



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: May 6, 2021

HCR21-034

SUBJECT: San Diego Housing Commission Proposed Fiscal Year 2022 Budget

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPT: Financial Services

BOARD REPORT: Proposed Fiscal Year 2022 Budget

CONTACT/PHONE NUMBER: Tracey McDermott, 619-578-7737

REQUESTED ACTION:

Recommend that the Housing Authority of the City of San Diego (Housing Authority) approve the San Diego Housing Commission's (Housing Commission) proposed Fiscal Year 2022 Budget and delegate authority from the Housing Authority to the Housing Commission to amend the Fiscal Year 2022 Budget for amounts consistent with prior year delegation.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The FY 2022 Proposed Budget anticipates available funding sources of \$585 million, which represents an increase of \$60 million, or 11 percent, from the FY 2021 budget. The increase is primarily due to:
 - \$55 million increase of beginning fund balance primarily as a result of the timing of Housing Assistant Payments related to COVID-19 Housing Stability Assistance Program (HSAP) funds received in FY 2021.
 - \$8 million increase of local revenues due to rents relating to the properties acquired in FY 2021, including the extended-stay hotel properties in Kearny Mesa and Hotel Circle as well as Hillcrest Inn and new ground lease (Mariner's Village).
\$7 million increase of state Homeless Housing, Assistance and Prevention (HHAP) funding for homelessness programs.
 - Offset by \$11 million decrease in Federal Revenues primarily due to reduction in anticipated draw of Federal Funds compared to the Federal funds utilized in Fiscal Year 2021 for the purchase of the extended-stay hotel properties to create permanent housing with supportive services for individuals experiencing homelessness.
- The FY 2022 proposed Budget anticipates total uses of \$476 million (not including ending fund balance), which represents an increase of \$48 million, or 11 percent, from the FY 2021 budget. The increase is primarily due to:
 - Increase in housing program expense related to COVID-19 housing subsidy hardship funding
 - Offset by a decrease due to funds expended in Fiscal Year 2021 to purchase two extended-stay hotel properties and timing of loan payments made to developers of affordable housing.
 - In addition, property expenses, supplies and other increased \$12 million primarily due to cost associated with the new properties acquired in FY 2021.



REPORT

DATE ISSUED: April 29, 2021

REPORT NO: HCR21-034

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of May 6, 2021

SUBJECT: San Diego Housing Commission Proposed Fiscal Year 2022 Budget

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Recommend that the Housing Authority of the City of San Diego (Housing Authority) approve the San Diego Housing Commission's (Housing Commission) proposed Fiscal Year 2022 Budget and delegate authority from the Housing Authority to the Housing Commission to amend the Fiscal Year 2022 Budget for amounts consistent with prior year delegation.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Approve the Housing Commission's proposed \$585 million Fiscal Year (FY) 2022 Budget (Attachment 1).
- 2) Delegate authority to the Housing Commission to approve amendments to the FY 2022 Budget for the following amounts, consistent with prior delegation of authority from the Housing Authority:
 - a. Line item transfers not to exceed \$500,000 of budget authority that do not impact the overall size of the Housing Authority approved FY 2022 Budget;
 - b. Additional funding for the FY 2022 Budget resulting from applications submitted with the approval of the Housing Authority (per Housing Authority Resolution 1569); and
 - c. Additions from other sources, not to exceed \$500,000 on an individual basis, to the FY 2022 Budget.
- 3) Delegate authority to the Housing Commission's President & Chief Executive Officer (President & CEO) to amend the FY 2022 Budget for amounts not to exceed \$250,000 consistent with policies, programs and activities approved by the Housing Commission and Housing Authority.

SUMMARY

The FY 2022 Proposed Budget anticipates available funding sources of \$585 million, an increase of \$60 million, or 11 percent, from the approved FY 2021 budget. The increase is primarily due to funds received in FY 2021 for the COVID-19 Housing Stability Assistance Program (HSAP) to be spent in FY 2022.

The FY 2022 Proposed Budget anticipates total uses of \$476 million (excluding ending fund balance), an increase of \$48 million, or 11 percent, from the FY 2021 budget. The increase is primarily due to expenditures relating to HSAP.

