

December 2015

SDHC: Its Housing Footprint, Community Role, and Economic Impact on San Diego

Fermanian Business & Economic Institute at PLNU

actionable
economics

Letter to the Reader

November 2015

Since 2010, the Fermanian Business & Economic Institute (FBEI) at PLNU has been actively engaged in providing consulting services to individuals, for profit and non-profit businesses, and government agencies throughout the region, as well as nationally, and internationally. In keeping with what PLNU is recognized for, the Institute is pleased to be a source of expertise in matters of business and economics, and a resource for firms and organizations by providing them with insights that support and clearly define their role in the community.

In the following report, *SDHC: Its Housing Impact, Community Role, and Economic Impact on San Diego*, we look closely at the various funding channels and programs of the San Diego Housing Commission (SDHC) and their economic impact on the city of San Diego and San Diego County.

The Institute staff would like to thank our friends at SDHC for providing the internal documentation and data sources that were necessary in our research in order to deliver a thorough analysis of the agency and recommendations moving forward.

We appreciate the opportunity to present this study to the agency, as well as individuals, firms, civic leaders, elected officials, and decision makers at all levels. Our desire is that the results of our study will have a positive impact at the local and national level in order to support and validate future programs and resources for housing and community development.



Cathy L. Gallagher

Executive Director

Executive Editor, *SDHC: Its Housing Impact, Community Role, and Economic Impact on San Diego*

Fermanian Business & Economic Institute

Point Loma Nazarene University

Copyright© 2015 by the Fermanian Business & Economic Institute at Point Loma Nazarene University. All rights reserved.

The material in this report includes forecasts and projections and may, in some instances, be judgmental in nature. The Fermanian Business & Economic Institute, Point Loma Nazarene University, and San Diego Housing Commission disclaim any and all liability from the use of this material. Publication or distribution of any portion of this document is prohibited without the express approval of the San Diego Housing Commission.



Executive Summary

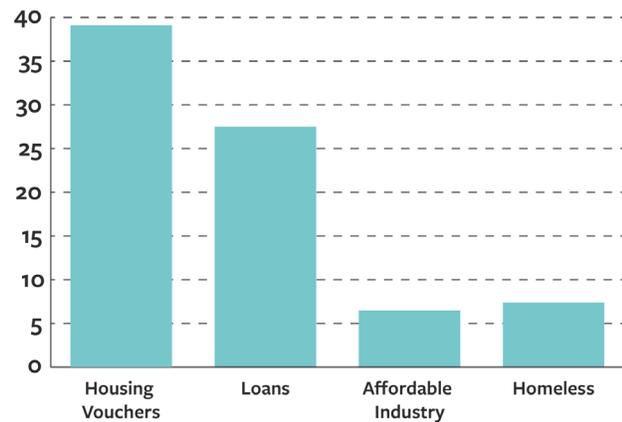
San Diego Housing Commission (SDHC) is the region's focal point for helping very low, low, and moderate income families gain access to affordable housing and improve the quality of their lives. SDHC reaches approximately 78,000 individuals annually through its rental assistance, affordable housing, and homeless programs.

- SDHC has carved a unique niche and role among public agencies, operating in many respects with the entrepreneurial approach of a private firm.
- A special "Moving to Work" status awarded by the U.S. Department of Housing and Urban Development (HUD) allows SDHC to innovate and develop new solutions to provide housing and related services to low to moderate income individuals and families.
- The core philosophy and approach of SDHC represents a massive change for government housing and other agencies. Rather than assuming that these clients will always be dependent on government assistance, SDHC strives to help these individuals earn better incomes, enabling them to become economically independent and less dependent on government subsidies.
- In fiscal year 2014, SDHC injected a total of nearly \$280 million into San Diego's economy. These funds entered the region through a number of channels, including housing vouchers, loans, grants, rent savings through the financing of multifamily affordable housing units, and outlays for SDHC owned property maintenance, employee compensation, operations, and capital spending.

- After accounting for all of the ripple or multiplier effects, SDHC was responsible in fiscal year 2014 for more than 3,000 jobs in the City of San Diego and nearly 3,100 jobs in San Diego County.
- SDHC generated either directly or indirectly more than \$300 million in total personal income in the City of San Diego and more than \$315 million in the county.
- SDHC faces numerous challenges in the period ahead. These include rising home prices and rents, higher interest rates, possible funding cuts from the federal government, and the ongoing debate regarding what government's role should be regarding housing for different segments of the population.
- This is a period of great opportunity for SDHC as concerns rise about income inequality and homelessness. The innovative approach adopted by SDHC could represent a new model for other housing agencies around the country to emulate and implement.

SDHC Empowers 78,000 San Diegans

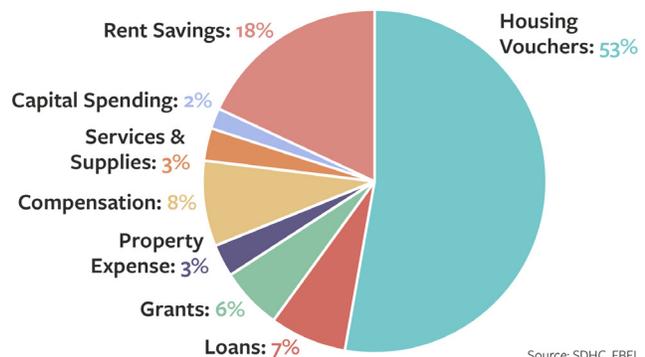
Thousands of Individuals (FY 2014)



Source: SDHC, FBFI

SDHC Directly Channels Nearly \$280 Million into San Diego's Economy

(FY 2014)



Source: SDHC, FBFI

SDHC's Total Economic Impact

(FY 2014)

	City of San Diego	San Diego County
Direct Spending (\$ millions)	\$279	\$279
Jobs	3,022	3,084
GRP (\$ millions)	\$240	\$270
Income (\$ millions)	\$303	\$316

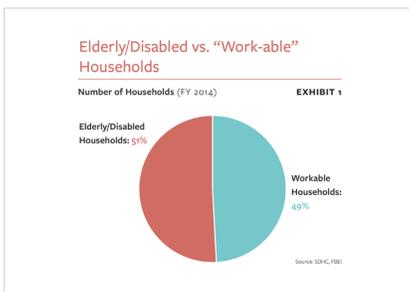
Source: FBFI

Table of Contents

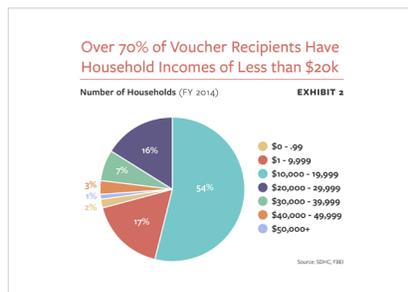
i. INTRODUCTION: STUDY PURPOSE AND SCOPE	01
ii. SDHC: ITS MISSION AND PRIMARY FUNCTIONS AND PROGRAMS	03
RENTAL ASSISTANCE	03
CREATING AND PRESERVING AFFORDABLE HOUSING	06
HOMELESS SOLUTIONS	07
WORKFORCE DEVELOPMENT AND SELF-SUFFICIENCY	08
iii. THE ECONOMIC IMPACT OF SDHC	10
SDHC'S FOOTPRINT	10
CHANNELS OF DIRECT SPENDING	11
TRACING THE RIPPLE EFFECTS OF SDHC SPENDING	12
THE TOTAL ECONOMIC IMPACT	13
iv. CONCLUSIONS	14
v. METHODOLOGY	15

