

REPORT

DATE ISSUED: March 24, 2008 REPORT NO: HCR 08-38

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of April 25, 2008

SUBJECT: San Diego Housing Commission FY2009 – FY2011 Business Plan

REQUESTED ACTION:

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

STAFF RECOMMENDATION:

That the Housing Commission 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.

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

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.

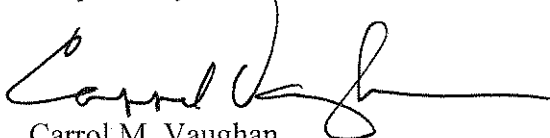
PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The San Diego Housing Commission's Board approved the FY2004 – FY2006 Business Plan in December 2002, and the FY2006 – FY2008 Business Plan in September 2005. The Housing Authority approved those plans in February 2003 and November 2005 respectively. Each of those business plans adopted additional steps towards more private sector business practices.

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,



Carrol M. Vaughan
Interim President &
Chief Executive Officer

Attachments: 1. Housing Commission FY2009 – FY2011 Business Plan

Distribution of these attachments may be limited. Copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, main lobby.

San Diego Housing Commission Business Plan

DRAFT

Fiscal Years 2009 – 2011

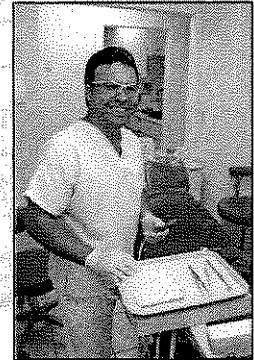
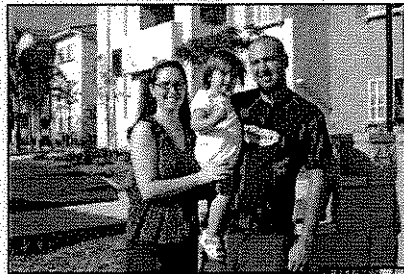
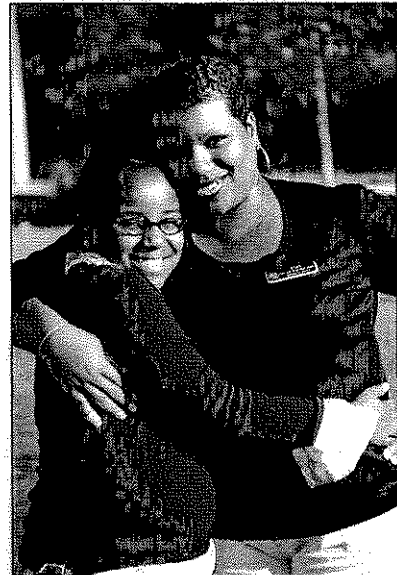


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THE FACES OF AFFORDABLE HOUSING

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 Jessemima 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 dreams 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

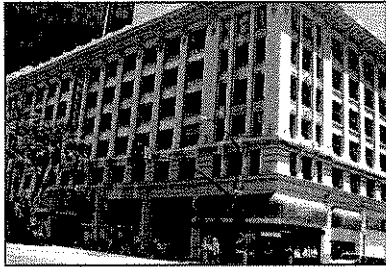
The San Diego Housing Commission (SDHC) is a public agency working to expand affordable housing opportunities in the City of San Diego. Each year, the agency helps 80,000 lower income individuals with affordable housing through award-winning programs that benefit the city's economy and revitalize neighborhoods. 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. 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 U.S. Department of Housing and Urban Development's (HUD) Public Housing Program in favor of a private sector asset management

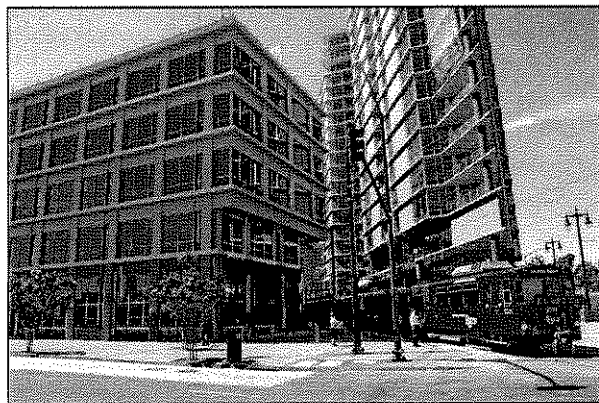
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Above:
Original offices at
Spreckels building
(1979-1984)



