

HOUSING AUTHORITY REPORT

DATE ISSUED: March 24, 2008 REPORT NO: HAR 08-12

ATTENTION: Chair and Members of the San Diego Housing Authority
For the Agenda of June 10, 2008

SUBJECT: San Diego Housing Commission FY2009 – FY2011 Business Plan

REQUESTED ACTION:

Approval of the San Diego Housing Commission's FY2009 – FY2011 Business Plan.

STAFF RECOMMENDATION:

That the Housing Authority approve the San Diego Housing Commission's Three-Year Business Plan for FY2009 – FY2011.

BACKGROUND:

The Housing Commission began to use a business plan model for planning purposes in FY04. The plan has evolved from a list of goals and objectives to include demographical data and a simple performance matrix.

The proposed FY2009 – FY2011 Business Plan includes a detailed plan of operations, market analysis, financial projections, and a marketing plan. This format will allow a closer coordination between operations strategies and the annual budget process and will also facilitate operations evaluation and a follow-up review process. This will enhance the Housing Commission's ability to make timely service adjustments and therefore provide a greater ability to achieve short and long term goals.

DISCUSSION:

This item was originally scheduled for Housing Authority review on May 20, 2008. Although the item could not be fully discussed because of schedules, Mr. Tom Scott, Executive Director of the San Diego Housing Federation, testified against approval of the FY2009-2011 Business Plan, expressing several concerns with the proposed Business Plan. Attachment 2 of this report includes a synopsis of Mr. Scott's comments and the Housing Commission responses.

The Housing Commission continues to explore and, whenever feasible, adopt private sector approaches to the development of affordable housing. Additionally, facility and internal changes have invoked a higher standard of professionalism, and has placed a premium on stronger business expertise and practices. A relevant business plan can be critical to the Housing Commission's ability to chart a path and vision, adopt measurable goals and activities, and follow a practical financial projection. This Plan also serves to communicate the Housing Commission's values to employees, advisors, partners, customers, and the community we serve. The following are the adopted goals for this business plan cycle:

1. Continue to be the leading provider of affordable housing opportunities for lower income families and individuals in the City of San Diego.
2. Achieve financial independence and economic stability through the application of private sector business practices.
3. Become the regional housing leader, expert and authority in initiating and implementing new, progressive solutions to San Diego's affordable housing needs.
4. Provide a positive customer experience through the seamless, efficient and professional delivery of products, programs and services.
5. Become an employer of choice in San Diego.

FISCAL CONSIDERATIONS:

None with this action; however, the FY2009 – FY2011 Business Plan projects future expenses as a result of specific strategies to achieve stated goals. These projected expenses will be further refined and presented for review and approval in the Housing Commission annual budgets.

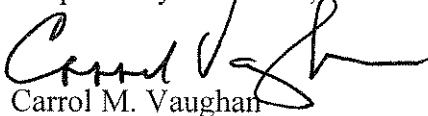
PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The San Diego Housing Commission's Board approved the FY2009-2011 Business Plan on April 25, 2008.

ENVIRONMENTAL REVIEW:

This activity is not a project within the meaning of the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(3) of the State CEQA guidelines. This activity is also exempt from review under the National Environmental Policy Act as no federal funds are involved.

Respectfully submitted,



Carol M. Vaughan
Interim President & Chief Executive Officer

Attachments: 1. FY2009-2011 Business Plan;
2. June 3, 2008 Memo Re: Mr. Scott's Concerns

San Diego Housing Commission Business Plan

DRAFT

Fiscal Years 2009 – 2011

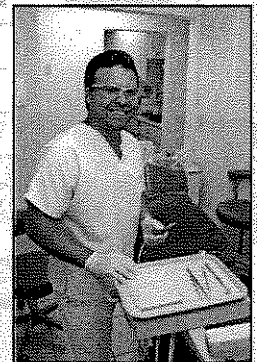
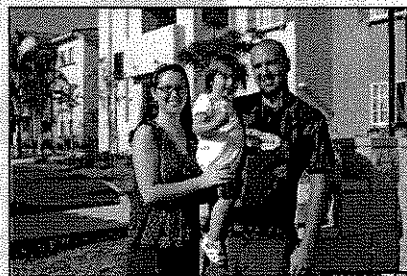
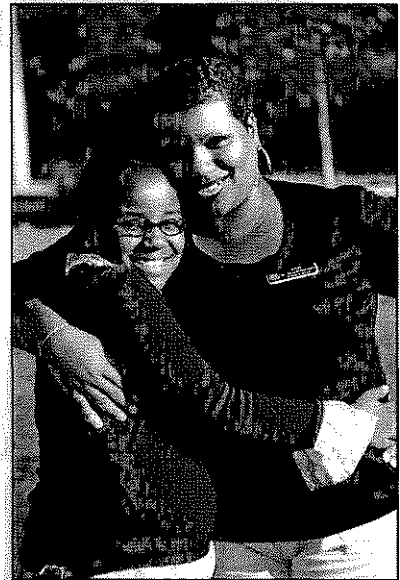


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THE FACES OF AFFORDABLE HOUSING

The San Diego Housing Commission's award-winning housing and economic advancement programs serve a broad range of populations, including low-income families, seniors and persons with disabilities or debilitating illnesses. Here are just a few examples of how SDHC has changed lives:

- 1) SDHC's Aspire Program has put Hing and Fang on the road to "financial fitness." They recently opened their first bank account.
- 2) Ethel and daughter Jessemina were once homeless. Today, they're thriving with support from SDHC's Section 8 Rental Assistance Program. Ethel is also advancing her career with help from the agency's Family Self-Sufficiency Program.
- 3) Michael, a construction worker, his wife Megan and daughter Heidi are able to live affordably in an apartment community created through SDHC funding and inclusionary housing policies.
- 4) Irene would not be able to afford her rent without her Rental Assistance voucher.
- 5) Rafael's career dream came true with help from the agency's Family Self-Sufficiency program.



Mission & Goals

Mission

We are committed to providing affordable housing opportunities to improve the quality of life for those in need.

Business Plan Goals, FY 2009 – 2011

1. Continue to be the leading provider of affordable housing opportunities for lower income families and individuals in the City of San Diego.
2. Achieve financial independence and economic stability through the application of private sector business practices.
3. Become the regional housing leader, expert and authority in initiating and implementing new, progressive solutions to San Diego's affordable housing needs.
4. Provide a positive customer experience through the seamless, efficient and professional delivery of our products, programs and services.
5. Become an employer of choice in San Diego.



Executive Summary

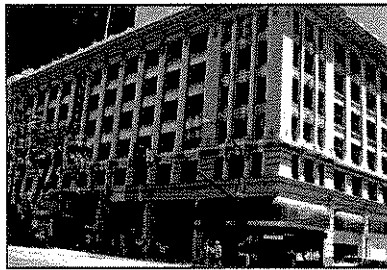
The San Diego Housing Commission (SDHC) is a public agency working to expand affordable housing opportunities in the City of San Diego. Each year, the agency helps 80,000 lower income individuals with affordable housing through award-winning programs that benefit the city's economy and revitalize neighborhoods. The agency also finances affordable housing development and advises the San Diego City Council on housing policy matters.

Founded in 1979 with just 50 employees and a budget of about \$15 million, the agency now has an annual budget of \$231.3 million and 245 employees. The agency's primary source of funding is the U.S. Department of Housing and Urban Development (HUD). The agency does not receive any City of San Diego General Funds.

In 2004, the agency's leadership team began utilizing three-year business plans as a strategic management tool to identify priorities, guide agency activities, and align staff and resources behind common goals. This document, which builds upon previous plans, offers a clear roadmap for the next three fiscal years – 2009-2011.

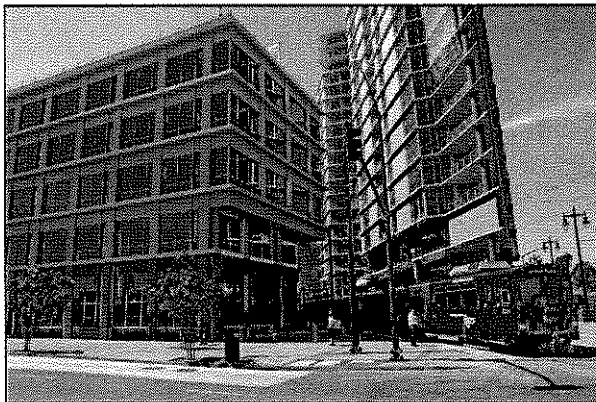
The FY 2009-2011 Business Plan is presented at a pivotal turning point in the agency's history. In FY 2008, SDHC transitioned out of the federal Public Housing Program in favor of a private sector asset management model. This allows

continued



Above:
Original offices at
Spreckels building
(1979-1984)

Right: Offices at
Newton Avenue
(1984-2006)



SDHC's main offices are now located at Smart Corner, a smart growth development in downtown San Diego. The agency's Silver LEED-certified building is environmentally friendly and conveniently located near public transit.

Executive Summary

SDHC access to equity and to better utilize revenues generated by more than 1,350 apartment units previously under HUD control. As such, SDHC is poised to pursue new strategies and service delivery models to achieve its mission.

The agency's Commissioners, management team and multiple levels of staff provided input into the development of the Business Plan. This effort resulted in five focused goals:

Business Plan Goals, FY 2009-2011

1. Continue to be the leading provider of affordable housing opportunities for lower income families and individuals in the City of San Diego.
2. Achieve financial independence and economic stability through the application of private sector business practices.
3. Become the regional housing leader, expert and authority in initiating and implementing new, progressive solutions to San Diego's affordable housing needs.
4. Provide a positive customer experience through the seamless, efficient and professional delivery of our products, programs and services.
5. Become an employer of choice in San Diego.

Business Plan Structure

The Business Plan is modeled after private sector business planning practices:

- The Operations Plan includes 65 strategies in support of the five Business Plan goals;
- The Financial Analysis presents the agency's fiscal position and revenue sources;
- The Agency Analysis reviews the agency's past success indicators and unique qualifications;
- The Market Analysis and Customer Analysis provides context of the agency's current environment and identifies the agency's customers and their needs; and
- The Marketing Plan demonstrates how the strategies will be communicated to the agency's customers and how feedback will be collected in an effort to make continuous improvements.

The agency's Business Plan and financial reporting run on a fiscal year calendar of July 1 through June 30. ■



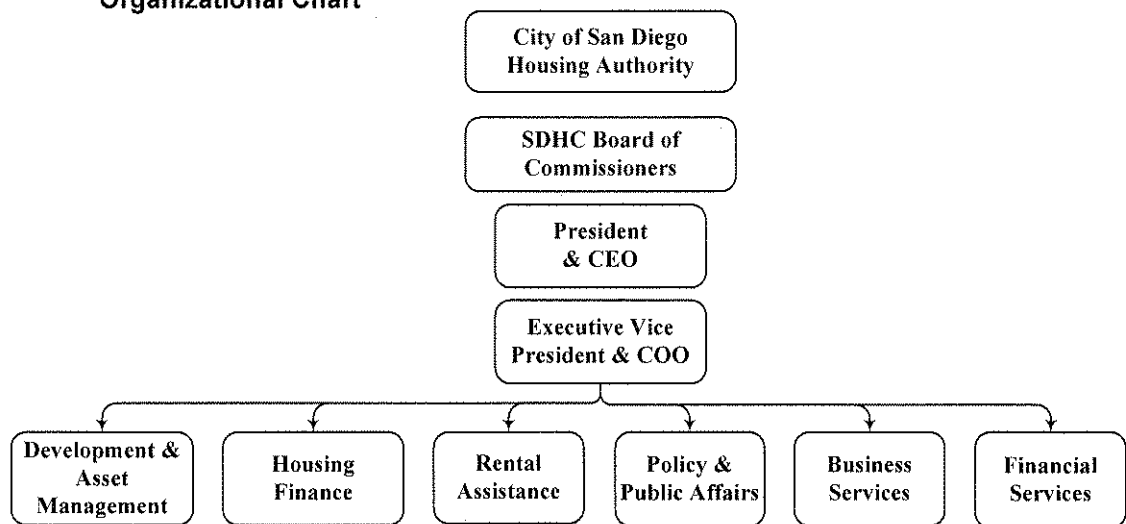
Operations Plan

The San Diego Housing Commission's organizational structure is composed of a President & Chief Executive Officer, an Executive Vice President & Chief Operating Officer, and six Department Directors, as shown below. The President & CEO is responsible to the Board of Commissioners and to the City of San Diego Housing Authority. The Department Directors are responsible to the Executive Vice President & COO and are charged with developing and operating all programs and activities.

Each year, each Department develops its next fiscal year budget based on the degree to which existing strategies will be continued and new strategies will be added.