Index of Exhibits

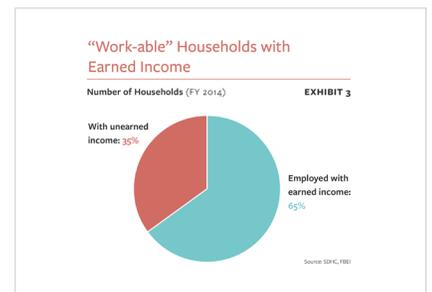
04 Exhibit 1



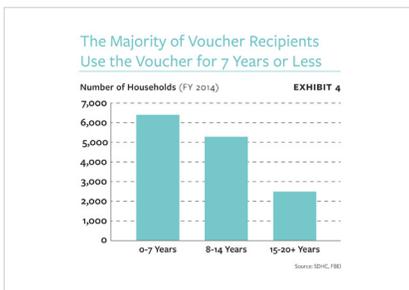
04 Exhibit 2



04 Exhibit 3



05 Exhibit 4



06 Exhibit 5

Finance Plan Acquisitions Have Created More Affordable Housing Units

2010 through 2012 EXHIBIT 5

Property	# of Affordable Housing Units	Investment (millions)
Public-Private Partnerships		
Bonita Park Apartments	49	\$4.5
Arbor Village Apartments	111	7.9
Vista Grande Apartments	48	3.8
Estrella del Mercado	91	7.0
Mission Apartments	54	6.0
Park Terrace	26	2.2
Subtotal	497	\$31.4
Publicly Owned		
Hotel Sanford	119	\$6.1
Mission Village Apartments	179	\$8.3
Crossford Apartments	97	3.2
Park Crest	70	8.8
Subtotal	467	\$26.5
Total	964	\$57.9

Source: SDHC, FBI

07 Exhibit 6

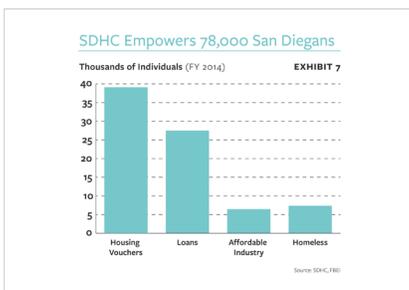
SDHC Provides Path to Home-Ownership

June 30, 2014 EXHIBIT 6

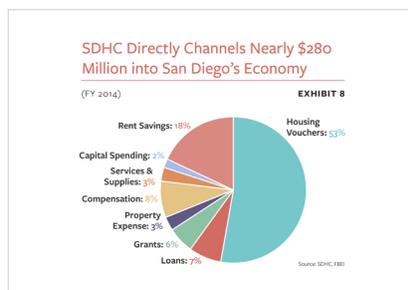
Loan Type	Loan Portfolio	Number of Loans
First-Time Homebuyers	\$47,894,993	1,394
Multifamily Rental Developments	196,081,730	116
Home Rehabilitation	176,071,999	973
Affordable For-Sale Housing Program	59,880,335	280
Total	\$329,928,057	2,763

Source: SDHC, FBI

10 Exhibit 7



11 Exhibit 8



11 Exhibit 9

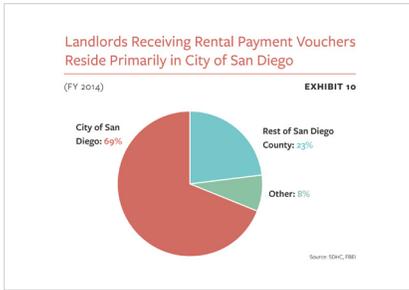
SDHC Funds Directly Feed into San Diego's Economy

Millions of Dollars (FY 2014) EXHIBIT 9

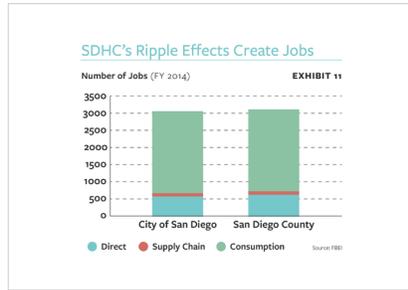
Category	Millions of Dollars
Housing Vouchers	\$147.3
Loans	19.7
Grants	17.1
Property Expense	9.5
Compensation	23.6
Operations and Supplies	5.3
Capital Spending	4.2
Rent Savings	48.9
Total	\$278.6

Source: SDHC, FBI

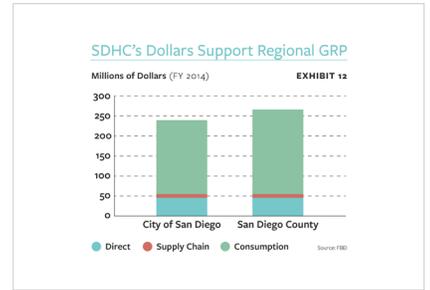
12 *Exhibit 10*



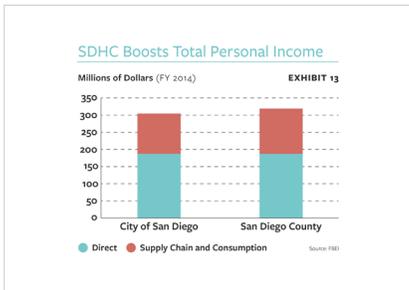
12 *Exhibit 11*



13 *Exhibit 12*



13 *Exhibit 13*



13 *Exhibit 14*

SDHC's Total Economic Impact
(FY 2014) EXHIBIT 14

	City of San Diego	San Diego County
Direct Spending (\$ millions)	\$279	\$279
Jobs	3,022	3,084
GRP (\$ millions)	\$240	\$270
Income (\$ millions)	\$303	\$316

Source: FBI

SECTION I:

Introduction: Study Purpose and Scope

SDHC was founded in 1979 as a public agency to help low and moderate-income households in the City of San Diego secure affordable housing and provide opportunities to improve their quality of life. It is funded primarily by the U.S. Department of Housing and Urban Development (HUD). It is also accountable to SDHC Board of Commissioners, an independent body comprised of seven members appointed by the Mayor and confirmed by the City Council, and the Housing Authority of the City of San Diego, which is comprised of all nine members of the City Council.

- Workforce Development and Self Sufficiency: SDHC offers programs to provide opportunities to families receiving rental assistance to become economically independent and less dependent upon government subsidies.

Background

SDHC has carved a unique niche and role among public agencies, operating in many respects with the entrepreneurial mentality of a private firm. Enabled by a 2007 federal agreement public housing conversion, it has used public-private partnerships to create new affordable housing. SDHC is also one of only 39 of a total 3,400 housing agencies in the U.S. to receive the “Moving to Work” status by HUD. This designation allows SDHC to innovate and develop new solutions to help provide housing and related services to low income individuals and families.

SDHC’s mission can be divided into four primary areas:

- Rental Assistance: SDHC manages the federally funded HousingChoice Voucher (Section 8) program, providing rental assistance to low-income families.
- Creating and Preserving Affordable Housing: SDHC creates, renovates, invests in, and preserves affordable housing units.
- Homelessness Solutions: SDHC uses federal rental assistance vouchers, city funds and other means to address the problems of San Diego’s homeless population.