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

model. This allows 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 reveals 66 strategies in support of the five goals mentioned above;
- 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. ■

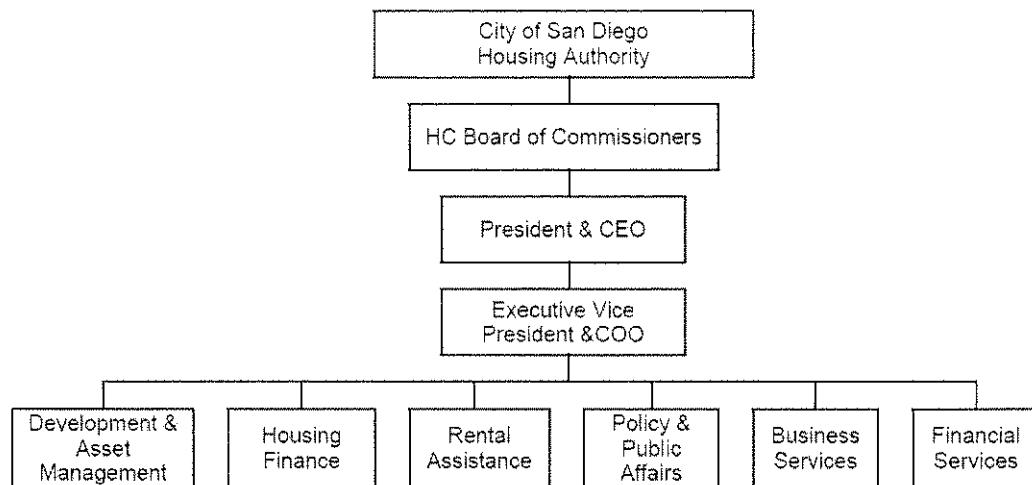
Operations Plan

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 66 strategies identified 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-FY 2011, 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. Acquire new software system for market units.	Install private sector software for property management.	Fully automate administration and record keeping of SDHC-owned and/or managed properties.	FY2010	\$90,000	4
6. Transition to private sector model of property management.	Develop new policies and procedures consistent with private sector industry standards.	New policies and procedures are implemented.	FY2009	N/A	3
	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

Operations Plan
Development & Asset Management
Workforce & Economic Development

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
7. 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 – FY2011	\$50,000	3
	Assess and centralize service delivery at Learning Opportunity Centers.	Improved efficiency and utilization of staff and funding.	FY2009 – FY2011	N/A	3
	Increase total funding to \$250,000.	Increased total funding available.	FY2009 – FY2011		2

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
8. 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
	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 – FY2011	\$195,000	4
	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:

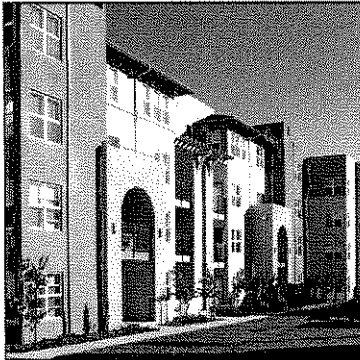
Rental Housing Production: Through favorable financing and incentives to nonprofit and for-profit developers, SDHC has helped produce more than 12,000 affordable housing units;

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, transitional 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 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
9. 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
10. 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
11. 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
12. 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
13. Provide first-time homebuyer resources and funding tools.	Underwrite, process and fund all first-time homebuyer program loans and grants in accordance with SDHC policies, guidelines and regulations.	Assist 80 homebuyers per year.	FY2009 – FY2011	\$6,000,000/year	1
14. Maintain relationship 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
15. 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
16. 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
17. 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
18. 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
19. 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
20. 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
21. 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
22. 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