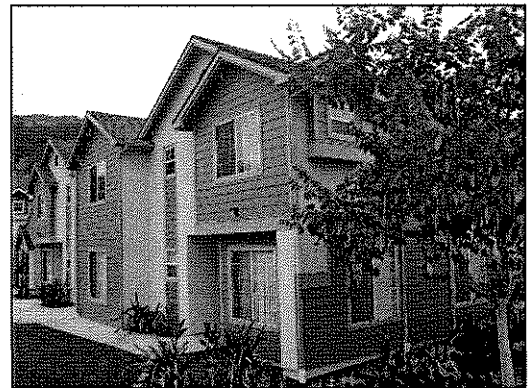
In the following Operations Plan, each Department has established ongoing and new strategies, including the action to be implemented, measure of success, date of completion, and approximate cost. Each of the 65 strategies support one or more of the Business Plan's five primary goals. ■

Organizational Chart



Operations Plan Development & Asset Management

Development & Asset Management is responsible for the agency's real estate assets, comprised of nearly 1,750 apartment units, a main office location and two satellite locations. The Department is comprised of three work units: Asset Services, Property Management, and Workforce & Economic Development. From FY 2009-FY2011, Development & Asset Management will focus on implementation of the Public Housing Disposition Strategy and the transition to a private sector approach in the management of all SDHC-owned property and the services provided to the residents in these properties. ■



SDHC owns and manages nearly 1,750 award-winning affordable apartments that serve low-income families, seniors and persons with disabilities. The well-maintained sites are designed to blend into and enhance their neighborhoods.

Operations Plan

Development & Asset Management

Asset Services

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
1. Manage Smart Corner office building.	Assume in-house management of the office building and participate in lease process for potential tenants on ground and second floors.	Achieve full occupancy by leasing remaining ground floor and second floor spaces.	FY2010	N/A	2
2. Provide technical support services for maintenance.	Assist with development of a redesigned building maintenance operation, including parts distribution, inventory, dispatching and work order system software testing.	New operations implemented; benchmarks to be developed for measurement.	FY2009 — FY2011	N/A	4
3. Update capital improvements.	Identify new potential work items given transition to private sector methodology, establish funding source for work items, and contract for work.	Complete needs assessment and highest priority work.	FY2009 — FY2011	\$1,200,000/year	1

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
4. Develop additional affordable housing units.	Build and/or acquire additional SDHC-owned rental units to meet commitment of 350 units.	210 units built and/or acquired.	FY2009 — FY2011	\$63,000,000 (at \$300,000 per unit)	1

"N/A" indicates that this action will be accomplished using staff with no additional costs anticipated.

Operations Plan
Development & Asset Management
Property Management

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
5. Transition to private sector model of property management.	Develop and implement techniques for marketing to and retaining private market clients (80% AMI).	Vacancy rate at or below 5%.	FY2009	N/A	3
	Identify key staff and assign to oversee new operations office.	Fully staffed operations office.	FY2009	N/A	3
	Install private sector software for property management.	Fully automate administration and record keeping of SDHC-owned and/or managed properties.	FY2010	\$90,000	4
	Develop new policies and procedures consistent with private sector industry standards.	Implement new policies and procedures and benchmark costs against private sector management.	FY2011	N/A	3

Operations Plan
Development & Asset Management
Workforce & Economic Development

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
6. Promote resident self-sufficiency efforts.	Integrate financial education as core program component and expand partnership base.	450 families served through Family Self-Sufficiency program (FSS).	FY2009	\$50,000	3
			— FY2011		
	Assess and centralize service delivery at Learning Opportunity Centers.	Improved efficiency and utilization of staff and funding.	FY2009	N/A	3
			— FY2011		
	Increase total funding to \$250,000.	Increased total funding available.	FY2009		2
			— FY2011		

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
7. Promote resident self-sufficiency efforts.	Develop and implement a Youth Financial Education and Individual Development Account Program by designing a pilot program at Learning Opportunity Centers.	75 youth served.	FY2009	\$20,000	3
			— FY2011		
	Establish an Economic Development Academy through redesign of program and relocating services to central location(s). Pursue ongoing funding.	400 youth and adults served.	FY2009	\$195,000	4
			— FY2011		
	Expand current Homeownership Education and resource component. Track and report families moving to homeownership.	Additional funding received (20 families).	FY2010	\$20,000	2

Operations Plan Housing Finance

The Housing Finance Department applies its resources to four areas of work:

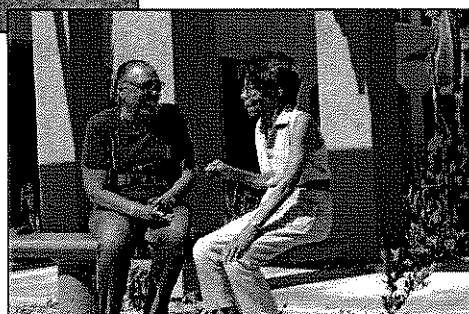
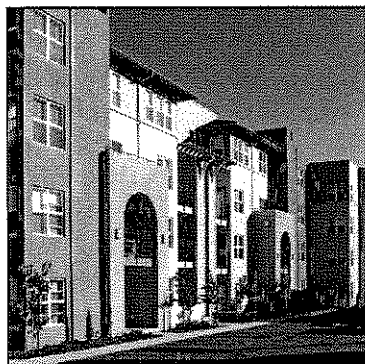
Rental Housing Production: Through favorable financing and incentives to nonprofit and for-profit developers, SDHC has helped produce more than 12,000 affordable housing units;

Housing Rehabilitation: SDHC provides technical and financial assistance to owners of older homes in need of repair;

Homeownership: Through closing cost assistance, downpayment grants and “silent second” mortgages, SDHC has helped 4,300 families purchase their first home; and

Special Purpose Housing: SDHC provides financial assistance to community service organizations that provide transitional housing and services to San Diego’s most vulnerable populations, including shelters for victims of domestic violence, supportive housing for the homeless, and permanent housing for persons who are elderly, disabled or have debilitating illnesses.

In the next three years, in addition to advancing production and preservation in all four of these areas, Housing Finance will contribute to the agency’s financial stability through revenue enhancement and cost recapture, increase permanent supportive housing opportunities for persons who are elderly and/or disabled, participate in the City’s effort to develop a permanent homeless shelter, and continue to pursue the production of workforce housing. ■



Operations Plan

Housing Finance

Affordable Rental Housing Production

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
8. Continue to provide financing for development of affordable housing units through a variety of activities.	Provide NOFA project structuring, underwriting and residual receipts loans to affordable housing developers and operators.	Annual creation of 400 new affordable housing units restricted for 55 years.	FY2009 – FY2011	HOME, Affordable Housing Fund \$12,000,000/year	1
	Implement Multifamily Bond Program by obtaining project financial analysis, underwriting and approvals to issue from both the State and Housing Authority.	Production rate of four new bond issuances per year.	FY2009 – FY2011	N/A	1
	Provide Early Assistance and Capacity-Building Loans by review of project proposals and feasibility to support loan amount requested.	Production rate of four loans per year.	FY2009 – FY2011	HOME, Housing Trust Fund \$50,000/year	3
	Continue project management: monitor construction, review and approve loan payments and any relocation or prevailing wage activities, through construction completion and lease-up; establish date for loan payments to begin.	All loans and units that were funded were completed and occupied.	FY2009 – FY2011	N/A	1
9. Implement land-use based affordable housing programs for the City such as Inclusionary, NCFUA, Condo Conversion, Coastal Affordable Housing, Density Bonus; collect fees for services.	Operate or develop programs, provide services to other governmental or private development entities, update fee schedule for various programs.	Receipt of fees for services (\$150,000 per year anticipated).	FY2009	N/A	4

Operations Plan
Housing Finance
Housing Rehabilitation

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
10. Continue to offer rehabilitation assistance through several programs.	Review, obtain approvals and fund rehabilitation loans; provide technical assistance to low-income owner borrowers.	Provide 150 rehabilitation loans per year.	FY2009 — FY2011	HOME, Housing Trust Fund \$2,150,000/year	1
	Review, approve and fund grant; provide technical assistance; apply for two new HUD Lead Grants for FY2009-FY2011.	Lead paint reduction for 150 units per year.	FY2009 — FY2011	\$1,400,000 annual award from HUD	1
	Review, approve and fund grant; provide technical assistance.	Provide 10 accessibility grants per year.	FY2009 — FY2011	Housing Trust Fund \$35,000/year	1
11. Administer Redevelopment Area rehabilitation programs in seven redevelopment areas.	Enter into two new agreements with Redevelopment in FY2009; obtain a fee for services.	Add two more redevelopment areas. Provide 75 rehabilitation loans per year.	FY2011	Redevelopment \$2,250,000/year	1

Operations Plan
Housing Finance
Homeownership

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
12. Provide first-time home buyer resources and funding tools.	Underwrite, process and fund all first-time home buyer program loans and grants in accordance with SDHC policies, guidelines and regulations.	Assist 80 homebuyers per year.	FY2009 — FY2011	\$6,000,000/year	1
13. Maintain relationships with participating lending institutions; outreach to obtain additional participating banks.	Engage in marketing activities to individual banks to solicit participation.	Ensure enough banks to maintain the program.	FY2011	N/A	3
14. Market programs; attendance at housing fairs.	Utilize staff to attend fairs and answer questions; make marketing materials available.	Attend two promotional activities per year.	FY2009 — FY2011	N/A	3

Operations Plan
Housing Finance
Special Purpose Housing

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
15. Continue commitment to expand housing opportunities for persons with special needs.	Provide deferred loans or grants for development of permanent supportive housing and transitional housing for homeless, disabled individuals and their families (beds).	40 beds per year.	FY2009 — FY2011	HOME, Affordable Housing Fund \$2,000,000/year	1
	Provide deferred loans or grants for the operation of transitional housing throughout the City.	400 beds citywide per year.	FY2009 — FY2011	Housing Trust Fund \$1,000,000/year	1
16. Participate in City's Continuum of Care for new and renewal HUD funding for permanent supportive housing.	Provide technical assistance to nonprofits applying for funding.	Nonprofits receive funding awards from HUD.	FY2009 — FY2011	N/A	1

Operations Plan Housing Finance New Strategies

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
17. Homeownership: Increase % AMI on deferred second trust deed loans to 120% to support workforce housing effort and to take advantage of product on market.	Seek program approval at HC and HA.	Assist 80 households per year.	FY2009 — FY2011	Housing Trust Fund, others \$6,000,000	1
18. Homeownership: Achieve approval at the federal level of an increase to HOME program limits to 120% AMI to take advantage of market conditions.	Provide input to elected officials and their staff.	Obtain a program change.	FY2010	HOME, \$3,000,000	3
19. Address foreclosure situation in City of San Diego.	Contract with nonprofit credit counseling agency to promote one-time emergency assistance to eligible families at risk of losing their homes to foreclosure.	Ten households per year assisted to prevent loss of their homes to foreclosure.	FY2009 — FY2010	\$50,000/year	3
20. Pursue new affordable housing financing sources and tools to obtain better leverage of loan dollars.	Encourage use of, and interface existing loan programs with: MHSA, and Prop 1C, TOD and Infrastructure funds.	Combine at least one additional new source in project finance structures.	FY2009 — FY2011	N/A	3
21. Revise Rental Housing Production NOFA to include new ways to promote green building, energy efficiency and universal design.	Consult developers, architects, experts, consultants to develop proper measurement standards or thresholds to be encouraged in the NOFA.	Affordable housing projects that include these amenities are given preference for financing.	FY2009	N/A	3

Operations Plan
Housing Finance
New Strategies (continued)

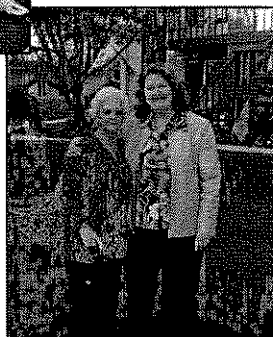
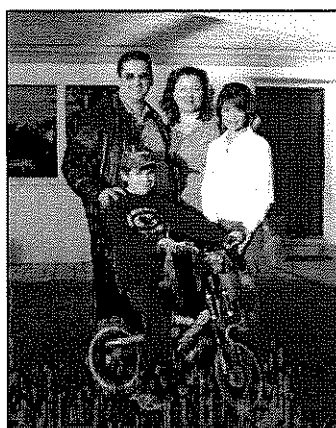
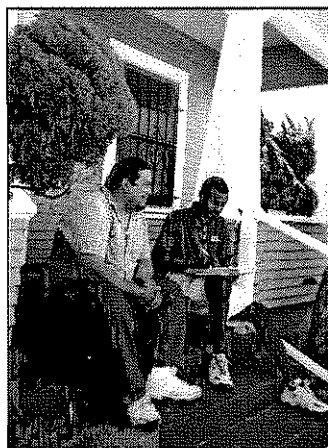
New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
22. Support Development & Asset Management via: (1) assistance with site identification, financial plans and solicitation of development partners; and (2) a real estate asset management plan involving disposition, acquisition.	Engage in planning, dialogue.	Successful and expeditious production of SDHC-owned units. Complete a 5-year plan.	FY2009 – FY2011	N/A	2
23. Pursue sources for development financing for Special Purpose housing including Project-Based Section 8.	Investigate loan products with banks, other lenders; work with Rental Assistance to earmark vouchers for project-basing.	Identify a loan program that can be used to develop new units utilizing Project-Based Section 8.	FY2009	TBD	3
24. Homelessness: Permanent shelter	Assist in City effort to locate site; create financing plan for development and operation of a permanent shelter.	Source for operating expenses is identified.	FY2011	TBD	1 & 3
25. Homelessness: Make more transitional housing program beds available to homeless families and adults by providing next level of housing support.	Design and fund Tenant-Based Rental Assistance program to enable timely exit from transitional housing and domestic violence programs to stable housing.	50 families with 2-year vouchers.	FY2009 – FY2011	HOME \$900,000	1 & 3
26. Work with County HCD and County Mental Health to provide new housing for persons with mental health disabilities using the MHSA funding.	Provide technical assistance to County Mental Health and to housing developers.	Housing is developed with MHSA funds as part of financing.	FY2009	Additional leverage to \$100,000 per unit developed w/ MHSA.	1 & 3
27. Obtain Public Housing Authority Issuer Credit Rating for SDHC from Standard & Poors.	Research criteria and submit application.	Obtain rating.	FY2011	\$40,000/year	2

Operations Plan

Rental Assistance

Each month, SDHC's Rental Assistance Program helps more than 13,700 low-income families, seniors and persons with disabilities pay rent in private apartments.