Study Purpose

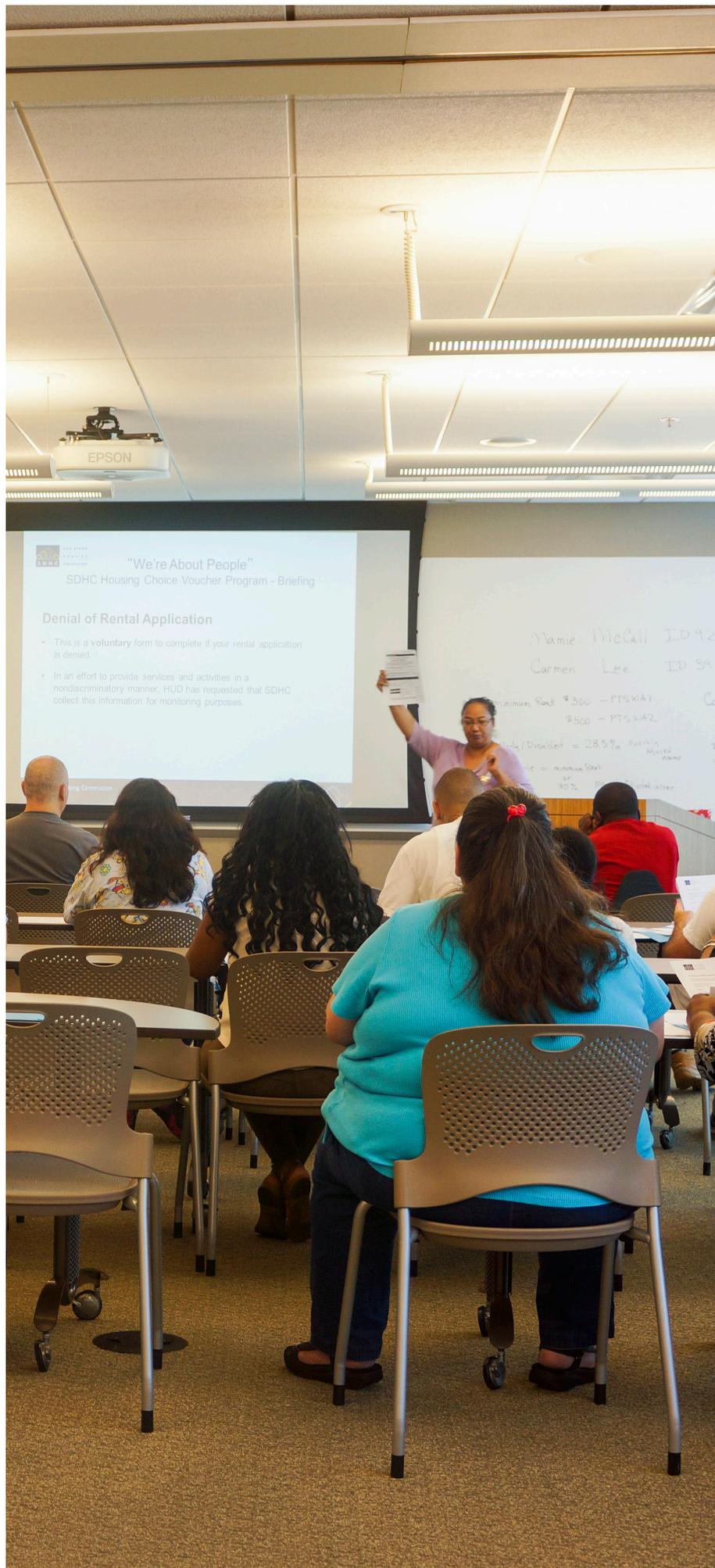
The primary purpose of this study is to quantify the economic impact of SDHC on the City of San Diego and County of San Diego in terms of its various channels of funding and its programs. Since almost all of SDHC funding originates from outside the region (the federal government), this is an analysis of new money coming into the city or county and its ripple effects along various supply chains and paths of consumer spending.

The study does not analyze the issue of what the appropriate goal should be for government in providing affordable housing to low or middle-income households. Rather, given that those policies are in effect, it looks at the economic impact of federal funds supporting those programs as they enter the region. It also examines the efficiency and effectiveness of SDHC in implementing those policies.

Scope and Organization of the Report

Section II describes the elements of SDHC's primary functions outlined above. Section III analyzes the footprint of SDHC in the region and identifies the primary channels of direct spending. It then analyzes the impact of that direct spending and its various ripple or multiplier effects on total jobs, personal income, and gross regional product (GRP) for both the City and County of San Diego. Section IV provides some concluding remarks. ■

► *Housing Choice Voucher Orientation, SDHC Offices – 7.18.15*



SECTION II:

SDHC: Its Mission and Primary Functions and Programs

SDHC’s mission is divided into 4 primary functions: Rental Assistance, Creating and Preserving Affordable Housing, Homelessness Solutions, and Workforce Development and Self-Sufficiency. All of the departments that make up the agency support one or more of these functions in their day to day work. In addition, these programs present opportunities for participants to improve the quality of their life.

Furthermore, SDHC ‘s Board of Commissioners adopted a two-year Strategic Plan (2014-16), on January 17, 2014, which provides a framework to identify how it can have the greatest possible impact with limited financial resources in the years ahead. Three major goals were identified through an agency-wide process that included all program and support department management personnel:

- 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

Based on these goals, the agency established clear objectives for each of SDHC’s four primary functions. The Strategic Plan and all SDHC program information is accessible on its website.

Rental Assistance

In addition to managing Housing Choice Vouchers, The Rental Assistance Division,

with its 110 employees, oversees the Workforce and Economic Development and Affordable Housing Compliance Monitoring Departments at SDHC. Even though rental assistance is the department’s primary role, it is very integrated and works synergistically with other departments within SDHC to maximize the use of federal dollars. The organization is able to do this by both streamlining internal processes as well as forming strategic alliances with other stakeholders in San Diego. To illustrate, providing affordable housing depends on the participation of private property landlords. To help Landlord’s manage their properties easier, SDHC built out a web-based “landlord portal” on its website to help facilitate the Housing Choice Voucher program and provide landlords real-time information about their housing units and tenants.

Rental Assistance adds value to the City of San Diego in many ways. It teaches self-sufficiency to enable families to be less reliant on rental subsidies. In addition to rental assistance, the rental assistance department educates and teaches accountability to its participants. The intent of SDHC’s supportive work readiness service offerings is to stabilize and empower

families for the purpose of leading them onto the path of greater financial success and self-reliance.

The programs offered by Rental Assistance positively impact other organizations in San Diego as well. It offers opportunity to increase the effectiveness of various social service agencies that target specific populations such as the elderly or the mentally disabled. It does this by providing shelter for families utilizing these social service programs that would otherwise be left on the street. Providing shelter for these individuals through a housing first model is vital in their recovery process.

Housing Choice Voucher (Section 8) Program

SDHC provides federal Housing Choice Voucher (HCV) rental assistance to low-income families in the City of San Diego. Approximately 51% of HCV households are elderly or disabled. **(See Exhibit 1)** An average of 81% of elderly or disabled households have an average household income of less than \$20,000 per year, which heavily affects the total. **(See Exhibit 2)** Work-able households make up 49% of HCV households and approximately 65% of work-able households are employed. **(See Exhibit 3)** Vouchers are also typically not needed on a permanent basis. The majority of voucher recipients use the voucher for 7 years or less. **(See Exhibit 4)**

Vouchers subsidize tenant rents making them more affordable for participants. SDHC provided rental assistance to approximately 15,000 families in 2014 and paid \$147,135,998 to participating landlords in fiscal year 2014. Even though SDHC makes a considerable impact to offer affordable housing, the demand for its services is very strong. There are nearly 63,000 families on the Housing Choice Voucher Section 8 waiting list in the city.