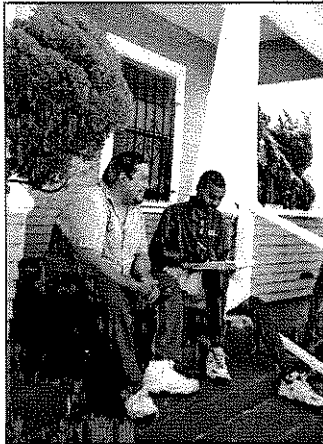
Operations Plan
Housing Finance
New Strategies (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
23. 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
24. Pursue sources for development financing for Special Purpose housing including Project-Based Section 8.	Investigate this loan product 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
25. 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
26. 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
27. 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
28. 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 maximum 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 maximize 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

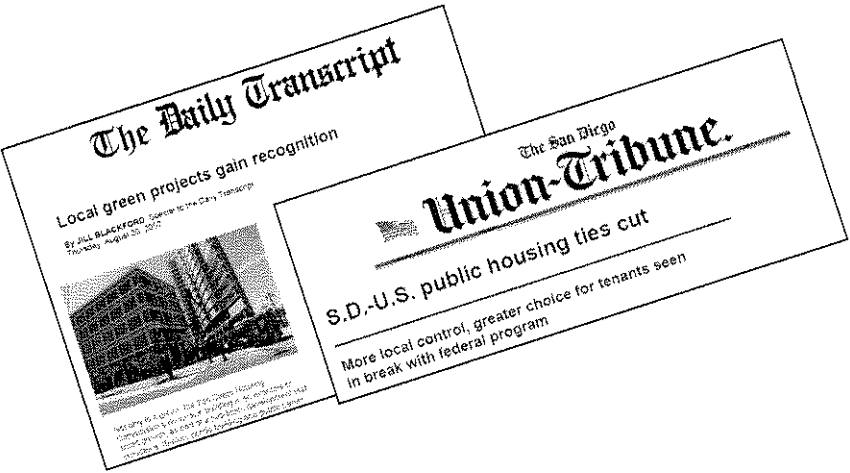
Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
29. Retain High Performing Agency Rating.	Ensure that performance in SEMAP measurements result in High Performer rating all three years.	High Performer rating each year.	FY2009 – FY2011	N/A	3
30. 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
31. 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
32. 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
33. Expand web-based services.	Provide online services for clients including user-friendly vacancy listing, unit inspection information available, rent portion and assigned worker information. 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
34. 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 meeting 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
35. Be seated on Community Land Trust Initiative Board (CLT).	Get elected to CLT Board; assist in steering the direction and purpose of the CLT.	Continual participation; positive positioning for SDHC.	FY2009 – FY2011	N/A	3
36. 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
37. 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
38. 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
39. Create a tenant relocation ordinance.	Write report; brief Council; schedule for hearing(s).	Completion of ordinance.	FY2011	N/A	3
40. 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
41. 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

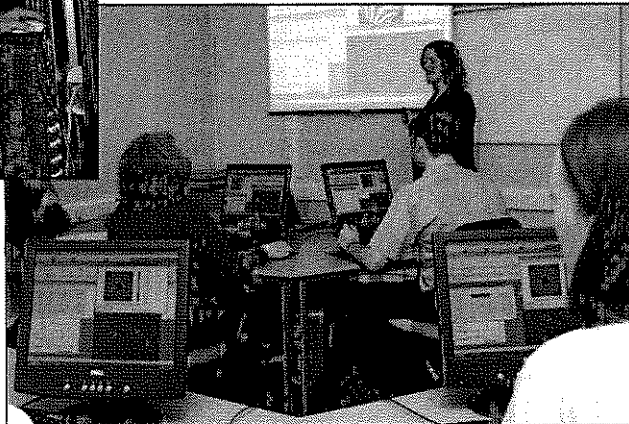
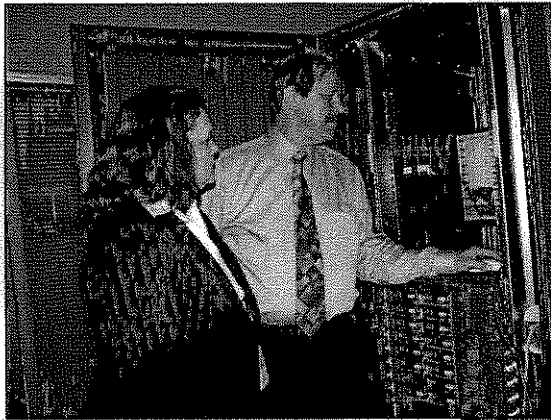
Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
42. Increase awareness and build support among all audiences for and about the agency's accomplishments, programs, offerings and initiatives.	<ul style="list-style-type: none"> • External 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	N/A	3
			– FY2011		
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	N/A	4
			– FY2011		
43. 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
44. 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	
45. 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
46. 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
<p>47. Continue to provide information technology and telecommunication services to the agency.</p>	<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 		<p>FY2009 – FY2011</p>	<p>N/A</p>	<p>4</p>

