used to increase investments made, as well as loans made as notes receivable. In addition, capital assets net of depreciation increased \$3.3 million primarily due to the continued rehabilitation of Scattered Sites and Park Crest properties.

Total liabilities decreased by \$1.8 million, or 2 percent. This is primarily due to SDHC electing to pay down \$0.9 million of the loan on the Smart Corner office building, the location of SDHC headquarters. In addition, SDHC made payments on current debt.

SDHC's total net position increased 7 percent, or \$34.9 million, in Fiscal Year 2016.

Net investment in capital assets increased \$4.3 million primarily as a result of the spending on Scattered Sites improvements which are anticipated to be completed in Fiscal Year 2017.

Restricted net position increased \$6.8 million to \$177.0 million primarily due to an increase in reserves from HUD's HOME Investment Partnerships Program notes receivable and accrued interest.

Unrestricted net position increased \$23.8 million to \$268.5 million. This balance includes funds that will be spent for future years' contractual, grant and other obligations, funds reserved for future MTW program initiatives, and unrestricted funds available for operations and contingencies.

	June 30, 2016	June 30, 2015	Change %
ASSETS			
Current and other assets	\$ 461,185	\$ 431,495	7%
Capital assets net of depreciation	178,135	174,818	2%
Total assets	\$ 639,320	\$ 606,313	5%
LIABILITIES			
Current liabilities	\$ 15,243	\$ 13,966	9%
Notes payable and non-current liabilities	105,512	108,635	-3%
Total liabilities	\$ 120,755	\$ 122,601	-2%
NET POSITION			
Net investment in capital assets	\$ 73,123	\$ 68,871	6%
Restricted	176,981	170,195	4%
Unrestricted	268,461	244,646	10%
Total net position	518,565	483,712	7%
Total liabilities and net position	\$ 639,320	\$ 606,313	5%

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: Funds available for SDHC to use for operations.



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 \$34.9 million represents an increase of 30 percent, or \$8.1 million, from the change in net position in Fiscal Year 2015, mainly due to a \$12.6 million increase in other non-operating income and expenses, net. This was a combination of an increase of \$8.3 million in grant revenue and \$3.8 million gain on the sale of Hotel Metro.

Operating revenues increased by \$4.0 million in Fiscal Year 2016, in part due to an increase in dwelling rental income and fee revenue.

Operating expenses increased by \$8.2 million in Fiscal Year 2016. This increase is primarily due to \$4.7 million in grant expense and \$2.6 million in administrative expenses.

	June 30, 2016	June 30, 2015	Change %
Operating revenues			
Dwelling rental income	\$ 28,090	\$ 26,450	6%
Land lease and other rental income	2,669	2,245	19%
Fee revenue	3,867	2,947	31%
Other revenue	3,777	2,768	36%
Total Operating revenues	38,403	34,410	12%
Operating expenses	206,744	198,471	4%
Deficit before depreciation and other non-operating income and expenses	(168,341)	(164,061)	3%
Depreciation	5,131	4,917	4%
Deficit before other non-operating income and expense	(173,472)	(168,978)	3%
Other non-operating income and expenses, net	208,325	195,762	6%
Change in net position	\$ 34,853	\$ 26,784	30%

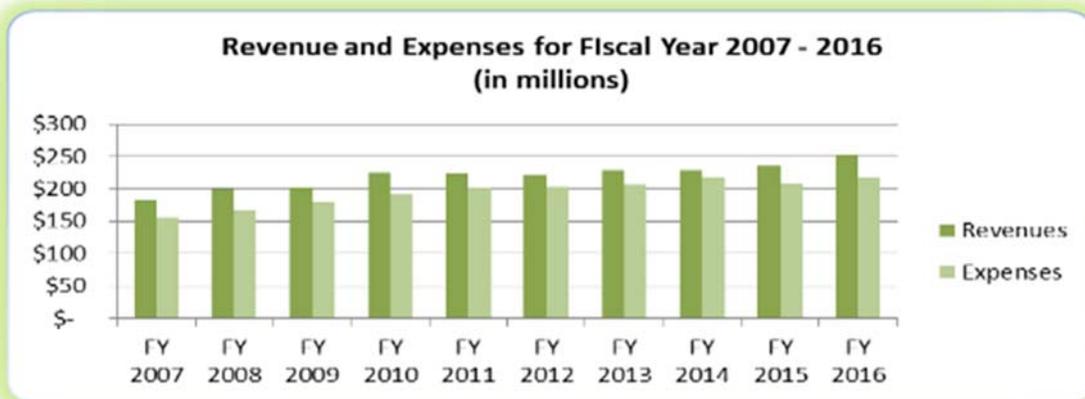
Additional Key Terms

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, 2016, was \$138.4 million, an increase of 25.5 percent from the previous year.