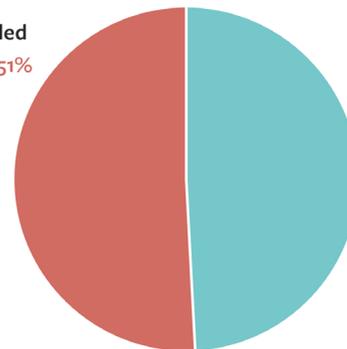
Recipients of the HCV program can also

Elderly/Disabled vs. “Work-able” Households

Number of Households (FY 2014)

EXHIBIT 1

Elderly/Disabled Households: 51%



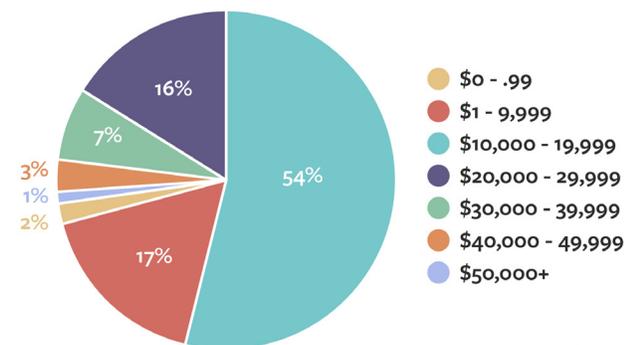
Workable Households: 49%

Source: SDHC, FBFI

Over 70% of Voucher Recipients Have Household Incomes of Less than \$20k

Number of Households (FY 2014)

EXHIBIT 2



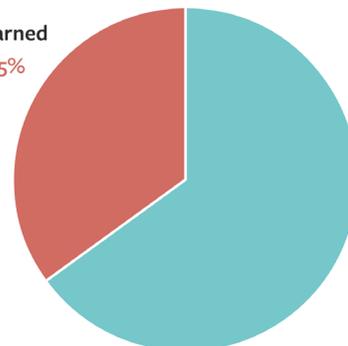
Source: SDHC, FBFI

“Work-able” Households with Earned Income

Number of Households (FY 2014)

EXHIBIT 3

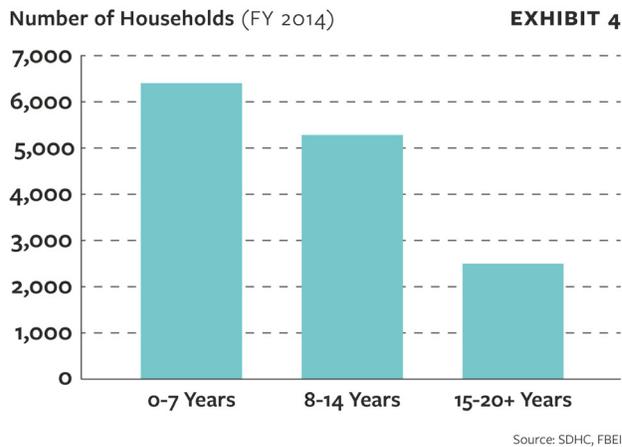
With unearned income: 35%



Employed with earned income: 65%

Source: SDHC, FBFI

The Majority of Voucher Recipients Use the Voucher for 7 Years or Less



rent properties owned by SDHC and can also find affordable housing through a multitude of Landlords in San Diego County. In the City of San Diego, approximately 5,800 landlords accept tenants with HCV rental assistance.

Moving to Work (MTW) Program

SDHC participates in the Moving to Work (MTW) demonstration program which was authorized by Congress in 1996. The MTW designation is granted by HUD and allows participating Public Housing Authorities (PHAs) the ability to design and test innovative measures to more effectively administer the HCV and Public Housing programs while addressing local challenges. The statutory objectives of the program include utilizing federal funds more efficiently, empowering residents to become more economically independent, and to improve housing choice for its participants. Out of 3,400 housing authorities within the United States, there are only 39 that have received a MTW designation.

One important facet of the MTW program is the flexibility to utilize Federal funds outside of the traditional allowable uses. Because of this flexibility, SDHC has implemented a variety of new rental assistance approaches and created more affordable housing units in the city, thus enabling SDHC to further its mission of providing affordable, safe, and quality housing for low-income individuals. MTW funds are also used to address homelessness by creating rental assistance programs to serve the homeless as well as setting aside units specifically to serve the homeless.

The MTW program enabled SDHC to create the “Path to Success” initiative which modifies the administration of the HCV program.

“Path to Success” is an innovative program that modifies the method used to determine monthly rent amounts for HCV and public housing participants. It sets minimum monthly rent payment amounts for program participants who are identified as “able to work”. By modifying monthly payment amounts, SDHC can help maximize federal use of funds by adjusting rents with “work-able” tenants - and thereby expand the HCV program to families on the waiting list if it is financially feasible to do so.

In addition to finding affordable housing, MTW’s Choice Communities program enables low-income families in the city to move to areas in San Diego that provide better transportation, schools, and employment opportunities. A Security Deposit Loan Program is available to assist low income families moving to low-poverty zip codes. In fiscal year 2014, SDHC issued \$38,400 in deposit loans to assist families to move into Choice Communities. SDHC has been able to help approximately 230 low-income families’ move to areas in San Diego they would not ordinarily be able to afford.

Workforce and Economic Development (WED)

WED’s role at SDHC is to help individuals become self-sufficient. Desired outcomes from this department include participant increased earnings, higher education achievement, and securing employment for the population it serves. These supportive services are intended to ultimately enhance rental return subsidies which will allow SDHC to have more funds for its programs to help reach more families in need. In fiscal year 2014, 177 participants secured employment, 247 participants increased earning and 67 participants completed education or training programs. WED’s efforts to assist participants increase self-sufficiency resulted in a reduction of HAP expenditures of \$382,369 in fiscal year 2014 due to participant increased

earnings and surrendering vouchers.

Compliance Monitoring

SDHC's Compliance Monitoring Department monitors affordable housing developments in the city to ensure they are occupied by qualified tenants. It monitors 282 properties with over 18,000 affordable housing units citywide. Affordability restrictions from federal, state, and local programs are monitored: HOME Investment Partnerships Program, San Diego Housing Trust Fund, Tax-Exempt Multifamily Housing Revenue Bonds, Density Bonus and Inclusionary Housing. Examples of compliance monitoring include reviewing condominium conversion processes, conditional use permits, and making sure relocation benefits and proper notice laws are not violated.

Creating and Preserving Affordable Housing

A severe shortage of affordable housing has been a significant problem in San Diego for many years. Since 2002, the San Diego City Council has declared the city to be in a housing state of emergency. According to the 2011 San Diego Association of Governments' Regional Housing Needs Assessment Plan, nearly 39,000 additional affordable housing units for very low- and low-income residents will be needed by 2020. As a developer, property owner, and lender, SDHC is a key player responsible for helping individuals and families secure affordable housing in this perpetually tight housing market.

Using innovative financing channels, SDHC owns and manages more than 2,200 affordable

housing units spread across 155 properties located throughout San Diego. In addition to the 1,366 former public housing units it purchased in 2007 from HUD in a landmark agreement, SDHC has pursued multiple means of acquiring additional affordable housing units over the past several years. In 2009, SDHC Board of Commissioners and the Housing Authority of the City of San Diego approved the Finance Plan for Acquisition of New Affordable Housing Units (Finance Plan.) The Finance Plan was created to leverage equity from a portion of SDHC's real estate portfolio to acquire additional affordable housing in the City of San Diego. SDHC leveraged 33 properties in FY 2010, with three Fannie Mae loans generating \$37.1 million. In FY 2011, SDHC leveraged an additional 44 properties under the FHA's 223(f) program and received three additional loans for \$58.2 million. The Finance Plan allowed SDHC and its partners to acquire or invest in with the option to acquire 810 additional affordable housing units between 2010 and 2012. **(See Exhibit 5)**

As of 2014, SDHC's nonprofit affiliate, Housing Development Partners (HDP), owns and manages approximately 1,000 affordable housing units divided among nine properties. These units were created through both new construction and rehabilitation of existing buildings. HDP projects are funded either through partnerships with investors or by its own special initiatives including tax credits, bonds, and private debt. HDP's niche has become permanent supportive housing for the homeless. Through partnerships, this affiliate of SDHC provides social services and needed referrals for their residents. The renovation of SDHC-owned Hotel Churchill, which began in the fall of 2014, is an example of such a project.