Over the next three years, the Rental Assistance Department will focus on maximizing available Housing Assistance Payment funding to serve the highest number of clients possible while remaining in strict compliance with federal, state and local requirements. The Department will also identify innovative methods to move away from the traditional model and toward a Profit Center/Private Sector model. Staff will streamline procedures involved in the processing of client files and adjust the structure of the department to remove redundancies among teams and increase efficiency across the department. In addition, Rental Assistance will explore areas in which the customer experience can be improved (e.g., internet tools). ■



Operations Plan Rental Assistance

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
28. Retain High Performing Agency Rating.	Ensure that performance in SEMAP measurements result in High Performer rating all three years.	High Performer rating each year.	FY2009 – FY2011	N/A	3
29. Maximize use of available housing assistance by maintaining average lease-up rate of 99-100%.	Manage leasing efforts to ensure that vouchers freed up through attrition or allocated from HUD are promptly issued to those on waiting list.	Monthly leasing rates are maintained between 98-101%.	FY2009 – FY2011	N/A	1

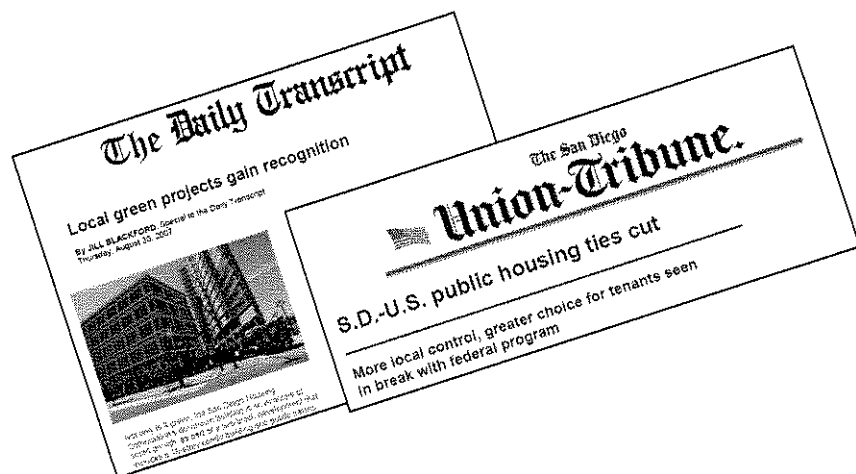
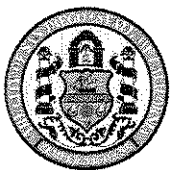
New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
30. Increase owner outreach.	Annually survey owners to determine areas where adjustments would increase customer satisfaction. Work with Communications to create innovative ways to attract new owners to program.	20% improvement in customer satisfaction from FY 2009 to FY 2011. Year Three survey will determine objectives achieved and identify areas for improvement.	FY2009 – FY2011	\$15,000	4
31. Develop strong alliance with Apartment Association, owners, HUD, and area Housing Authorities.	Regular attendance at Apartment Association meetings and maintain active membership. Maintain active memberships in conferences including NAHRO, HAASC, PSWRC, SCNAHRO, etc.	Recognized for active role in collaborative meetings and conferences with local, state and national partners involving broad range of RAP staff.	FY2009 – FY2011	N/A	3
32. Expand web-based services.	Provide online services for clients including user-friendly vacancy listing, and information about unit inspections, rent portion and assigned worker. Explore available technology for managing large groups of customers.	Four new online tools added for Section 8 clients and owners.	FY2009 – FY2010	\$110,000	4

Operations Plan Policy & Public Affairs

The Policy & Public Affairs Department is comprised of two work units: Policy and Communications. Policy is responsible for forming and revising local housing policy, acting as the policy advisor to the City Council, and for managing all government relations activities on the local, state and federal levels. Communications is responsible for all external and internal communications, public relations and community outreach activities, with the goal of increasing awareness of and support for the agency's programs and services among all audiences.

Over the next three years, Policy will focus on local regulatory issues and will maintain existing relationships and housing policy committee memberships. Staff will also seek to establish and strengthen both state and federal connections to better serve low-income families in San Diego and raise the agency's profile by bringing attention to SDHC's legislative priorities.

Communications will create new ways to communicate with stakeholders, customers and the general public through a redesigned, user-friendly website, educational newsletters, brochures, and improved processes. ■



Operations Plan
Policy & Public Affairs
Policy

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
33. Provide policy guidance to City on existing policies and ordinances.	Recommend elimination of the Inclusionary In-Lieu Fee or raise the fee to the full 100% of the need.	Implementation of full fee.	FY2009	N/A	3
	Revise SRO Ordinance through meetings with City/CCDC Staff; convene SRO Working Group; write report; schedule for hearing(s).	Implementation of new ordinance or require developers to provide the units.	FY2009	N/A	3
34. Be seated on Community Land Trust Initiative Board (CLT).	Get seated on CLT Board; assist in steering the direction and purpose of the CLT.	Continual participation; positive positioning for SDHC.	FY2009 — FY2011	N/A	3
35. Prepare City's Consolidated Plan for 2010-2014.	Continue with contracted consultant to gather requisite data from SDHC, City and County; submit to Council.	Adoption of Plan by Council and HUD.	FY2010	\$50,000	3

Operations Plan
Policy & Public Affairs
Policy (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
36. Expand role and participation of SDHC in all aspects of affordable housing promotion.	Create active and dynamic federal and state bill tracking system.	Creation of list and capacity to maintain it.	FY2010	\$1,000 - \$2,000	3
	Strengthen relationships in elected officials' offices, Mayor's office, and increase involvement in state/federal housing associations and related organizations.	Inclusion in all local, statewide and national meetings and discussions relating to housing.	FY2009 — FY2011	N/A	3
	Approach Council campaigns to schedule meeting times to introduce SDHC.	Well- informed elected candidates who understand SDHC and housing issues.	FY2009 and each successive election cycle	N/A	3
37. Create a low-income development parking reduction ordinance.	Convene working group to implement consultant's recommendations.	Passage of reduced parking ratios for affordable housing developments.	FY2010	\$40,000	3
38. Create a tenant relocation ordinance.	Write report; brief Council; schedule for hearing(s).	Completion of ordinance.	FY2011	N/A	3
39. Create annual legislative priority list.	Convene bi-yearly meetings of Housing Finance, Policy and Section 8 management to discuss upcoming legislation; rank legislative priorities and effectuate appropriate legislation per priority list..	Passage of important legislation that benefits SDHC mission.	FY2009 — FY2011	N/A	3
40. Create dedicated funding source for affordable housing infrastructure costs.	Convene stakeholder group; identify the source of funding; begin seeking support; write report(s); schedule for hearings.	Local bond passed by voters.	FY2011	N/A	1

Operations Plan
Policy & Public Affairs
Communications

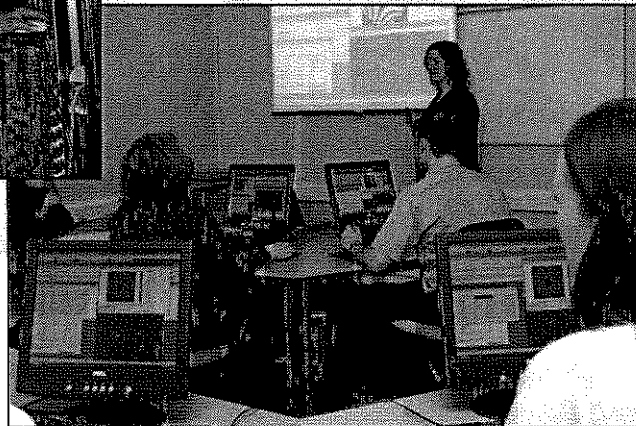
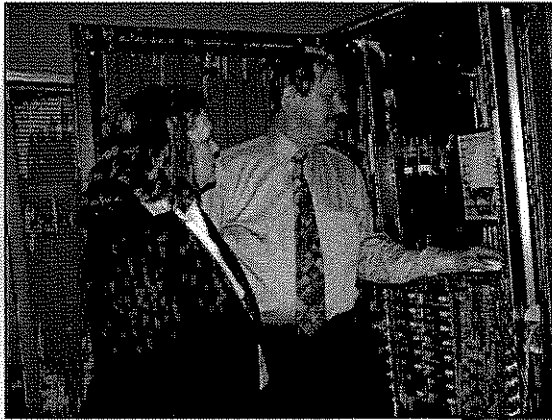
Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
41. Increase awareness and build support among all audiences for and about the agency's accomplishments, programs, offerings, and initiatives.	<ul style="list-style-type: none"> • External newsletters targeted to specific audiences (<i>Housing Matters, Good Neighbors, Voucher Advantage</i>) • Collateral materials (fact sheets, brochures, letters) • Media relations • Website management • Special events • Speaker's bureau • Issues management • Award applications • Affordable Housing Guide • Public Information Requests 	<ul style="list-style-type: none"> • Readership surveys will measure how to improve content, delivery. • Opinion leader survey will measure how to improve content, delivery. • 50 positive media stories/year. • 5 speaking engagements/year. • 3 award "wins"/year. 	FY2009 – FY2011	N/A	3
Improve flow of information within the agency between management and staff and among departments.	<ul style="list-style-type: none"> • Employee Newsletters (<i>Around the Corner, Operations Update</i>) • Intranet Management • All-Staff Meetings (<i>Anything Goes, Annual Meeting</i>) 	Readership/employee surveys will measure how to improve content, delivery.	FY2009 – FY2011	N/A	4
42. Obtain community and client feedback about the agency's performance.	Develop survey/feedback tool for use by Ombudsman.	10% reduction in number of calls and complaints.	FY2009 – FY2011	\$10,000	4

Operations Plan
Policy & Public Affairs
Communications (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
43. Create easier, user-friendly methods for current and potential customers to access information about agency's affordable housing services.	Redesign external website.	Integrate analytical web tools to measure page visits, unique visitors, etc., and incorporate online feedback/survey forms to gather input on useability.	FY2009	\$50,000	4
	Develop searchable affordable housing database for customers to research available housing opportunities.	Incorporate online feedback/survey forms to gather input on useability.	FY2010	\$1,000 - \$2,000	
	Re-write and simplify agency's voicemail information scripts.	25% reduction in customer complaints.	FY2009	N/A	
44. Measure community's perception of agency and of affordable housing issues.	Conduct opinion leader survey.	Survey will establish current public perception baseline. Results will be used to prioritize communications programming, tactics and messages. Future survey(s) will measure public perception shift based on communications programming.	FY2010	\$10,000	3
45. Present an agency image that reflects private sector professionalism and business-like practices.	Rebrand all agency communications materials.	Completion of all agency materials and assets.	FY2009	N/A	4

Operations Plan Business Services

During the next three years, Business Services will continue to improve the customer experience and provide excellent service delivery in support of the agency's departments through Information Technology, Human Resources, Purchasing & Procurement, and Organizational Development & Training. The Business Plan goals will be accomplished through broad collaboration, recruiting and developing appropriate staff, providing the right goods and services and delivering the best current technology. ■



Operations Plan
Business Services
Information Technology

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
46. Continue to provide information technology and telecommunication services to the agency.	<ul style="list-style-type: none"> • Acquisition, project management and implementation of commercial off-the-shelf technology • Software application maintenance • Developing and maintaining systems and security policies • Database management • Custom report development • Network and user support • Computer training for users 		FY2009 – FY2011	N/A	4

Operations Plan
Business Services
Information Technology (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
47. Implementation of document imaging throughout agency.	Implement document imaging technology to replace standard Section 8 files and most other critical hard copy documents.	Departments completed including RAP case files.	FY2009	\$100,000	4
		Development & Asset Mgt.	FY2010	\$20,000	
		Human Resources	FY2010	\$5,000	
		Housing Finance (Loan Management)	FY2011	\$50,000	
48. Improve IT response to departments based on needs assessment.	Add two Business Analyst positions to support major departments. The Business Analysts will be primarily dedicated to high demand operating departments (Rental Assistance and Development & Asset Management).	25% decrease in response time between needs identification by department and completion of project.	FY2010	\$85,000	4
		Increased quality of technical expertise and customer service delivery.	FY2011	\$90,000	
49. Develop agency business continuity and disaster recovery plan in conjunction with agency management team.	Develop and complete project scope with management approval.	Documented plan approved by Housing Commission.			
		Plan completed and disseminated.	FY2009	\$25,000	2
			FY2010		
50. Virtualize agency server environment to facilitate management, business continuity and disaster recovery.	Develop technical project scope. Acquire and implement solution.	Improved operational flexibility. Improved business continuity. Consolidation of infrastructure.	FY2009	\$100,000	2

Operations Plan
Business Services
Human Resources

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
51. Provide new performance evaluation tool.	Review and research evaluation tools.	Standardized performance measurements completed with 85% of all evaluations.	FY2010	\$25,000	4
	Identify and implement performance tools.		— FY2011		
52. Expand online benefits enrollment.	Provide access for employees to make benefit changes online.	95% online participation.	FY2010	\$10,000	4
53. Complete classification and compensation study.	Finalize RFP process.	Implementation of revised job specifications and compensation system.	FY2009	\$100,000	5
	Obtain firm to initiate/ conclude study; and provide analysis.		Implement compensation recommendations beginning in FY2010.	TBD	
	Identify market salary lead/ lag benchmarks; utilize in recruitment/retention processes.				