FUNDING SOURCES

The proposed FY 2022 Budget anticipates funding sources of \$585 million:

<u>Revenues</u>	<u>FY 2022 Budget</u>	<u>FY 2021 Budget</u>	<u>Increase/(Decrease)</u>
Federal Revenues	\$ 297,270,000	\$ 307,870,000	\$ (10,600,000)
San Diego Local Revenues	57,774,000	49,438,000	8,336,000
State Revenues	31,788,000	24,351,000	7,437,000
Fund Balance from Prior Years	198,018,000	143,107,000	54,911,000
Total Funding Sources	\$ 584,850,000	\$ 524,766,000	\$ 60,084,000

The majority of the Housing Commission's funding is restricted by funding source with respect to its use.

The decrease in Federal Revenues is primarily due to the reduction in the anticipated draw of Federal funds compared to the Federal funds utilized in Fiscal Year 2021 for the purchase of the extended-stay hotel properties to create permanent housing with supportive services for individuals experiencing homelessness. The increase in State Revenues is due to Department of Housing and Community Development (HCD) Local Housing Trust Fund (LHTF) funding awarded for multifamily housing loans and an increase in State Homeless Housing, Assistance and Prevention (HHAP) program funds for homelessness programs. The increase in Local revenues is due to rent payments at the properties acquired in FY 2021, including the extended-stay hotel properties in Kearny Mesa and Hotel Circle purchased to create permanent affordable housing for individuals experiencing homelessness, as well as Hillcrest Inn. In addition, a new ground lease for the Mariner's Village property increased revenue. The increase in Fund Balance is primarily due to funds remaining from HSAP to be expended in FY 2022.

FUNDING USES

The following table summarizes the funding uses by expenditure type:

<u>Uses</u>	<u>FY 2022 Budget</u>	<u>FY 2021 Budget</u>	<u>Increase/(Decrease)</u>
Housing Program Expense	\$ 361,709,000	\$ 326,922,000	\$ 34,787,000
Personnel Costs	44,270,000	41,761,000	2,509,000
Capital Expenditures	28,753,000	30,373,000	(1,620,000)
Property Expense, Professional Services, Supplies & Other	41,581,000	29,404,000	12,177,000
Total Costs	476,313,000	428,460,000	47,853,000
Ending Fund Balance	108,537,000	96,306,000	12,231,000
Total Funding Uses	\$ 584,850,000	\$ 524,766,000	\$ 60,084,000

The proposed Housing Program Expense includes an increase in Housing Assistance Payments primarily related to HSAP, offset by a decrease due to funds expended in Fiscal Year 2021 to purchase two extended-stay hotel properties and timing of loans made payments to developers of affordable housing.

The increase in property expenses, supplies and other is primarily due to costs associated with the aforementioned new properties the Housing Commission acquired in FY 2021. The increase in ending fund balance is primarily due to the timing of when loans close financing to fund developments that are awarded funds through the current Notices of Funding Availability.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

The FY 2021 budget was approved by the Housing Commission on May 1, 2020, and by the Housing Authority on June 16, 2020.

ENVIRONMENTAL REVIEW

Approval of the FY 2022 Housing Commission budget is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Approval of the budget is also exempt under the National Environmental Policy Act pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

Tracey McDermott

Tracey McDermott
Senior Vice President & Chief Financial Officer
San Diego Housing Commission

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

April 29, 2021
Proposed Fiscal Year 2022 Budget
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Attachments: 1) Fiscal Year 2022 Proposed Budget

Docket materials are available online on the San Diego Housing Commission website at www.sdhc.org.