Finance Plan Acquisitions Have Created More Affordable Housing Units

2010 through 2012

EXHIBIT 5

Property	# of Affordable Housing Units	Investment (millions)
Public-Private Partnerships		
Riverwalk Apartments	49	\$4.5
Arbor Village Apartments	111	7.9
Vista Grande Apartments	48	3.8
Estrella del Mercado	91	7.0
Mission Apartments	84	6.0
Park Terramar	20	2.2
Sub-total	403	\$31.4
Publicly Owned		
Hotel Sandford	129	\$6.1
Mariner's Village Apartments	171	34.3
Courtyard Apartments	37	7.7
Park Crest	70	8.8
Sub-total	407	\$56.9
Total	810	\$88.3

Source: SDHC, FBFI

Once completed, the revamped Hotel Churchill will provide 72 affordable studios for homeless individuals or those needing mental health services who are at risk of homelessness. To help meet the vast need for housing the city’s most disadvantaged residents, the goal of HDP is to add one new property to its portfolio each year.

SDHC’s responsibilities do not end with the creation of new affordable housing units; it is also accountable for the maintenance of these properties. The focus of SDHC Real Estate division is to ensure the long-term viability of its real estate assets. In addition to routine short-term maintenance, SDHC is responsible for long-term property maintenance and renovations. It has a 20 year capital improvement timeline for its properties, which currently average more than 35 years old, to maintain a quality living environment for its residents.

In addition, SDHC is a lender to other affordable housing developers. A total of \$197 million has been invested in 116 properties affording reduced rents to nearly 7,300 households. During FY 2014, two multi-family housing developments were completed. SDHC invested over \$2.8 million in one of the developments and acted as bond issuer in the other. Combined, these two projects had a total development cost of \$63.3 million.

Providing affordable rental housing is not the only way in which SDHC helps individuals and families find a home in San Diego. Through various programs such as the First-Time Homebuyer Program and the Affordable For-Sale Housing Program, SDHC makes homeownership a possibility for low-and moderate-income buyers. During FY 2014, the Homebuyer Group assisted 142 households in purchasing their first home in the City of San Diego with over \$7 million in SDHC loans and grants. These funds allowed these homebuyers to purchase homes valued at over \$39.9 million in total.

SDHC has also provided loans and grants to low-income homeowners to provide health and safety improvements to their homes. During FY 2014, the Rehabilitation Group assisted 40 homeowners with \$703,689 in loans and grants to improve their health and safety.

SDHC handles all aspects of underwriting and loan servicing, in total SDHC has funded 2,700 loans totaling \$322 million. **(See Exhibit 6)** As funds are repaid, they are reinvested in affordable housing units.

SDHC’s trifold role as developer, property owner, and lender in San Diego’s affordable housing market comes with inherent ongoing challenges. As exhibited by recent local, state, and federal affordable housing funding cuts, funds from the government are non-sustainable and could be revoked at any time. The goals of SDHC are to become financially self-sufficient to avoid this risk, to maximize their portfolio, and to make prudent decisions regarding its resources.

Homelessness Solutions

According to the most recent reports from the United States Department of Housing and Urban Development (HUD), San Diego ranks 5th on the list of largest homeless populations in the nation. The four metropolitan areas ahead of San Diego include New York City, Los Angeles, Las Vegas, and Seattle.

The department within SDHC dedicated to homeless services is the Homeless Housing Innovations Department (HHIT). HHIT has a \$10.4 million budget and oversees the following programs such as the city’s Emergency Shelter, Interim Housing, Transitional Housing, Rapid Re-Housing, Permanent Supportive Housing, Supportive Services Only, and Homeless Management Information Systems.

Housing First—San Diego

The traditional approach to helping the homeless

SDHC Provides Path to Home-Ownership

June 30, 2014

EXHIBIT 6

Loan Type	Loan Portfolio	Number of Loans
First-Time Homebuyers	\$47,894,993	1,396
Multifamily Rental Developments	196,981,730	116
Home Rehabilitation	17,507,909	973
Affordable For-Sale Housing Program	59,880,335	280
Total	\$322,264,967	2,765

Source: SDHC, FBEI

revolves around first providing rehabilitative services based on the circumstances contributing to their homelessness and then identifying permanent housing when deemed appropriate. The challenge with this approach is it assumes people need to become “housing ready” before being granted access to permanent housing. For example, going through an employment skills training or parenting classes.

Based on the Housing First model, SDHC has enacted a three-year strategic homelessness action plan called HOUSING FIRST – SAN DIEGO that will affect the lives of up to 1,500 homeless individuals in San Diego. This model takes the viewpoint that people are more successful in ending their homelessness when they are given permanent housing first, but not housing only. Access to services that meet the various needs of the individual are offered but not required. Examples include medical, financial, and social services. A recent study of this model, Project 25, a joint partnership with SDHC and United Way, analyzed the impact of providing a home to the most frequent users of public services and found the expense of all major categories, including ambulance transportation, emergency room visits, hospitalizations, arrests, and days in jail, fell by 60% to 80%. The housing vouchers used in the Project 25 study were awarded for by SDHC.

The Housing First – San Diego plan of SDHC assists the homeless by creating affordable housing, providing vouchers to financially assist with housing and services, acquisition and renovation of buildings for homeless occupancy, and provision of rental units. Funding for the HOUSING FIRST – SAN DIEGO action plan is provided by the federal Housing Choice Voucher and HOME Investment Partnerships Program and the City of San Diego’s Inclusionary Housing and Housing Trust Funds. The work of this plan in large part is due to the collaborative partnerships of SDHC with government agencies, community organizations, and members of the private sector; all working to

identify solutions to address homelessness in San Diego.

Workforce Development and Self Sufficiency

SDHC clearly understands that solving the homelessness problem requires more than just providing affordable housing. Facilitating stable housing is a very important first step. However, a holistic and sustainable approach must answer the question: how do we take people off the street, making them self-sufficient and productive members of society? The answer lies in strengthening the community by facilitating access to affordable housing while providing opportunities for stable jobs, physical and mental health assistance, and finally personal and professional development training to build confidence and self-esteem. This community approach would ensure that a homeless person has the best opportunities to lift himself/herself from poverty and minimize his/her chances of becoming homeless again. Recognizing the need to have a comprehensive and sustainable plan to solve the homelessness problem, SDHC has approved the strategic plan for 2014-16, making the following one of its top three goals: *Provide Housing Choice Voucher families with opportunity for them to become more financially self-reliant.*

Having a Moving to Work (MTW) designation allows SDHC to design unique programs to help families become financially independent. As a result, the San Diego Housing Commission established the SDHC Achievement Academy in October 2010. This academy offers a comprehensive curriculum free of charge to all families receiving federal Housing Choice Vouchers and public housing residents. The curriculum offers a wide array of courses from how to dress for a job interview to specific job skills, career planning and recruitment and financial literacy.

The programs at the SDHC Achievement Academy have been classified into three main categories:

- **First-Time Employment:** emphasis on volunteer opportunities, community available training programs and entry level opportunities. A secondary emphasis on referral to community partners for English as a Second Language classes, literacy programs and counseling
- **Long-Term Unemployed:** emphasis on identifying barriers to employment and possible solutions. Soft-skills training to teach participants how to be respectful of others, how to deal with difficult people and the importance of excellent customer services
- **Unemployed/Underemployed:** emphasis on obtaining a job and career development. Workshops in workforce development, mock interviews, budgeting, and specialized recruitments. After hours workshops for working participants are offered.