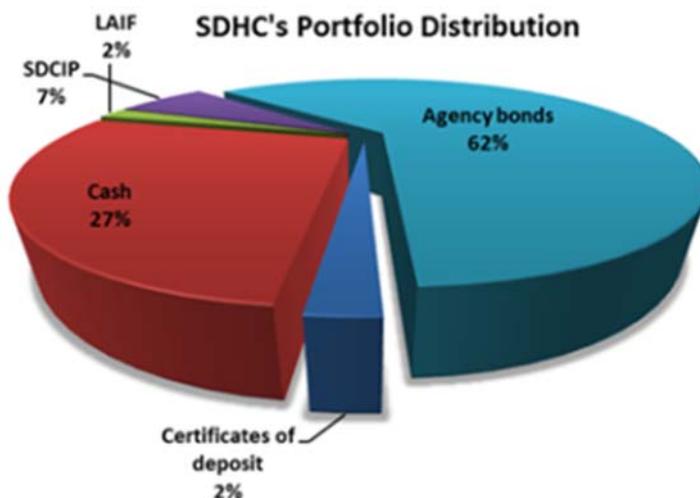
In accordance with California state statute and HUD regulations, SDHC has authorized the Chief Financial Officer, or designee, to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy

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

There are many factors that can affect the value of investments. Some, such as credit risk, custodial risk, concentration of credit risk and market risk, may affect both equity and fixed income securities. 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. The investment policy of SDHC is to invest substantially all of its funds in fixed income securities, which limits SDHC's exposure to most types of risk.

Fair Value in Millions			
	6/30/2016	6/30/2015	Variance
Cash	\$27.45	\$30.00	(\$2.55)
LAIF	11.05	2.04	\$9.01
SDCIP	17.09	7.05	\$10.04
Agency Bonds	79.87	68.78	\$11.09
Certificates of Deposit	2.94	2.45	\$0.49
Total	\$138.40	\$110.32	\$28.08



SDHC's investment portfolio is presented in detail to the Board-appointed Investment Committee on a quarterly basis. After each Investment Committee meeting, the report is officially sent to the SDHC Board as an informational report and posted on SDHC's website, www.sdhc.org



At the end of Fiscal Year 2016, SDHC had nearly \$178.1 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 \$3.3 million, or 1.9 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.

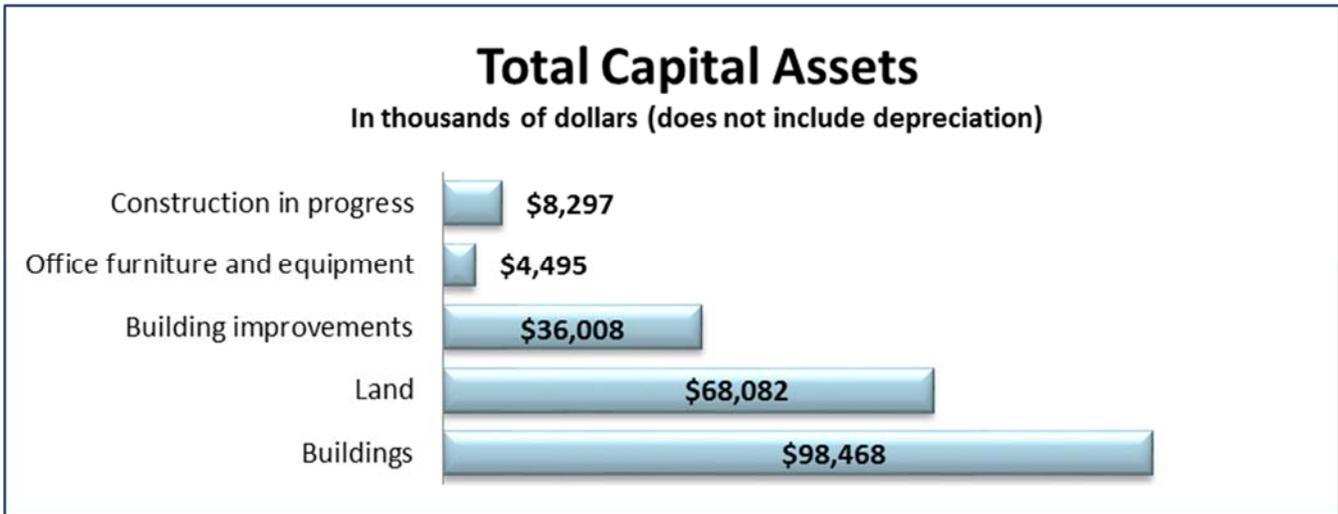
There was an increase of \$6.0 million in construction-in-progress as a result of projects at the Scattered Sites, which are five affordable housing rental properties developed 32 years ago under a State program that are being converted to Federal public housing operated by SDHC, as well as the Park Crest property.