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We're About People

San Diego Housing Commission (SDHC) Fiscal Year (FY) 2022 Proposed Budget (July 1, 2021 - June 30, 2022)

Presentation to the SDHC Board of Commissioners
May 6, 2021

Jeff Davis
Deputy Chief Executive Officer

Suket Dayal
Executive Vice President, Business Administration

Tracey McDermott
Senior Vice President and Chief Financial Officer



SDHC FY 2022 Proposed Budget Agenda

- Section 1 – Overview.....Slide 3
- Section 2 – Objectives and DeliverablesSlide 8
- Section 3 – Sources of Funds.....Slide 12
- Section 4 – Uses of Funds.....Slide 15





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SDHC FY 2022 Proposed Budget

Section 1 – Overview

San Diego Housing Commission FY 2022 Proposed Budget
Slide #3



SDHC FY 2022 Proposed Budget Overview

\$585 Million in Total Funding Sources



SDHC Headquarters
1122 Broadway
Downtown San Diego



SDHC FY 2022 Proposed Budget

Significant Factors Impacting Budget Development

COVID-19 Housing Stability Assistance Program:

- Total \$92 million funds received for program and administration
- Estimated 67% of spending to occur in FY 2022
- Assistance for tenants experiencing financial hardship
- Expecting additional funding with the American Rescue Plan Act adopted in March 2021

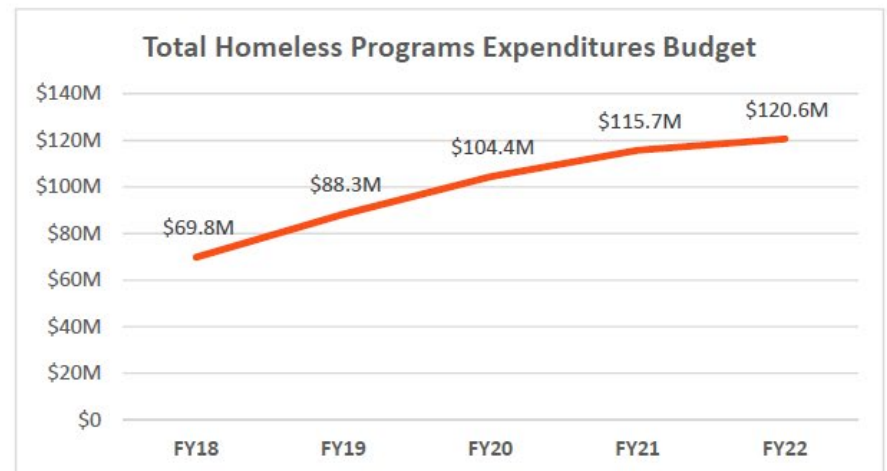
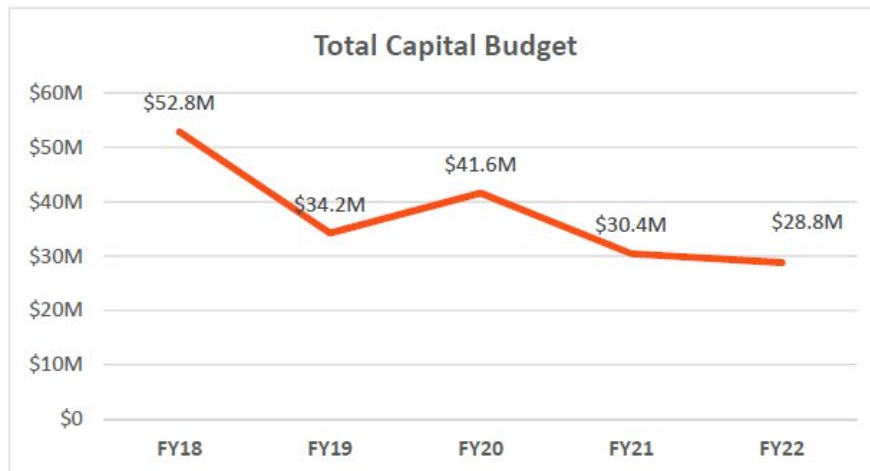
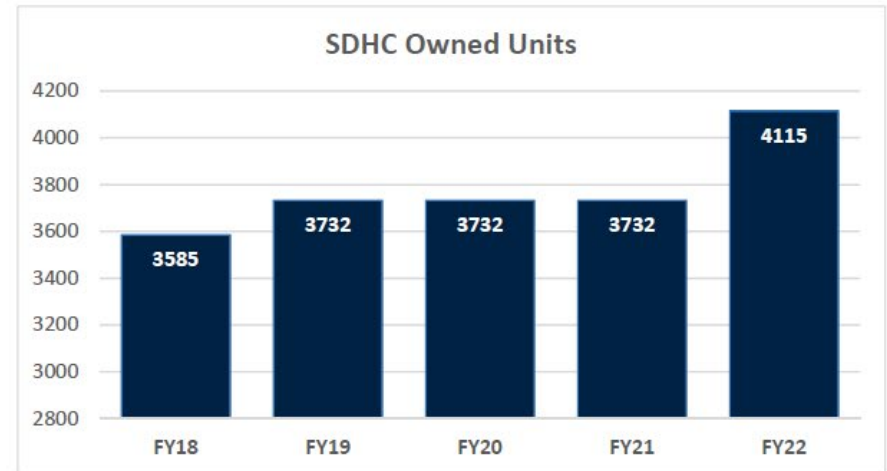
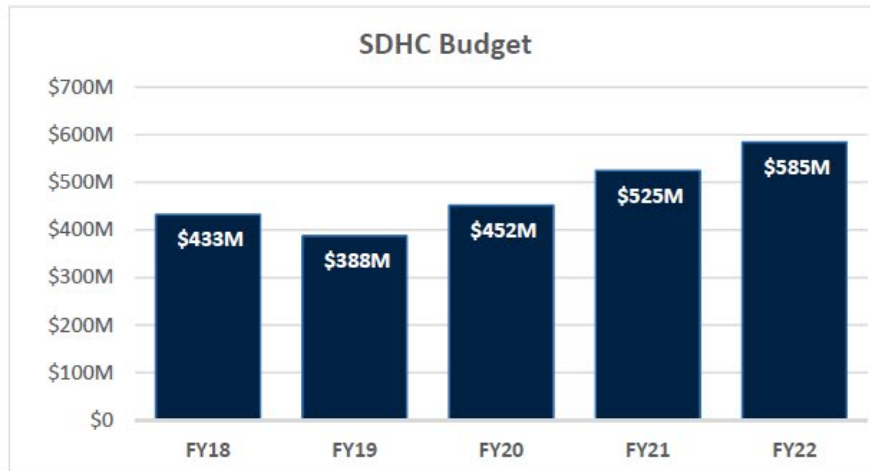
Focus on Homelessness:

- Continued concentration of efforts and funding to address the homelessness crisis in San Diego



SDHC FY 2022 Proposed Budget

Where we've been and where we're going in 2022



SDHC FY 2022 Proposed Budget Executive Summary

\$585 million balanced budget with 352 full-time equivalents to:

- Partner to address homelessness and tenant financial hardship due to COVID-19
- Provide federal rental housing assistance to low-income households
- Create and preserve affordable housing through partnership developments and acquisitions
- Help families receiving rental assistance to become more self-reliant





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SDHC FY 2022 Proposed Budget

Section 2 – Objectives and Deliverables

SDHC FY 2022 Proposed Budget Objectives and Deliverables

- **Provide Rental Assistance to Low-Income Households:**
 - Assist more than 15,500 households
 - Continue to administer the City of San Diego COVID-19 Housing Stability Assistance Program
 - Continue specialized programs: Assist populations, such as individuals experiencing chronic homelessness, individuals with serious mental illness experiencing homelessness, and transition-age youth
 - Lease 450 Permanent Supportive Housing Project-Based Vouchers to house individuals and families experiencing homelessness
 - Continue Landlord Partnership Program



SDHC FY 2022 Proposed Budget Objectives and Deliverables (Continued)

■ **Create and Preserve Affordable Housing:**

- Set aside \$16.6 million to preserve affordable housing in San Diego
- Invest \$8 million to rehabilitate SDHC-owned units
- Award up to \$16 million to developers to create permanent affordable housing units
- Invest \$20 million to acquire affordable housing properties
- Dedicate \$7.8 million to help households become first-time homebuyers



SDHC FY 2022 Proposed Budget Objectives and Deliverables (Continued)

■ Address Homelessness:

- Dedicate \$120.6 million to address homelessness in the City of San Diego
- Further the goals of the City of San Diego's Community Action Plan on Homelessness
- Continue HOUSING FIRST – SAN DIEGO, which creates housing opportunities through effective programming that meets the varied needs of people who are at risk of or experiencing homelessness in the City of San Diego
- Continue to administer the City of San Diego's Homeless Shelters and Services, and SDHC Continuum of Care-funded programs
- Administer the Homelessness Response Center, a new program coordinating outreach teams and shelter providers in the City of San Diego
- Continue to administer the City of San Diego's Neighborhood-Based Coordinated Outreach program





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SDHC FY 2022 Proposed Budget

Section 3 – Sources of Funds

SDHC FY 2022 Proposed Budget Funding Sources Available

	FY22 Budget	FY21 Budget	FY22 vs FY21 Budget	
			\$ Variance	% Variance
FEDERAL				
Section 8/MTW	\$274,861,000	\$278,779,000	(\$3,918,000)	(1%)
HOME	13,458,000	13,904,000	(446,000)	(3%)
Housing Innovation Funds	6,481,000	9,768,000	(3,287,000)	(34%)
CDBG	2,390,000	5,339,000	(2,949,000)	(55%)
Other Federal Funds	80,000	80,000	-	0%
TOTAL FEDERAL	297,270,000	307,870,000	(10,600,000)	(3%)
LOCAL				
SDHC Real Estate	40,831,000	32,766,000	8,065,000	25%
Affordable Housing Fund	7,049,000	6,144,000	905,000	15%
City General Funds and Other Local Funds	6,729,000	8,472,000	(1,743,000)	(21%)
Bond and Other Discretionary Local Funds	3,165,000	2,056,000	1,109,000	54%
TOTAL LOCAL	57,774,000	49,438,000	8,336,000	17%
TOTAL STATE	31,788,000	24,351,000	7,437,000	31%
TOTAL NEW REVENUE	386,832,000	381,659,000	5,173,000	1%
CONTINGENCY RESERVES *	13,539,000	13,358,000	181,000	1%
PROGRAM AND PROPERTY RESERVES	184,479,000	129,749,000	54,730,000	42%
TOTAL BEGINNING FUND BALANCE	198,018,000	143,107,000	54,911,000	38%
TOTAL SOURCES OF FUNDS	\$584,850,000	\$524,766,000	\$60,084,000	11%

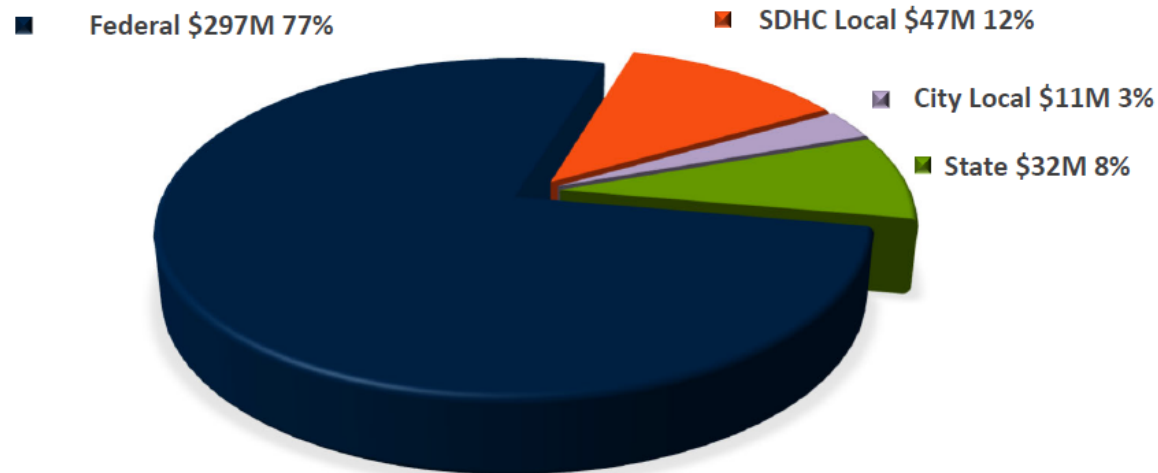
* 3.5% Contingency Reserve



SDHC FY 2022 Proposed Budget

New Revenue by Major Category (*\$ in Millions*)