The Family Self-Sufficiency (FSS) program is the core program offered at SDHC Achievement Academy. This is a voluntary two-year program offered free of charge to an adult HCV or Public Housing Participant, made possible by funds provided by the MTW initiative. Courses offered under the FSS program afford participants the opportunity to learn skills in specific job training and career planning. Moreover, very important financial literacy skills in budgeting, credit, and saving are also taught. The FSS program offers incentives to participants to stay and complete their programs. For example, an interest-bearing escrow account is available for qualified participants who receive the funds after graduation. Deposits or credits to the escrow accounts are determined based on achieving different milestones throughout the program (full time employment with 6 month retention, establishment of a personal saving account, and graduation from a four-year university among others).

Since its largest funding source is federal funding from HUD initiatives, SDHC clearly understands the importance of partnerships with local businesses and other non-profit organizations to augment its reach in the community. SDHC Achievement Academy uses these partnerships to help its participants become contributing members of society. Local companies assist in connecting SDHC

Achievement Academy graduates with job openings. Other organizations such as United Way and Local Initiatives Support Corporation (LISC) provide economic support to SDHC Achievement Academy to provide services. Also, collaboration with LISC makes the Financial Opportunity Center (FOC) possible. The FOC provides employment services, financial education, and benefits screening. Also, over 40 Employment Recruitment Partners such as AT&T and Home Depot assist the Achievement Academy with Employment Recruitment Fairs, Benefit Resource Fairs, workshops, and training sessions. ■

▼ *Homeless Point-In-Time
Count – 1.23.15*



SECTION III:

The Economic Impact of SDHC

SDHC's Footprint

The most direct way to measure the impact of SDHC on the San Diego region is to look at the number of households and individuals directly affected. Four groups stand out.

- Housing vouchers were provided to 15,165 households in fiscal year 2014 to assist low-income individuals and families to meet their rent obligations. Including the family members helped by this program, a total of more than 39,000 individuals were impacted.
- As of FY 2014, another 3,300 households lived in affordable housing units

that SDHC or its nonprofit affiliate, HDP, either owned or managed. This housing accommodated about 9,200 individuals.

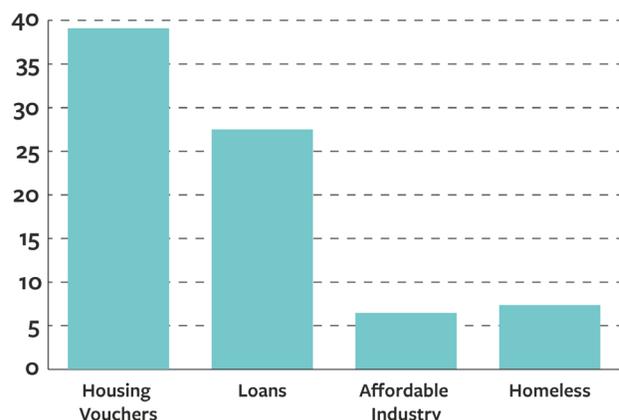
- SDHC's extensive loan program served close to 10,000 households, or almost 28,000 individuals, in FY 2014. These loans helped low- and moderate-income households purchase their own home and provided funding for home rehabilitation. They also financed the construction of new multi-family housing, which provided rent savings for nearly 7,300 households.
- SDHC reaches more than 6,900 homeless individuals, giving them access to temporary shelter or permanent housing, storage facilities, and a wide array of services, including medical care, counseling, job training, and placement.

In total, SDHC helps approximately 78,000 individuals through its various programs, with some of them benefiting from more than one of SDHC's initiatives. These programs provide a significant lift in terms of these people's standard of living as well as the confidence to realize their own potential. **(See Exhibit 7)**

SDHC's activities are backed by asset holdings totaling \$583 million as of the end of FY 2014.

SDHC Empowers 78,000 San Diegans

Thousands of Individuals (FY 2014) **EXHIBIT 7**



Source: SDHC, FBEI

Channels of Direct Spending

In fiscal year 2014, SDHC injected a total of nearly \$280 million into San Diego’s economy. These funds entered the economy through a number of different channels, which can be analyzed in terms of eight major groups. (See Exhibits 8 and 9)

- ## Housing Vouchers

Housing vouchers represent the largest dollar amount of SDHC direct economic spending, equaling \$147 million in FY 2014, or over three-fifths of the total. Households receiving rental assistance either are able to secure more or better housing than would otherwise be the case or are able to buy more of other goods and services.

- ## Rent Savings

A total of 7,296 households realized average monthly rent savings of about \$559 million in FY 2014 in units that were part of the 116 multi-family properties financed by SDHC. This amounted to an increase of \$48.9 million in the effective disposable incomes or buying power of these families.

- ## Loans

Loans funded by SDHC amounted to \$19.7 million in FY 2014 and went to buyers of single-family affordable housing and to help with the rehabilitation of single-family homes and for the development, acquisition, and rehabilitation of multi-family affordable housing.

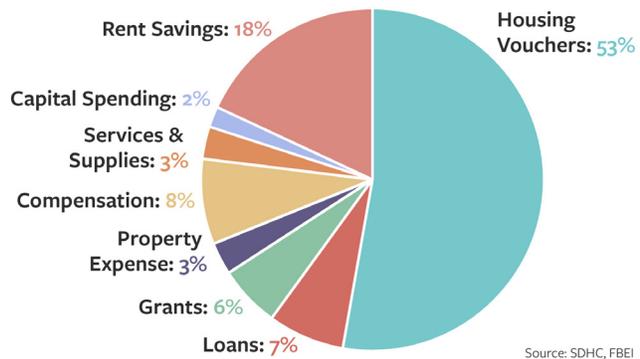
- ## Grants

Grants from HUD and other sources equaled \$17.1 million in fiscal year 2014. These were used for homeless programs along with renovations and conversions for additional affordable housing.

SDHC Directly Channels Nearly \$280 Million into San Diego’s Economy

(FY 2014)

EXHIBIT 8



SDHC Funds Directly Feed into San Diego’s Economy

Millions of Dollars (FY 2014)

EXHIBIT 9

Housing Vouchers	\$147.3
Loans	19.7
Grants	17.1
Property Expense	9.5
Compensation	23.6
Operations and Supplies	8.3
Capital Spending	4.2
Rent Savings	48.9
Total	\$278.6

Source: SDHC, FBFI

- ## Property Expense

Property expense totaled \$9.5 million in FY 2014. This covered a wide range of services necessary for the maintenance and repair of SDHC’s affordable housing units. These included painting, cleaning, inspection, remodeling, utilities, and a myriad of other functions.

- ## Compensation

SDHC employed an average of 278 individuals in FY 2014, earning a total of \$23.6 million in total wages and benefits. Jobs at SDHC span a wide range of professions, including financial analysts, accountants, loan underwriters, property inspectors, information technology (IT) specialists, and many others.

- ## Operations and Supplies

Expenditures for SDHC operations and supplies totaled \$8.3 million in FY 2014. Most of these expenditures were for professional services, including legal, accounting, property management, and consulting. Other expenses covered

software licenses, insurance, banking fees, postage, and delivery services.

- **Capital Spending**

Capital spending equaled \$4.2 million in FY 2014, which included major improvements and renovations on complexes owned by SDHC as part of its affordable housing projects.

Expenditures summing to \$8.2 million for principal payments on debt and mortgage payments made, for example, to Fannie Mae were not included in this analysis since these payments were made to creditors outside of the region.

The \$280 million of funds received by SDHC and directly injected into the economy represent principally “outside” money or expenditures that are not simply diverted from other possible uses in the region. The bulk of the funds represent federal dollars, with the State of California also providing some additional support. About \$28 million of the total funds reflected rental payments on the affordable housing units owned by SDHC along with lease payments made on SDHC-owned land.

These rent and lease payments represent the economic contribution of those assets.