The increase in total capital assets, net, is offset by depreciation. Depreciation expense for the Fiscal Year that ended on June 30, 2016, was \$5.1 million.



Park Crest Apartments

70 Affordable Rental Housing Units
Purchase Approved – September 14, 2012





SDHC owns 154 properties with 2,260 affordable rental housing units in the city of San Diego. These units include 154 Federal public housing units.

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 both with the City of San Diego's redevelopment agencies and nonprofit/for-profit developers.

SDHC affordable housing partnership developments and rehabilitations that were under construction or were completed in Fiscal Year 2016 throughout the city of San Diego, included:

- **San Diego Square**, Downtown San Diego, rehabilitation of 154 affordable rental housing units for seniors. Grand Reopening: April 4, 2016
- **Alpha Square**, Downtown San Diego, 201 affordable studios with permanent supportive services for formerly homeless and low-income individuals. Grand Opening: November 18, 2015
- **Independence Point**, Lincoln Park, 31 affordable rental housing units at the first residential complex in Southern California for families with members who have developmental disabilities (25 units). Grand Opening: March 25, 2016
- **Rancho Del Sol**, Pacific Highlands Ranch, 95 affordable rental housing units for families. Grand Opening: March 30, 2016
- **Westminster Manor**, Uptown, rehabilitation of 150 affordable rental housing units for seniors ages 62 and older. Grand Reopening: May 18, 2016
- **Veterans Village Phase V**, Midway, 18 affordable beds for homeless Veterans. Grand Opening: October 9, 2015
- **Cielo Carmel**, Pacific Highlands Ranch, 195 affordable rental housing units for families. Grand Reopening: October 11, 2016
- **Mayberry Townhomes**, Southcrest, rehabilitation of 69 affordable rental townhomes for families. Grand Reopening: October 4, 2016



San Diego Square – SDHC-HDP Partnership

154 Affordable Rental Housing Units
Grand Reopening – April 4, 2016

In Fiscal Year 2017, 35 apartments at five locations in City Heights, Old Town and Point Loma are expected to become part of SDHC's Federal public housing units after the completion of renovations with an estimated cost of \$3.9 million. The California Department of Housing and Community Development is deferring payments due on loans for the original construction of these apartments for an additional 55 years.



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 1,053 apartments, townhomes and single-room occupancy units, including 302 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, 2015, and are presented in thousands of dollars.

ASSETS	
Current and other assets	\$ 15,155
Capital assets net of depreciation	46,300
Total assets	<u>61,455</u>
LIABILITIES	
Current liabilities	7,167
Notes Payable and non-current liabilities	43,810
Total liabilities	<u>50,977</u>
NET POSITION	
Unrestricted	10,478
Total liabilities and net position	<u>\$ 61,455</u>
OPERATING REVENUES	
Dwelling rental income	\$ 4,969
Fee revenue	391
Other revenue	62.40
Total Operating revenues	5,423
OPERATING EXPENSES	
Deficit before depreciation and other non-operating income and expenses	1,758
Depreciation	1,398
Deficit before other non-operating income and expense	359
Other non-operating income and expenses, net	<u>(1,053)</u>
Change in net position before capital transactions	(694)
Capital distributions	6,827
Change in net position	<u>\$ 6,133</u>



Hotel Churchill – SDHC-HDP Partnership

72 Affordable Rental Housing Studios
Grand Reopening – September 19, 2016



Since July 1, 2010, SDHC has administered the City of San Diego's Homeless Shelters and Services programs, which provide temporary shelter and supportive services to address the needs of some of the city of San Diego's most vulnerable residents, such as:

City of San Diego's Year-Round Interim Housing Program

The City of San Diego's Year-Round Interim Housing Program became fully operational on July 1, 2015, providing temporary housing to 350 adult men and women, with 140 beds set aside for homeless Veterans.