Operations Plan
Business Services
Organizational Development & Training

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
54. Develop, implement, and coordinate a yearly training and professional development curriculum based on agency needs.	Identify agency training priorities. Conduct one-on-one meetings with Directors/Supervisors to review and assess the existing training system, roadblocks, and recommendations.	Conduct minimum of 9-12 trainings annually. Assess and evaluate trainings and outcomes based on required performance standards.	FY2011	\$50,000	5
55. Expand the Succession Planning Program for the agency.	Identify and include other key target and feeder positions. Establish pre- and post-assessment evaluation tools for candidates. Establish tools to evaluate each Project Work Plan.	<p>Increase the number of targeted positions by three classifications each fiscal year.</p> <p>Increase the number of participants by 100% each fiscal year.</p> <p>Use the evaluation criteria for each Project Work Plan.</p>	<p>FY2009</p> <p>—</p> <p>FY2011</p>	\$15,000	5
56. Establish an internship program to develop and build current candidate pool. Increase interest in affordable housing as a career opportunity.	<p>Identify and recruit current college and university undergraduate and graduate students with an interest in the housing. (One-year internship commitment required.)</p> <p>Establish work-study curriculum based on affordable housing field.</p> <p>Develop benchmark tasks and evaluation criteria for participants to continue in internship program.</p>	<p>Coordinate four affordable housing mini-workshops.</p> <p>Conduct three information and outreach presentations at local colleges and universities, targeting majors/programs such as urban planning, economic development, and public policy.</p> <p>Present the SDHC mission and vision to generate interest in affordable housing careers.</p>	FY2010	\$17,000	5

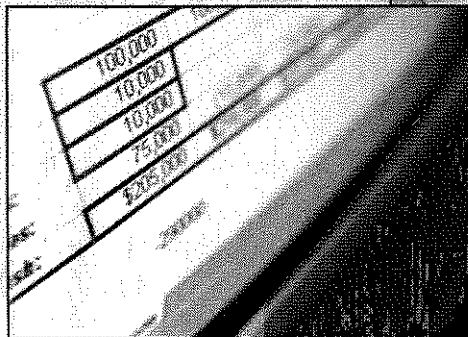
Operations Plan
Business Services
Purchasing & Procurement

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
57. Provide best quality, best service and best value possible to all SDHC departments in support of agency functions.	Create a streamlined vendor database process to increase supplier access to procurement opportunities (online form).	Improve 90% of accessibility to information on qualified vendors via web.	FY2009 — FY2011	\$10,000	4
	Deliver user-friendly and efficient buying methods by implementing online requisition program on SDHC intranet.	50% increase in time savings and efficiency for all departments.			
	Increase the amount of business SDHC does with qualified small, disadvantaged, and women-owned business concerns.				

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
58. Create a standardized procurement process in current decentralized system.	Implement Contract Administration guidelines to ensure standardization in the contracting process and effective management.	100% improvement in procurement practices and compliance with existing policies.	FY2009	\$5,000	2
59. Ensure agency compliance with procurement policy.	Review process to monitor cost and compliance.	No annual audit findings on procurement process in each fiscal year.	FY2009 — FY2011	\$10,000	2
	Improve accountability in the procurement of goods and services.			\$5,000	

Operations Plan Financial Services

Over the next three years, Financial Services will focus on improving processes and the product delivered to internal and external customers. The Department will pursue innovative methods to increase customer satisfaction and will become recognized as a model for a dynamic housing agency. ■



Operations Plan Financial Services

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ Amount	Business Plan Goal
60. Improve operating effectiveness of the department.	Provide timely response to other departments' inquiries or service requests.	Two-day response time to all departmental requests.	FY2009 — FY2011	N/A	4
	Provide monthly, quarterly and annual closing procedures to supervisors to ensure work is reviewed on a continual basis instead of at year-end. Make managers responsible for assigned general ledgers and deadlines.	Written procedures in place and implemented.	FY2009	N/A	2
	Strengthen technical skills, knowledge base and leadership skills of Accounting Supervisors through trainings and seminars.	A professional leadership team.	FY2009 — FY2011	\$5,000 — \$10,000	5
	Cross-train Accounting Technicians through education on other aspects of Financial Services. Offer job rotation to staff.	Cross-training procedures in place and implemented.	FY2009 — FY2011	N/A	5

Operations Plan Financial Services (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ Amount	Business Plan Goal
61. Produce a Comprehensive Annual Financial Report that meets the standards for certification by the Government Financial Officer's Association.	Submit Comprehensive Annual Financial Report to Government Financial Officer's Association for certification.	A GFOA Certification on a Housing Commission CAFR.	FY2009 – FY2011	N/A	3
62. Provide business analysis services to the agency.	Conduct business analysis functions for financial viability of new business ventures, development of new housing projects, and tenant acquisitions for Smart Corner building.	Analytical review of new projects and business partnerships from a financial perspective.	FY2009 – FY2011	\$100,000	2
63. Maximize financial performance in investment portfolio.	Broaden scope of investment instruments and develop list of agency-approved and certified investment firms.	Increase income by approximately \$50,000 - \$250,000 annually.	FY2011	N/A	2
64. Determine need for new accounting software.	Research and implement new accounting software that better meets the needs of agency.	New software in place and operating.	FY2011	\$500,000	3
65. Increase interaction with City financial leaders.	Work with CEO, COO, and Policy & Public Affairs to identify and develop key relationships with City's Independent Budget Analyst, Chief Financial Officer, City Treasurer, and others. Participate on boards that impact the financial situation of the agency.	Working relationships established with key financial persons in place.	FY2010 – FY2011	N/A	3

Financial Analysis

In the following Financial Analysis, the proforma financial statements will present the forecast of SDHC's financial performance during the FY 2009-2011 Business Plan cycle.

The current audited financial statements were used as a starting point to which forecasts and estimates were made to reflect the financial data projected for the time covered by the proforma.

Proforma statements are generally used in connection with a long-term financial planning process. These proforma financial statements focus on SDHC's financial future, reflecting a dynamic environment in which change is possible and a variety of different alternatives can be forecasted.

The proforma includes the basic historical financial statements which include: **Statement of Net Assets; Statement of Activities & Changes in Net Assets; and Statement of Capital Assets.**

These projections generally include an inflation factor, estimate of continuation of current federal and state grants, and the goals and future activities projected in the Operations Plan.

The financial statements offer short- and long-term financial information about SDHC's activities, using accounting methods similar to those used by private sector companies.

continued

Projected Financial Highlights, FY2009 – FY2011

- SDHC's **Net Assets** will increase 22% to approximately \$361 million over the next four years (includes FY08) due to a \$28 million increase in HOME loans, an increase of \$24 million of investments in Capital Assets, less associated debt, and an increase of \$12 million in unrestricted net assets.
- SDHC's **Unrestricted Net Assets** will increase slightly, 8.7%, to approximately \$154 million, due to use of funds for ongoing programs.
- SDHC's **Capital Assets** will increase by \$85 million from FY2007 due to the acquisition and development of real property.
- **Operating Revenues** will increase by \$2.3 million, from FY2007, due to an increase in dwelling unit rents, Smart Corner lease income and fee revenues.
- **Non-operating Revenues** are projected to increase 16% from FY2007 to \$193 million. The increase is largely attributed to 1.5% annual increases in state and local grant funds received during the next four years (includes FY08) and increases in Housing Choice Voucher revenues, as well as increases in investment income from a diversified investment portfolio.
- **Operating Expense** will increase approximately 5% annually to \$189 million by FY2011. The increase is due principally to new programs initiated by SDHC and increases in grants and programs, administrative, asset management costs, and general expenses through FY2011.
- **Capital Grants and Public Housing** funds will diminish significantly after FY2008, as a result of the Public Housing disposition.

Financial Analysis

Discussion of Proforma Statements

The following analysis assesses SDHC's projected net assets (Chart 1, p. 36) and changes in net assets (Chart 2, p. 36) during the FY 2009-2011 Business Plan cycle.

Discussion of Chart 1:

Projected Net Assets

Chart 1 shows that Total Net Assets are projected to increase by \$64 million (22%) to \$361 million by 2011 as a result of operating surpluses. Total Assets are projected to increase by \$127 million and projected Total Liabilities increase by \$63 million.

The financial worksheet (Appendix – Table 1) also indicates that:

- Current assets, other than cash and investments, are projected to increase by \$1.25 million and current liabilities are projected to increase \$1.4 million by 2011.
- Net assets invested in capital assets, net of debt are projected to increase to \$24 million by 2011.
- Unrestricted Net Assets are projected to increase \$12 million by FY2011.
- Unrestricted assets include funds that have been encumbered for future year's contractual obligations, funds that are restricted in their use by funding sources, funds that are invested in notes receivable and unrestricted funds available for operations.

- Restricted Net Assets will increase to \$115 million, a 32 percent increase. Restricted Net Assets include HOME loans and associated accrued interest.

Future years' overall surplus of \$64 million represents small annual increases from the base year. The increases are largely attributed to increases in grants and other income and gains on the portfolio investments. In addition, associated operating expenses will increase from year to year.

Discussion of Chart 2:

Changes in Net Assets

Chart 2 indicates that SDHC will continue to rely on non-operating income in the form of grants and subsidies to provide necessary services, and make up the difference between operating costs and operating revenues. The agency currently administers 97 individual grants. By 2011, SDHC will administer 125 individual grants for ongoing programs.

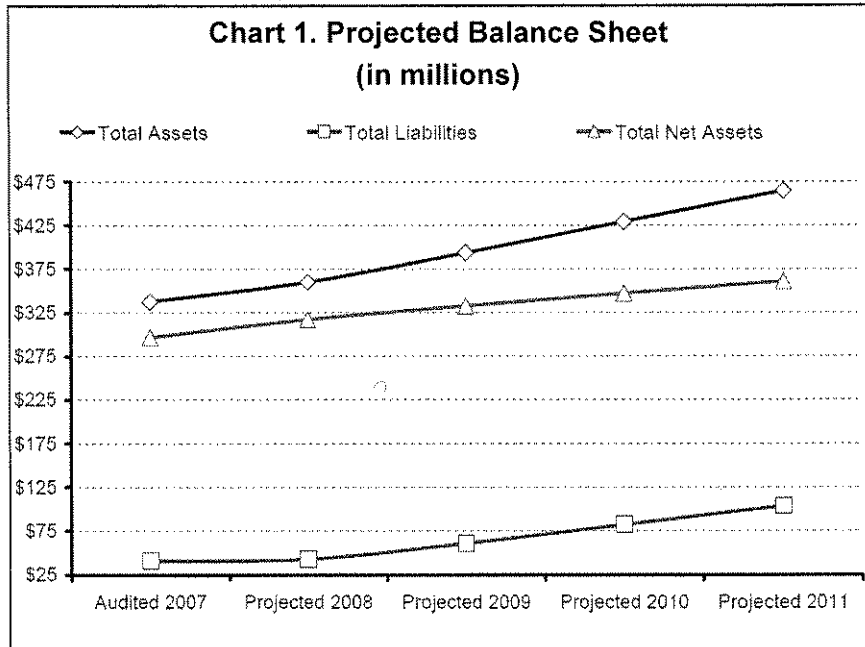
Operating expenses will increase by 5% annually, primarily due to increases in administrative, tenant services, asset management, and grant expenditures.