Tracing the Ripple Effects of SDHC Spending

SDHC spending affects the San Diego economy through a number of different dimensions. Housing vouchers raise the effective incomes of recipients, giving them more purchasing power and enabling them to spend more on various goods and services. The rental payments made with these vouchers also are paid primarily to landlords residing in the San Diego region. About 69% of these landlords reside in the City of San Diego, with another 23% living in the rest of the county and an additional 8% outside of the county. (See Exhibit 10)

Other direct spending benefits a wide range of San Diego firms involved in construction, building maintenance and repair, finance, various professional and business services, property management, and technology.

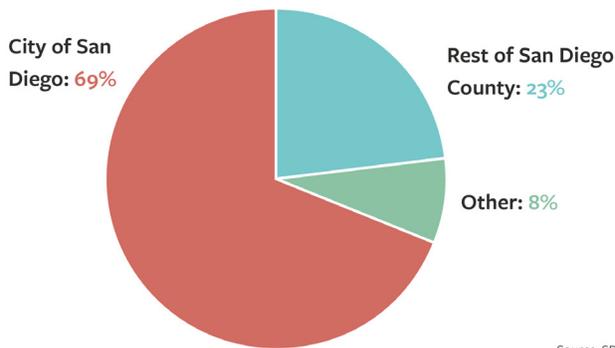
The \$280 million of direct spending by SDHC is only the starting point for quantifying the total economic impact. Supply chain and consumer spending effects must also be included.

To illustrate these effects, consider the renovation of one of SDHC’s apartment complexes. The contractor will need to hire employees and subcontractors and will purchase building materials and supplies to complete the project. These represent the supply chain effects. Consumer spending effects occur as employees of the contractor, subcontractors, and others along the supply chain spend part of their resulting earnings in the region. The total economic impact is thus measured as the sum of the direct, supply chain, and consumer spending effects.

Landlords Receiving Rental Payment Vouchers Reside Primarily in City of San Diego

(FY 2014)

EXHIBIT 10

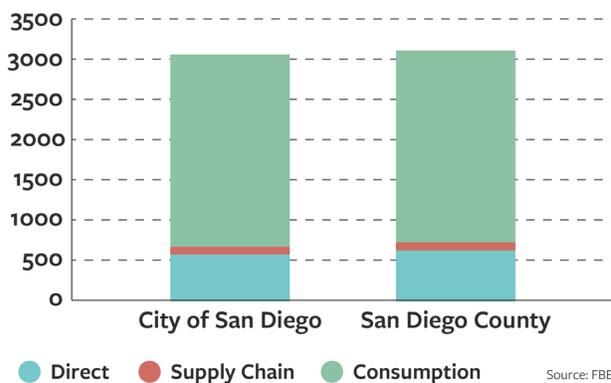


Source: SDHC, FBFI

SDHC’s Ripple Effects Create Jobs

Number of Jobs (FY 2014)

EXHIBIT 11



Source: FBFI

The total economic impact of any amount of direct spending will depend on the geographic size or scope of the region considered. For example, some of the spending by companies or their employees doing business with SDHC may be conducted outside the City of San Diego but still fall within the boundaries of the county.

The Total Economic Impact

Including all of the multiplier or ripple effects, SDHC was responsible for creating over 3,000 jobs in the City of San Diego in 2014. (See Exhibit 11) These jobs spanned a wide range of industries, including building maintenance, health care, retail, financial services, food services, insurance, and education.

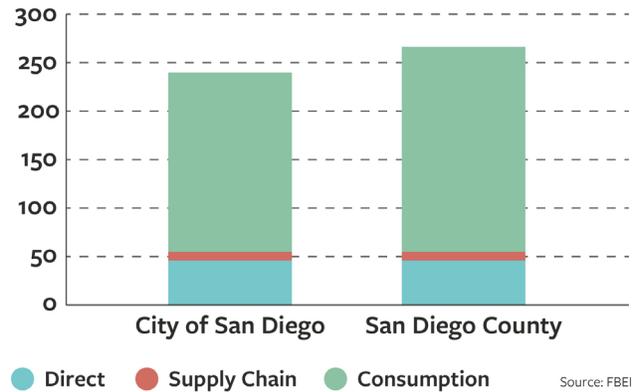
The total economic impact of SDHC direct spending generated an estimated \$240 million of output or Gross Regional Product (GRP) in the city during FY 2014. (See Exhibit 12) The influence of SDHC on the total value of personal income generated in the city was considerably larger. Personal income includes not only the effect of the earnings accompanying the jobs created but also the contribution of the government through its voucher payments on rental income. Total personal income that can be traced to the influence of SDHC equaled \$303 million in fiscal year 2014. (See Exhibit 13)

Analyzing the economic impact on the county, SDHC spending was responsible for a total of 3,100 jobs in 2014. SDHC also created through its combination of direct and indirect effects a total of \$270 million in total GRP and \$316 million in total personal income. (See Exhibit 14)

Even with its relatively small budget, SDHC has a significant total economic impact on both the City of San Diego and County of San Diego. It also represents a very large and compelling footprint in terms of the households and individuals empowered in the San Diego region. ■

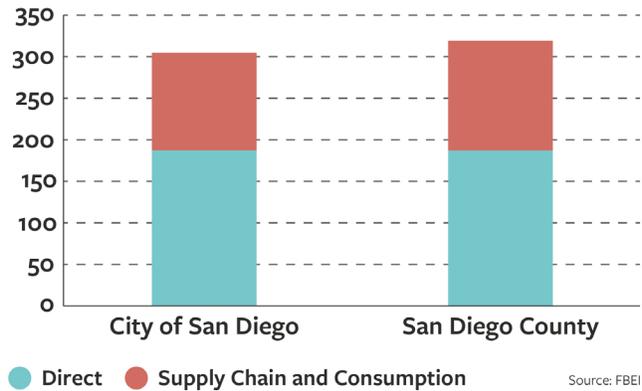
SDHC's Dollars Support Regional GRP

Millions of Dollars (FY 2014) **EXHIBIT 12**



SDHC Boosts Total Personal Income

Millions of Dollars (FY 2014) **EXHIBIT 13**



SDHC's Total Economic Impact

(FY 2014) **EXHIBIT 14**

	City of San Diego	San Diego County
Direct Spending (\$ millions)	\$279	\$279
Jobs	3,022	3,084
GRP (\$ millions)	\$240	\$270
Income (\$ millions)	\$303	\$316

Source: FBFI

SECTION IV:

Conclusions

SDHC has set its mission as the following: “Provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and to provide opportunities to improve the quality of life for the families that SDHC serves.”

In addition, based on its Strategic Plan, which it adopted on January 17, 2014, its goals encompass a wide range of housing-related objectives. They include channeling federal funds for rental assistance to low-income households; building, maintaining, renovating, and financing affordable housing; working to solve the homeless problem; and helping individuals receiving housing support become more self-reliant and financially independent.

SDHC operates within a complex structure, with accountability both to the federal government through HUD and to the City of San Diego. It has broken away from the typical structure and bureaucracy of a government agency by deploying a highly entrepreneurial and innovative culture similar to the private sector.

As this study documents, SDHC has a large footprint in terms of the families and individuals it serves in various ways. Relative to its budget, its economic impact is sizable after fully accounting for all of the ripple or multiplier effects of dollars it directly feeds into the economy.

SDHC faces numerous challenges in the period ahead including rising home prices and rents, higher interest rates, possible funding cuts from the federal government, and the ongoing debate regarding what government’s role should be related to housing for different segments of the population.

This also is a period of great opportunity for SDHC. Traditional public housing models have been discredited in many countries and the U.S. has been no different. The innovative approach adopted by SDHC could represent a new model for other housing agencies around the country to emulate.

Concerns about income inequality continue to mount and this inequality affects housing choices, living patterns, and access to education. Disagreement over

government policies regarding affordable housing mandates exists. However, the ability of SDHC to maximize the amount of affordable housing created under those policies could be very important.