FY 2022 New Revenue Total: \$387M



Section 8/MTW	\$275M
HOME	\$13M
ESG/CoC	\$7M
CDBG & Other Federal (ROSS Grant)	\$2M
Total Federal	\$297M

HHAP	\$32M
Total State	\$32M

SDHC Real Estate	\$41M
Bond, Compliance Monitoring Fee	3M
Other Local	3M
Total SDHC Local	\$47M

City Affordable Housing Fund	7M
City General Fund	4M
Total City Local	\$11M





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SDHC FY 2022 Proposed Budget

Section 4 – Uses of Funds

SDHC FY 2022 Proposed Budget

Funding Uses by Fiscal Year

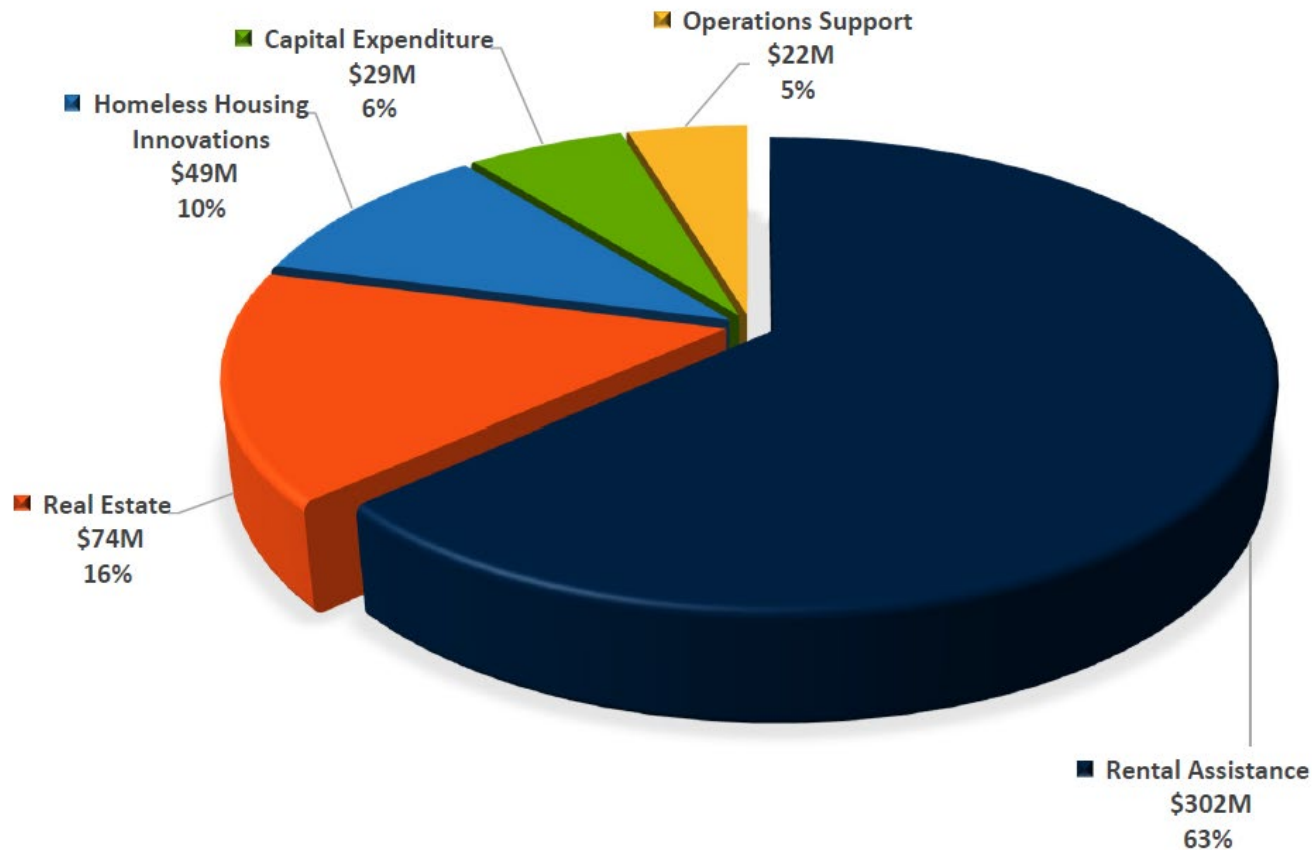
	FY22 Budget	FY21 Budget	\$ Change	% Change
Personnel Costs	\$44,270,000	\$41,761,000	\$2,509,000	6%
Non-Personnel Costs				
Housing Program Expense	342,909,000	295,322,000	47,587,000	16%
Rapid Rehousing Hotel/SRO		10,000,000	(10,000,000)	(100%)
Preservation	18,800,000	21,600,000	(2,800,000)	(13%)
Property Expense, Professional Services, Supplies and Other	41,581,000	29,404,000	12,177,000	41%
Capital Expenditures	28,753,000	30,373,000	(1,620,000)	(5%)
Non-Personnel Costs Total	432,043,000	386,699,000	45,344,000	12%
Total Uses (excluding Ending Fund Balance)	\$476,313,000	\$428,460,000	\$47,853,000	11%