The City's Year-Round Interim Housing Program is operated by Father Joe's Villages at the Paul Mirabile Center.

The program replaced the City of San Diego's Emergency Winter Shelter tents that the City had provided during the winter months for nearly 30 years.

SDHC administers the contract with Father Joe's Villages to operate the City's Year-Round Interim Housing program at the Paul Mirabile Center on Father Joe's Villages' Downtown San Diego campus.

In Fiscal Year 2016, 1,801 homeless individuals were served by the City's Year-Round Interim Housing Program.

Connections Housing Downtown

Connections Housing Downtown is the City of San Diego-sponsored one-stop housing and services center for homeless San Diegans. It was the City's first-ever collaborative venture into the Housing First model to address homelessness. Connections Housing Downtown provides 73 permanent studios, 16 interim housing for special needs units, and 134 interim beds for homeless men and women.

SDHC contracts with People Assisting the Homeless (PATH) San Diego to operate the total of 150 interim housing beds on behalf of the City, which served 532 homeless individuals in Fiscal Year 2016. The interim housing program was funded through Federal Community Development Block Grant funds, Emergency Solutions Grant funds, City of San Diego General Funds, and SDHC local funds, such as lease or rental revenue, totaling \$669,486.



In addition, SDHC awarded 73 Federal Project-Based Housing Vouchers to support the permanent studios and 16 Transitional Project-Based Housing Vouchers for Homeless San Diegans to support interim housing special needs units. Up to 50 Federal Sponsor-Based Housing Vouchers awarded by SDHC to PATH are also helping formerly homeless San Diegans who have stabilized their lives and are ready to transition out of Connections Housing Downtown.

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 and helps its residents with substance abuse counseling, employment services and additional services. Family Health Centers of San Diego also operates a health clinic on the first floor of Connections Housing Downtown that serves the public.

Cortez Hill Family Center

The City's year-round Cortez Hill Family Center provides short-term housing and services to help homeless families stabilize their lives.

Housing units are available for 45 families at a time, who are able to reside at Cortez Hill Family Center for up to 120 days.

Families also receive meals and supportive services, including case management, to help them transition to more permanent housing.

Cortez Hill assisted 172 families in Fiscal Year 2016.

Day Center for Homeless Adults (Neil Good Day Center)

The Day Center for Homeless Adults, known as Neil Good Day Center, 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 2016, 6,779 homeless adults were served.

Additional Homelessness Programs

In Fiscal Year 2016, SDHC also supported more than 600 transitional housing beds with City of San Diego Housing Trust Funds. With Federal Emergency Solutions Grant and Continuum of Care funds, SDHC partnered with six local nonprofit agencies to provide Rapid Re-housing Programs that assist individuals and families who become homeless because of an unexpected life experience, such as job loss, domestic violence or a medical crisis. 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.

Moving to Work (MTW)



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 2016 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, 290 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 460 Federal Sponsor-Based Housing Vouchers to nonprofit organizations. These vouchers have an annual value of \$5,199,840, based on the monthly cost of the voucher, \$942.



MTW Initiative SDHC Achievement Academy Money Matters Workshop

- **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 626 Project-Based Housing Vouchers with an annual value of \$6,182,376 to address homelessness, based on the monthly cost of the voucher, \$823.
- **SDHC Achievement Academy.** Located at SDHC’s Downtown San Diego headquarters, the 9,600 square-foot SDHC Achievement Academy is a state-of-the-art 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 2016, 1,374 individuals attended workshops and counseling at the SDHC Achievement Academy.
- **Path to Success.** Implemented on July 1, 2013, Path to Success sets minimum monthly rent payment amounts for HCV and public housing participants who are able to work (Work-Able). The initial minimum monthly rent payment amounts were based on California’s minimum wage standards— \$8 per hour at the time the program was implemented. As the number of Work-Able families grows, SDHC’s goal is to expand the Federal Section 8 Housing Choice Voucher (HCV) program to families on the waiting list, if it is financially feasible to do so. In the third year of Path to Success, the average annual earned income of all Work-Able families was \$22,193— which is 19 percent higher than five years ago.