In the area of homelessness, the historic approach has been to try to treat individuals on the street for specific issues, including substance abuse, physical ailments, or mental illness. Only when those treatments had exhibited clear success would the homeless be considered for possible permanent housing. SDHC’s efforts to advance the “Housing First” approach could pave the way for making major inroads in dealing with this at risk population.

Finally, SDHC’s rejection of the view that its provision of housing support is the final stop for its constituents should be applauded. Conventional thinking has been that individuals receiving government assistance will almost always need that support. SDHC views its ultimate objective as helping people to become more independent and to achieve a higher quality of life. It believes that housing assistance is only one of the elements of that process.

SDHC’s holistic approach, involving education, training, and coaching at the intervention point where housing support is provided, might also be a model that other social service providers might embrace. ■

SECTION V:

Methodology

This study began with an extensive interview process involving all key members of the leadership team at SDHC to fully understand the scope of its programs, the metrics that might be employed, the types and sources of data available, and any insights that might be provided. The following departments were involved in the interview process:

- Administrative Services
- Communications
- Finance
- Homelessness
- Human Resources
- IT
- Real Estate
- Rental Assistance

Data was collected from the various divisions within SDHC for fiscal year 2014 (July 1, 2013-June 30, 2014) on households and individuals impacted by various programs and all of the different types of spending. Expenditure totals were collected for housing vouchers, compensation, SDHC operations and supplies, capital spending, grants, loans, and other items. Data on SDHC asset totals was also obtained.

Careful analysis was involved in insuring that all data collected was based on a consistent accounting method and there was no double counting across spending categories. Research was also conducted to determine the location and type of businesses receiving any SDHC funding.

The IMPLAN model was utilized to map and analyze the dynamics and total impact of each of the channels of SDHC direct spending on both the City of San Diego and San Diego County. IMPLAN is a widely used and respected model incorporating data and input-output coefficients from the U.S. Bureau of Economic Analysis.

Each industry receiving SDHC funds was identified and assigned the appropriate expenditure total. Compensation and the number of SDHC employees were directly inputted into the model. Households receiving vouchers were divided into different income groups since spending patterns vary with income. Rental payments made to landlords with these vouchers were included. Rent savings on affordable housing financed by SDHC were allocated to households among different income groups. Loan proceeds were allocated to households for the purpose of home purchase or to entities involved in either rehabilitating homes or renovating multi-family units for occupancy. Grants were distributed to the appropriate segments of the model in terms of whether they were used for property renovation or for support of various homeless programs.

A City of San Diego model was defined on the IMPLAN platform based on zip codes. IMPLAN already carries a San Diego County base model since the county is a Metropolitan Statistical Area (MSA). The models were then simulated for both the city and the county to calculate all of the multiplier effects of SDHC through supply channels and consumer spending and to calculate the total economic impact in terms of jobs, income, and GRP. All numbers were converted to 2014 dollars and checked for reasonableness. ■

About the Authors

Executive Editor:

Cathy L. Gallagher – *Executive Director, Fermanian Business & Economic Institute*

Gallagher has extensive business experience as owner and operator of several small businesses on the east coast before joining PLNU 12 years ago. In addition to overall leadership of the Institute, Gallagher serves as the executive editor for all publications and studies released by the Institute, planning and implementation of strategic initiatives, and leads client relations and business development efforts, locally and globally.

Ms. Gallagher provided editorial leadership, as well as overall project management and quality control, and oversight of the timeline and deliverables of the study.

Primary Author:

Dr. Lynn Reaser, Ph.D. – *Chief Economist, Fermanian Business & Economic Institute*

Dr. Reaser has an extensive background in finance and banking as the former Chief Economist for the Investment Strategies Group of Bank of America. In her role at the Institute, Reaser is a leading spokesperson for the university, conducting interviews on a variety of topics related to the economy. She leads the economic research for the Institute and is highly proficient at analyzing economic data, modeling, and forecasting, and providing clear and concise recommendations for the reader. Reaser currently serves as the Chief Economist for California State Treasurer, John Chiang's Council of Economic Advisors.

Dr. Reaser was the primary author of the study and led the research and analysis, in addition to developing the methodology and conclusions.

Contributors:

Peggy Crane, M.S. – *Economist, Fermanian Business & Economic Institute*

Professor Crane is a skilled business economist and highly regarded economics professor in San Diego for more than twenty years. She has been an author and accuracy checker for Cengage Learning and Prentice-Hall Publishers. Prior to her work in academia, Crane worked as a Financial Analyst and Economist for San Diego Gas and Electric Company and for Home Federal Savings and Loan. Crane joined the economic team at the Institute two years ago after many years of teaching at PLNU.

Professor Crane was responsible for conducting research and analysis for the study. Additionally she created the exhibits and wrote the section on *Creating and Preserving Affordable Housing*.

Thomas Hale – *Senior Research Associate, Fermanian Business & Economic Institute*

Mr. Hale brings extensive experience in data collection, research, and analysis, as well as creating and conducting presentations. He provides primary research, develops and maintains databases for financial, statistical, and economic analysis, and designs exhibits for studies and publications. He also manages MBA research assistants.

Mr. Hale conducted research and data collection, and created exhibits for the study and presentation.

Paul Gentry, MBA – *Assistant Director, Fermanian Business & Economic Institute*

Mr. Gentry brings a strong background in technology, marketing, public relations, logistics, and finance to his role. Additionally he coordinates projects and timelines, manages student assistants who work on studies, and is responsible for marking and communication efforts and event management for the Institute.

Mr. Gentry provided assistance with project management and wrote the section on *Homelessness Solutions*.

Mark Undesser, MBA – *Research Analyst, Fermanian Business & Economic Institute*

Mr. Undesser has significant experience as a researcher, business strategist, analyst, and corporate sales trainer. He specializes in developing creative solutions for addressing business challenges in both for profit and non-profit sectors. Undesser joined the research team of the Institute two years ago as an MBA student and continues to work as a research analyst for projects and studies.

Mr. Undesser conducted research and analysis for various aspects of the project and wrote the section on *Rental Assistance*.

Douglas Nunez, MBA – *Research Analyst, Fermanian Business & Economic Institute*

Mr. Nunez has extensive business and leadership experience providing analytical services to the power utility industry. His background includes work in power plant operations, control, process design, performance analysis, and simulation. He joined the economics team as an MBA student to assist with studies and projects.

Mr. Nunez conducted research and analysis for various aspects of the project and wrote the section on *Work Force Development and Self-Sufficiency*.

All authors participated in the planning process of the study, conducted interviews with leadership of the agency, and contributed to one or more sections.

Acknowledgements:

Undergraduate Student Researchers

Jake DeSaegher	Anna Heinz	Benjamin Schiwitz
Dylan Ellis	Bradley Kounter	Dylan Walch
Max Fell	Jesse Oleson	

We would like to thank everyone at Made By Grizzly who supported in the creative direction of this publication.

The Fermanian Business & Economic Institute

The Fermanian Business & Economic Institute (FBEI) is an active extension of Point Loma Nazarene University that specializes in a variety of business and economic consulting services dedicated to discovering insights that effect change for organizations around the nation. Our skilled team of consultants, economists, and researchers provide clients and partners with individualized, actionable results that support strategic decision-making.

Our clients include, Terrapin Bright Green, National Association for Business Economics (NABE), San Diego Military Advisory Council (SDMAC), Building Industry Association (BIA) San Diego, Chain Link Fence Manufacturer's Institute (CLFMI), California State Treasurer, Sempra Generation, San Diego Zoo Global, and many other private, public, and government organizations.



POINT LOMA
NAZARENE UNIVERSITY

(619) 849-2200

3900 Lomaland Drive, San Diego, CA 92106

pointloma.edu
