



SAN DIEGO  
HOUSING  
COMMISSION

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# San Diego Housing Commission (SDHC) Investments Discussion

Suket Dayal  
Executive Vice President of Business Administration and  
Chief Financial Officer  
San Diego Housing Commission

Christelle Van Der Windt  
Vice President of Financial Operations  
San Diego Housing Commission



# SDHC – Investments

## Investment Oversight and Management

- SDHC Board of Commissioners
  - Receives quarterly, written informational investment reports from SDHC Financial Services Department staff in docket materials
  - Appoints Investment Committee (typically three SDHC Board members)
    - Meets annually
    - Provides general guidance
  
- SDHC investments are actively managed with assistance from Mischler Financial Group.
  - Mischler’s Senior Vice President of Fixed Income Portfolio Analytics Joe Foye works with SDHC’s Chief Financial Officer, with the additional participation of SDHC’s Vice President of Finance Operations and Manager of Finance Accounting Operations.



# SDHC – Investments

## Investment Oversight and Management (Continued)

- Objectives for SDHC’s Investment Strategy:
  - Ensuring the safety of the principal
  - Extending duration while maintaining sufficient liquidity to meet operational requirements, generate investment yield and when possible, invest locally
- “Ladder investment strategy” for reinvestments
  - Spread investments across a range of maturity dates so investments mature at staggered intervals
  - Mitigates interest rate risk
  - Enhances liquidity with steady monthly cash flows
  - Standard practice for portfolios with low-risk tolerance
- U.S. Department of Housing and Urban Development Guidance (PIH 96-33):
  - Average amount in General Fund cash accounts should be the amount needed for transactions or as a safeguard against cash shortages.



# SDHC – Investments

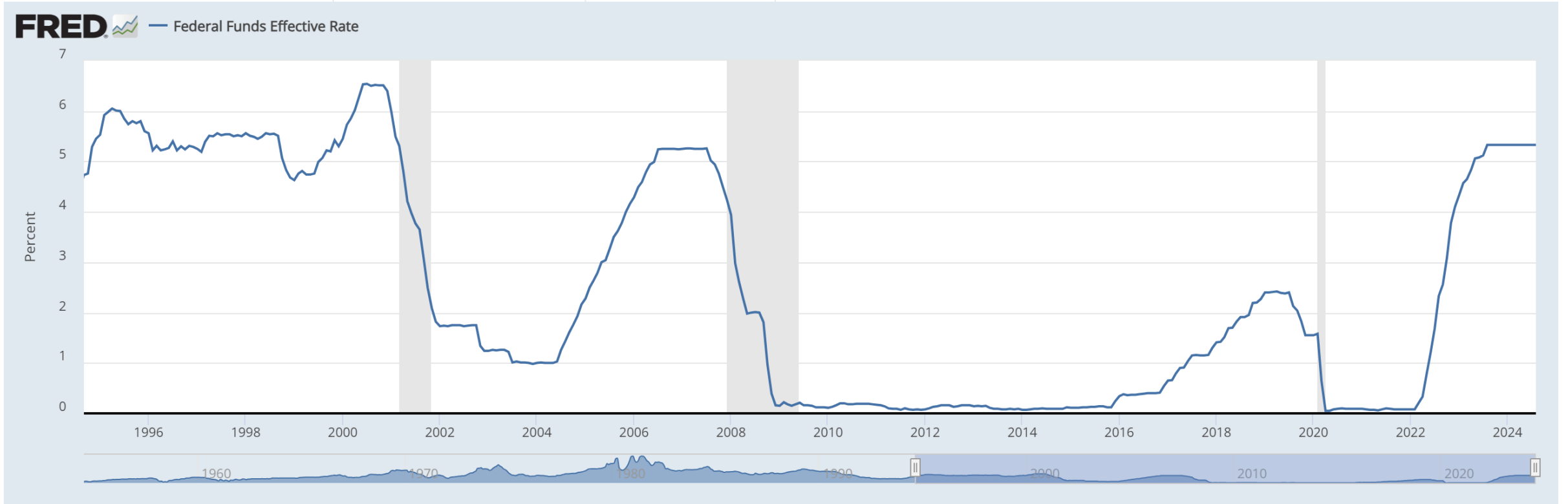
Value as of June 30, 2024

- \$112.4 million in core holdings
- \$17.1 million in California’s Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP)
- Includes funds committed for specific purposes
  - Example: SDHC loan awarded to an affordable housing developer through SDHC’s Notice of Funding Availability for which loan funds have not yet been disbursed



# SDHC – Investments

## Factors Affecting Opportunities (Continued)



## SDHC – Investments

### Factors Affecting Opportunities

- SDHC’s access to funds for investments has been limited in recent years.
  - Decline in City fee collections that provide revenue for the City of San Diego Affordable Housing Fund
  - Uncertainty surrounding federal, state and city funding levels
  - Surge in mortgage interest rates from 2022 to early 2024
    - Slowed refinancing activities, which usually generate significant cash flows for SDHC as developers and families repay SDHC loans early and in full before maturity
  - Reimbursement-based grants
    - SDHC needs sufficient cash on hand to fund expenditures until reimbursement is received from grant funds.



## SDHC – Investments Analysis – Past Four Years

	Amount Invested	Yield to Maturity Average	Three-Month Treasury bill Average	Two-Year Treasury Average	Number of Investments
<b>2024</b>	\$15,000,000	5.47%	5.31%	4.70%	2
<b>2023</b>	\$19,550,000	4.42%	5.02%	4.52%	5
<b>2022</b>	\$49,341,000	3.11%	1.69%	2.79%	21
<b>2021</b>	\$75,222,000	0.92%	0.031%	0.24%	54



# SDHC – Investments

## Looking Ahead: Options for Discussion

### Short-Term Investments

Advantages	Disadvantages
Safety and Security – Backed by U.S. Government	Reinvestment risk – rates at renewal
Liquidity – quick access to cash	Opportunity costs
Predictable returns	

**Example: Treasury Bills under one year maturity**





# SDHC – Investments

## Looking Ahead: Options for Discussion (Continued)

### Longer-Term Investments

Advantages	Disadvantages
Low Risk - relatively predictable income	Sensitive to interest rate changes
Diversified (like Asset Backed Security)	Prepayment and call risk

**Examples: Asset-Backed Security, Mortgage-Backed Security, Corporate Bonds,  
U.S. Government Callable Agency**



## Questions & Comments