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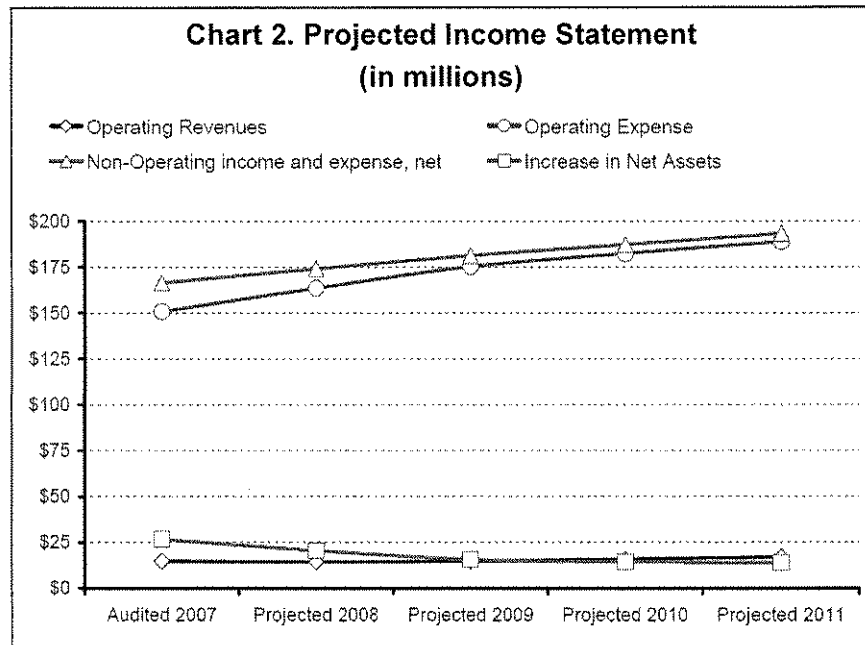
Financial Analysis

Balance Sheet & Income Statement

Balance Sheet (Statement of Net Assets) includes SDHC's assets and liabilities from FY2007-FY2011, and provides information about the nature and projected amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rates of return, evaluating the agency's capital structure, and assessing the future liquidity and financial flexibility.



Income Statement (Statement of Activities and Changes in Net Assets) accounts for all of SDHC's projected revenue and expenses from FY2008-FY2011. The statement reflects the forecasted results of operations over this business plan cycle and can be used to determine projected credit worthiness, and ability to successfully recover all costs through grants, tenant charges and other income.



Financial Plan

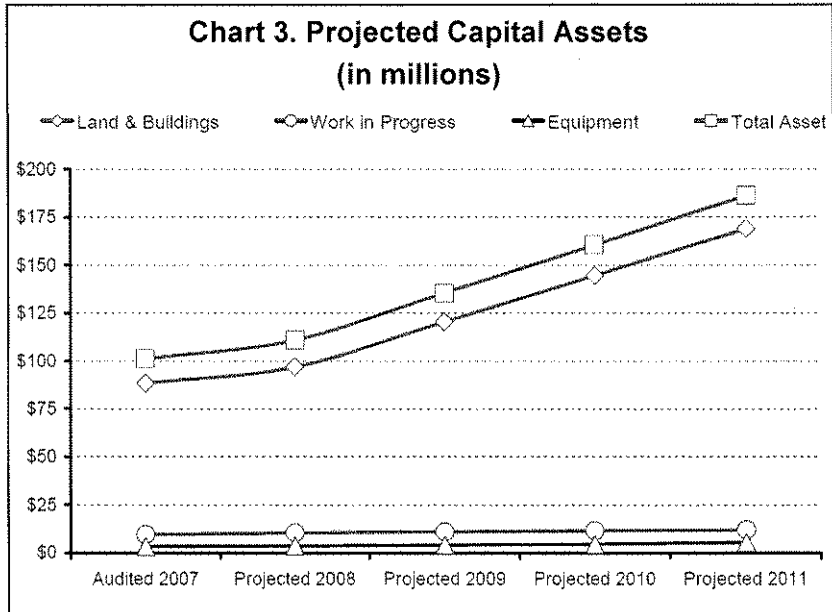
Discussion of Projected Capital Assets

Discussion of Chart 3: Projected Capital Assets

Chart 3 summarizes SDHC's capital assets from FY2008-FY2011. At the end of FY2007, the agency had over \$101.1 million invested in fixed assets, including office furniture, equipment, vehicles, land, building and building improvements.

By the end of FY2011, over \$186 million is projected to be invested in fixed assets, including land, building, building improvements, office furniture, equipment, and vehicles. This is 84% more than the 2007 amount in fixed assets. This increase is mainly due to the planned acquisition/construction of 210 additional units of affordable housing by the end of FY2011.

continued



Proforma Financial Statements: Assumptions Made

- General operating expenses will increase by 5% annually.
- Administrative expenses will increase by 2.5% annually.
- Grant revenues will grow by approximately 1.5% annually.
- All goal strategies/activities identified in the Business Plan will occur as projected.
- Investment income will increase from a diversified portfolio.
- Dwelling rental income will increase by 5% annually due to acquisition of additional units.
- Current liabilities will grow annually by 5% through 2011.
- Current assets, other than cash and investments, will increase by 3% annually through 2011.
- The US Bank note due in full in 2011 will be refinanced and not paid off.
- SDHC will continue to expand and manage housing units.

The financial data expressed on Charts 1- 3 are taken from financial worksheets the Appendix.

Political, Business and Economic Factors Affecting the Projections

In comparison to most other major metropolitan centers in the United States, there has historically been a greater need for affordable housing in the San Diego area, with mounting pressure to provide more quality housing at more affordable levels. In addition, questions concerning the number of residents served and the level of services provided will need to be addressed during the FY 2009-2011 Business Plan cycle. At this time, however, SDHC's FY2009 budget is being prepared and funding of \$265 million roughly reflects the resources available to provide the essential services.

One of the main challenges facing SDHC is determining the proper role it should play within the political and business community while at the same time developing a framework to address new issues as they are raised. To that end, SDHC will be improving services and implementing new processes to better provide for its clients, as well as evaluating new programs and grants by applying discerning criteria to ensure that each program is self-supporting and all administrative obligations are met. This ensures that SDHC will continue to be fiscally solvent while still providing new and better services to its clients.

Although many funding challenges have yet to be fully resolved, it is anticipated that most of SDHC's programs will continue to receive full

funding. The Section 8 program is projected to grow significantly due to the transition of public housing units to Section 8 vouchers, and SDHC is committed to building additional housing units. Occupancy rates for SDHC-owned property should also continue at full utilization, and Section 8 will continue to be at or near 100% of leasing capacity.

In conclusion, while it seems true that housing growth in the near future will be sluggish at best for the San Diego area, the overall financial outlook for SDHC appears to be outstanding. As always, SDHC continues to strive to provide the highest quality services to both its clients and to the community at large, delivered in an efficient and fiscally prudent manner. ■

Contacting SDHC's Financial Management

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Financial Officer
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

Agency Analysis

Founded in 1979, the San Diego Housing Commission is a public agency working to expand affordable housing opportunities in the City of San Diego. Each year, the agency helps more than 80,000 lower income individuals with affordable housing through award-winning programs that benefit the city's economy and revitalize neighborhoods. With an annual budget of \$231.3 million, the agency has expanded its role and mission beyond that of a typical public housing agency. SDHC applies its resources to three areas of work:

1) Housing Assistance – The agency helps more than 13,700 families pay rent in private housing each month. SDHC also owns and manages nearly 1,750 apartments and provides residents with academic support and career development tools.

2) Housing Finance Partner – Through favorable financing and incentives, SDHC has helped nonprofit and for-profit developers create nearly 25,000 homes, of which 12,000 units are currently affordable. Agency programs have enabled 4,300 families to buy their first homes and 10,000 to repair older homes. SDHC also assists in the development of supportive housing for vulnerable populations. The agency manages a \$213 million loan portfolio and has issued nearly \$1 billion in tax-exempt bonds.

3) Housing Policy Advisor – The agency helps shape the city's affordable housing programs by providing policy advice to the San Diego City Council, as well as initiating, monitoring or

implementing municipal ordinances that advance affordable housing production and protect existing stock (inclusionary zoning, density bonus, single room occupancy preservation, and condo conversion protections).

Unique Qualifications

Nationally, SDHC is recognized as one of the most innovative and well-managed housing agencies in the nation. In a special and rare commendation, the U.S. Department of Housing & Urban Development in 1994 stated, "This public housing agency is one of the best in the United States."

The agency's success is largely due to applying private-sector management principles to ensure streamlined operations and fiscal accountability, as evidenced by low overhead of seven percent.

In addition, the agency's leaders have proactively

continued

Awards & Recognition

SDHC has received more than 100 national and local awards in for business-like practices, sophisticated programs and affordable housing developments from a variety of organizations, including:

- The National Association of Housing Redevelopment Officials (NAHRO)
- The National Association of Local Housing Finance Agencies (NAHLFA)
- San Diego Housing Federation
- San Diego County Apartment Association
- Chicano Federation of San Diego County
- San Diego Association of Governments
- Urban Land Institute San Diego/Tijuana

Agency Analysis (continued)

educated the community, policymakers and stakeholders about the need for affordable housing and its positive economic impact on the region. This has been accomplished by forging partnerships with groups and individuals not previously involved in affordable housing, such as chambers of commerce, builders, civic leaders, universities, and employers. As a result, SDHC has garnered widespread support for progressive initiatives, such as a local affordable housing trust fund and inclusionary zoning.

The agency's leaders also recently spearheaded the relocation of the agency's headquarters to a new "green" office building at Smart Corner, a mixed-use, transit-oriented development in downtown San Diego. The new building addresses many structural and logistical challenges to providing efficient delivery of services to customers that had been problematic in the former facility.

Organizational Structure & Workforce

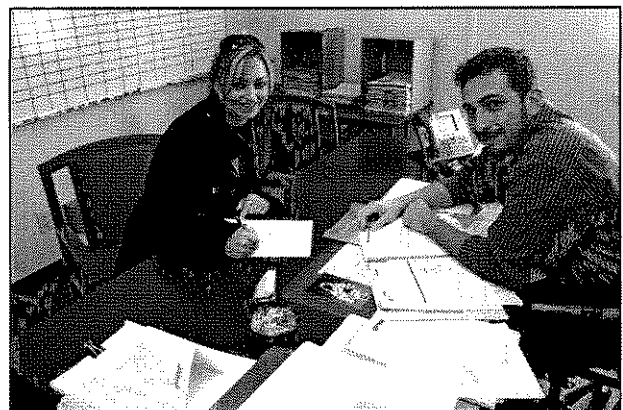
The agency's structure consists of a President & Chief Executive Officer, an Executive Vice President & Chief Operating Officer, and six Department Directors (p. 6). The President & CEO is responsible to a Board of Commissioners. Certain financial commitments and housing policy matters must also be approved by the eight members of the City Council, who sit as the San Diego Housing Authority.

Employee Recruitment, Development, Retention & Succession Plan

SDHC is committed to the recruitment, development and retention of highly talented and skilled employees.

The agency recently implemented a Succession Plan Program for leadership development by providing a reservoir of qualified candidates, selected through a competitive process, who will be prepared to assume the duties and responsibilities of higher level positions with minimal operational disruption.

SDHC is also integrating career development into the annual evaluation process to support staff who may not be members of the formal Succession Planning Program. All appropriate staff will be encouraged to discuss their career aspirations with their supervisor, and to take advantage of agency sponsored seminars, special assignments, tuition reimbursement program, and professional development programs. ■



Market Analysis

The activities of SDHC are affected by several external markets: first-time home buyers, housing development and rental housing. This Market Analysis focuses on the affordable rental housing market, as the agency's activities target renters and the availability and use of affordable rental housing.

Availability of Affordable Housing

Historically, the City of San Diego has had a severe deficiency of available affordable housing. As a response, in August 2002, the Mayor and City Council took

two significant steps:

1) adopted a resolution declaring a state of emergency in San Diego due to the severe shortage of affordable housing in the City, and 2) created an Affordable Housing Task Force to develop solutions to the problems identified in the resolution, which included the inability of many San Diegans to afford housing in the City.

In the past, the lack of affordable housing was primarily an issue for low- and very low-income residents and for persons with special needs.

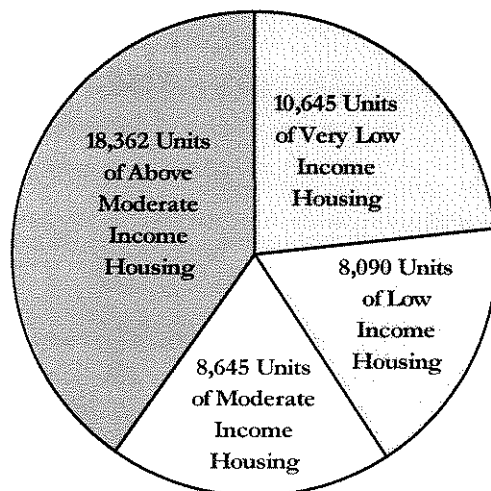
Today, the majority of San Diegans cannot afford to

continued

Market Analysis Summary

- The City of San Diego has and will continue to have a pressing need for affordable housing for low-income renters;
- In 2000, over 85,000 low-income households paid more than 30 percent of their income toward housing costs and nearly 56,000 of those households spent more than 50 percent towards housing costs.
- The vacancy rate of available rental housing has averaged 3.2% in the past 11 years, and 3.3% in the past six years.
- The annual rent increase in the County of San Diego has averaged 4.8% over the past eight years, and 3.6% over the past five years.
- Between one-, two- and three-bedroom units, the greatest annual rent increase has been in the one- and two-bedroom units, because of the greater demand for those units.