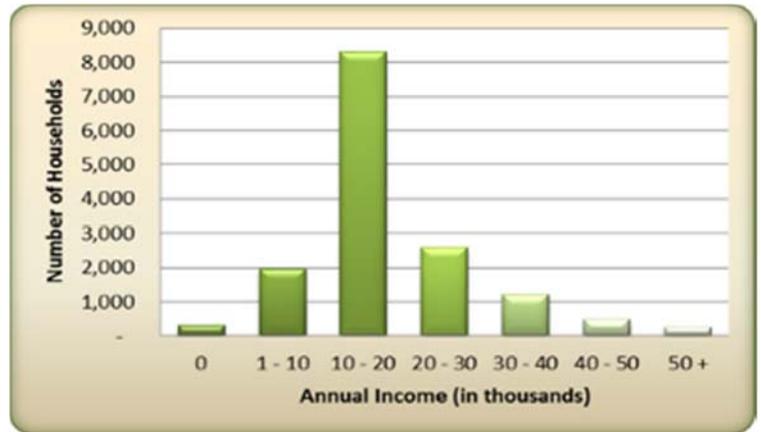
Demographics of the HCV Program



Funded by HUD and managed by SDHC’s Rental Assistance Division, the HCV Program provided rental assistance to 16,533 households in Fiscal Year 2016. 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, 2016, the last day of Fiscal Year 2016, more than 15,000 households were renting housing units with HCV rental assistance from SDHC.

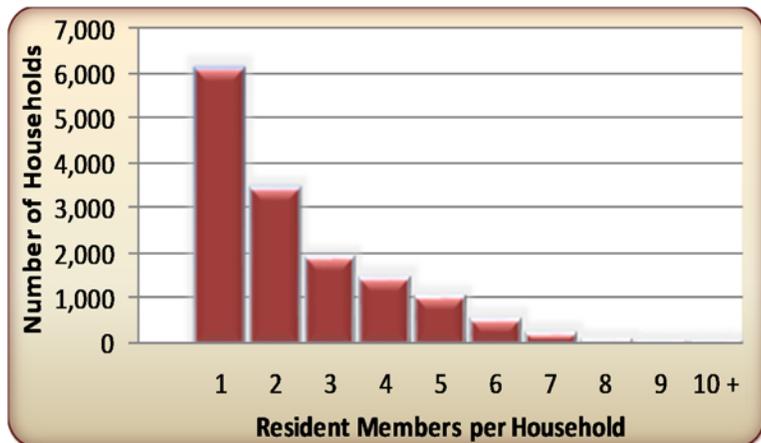
Income per HCV Household

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



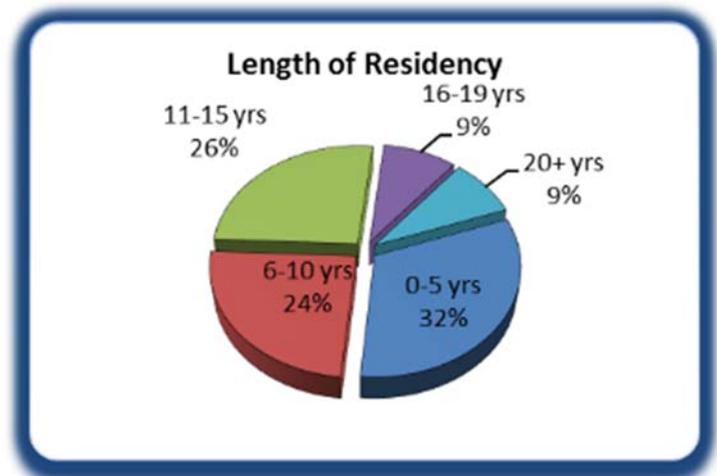
Resident Members per Household

- 40.6 percent are single-member households.
- 22.9 percent are households with two members.
- 12.7 percent are households with three members



Years in HCV Program

- 0-5 years: 4,846 households
- 6-10 years: 3,664 households
- 11-15 years: 3,939 households
- 16-19 years: 1,368 households
- 20+ years: 1,305 households





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