SDHC FY 2022 Proposed Budget

Funding Uses by Division (Excluding Ending Reserves)

\$476M (\$ in Millions)



SDHC FY 2022 Proposed Budget Summary – SDHC Personnel

SDHC Personnel	FY22 Budget	FY21 Budget	Change
Full-Time Equivalents	352	346	6

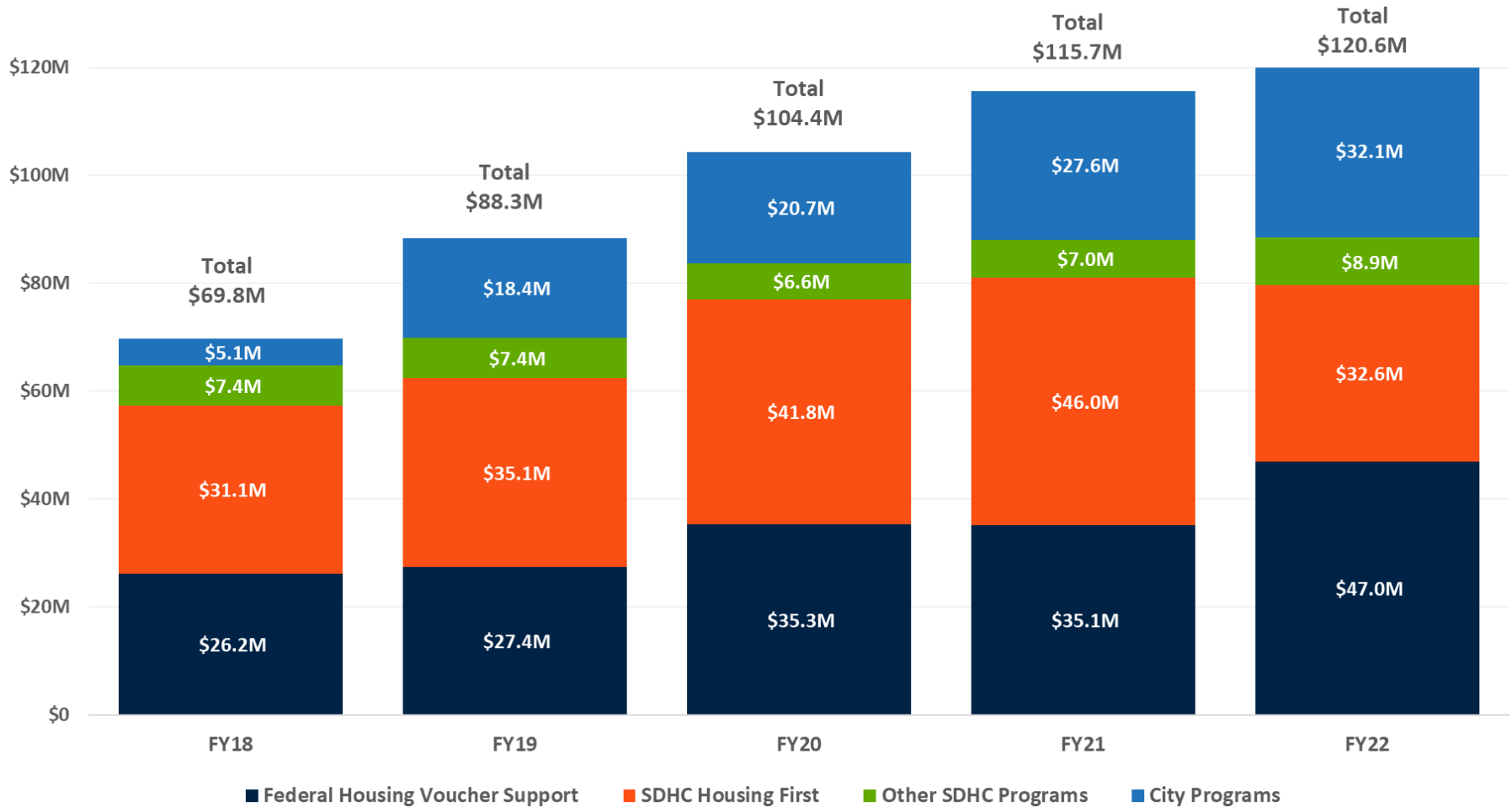
3 FTEs added for Homelessness Response Center (HRC)