Chart 4. 2003-2010 City of San Diego Regional Housing Share Goal (45,742 Units)



purchase the median price home in the City and must rely on rental housing.¹

Affordable Housing Need

Chart 4 indicates the number of housing units, in four income categories, allocated to the City of San Diego, as the City's share of the San Diego Association of Governments' Regional Housing Needs Assessment for the 2005-2010 Housing Element Cycle. Each jurisdiction's housing goals, as required by state law, are based on local market demand for housing, employment opportunities, the availability of suitable sites and public facilities, and other variables.²

In 2000, the City of San Diego had approximately 181,572 very low- and low-income households (earning 0-80 percent of Area Median Income (AMI). Approximately 71 percent of these households are renter households and the remainder are homeowner households. The following is a breakdown of the renter households who were overpaying for housing in 2000.¹

- Of the 81,113 very-low income (0-50 AMI) renter households, 78 percent paid more than 30 percent of their income toward housing costs and 64 percent spent more than 50 percent of their income toward housing costs.
- Of the 47,383 low-income (51-80 AMI) renter households, 46 percent paid more

than 30 percent of their income on housing costs and 8 percent spent more than 50 percent of their income toward housing costs.

Present Market Conditions

In the fourth quarter of 2007, apartment availability (vacancy rates) trended downward, while rents for available apartments trended upward. In 2008, it is projected that growth within the market may slow due to the recent wildfires which claimed more than 1,100 buildings in San Diego county. History suggests that major natural disasters have a drag on the local economy as people try to recover.

However, as the area starts its recovery process, it is estimated that \$1 billion in insurance claims will be filed due to fire damage. This influx of capital will likely spur growth in the construction sector and have a ripple effect on the rest of the economy. An additional factor during this projected construction upswing is that some will be forced to find temporary housing in the local apartment market.³

City of San Diego Apartment Vacancy Rates

The San Diego County Apartment Association, in its December 2007 Vacancy Rate Survey, reported an overall 3.5 percent vacancy rate of available apartment units in the City of San Diego. This is a decrease from its June 2007 Vacancy Rate Survey which reported an overall 5.4 percent vacancy rate. The June survey

continued

Market Analysis (continued)

attributed the upward spike to hundreds of unsold/unrented condominiums entering the market. The current decline in vacancies can be attributed to the absorption of condominium conversions that returned to the rental market; and foreclosed homeowners returning to the market as renters.

Chart 5 shows the City of San Diego's vacancy rate from 1997-2007⁽⁴⁾. In December 2007, San Diego had a 3.5% vacancy rate, representing 820 vacant available apartment units.

Average Rent Rates

Chart 6 shows that County of San Diego average rent increases are trending upward from an annual increase of 3.2% in 2004 to an annual increase of 4.3% in 2007.

Chart 7 indicates that average rent increases have been in the smaller one- and two-bedroom units, from the beginning to the end of 2007. The annual rise in overall rental rates follows the law of supply and demand: as vacancy rates decrease, rental rates increase, although operational costs also have an impact. ■

Chart 5. Vacancy Rate of Available Apartments

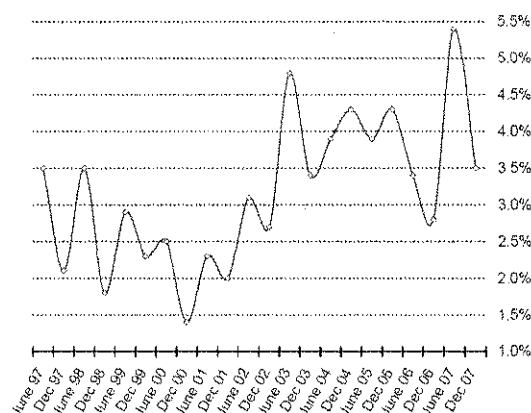


Chart 6. Historic Average Rent Increases

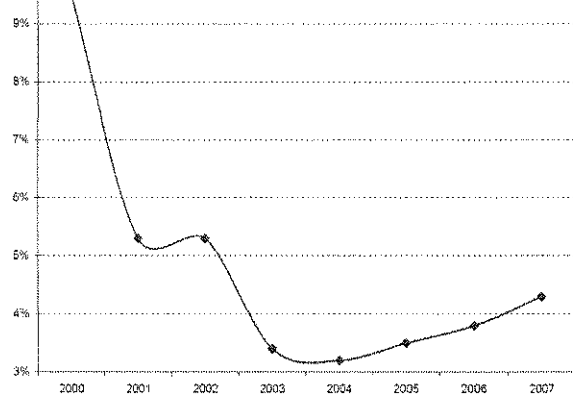
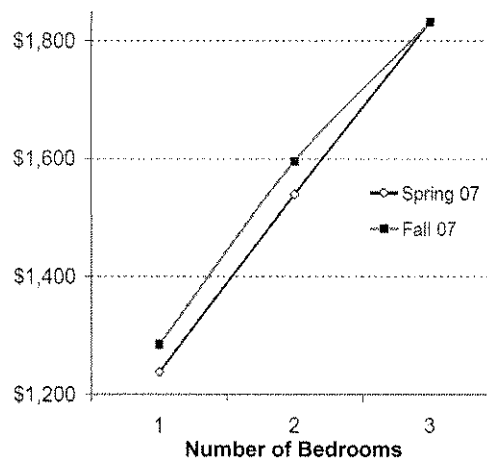


Chart 7. Average Rental Rates



¹ City of San Diego General Plan, Housing Element, FY2005 – 2010.

² San Diego Association of Governments — Regional Housing Needs Assessment — City of San Diego — February 2005.

³ Apartment Update, 2007, Southern California Region, Third Quarter, Hendricks & Partners.

⁴ Fall 2007 Vacancy & Rental Rate Survey, San Diego

Customer Analysis

The San Diego Housing Commission draws rental assistance customers from its waiting list, which currently numbers over 19,000. Due to lower incomes, these households who currently rent on the open market are paying a disproportionate amount of their income for housing.

The waiting list was recently purged of applicants who no longer qualified for services or who had moved to other jurisdictions. Within SDHC's various programs that draw from this list there are established preferences to serve the populations of elderly, disabled, homeless with disabilities, and families with children.

Chart 8 shows the income and demographic percentages of rental assistance applicants registered on the waiting list, as well the number of bedrooms in the preferred housing unit based on the size of their family.

Chart 9 shows the income and demographic percentages of current rental assistance clients, as well the number of bedrooms in the housing unit they occupy.

Families on the SDHC waiting list as well as families who are current Section 8 rental assistance clients are predominantly very-low income.

continued

Chart 8. SDHC Waiting List (19,000) Families	
Annual Income	Percentage
Below \$20,000	79%
Between \$20,000 & \$30,000	15%
Between \$30,000 & \$40,000	5%
Families with Children.	51%
Elderly Families.	11%
Families with Disabilities.	30%
Families needing 1-Bedroom Unit	53%
Families needing 2-Bedroom Unit	41%
Families needing 3-Bedroom Unit	5%

Chart 9. SDHC Section 8 (14,700) Families	
Annual Income	Percentage
Below \$20,000	70%
Between \$20,000 & \$30,000	19%
Between \$30,000 & \$40,000	8%
Families with Children.	56%
Elderly Families.	27%
Families with Disabilities.	14%
Families with 1-Bedroom Unit	35%
Families with 2-Bedroom Unit	21%
Families with 3-Bedroom Unit	16%

Customer Analysis

SDHC-Owned & SDHC-Managed Affordable Housing: Good Tenant/Good Neighbor Policy

SDHC's commitment to maintaining the quality of its housing is demonstrated by its responsibility to the public trust. SDHC's property management program is designed to achieve the following objectives:

- To provide improved living conditions for extremely low, very low, and low income families while maintaining their rent payments at an affordable level.
- To operate a socially and financially sound public housing agency that provides decent, safe, sanitary and in good repair housing within a drug-free, suitable living environment for residents and their families.
- To avoid concentrations of economically and socially deprived families in any one of SDHC's affordable housing developments.
- To lawfully deny the admission of applicants, or occupancy of residents, whose habits and practices reasonably may be expected to adversely affect the health, safety, comfort or welfare of other residents or the physical environment of the neighborhood, or create a danger to SDHC employees.
- To provide opportunities for upward mobility for families who desire to achieve economic self-sufficiency.

In HUD's latest Public Housing Assessment System ratings, SDHC received a "High

Performer" rating, including a perfect scores in "Security", which included: Screening of Applicants; Lease Enforcement; Drug Prevention and/or Crime Reduction Program Goals; and Tracking and Reporting Crime-Related Problems.

Tenant Profile

SDHC's managed housing tenants are a stable and reliable customer base. Forty-nine percent of the 1,576 families who live in SDHC-owned properties have lived in their unit five or more years, and over 82% have lived in their unit two or more years. This program serves those who work and/or live in the City of San Diego who are low-income families, persons with disabilities, seniors (62-years or older) or meet criteria for the "San Diego area homeless" category. **Chart 10** shows the maximum eligible total household income limits, as checked through an Income Verification System.

continued

Chart 10. Maximum Annual Income for Rental Assistance & SDHC Owned / Managed Units

Household Size	Maximum Income
1 Person	\$44,250
2 Persons	\$50,550
3 Persons	\$56,900
4 Persons	\$63,250
5 Persons	\$68,250
6 Persons	\$73,300
7 Persons	\$78,350
8 Persons	\$83,400

Customer Analysis

Family Self-Sufficiency Program

Each year, over 500 rental assistance and managed housing tenants participate in the SDHC's five-year long Family Self-Sufficiency Program. Through strategic partnerships with local businesses and community agencies, SDHC helps participants achieve economic self-sufficiency through **Education Services, Career Planning, Financial Literacy, Asset Building, and Job Training**, all free of charge.

Five years ago Kimberly was unemployed, and as a single parent, struggled to support her family. While participating in FSS, she obtained a temporary job as a phone operator.

Kimberly took advantage of staff development trainings offered by her company and was hired on a permanent basis as a flooring specialist doing quality control. She now conducts orientations for new employees and is working towards becoming a full-time trainer.



Above: Kimberly aspires to be a full-time trainer.

Kimberly said: "Sometimes all it takes is one person to believe in you to help you believe in yourself, and that person was my FSS Coordinator. FSS helped direct me in the job market, so I could do something positive for myself and my family."



Left: FSS Coordinator, Rosemary Center: FSS Grad, Luz Right: Housing Assistant, Nallely C.

When Luz enrolled in the FSS program, she worked as an Admissions Advisor for an employment company. Her goal was to become an Office Manager but did not know what type of credentials, experience and education she needed for this position. With the support of her FSS Service Coordinator and her employer who guided her to acquire the skills and training she needed, she was promoted to an Office Manager!

She says, "The FSS program helped me to set goals and gave me direction with my job."

When asked what was the highlight of the FSS program, she said, "I really enjoyed the FSS Weekend Workshop, it was very informative."

Marketing Plan

As demonstrated throughout the FY2009-2011 Business Plan, SDHC serves a complex range of audiences that require varying levels of information and messages delivered in a targeted manner through distinct channels.

Audiences

The agency's audiences fall into four primary categories, in no particular order:

1. **Opinion Leaders** (elected officials, Commissioners, City staff, other government agencies, housing advocacy groups, industry groups, community leaders/influencers, community planning groups, business/civic leaders, etc.)
2. **General Public & Media**
3. **Employees** (current and prospective)
4. **Customers & Partners** (current and prospective residents; end-users of agency programs; business partners and vendors)

Research

A strategic communications plan is currently in place and being implemented by the Policy & Public Affairs Department. With the development of the agency's FY2009-2011 Business Plan as well as the agency's transition to new leadership and private sector business practices, additional research is needed to examine current attitudes and opinions about the agency and affordable housing issues. As such, the agency will conduct a public opinion survey in FY2009 to measure the perception of

the agency and of affordable housing issues among the agency's four primary audiences. The data collected from this survey will be used to refine current communications strategies and to prioritize communications programming, tactics and messages to better serve all audiences. As envisioned, a follow-up survey will be conducted during the Business Plan cycle to assess the shift in public opinion based on communications programming and to make adjustments as needed.

Strategies

Key strategies are in place to support the marketing and delivery of the agency's services and programs. These include:

- Increase awareness and build support among all audiences for and about the agency's accomplishments, programs, services and offerings;
- Create user-friendly methods for current and potential customers to access information about the agency's affordable housing services;
- Measure the community's perception of the agency and affordable housing issues, as well as obtain community and client feedback about the agency's performance;
- Improve the flow of information within the agency between management and staff and among departments; and

continued

Marketing Plan

-
- Present an agency image that reflects private sector professionalism and business-like practices.
 - Rebranding initiative with new agency logo to reflect professional image
 - Ombudsman service to respond to customer concerns and issues about the agency's performance

Existing Activities

SDHC is currently implementing a variety of communications activities in support of these strategies, including but not limited to:

- Newsletters targeted to specific audiences, including *Housing Matters* for opinion leaders; *Good Neighbors* for residents of SDHC-owned properties; *Voucher Advantage* for Section 8 property owners; and *Around the Corner* and *Operations Update* for employees
- Collateral materials and publications for all audiences (fact sheets, brochures, mass mailings to residents, annual report)
- Media relations to reach the general public audience and potential customers (average of 30 positive stories per quarter)
- External and internal website management
- Special events (groundbreaking and dedication ceremonies; housing fairs)
- Awards to recognize agency programs and services
- A comprehensive Affordable Housing Guide for customers seeking housing assistance
- Speaker's bureau and presentations
- Public Information Requests

New Activities

In FY 2009, the Policy & Public Affairs Department will undertake several major initiatives to improve customer access to information about the agency's services. The agency's website, www.sdhc.org, will be redesigned to provide user-friendly content, improved infrastructure and logical navigation. The website redesign will incorporate several unique tools, including a comprehensive affordable housing database for customers to easily research available housing opportunities. Second, the agency's voicemail recording system will be re-structured and simplified to better serve customers who do not have access to the Internet. It is anticipated that these two initiatives, as well as other activities, will greatly improve the level of service and information the agency is able to provide to its customers. ■

Table A – Projected Balance Sheet: Net Assets in Thousands of Dollars

Includes assets and liabilities, from FY2008 – FY2011. Provides information about the nature and projected amounts of investments in resources (assets) and the obligations to creditors (liabilities). Provides the basis for computing rates of return, evaluating the capital structure, and assessing the future liquidity and financial flexibility.