Operations Plan
Business Services
Information Technology (continued)

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
48. 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	
49. 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	
50. 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.	FY2009	\$25,000	2
		Plan completed and disseminated.	FY2010		
51. 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
52. Provide new performance evaluation tool.	Review and research evaluation tools. Identify and implement performance tools.	Standardized performance measurements completed with 85% of all evaluations.	FY2010 – FY2011	\$25,000	4
53. Expand online benefits enrollment.	Provide access for employees to make benefit changes online.	95% online participation.	FY2010	\$10,000	4
54. Complete classification & compensation study.	Finalize RFP process. Obtain firm to initiate/ conclude study; and provide analysis. Identify market salary lead/ lag benchmarks; utilize in recruitment/retention processes.	Implementation of revised job specifications and compensation system.	FY2009 Implement compensation recommendations beginning in FY2010.	\$100,000 TBD	5

Operations Plan
Business Services
Organizational Development & Training

New Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
55. 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
56. 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 position 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
57. 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

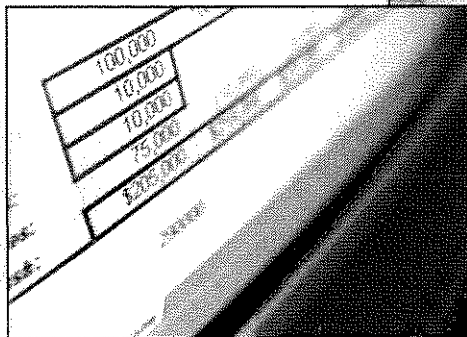
**Operations Plan
Business Services
Purchasing & Procurement**

Ongoing Strategies	Action to Implement	Measurement	Estimated Date of Completion	Estimated \$ / Source	Business Plan Goal
58. 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
59. 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
60. 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
61. 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
62. 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
63. 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
64. 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
65. 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
66. 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.

These 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 (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 (includes FY08) years 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.

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 increase 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 or ongoing programs.

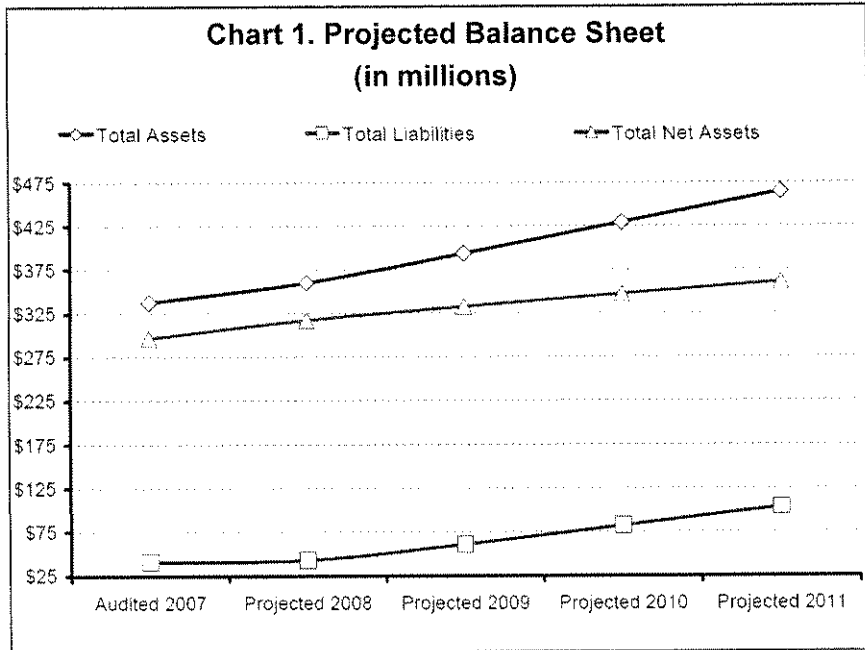
Operating expenses will increase by 5% annually, primarily due to increases in administrative, tenant services, asset management, and grant expenditures.