3 FTEs added for the anticipated Rescue vouchers



SDHC FY 2022 Proposed Budget

FY18 - FY22 Total Homelessness Programs Expenditure



SDHC FY 2022 Proposed Budget Homelessness Programs Expenditures

	Component	Funding Source	FY22 Budget	
Housing First 3.0	Housing First Permanent Supportive Housing	Move To Work	20,000,000	\$32.6M
	SDHC Moving Home Rapid Rehousing	Move To Work/Inclusionary/Local Funds	1,959,000	
	Homekey Properties Supportive Service	Local Funds	740,000	
	Landlord Engagement Assistance Program	Inclusionary	2,758,000	
	Prevention & Diversion	Inclusionary	1,681,000	
	Family Reunification	Inclusionary	394,000	
	Housing First Rental Assistance Program	Inclusionary	500,000	
	Housing First Supportive Services Programs	Local Funds/Inclusionary	290,000	
	Program Administration Costs	Local Funds/AHF	4,302,000	
City Programs	Bridge Shelters	HHAP	18,761,000	\$32.1M
	Interim Shelters, Rapid Rehousing, Day Center, and Serial Inebriate Program	CDBG/ESG/City General Fund/Local Funds/Linkage/HHAP	5,703,000	
	Storage Connect Center, Transitional Storage Center, Storage Connect Center 2	HHAP	2,350,000	
	Homelessness Response Center	CDBG, City GF, Low & Moderate Income Housing Asset Fund	1,550,000	
	Coordinated Street Outreach	City GF	1,500,000	
	Safe Parking	HHAP	957,000	
	HHAP Admin	HHAP	1,243,000	
SDHC Programs	Federal Housing Voucher Support	Move To Work	46,979,000	\$55.9M
	Permanent Supportive Housing	Continuum of Care	4,029,000	
	Rapid Rehousing	Continuum of Care/Inclusionary/HHAP	2,413,000	
	Transition-Age Youth Rapid Rehousing	HHAP	1,086,000	
	Transitional Housing	Linkage	434,000	
	SDHC Supportive Services Programs	Local Funds	993,000	
TOTAL HOMELESS PROGRAMS EXPENDITURES			\$120,622,000	



Approval Request

FY 2022 Budget - \$585 Million



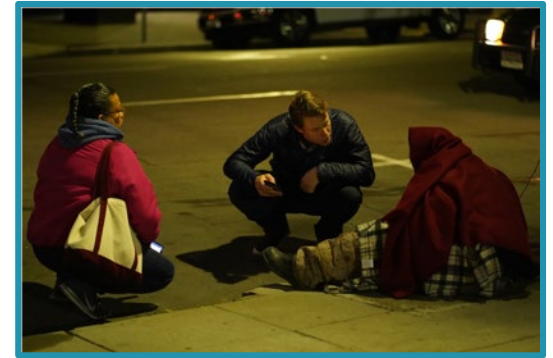
SDHC FY 2022 Proposed Budget



Rental
Assistance



Creating Affordable
Housing



Solutions To
Homelessness

Thank You