	Audited June 30 2003	2004 Growth Rate	Audited June 30 2004	2005 Growth Rate	Audited June 30 2005	2006 Growth Rate	Audited June 30 2006	2007 Growth Rate	Audited June 30 2007	2008 Growth Rate	Projected June 30 2008	2009 Growth Rate	Projected June 30 2009	2010 Growth Rate	Projected June 30 2010	2011 Growth Rate	Projected June 30 2011
Assets:																	
Cash & Investments	45,075	-25.85%	33,424	59.37%	53,268	18.92%	63,344	20.33%	76,221	-13.19%	66,165	-7.61%	61,127	-5.69%	57,646	-8.23%	52,902
Other Current Assets			14,187	35.62%	19,240	-45.01%	10,580	-5.85%	9,961	3%	10,260	3%	10,568	3%	10,885	3%	11,211
Capital & Non-Current Assets	172,108	2.74%	176,824	8.76%	192,319	12.19%	215,756	16.52%	251,408	9.58%	283,839	13.50%	321,936	12.04%	360,705	11.00%	400,371
Total Assets	217,183		224,435		264,827		289,680		337,590		360,064		393,630		429,236		464,484
Liabilities:																	
Current Liabilities	5,888	-9.99%	5,300	14.28%	6,057	-11.19%	5,379	38.67%	7,459	-10.78%	6,655	10.00%	7,320	10.00%	8,052	10.00%	8,858
Notes Payable & Non-Current Liabilities	9,370	0.81%	9,446	58.49%	14,971	-5.78%	14,105	136.34%	33,336	8.51%	36,173	47.88%	53,491	38.48%	74,073	27.77%	94,644
Total Liabilities	15,258		14,746		21,028		19,484		40,795		42,828		60,812		82,125		103,501
Net Assets:																	
Invested in Capital Assets, Net of Debt	76,225	-1.82%	74,834	-9.11%	68,018	-1.07%	67,289	0.90%	67,893	10.17%	74,800	9.84%	82,160	5.37%	86,569	5.93%	91,706
Restricted Assets			0		72,051	4.09%	74,995	15.93%	86,944	8.05%	93,944	7.45%	100,944	6.93%	107,944	6.48%	114,944
Unrestricted Assets	125,700	7.28%	134,854	-23.08%	103,730	23.31%	127,912	10.98%	141,958	10.00%	148,492	0.82%	149,714	1.93%	152,598	1.14%	154,333
Total net assets	201,925		209,688		243,799		270,196		296,795		317,236		332,818		347,111		360,983
Total																	
Liabilities & Net Assets	217,183		224,434		264,827		289,680		337,590		360,064		393,630		429,236		464,484

Table B – Projected Income Statement: Changes in Assets in Thousands of Dollars

Accounts for all projected revenue and expenses, from FY2008 – FY2011. Reflects the forecasted results of operations over the years and can be used to determine projected credit worthiness and ability to successfully recover all its costs through grants, tenant charges and other income.

	Audited June 30 2004	2005 Growth Rate	Audited June 30 2005	2006 Growth Rate	Audited June 30 2006	2007 Growth Rate	Audited June 30 2007	2008 Growth Rate	Projected June 30 2008	2009 Growth Rate	Projected June 30 2009	2010 Growth Rate	Projected June 30 2010	2010 Growth Rate	Projected June 30 2011
Operating revenues	17,334	5.99%	18,372	-0.78%	18,229	-19.62%	\$14,653	-2.94%	\$14,222	3.82%	\$14,766	6.80%	\$15,770	7.36%	\$16,931
Operating expenses	138,739	-0.93%	137,443	6.28%	146,080	3.27%	150,863	8.44%	163,597	7.13%	175,264	4.10%	182,447	3.47%	188,781
Deficit before depreciation & other expenses	(121,405)	-1.92%	(119,071)	7.37%	(127,851)	6.54%	(\$136,210)	9.67%	(\$149,375)	7.45%	(\$160,498)	3.85%	(\$166,677)	3.10%	(\$171,850)
Depreciation	3,125	3.04%	3,220	-8.23%	2,955	22.81%	3,629	20.00%	4,355	20.00%	5,226	20.00%	6,271	20.00%	7,525
Deficit before other non-operating income and expense	(124,530)	1.80%	(122,291)	6.96%	(130,806)	6.91%	(139,839)	9.93%	(153,730)	7.80%	(165,724)	4.36%	(172,948)	3.72%	(179,375)
Non-operating income and expenses, net	132,460	21.5%	160,955	-2.33%	157,203	5.87%	166,438	4.65%	174,171	4.10%	181,306	3.27%	187,241	3.21%	193,247
Increase in net assets	\$7,930	387.6%	\$38,664	-31.73%	\$26,397	0.77%	\$26,599	-23.15%	\$20,442	-23.77%	\$15,582	-8.27%	\$14,293	-2.95%	\$13,872

Appendix

Table C – Projected Capital Assets
Summarizes SDHC's capital assets from FY2008 – FY2011.

	Audited June 30 2004	Growth Rate 2005	Audited June 30 2005	Growth Rate 2006	Audited June 30 2006	Growth Rate 2007	Audited June 30 2007	Growth Rate 2008	Projected June 30 2008	Growth Rate 2009
Land and buildings	75,350	-1.7%	74,049	-5.1%	70,251	25.7%	88,325	9.6%	96,787	1.5%
Work in progress	7,308	18.2%	8,637	15.1%	9,943	-4.5%	9,500	9.6%	10,410	1.5%
Equipment	54	-1.9%	53	1760.4%	986	232.9%	3,282	9.6%	3,596	8.0%
Total	82,712		82,739		81,180		101,107		110,793	

	2009 Business Plan	Projected June 30 2009	Growth Rate 2010	2010 Business Plan	Projected June 30 2010	Growth Rate 2011	2011 Business Plan	Projected June 30 2011
22,200	120,438	1.5%	22,200	144,445	1.5%	22,200	168,812	
	10,931	1.5%		11,477	1.5%		11,936	
200	4,084	8.0%	90	4,501	8.0%	500	5,361	
	135,453			160,423			186,109	

Our Partners

The San Diego Housing Commission partners with hundreds of community organizations, businesses and other entities throughout San Diego and nationwide. This is just a partial list of the agency's many partners, vendors and service providers.

For information on how to do business with SDHC and current contracting opportunities, please visit www.sdhc.org.




Access to Independence	General Mortgage Corporation
Cal Pacific Mortgage	Aztec Landscaping
Elder Legal Center of San Diego	Countrywide Home Loans
ACCION	GMAC Mortgage Corporation
Capital Cleaning, Inc	Baja Pacific
Emerald Mortgage	County of San Diego
Ace Parking	Golden Care Academy
Capstar Financial Group	Bank of America
Emphasys Computer Solutions, Inc.	CSSE / Alpha Program
Affinity Financial	Green Point Mortgage Funding
Casa Familiar	Barrio Station
Episcopal Community Services	D.R. Elrod & Associates
Affirmed Housing Group	Grondin Construction
Catholic Charities	Bayside Community Center
Fair Housing Council of SD	Davis Davis Architects, Inc.
African Alliance	Guild Mortgage Company
Center for Social Advocacy	BHI Mortgage
Family Health Centers of SD	Deaf Community Services of SD
After-School All Stars	H&R Block
Centre City Development Corp.	Bonded Window Coverings, Inc
Family Resource Centers of SD	Del Sol Apartments, L.P.
Aging & Independent Services	Hawkins Delafield & Wood
Chase Home Finance	Boys & Girls Clubs of San Dieguito
First American Mortgage	Denny & Son
Allstate Services Environmental	Hazlo Inc.
Chelsea Investment Corp.	Bradley Security & Detective Agency
First Magnus Financial Corp	DHI Mortgage Company
Alvarado Design Studio	Heads on Fire
Citibank	Burkett & Wong
First Mortgage Corporation	Dixieline Builders Fund Control
American Mortgage & Credit	The Holman Group
City of San Diego	C.B. Richard Ellis
Fred Pryor Training	Dress for Success
Apple One Employment Services	Housing Development Partners
College Opportunity Foundation	Cal Home Shared Appreciation
FTHB & American Dream	ElderHelp of San Diego
Asher & Company	Human Resources Capital
Community HousingWorks	J.P. Witherow Roofing Company
Association for Community Housing Solutions	National University
Community Interface Services	San Diego Housing Federation
Gamma Builders, Inc.	Jacobs Family Foundation
Automated Data Processing, Inc	Nationwide Realty Services, Inc.
Consumer Credit Counseling	San Diego Interfaith Housing Found.
	JTB Restorations, Inc.

Our Partners

Neighborhood House Association	San Diego Youth & Community Services	Father Joe's Villages/St. Vincent De Paul
San Diego National Bank	Morgan Home Loan Funding Corp	Villa Financial
Junior's Concrete	Sadi Arbor Crest	Streamline Applications Solutions
Networking Interpreting Service	San Diego-Imperial Counties Labor Council	Starbucks Corporation
San Diego Padres	Mortgage One Lending	Wakeland Housing & Community Development Corp
Kaiser Financial Services	Salerno / Livingston Architects	YMCA of San Diego County
Ninteman Construction Services	SCH Consulting Services	Steadfast Villa Nueva
San Diego Regional Center	MSC Janitorial Service	Wells Fargo Home Mortgage
Nonprofit Management Solutions	Tibbet & Associates	Youth Council of San Diego
San Diego Reinvestment Task Force	The Lenders Group	Stepping Stone
Latino Builders Industry Assn.	Salvation Army	West Coast Mortgage
Novadebt	Townspeople	YWCA of San Diego County
San Diego Foundation	Strong Arm Construction	Sterling Companies, Inc.
Law Offices of Kimbal, Tirey & St. John	SCME Mortgage Bankers	Windsor Capital Mortgage
Office Depot	Unifirst Corporation	San Diego Community College District
San Diego Funding	Swift Real Estate Partners	Hyland Software, Inc.
Legal Aide Society	Senior Community Centers	Interwest Electric
Office Max	Union Bank of California	San Diego County Apartment Association
Nan McKay & Associates	Tayman Industries, Inc.	Intergis
Loan Link Financial Services	Signs & Services Co.	San Diego Home Loan Counseling & Education Center
Office Pavillion	Union of Pan Asian Communities	Environmental Health Coalition
National Community Renaissance	TCS Mortgage, Inc.	MAAC Project
Local Initiatives Support Corp.	Skillpath	SDG&E Energy Team
Optera	United Way of San Diego	SEDC
National Conflict Resolution Ctr	The Association for Community Housing Solutions	CCDC
M.W. Steele Group, Inc.	Small Business Development & International Trade Center.	City of SD Redevelopment Agency
Palm Engineering	University of California, San Diego	Jewish Family Services
National Credit Reporting (NCR)	The Center for Social Advocacy	Clancy Contracting Services
McCullough Landscape Architecture	South Bay Community Services	Alpha Project
Pathfinders of San Diego	University of San Diego	Corporation for Supportive Housing
San Diego Bank & Trust	The Centre for Organizational Effectiveness	Urban Housing Corporation
MDC Financial Service Group	South County Career Center	City Heights CDC
Plaza Home Mortgage, Inc.	Urban Corps of San Diego	Chicano Federation of SD County
San Diego Safe Harbor	The Epler Company	San Diego Youth & Family Services
Mental Health Systems	South Pacific Financial Corp.	Bayview CDC
Public Relations Society of America	US Bank	HOPE Community Dev. Corporation
San Diego Second Chance	Stewart National Mortgage Comp.	Richard Bundy & David Thompson
Michael Baker Electric	Springboard	Ashkins & Associates
Rebuilding Together San Diego	Strategic Business Resources	Chicago Title Company
San Diego Workforce Partnership		
Mission Federal Credit Union		
Rolling Readers		
Veterans Village of San Diego		

Memorandum

TO: Housing Commission Board Members
Housing Authority Members

FROM: Carrol M. Vaughan 
Interim President & Chief Executive Officer

DATE: June 3, 2008

SUBJECT: Response to Concerns Raised Re: SDHC FY2009-2011 Business Plan

In September 2007, the San Diego Housing Commission was the first agency in the nation to receive HUD approval to withdraw from the public housing program, retain ownership of the properties and use the equity in those properties to leverage funding to develop additional affordable housing in San Diego. This achievement has been recognized throughout the national affordable housing community as an innovative, entrepreneurial action to address the shrinking federal housing budget.