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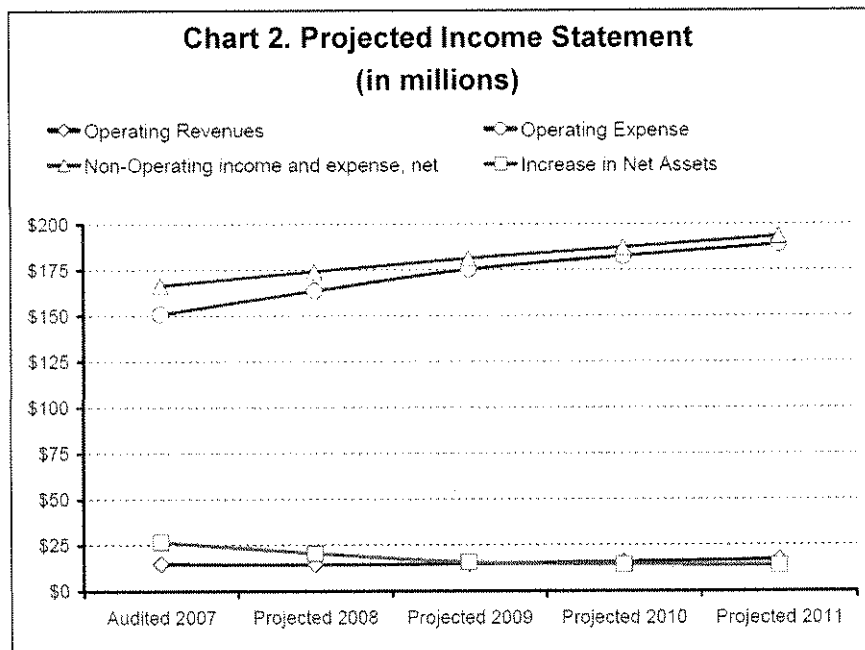
Financial Analysis

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

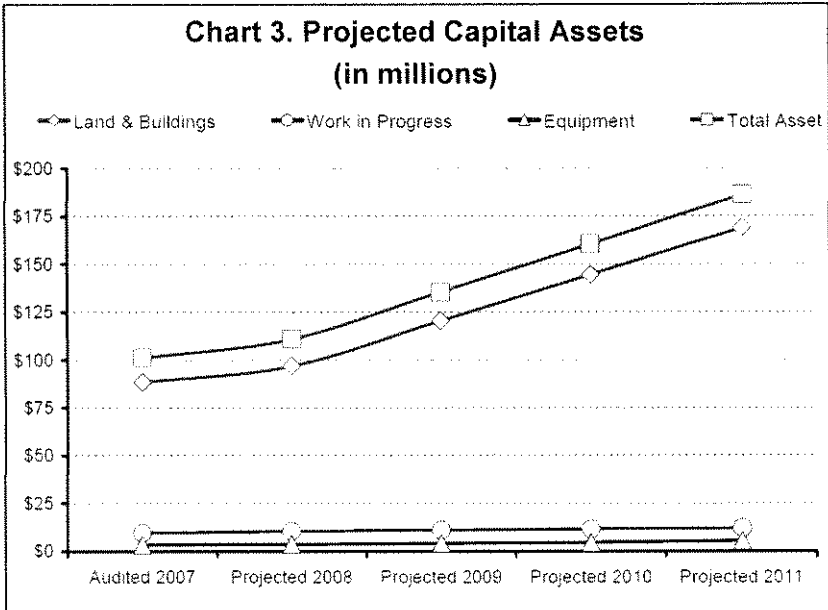
Discussion of Projected Capital Assets

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, and 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 in 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

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

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 office building addresses many structural and logistical challenges to providing efficient delivery of services to customers that were present in the former facility.