This month, the National Association of Housing & Redevelopment Officials (NAHRO) recognized this achievement by awarding the Housing Commission an Award of Merit. In addition, the project has been nominated for NAHRO's National Award of Excellence, the affordable housing industry's highest honor.

This effort marks an exciting opportunity for the City of San Diego and the Housing Commission. Not only has the City received an additional 1,354 Housing Choice Vouchers at a time when very few vouchers are available for allocation, but the Housing Commission is poised to further its financial self-reliance and create additional units at a range of affordability levels.

At the Housing Authority meeting on May 20, 2008, Mr. Tom Scott, Executive Director of the San Diego Housing Federation, testified against adoption of the FY2009-2011 Business Plan, specifically the strategy regarding the development of 350 affordable housing units as required by the public housing disposition agreement. The concerns expressed by Mr. Scott were discussed in two prior meetings with Housing Commission staff. Further, on April 25, 2008, the Board of Commissioners heard Mr. Scott's concerns and provided assurances that the Commission is very clear on its mission and committed to providing housing for families in a variety of situations – from homeless to first-time home buyers. The Board expressed its support

and approval of the Business Plan strategies. This discussion and the direction to staff is documented in the meeting Minutes (excerpt attached).

To clarify, I have addressed Mr. Scott's concerns below and am available for further questions or information as needed.

1. Concern: Lack of Planning and Financial Analysis of Rent Affordability Levels

Response: The Housing Commission recently issued a Request for Proposals for "Creation of Commission-Owned Affordable Housing." The Housing Commission is now seeking to engage a Financial Advisor to analyze attainable financing scenarios and rents at various affordability levels based on the **actual** proposals received. During the next several weeks, a Selection Committee (comprised of Commissioner Chair Sal Salas and Commissioner Tony Yip), along with the Financial Advisor, an Architectural Advisor and a former executive of a local developer, will prepare an analysis of these "real-life" proposals. The Committee is being advised by General Counsel, Charles Christensen, and Housing Commission staff. The Selection Committee will determine a "short list" of proposals, enter into negotiations, and make recommendations to the Housing Commission Board for consideration and appropriate action. Recommendations will include various affordability levels and the related financial impacts. While it is true that "hypothetical" financial modeling was not accomplished prior to the release of the Request for Proposals, no recommendations or decisions will be made without careful, full and complete analysis.

2. Concern: Limitation on Financing Resources to be Used by the Housing Commission

Response: Several years ago, the Housing Commission developed the Maya Apartments, a multi-family complex offered to households at a variety of affordability levels. At the time, concern was expressed about the prospect of the Housing Commission competing for financing resources generally available to other affordable housing developers (9% tax credits, HOME funds, Housing Trust Funds). When the public housing disposition project was in the planning stage, it was decided to forego the use of these financing tools and rely primarily on conventional financing, thereby not depleting financial resources available to affordable housing partners. However, the RFP issued for the "Creation of Commission-Owned Affordable Housing" requested responses from both for-profit and non-profit developers. As stated on many occasions, all forms of financing will be considered during the project analysis process.

3. Concern: Providing Leverage Funds to Other Organizations to Develop Affordable Units

Response: Since the early planning stages of the public housing disposition project, it was determined that the Housing Commission would use the equity from its public housing inventory to create a revenue source to expand its own portfolio and the supply of affordable units. This intention is clearly delineated in a number of documents and articles:

- a. Original application to HUD, Section 4, line 13 states, in part that "Once properties are disposed of from the public housing program, the Commission will be able to borrow against those properties and implement its production of additional affordable housing."

Section 6, line 1, states, in part “Second, the Housing Commission will be able to leverage this resource to create additional affordable housing by borrowing against the properties. In this manner the Housing Commission will create at least 350 units of both low-income and workforce affordable housing, assuming disposition from the public housing program of the entire portfolio and borrowing against that housing.”

- b. The deed from the Housing Authority to the Housing Commission (approved by HUD) includes the Right of Reversion that was required by HUD and provides, in part that if the 350 units are not acquired or produced by the Housing Commission, the former public housing will revert to the Housing Authority. It states: “Specifically, the real property described in Exhibit ‘B’ (all the former public housing units) shall revert to the Housing Authority of the City of San Diego, if any of the following conditions are not met: (1) **An additional three hundred and fifty (350) affordable low-income housing units (defined as being affordable to and occupied by households earning 80% or less of area median income . . . are not produced and/or acquired by the San Diego Housing Commission** as referenced in the HUD approval of the disposition of those public housing units legally described in Exhibit ‘B’ . . .”
- c. The Housing Authority resolution approving the submission of the original application states, in part that **“Whereas these Housing Commission actions include adopting private sector methods in the leveraging of equity and the development of mixed income communities that will result in more housing opportunities for San Diego’s low- and moderate-income families.”**

These recitations clearly indicate that it was always the intent of the process to provide a funding source for internal development by the Housing Commission.

4. Concern: Affordability Levels at Former Public Housing Units and Units to be Developed

Response: The Commission’s former public housing units are being rented to households earning no more than 80 percent Area Median Income (AMI). Rents for approximately 25 percent of the portfolio are 50 percent AMI or market, whichever is less, and the balance of units at 80 percent AMI or market, whichever is less.

Prior to initial occupancy, households are income-certified. This is not done in the private rental market, and it ensures the affordable units are leased to income eligible households.

Regarding affordability levels of units to be developed, as outlined in item 3 above, it has always been the intent of the Housing Commission to acquire or build 350 units representing a range of affordability levels and to be occupied by households earning no more than 80 percent AMI.

5. Concern: Abandoning the Mission of the Housing Commission

Response: The Housing Commission's highest priority is to assist San Diegans of very low income (defined as 50 percent AMI). The FY2009 budget allocates approximately \$150 million for direct rental assistance to households at 0 – 60 percent AMI. The FY2009 budget also includes an additional \$5.6 million for transitional housing, traditionally available to extremely low income households (0-30 percent AMI). Also in FY2009, the Commission is proposing a new, local tenant-based rental assistance program for households leaving transitional housing who cannot afford market rents and who do not have a Housing Choice Voucher. This program will free up beds needed for other homeless persons.

Throughout the development and planning of the public housing disposition project, protecting the Commission's residents has been paramount. This was successfully accomplished by instituting a safeguard that made the public housing disposition contingent upon the issuance of Section 8 tenant based vouchers. HUD issued 1,354 vouchers to the former public housing residents, ensuring no diminution of services to the very low-income residents served by these deep subsidy programs.

In summary, the Housing Commission is not a private sector, profit-oriented enterprise; it is a public agency. However, over the past several years, in the face of a shrinking federal budget, the Commission has identified methods to decrease costs while continuing to be an effective and responsible community partner. The emphasis on private sector techniques in the agency's proposed Business Plan articulates the commitment to continue to deliver expanded, excellent service to the City despite decreased funding. To accomplish this, the Housing Commission must find innovative means to increase revenue to achieve its core responsibilities, maintain the housing stock in good repair, produce at least 350 additional affordable units, and meet increasing administrative costs without City assistance.

In the event financial analysis and models forecast "excess" revenue beyond what is needed to pay for core responsibilities, the information will be presented to the Housing Commission and Housing Authority along with recommendations for the use of the "excess" revenue, if any. Such a discussion would include consideration of potentially lower rents, additional funds for programs to help homeless families, activities to prevent homelessness, assistance to a broader range of incomes, the creation of units beyond the aforementioned 350, and additional actions to reduce the Housing Commission's dependency on federal funding.

In short, we believe that the Business Plan includes strategies to ensure the Housing Commission is following both its mission and the express dictates of the Housing Commission Board and the Housing Authority, as well as HUD, as set out in their respective approvals of this landmark transition from public housing.

Please call me if additional information is needed. I can be reached directly at 619.578.7544.

Thank you.

/cv

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Program Analyst Lisa Wolf gave a staff report.

Commissioner Basir asked about the timeline when a tenant applies and when they actually receive the foreclosure payments. Ms. Fisher stated that it takes usually four months prior to the actual foreclosure notice. She added that the number of foreclosures for November and December has lessened and we are seeing more work outs with mortgage holders.

MOTION BY BASIR TO APPROVE THE FOLLOWING RECOMMENDATION: THAT THE HOUSING COMMISSION RECEIVE PUBLIC COMMENTS ON THE DRAFT AHF FY09 ANNUAL PLAN, MAKE MODIFICATIONS AS NECESSARY, AND RECOMMEND APPROVAL BY THE CITY COUNCIL. SECONDED BY ADAMS-BROOKS AND CARRIED ON A UNANIMOUS VOTE OF 4-0 WITH GLORIA EXCUSED.

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General Counsel stated that pursuant to the provisions of the California Government Code § 84308 Commissioner Gloria will be abstaining from any actions and participation in connection with this item.

Project Managers Rudy Cervantes and Wendy DeWitt gave a staff report.

Mr. Tom Scott, Executive Director, representing the San Diego Housing Federation (SDHF), gave public testimony and requested that the plan be sent back to staff for further review. His stated concerns were that the Housing Commission was moving away from its mission of serving very low income residents particularly in regard to the recent conversion of its the public housing stock to 80 percent AMI levels and in the creation of 350 new units to be rented at 80% AMI levels as well. He also expressed concerns regarding the costs of managing the Commission's existing portfolio, the lack of an adequate analysis of leveraging and affordability options, and a general concern that the Commission is moving too fast. His specific recommendations for changes to the plan were: On page 8, new strategy #4 change the wording to leave the strategy as wide open as possible; on page 9, add a new strategy #6 to benchmark the costs for property management against the private sector with similar type of housing stock; and that the plan include an appropriate analysis be completed to ensure that the Commission's housing serves people that are really in need in San Diego. He acknowledges that the Federation has been talking with Ms. Vaughan and that they wanted the Housing Commission to stay strong and at the same time to stay on mission.

Ms. Vaughan stated the Business Plan refers to general strategies and as such not all specifics are included. She assured the Board that Mr. Scott's concerns are being addressed appropriately.

Mr. Snyder stated that the Request for Proposal (RFP) for the Creation of 350 Units does allow for partnering with for-profit and non-profit entities, utilizing any and all forms of advantageous financing, and that the non-profits are urged to respond.

In response to the Chair Salas' question, Mr. Snyder stated that we have reached out to the non-profits and extended the due date based on their request in order to allow them additional time to formulate the proper proposal.

Commissioner Adams-Brooks asked for some clarification as to the budget and plans to do some of the things Mr. Scott was talking about. Ms. Vaughan replied that in FY09, the Housing Finance Department will focus on financing housing development by others and one of Mr. Snyder's department responsibilities will be to add to the Commission's portfolio of units. She stated that she agreed with some of Mr. Scott's statements and that a new strategy on benchmarking our management costs against the private sector could be added. Mr. Snyder added that references to privatizing the management speak to that effort and that staff is already working to move away from the HUD methods of management to private sector management in order to prepare for such a comparison.

Commissioner Adams-Brooks stated that the board supports this approach and the need to ensure that we are a strong viable entity and that she does not see us veering off the mission as Mr. Scott suggested.

Chair Salas asked Mr. Snyder to confirm that part of the analysis of proposals will be to look at various affordability options. Mr. Snyder stated his desire to provide real projects to the board that can be actualized, including attainable financing, interest rates, and various affordability options rather than hypothetical pro-forma that are only conceptual in nature. The board would then be able to make decisions on project by project basis as to the levels of affordability and ramifications of those restrictions. Mr. Snyder confirmed Chair Salas' desire to include bond financing as an option. Mr. Snyder also reiterated that he believed the current downturn in the real estate market was unique, represented an unusual buying opportunity, and that it warranted and necessitated quick action by the Commission.

Chair Salas stated that we do have a request from a speaker to table this item and my feeling is we need to move forward.

Commissioner Adams-Brooks asked if adjustments can be made to the report before it goes forward. Ms. Vaughan replied that it could be brought back to the meeting on May 16, 2008 if that was the Board's desire.

Commissioner Yip asked what the changes would be. Ms. Vaughan replied that she felt it was unnecessary to come back to the board at this time and that she would commit to ensuring that discussions would continue with Mr. Scott, that his input would be considered and that the plan and its strategies would come back to the board on a regular basis for further discussion. She further stated that we honor the partnership with the Federation and expect to be doing business with them for a very long time.

MOTION BY YIP TO APPROVE THE THREE-YEAR BUSINESS PLAN FOR FY2009 – FY2011. THE BUSINESS PLAN IS MEANT TO BE A "ROAD MAP" FOR THE AGENCY AND INCLUDES AGENCY GOALS, STRATEGIES AND ACTIONS NEEDED TO WORK TOWARD ACHIEVING THE HOUSING COMMISSION'S MISSION. SECONDED BY ADAMS-BROOKS AND CARRIED ON A UNANIMOUS VOTE OF 4-0 WITH GLORIA ABSTAINING.