Organizational Structure & Workforce

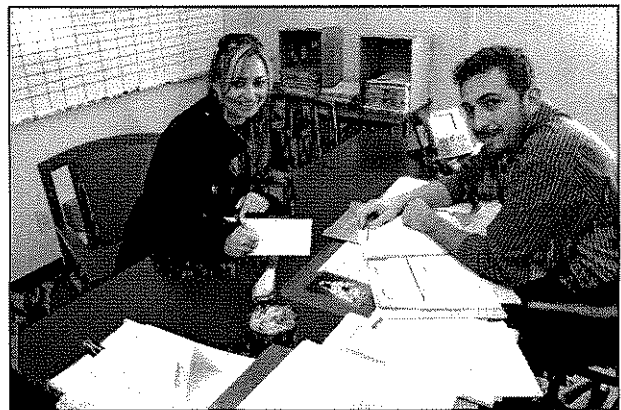
The agency's structure consists of a President & Chief Executive Officer, an Executive Vice President & Chief Operating Officer, and six Department Directors (p. 6). The President & CEO is responsible to a Board of Commissioners. Certain financial commitments and housing policy matters must also be approved 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 homebuyers, housing development and rental housing. This Market Analysis focuses on the rental housing market, as the agency's activities target renters and the availability and use of affordable rental housing.

Housing Availability

Historically, the City of San Diego has had a severe deficiency in 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.

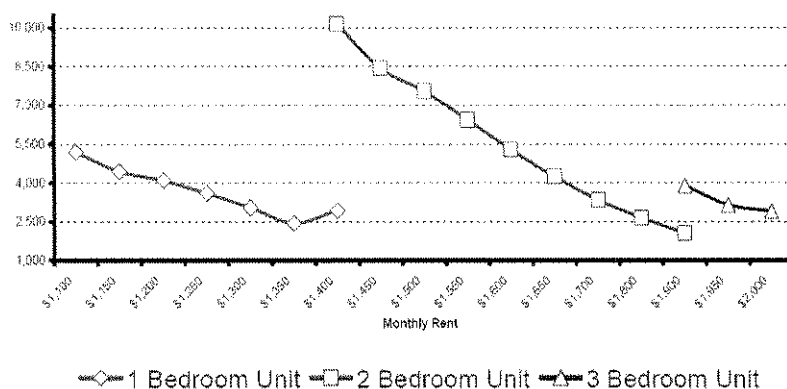
In the past, the lack of affordable housing was primarily an issue for low- and very low-income residents and for persons with special needs. Today, the majority of San Diegans cannot afford to purchase the median price home in the City and must rely on rental housing.¹

In an analysis of San Diego's housing market, it was *continued*

Market Analysis Summary

- The City of San Diego has and will continue to have a shortage of affordable housing for low-income renters;
- The majority of the demand for new market-rate rental housing has and will continue to be for one (1) and two (2) bedroom units priced under \$2,000 monthly rent;
- The vacancy rate of available rental housing has averaged 3.2% in the past eleven (11) years, and 3.3% in the past six (6) years.
- The annual rent increase in the County of San Diego has averaged 4.8% over the past eight (8) years, and 3.6% over the past five (5) years.
- Between one (1), two (2) and three (3) bedroom units, the greatest annual rent increase has been in the one (1) and two (2) bedroom units, because of the greater demand for those units.

Chart 4. Estimated Demand for New Market-Rate Rental Housing Units Under \$2,000, July 2005-July 2008



estimated that a particular housing production prospective would be needed to maintain a reasonable balance in the housing demand-supply relationship. **Chart 4** (p. 41), which takes into consideration projected changes in the economic, demographic, and housing inventory characteristics of the market during the period of July 2005 to July 2008, shows the level of production necessary to maintain that balance in the demand-supply relationship.²

Chart 4 also demonstrates that a total of 92,500 rental units, with a maximum monthly rent of \$2,000, needed to be produced during July 2005 to July 2008 to maintain the demand-supply relationship for those renters. Specifically: 30,750 one-bedroom units, 51,800 two-bedroom units, and 9,950 three-bedroom units.

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 attributed the upward spike in to hundreds of unsold and unrented condominiums entering the market.

The current decline in vacancies can be attributed to two factors: the absorption of condominium conversions that returned to the rental market; and foreclosed homeowners returning to the market as renters.

continued

Market Analysis (continued)

Chart 5 shows the City of San Diego's historical 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

According to **Chart 6**, the 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 in the City of San Diego, 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 increased operational costs also have an impact. ■

Chart 5. Vacancy Rate of Available Apartments

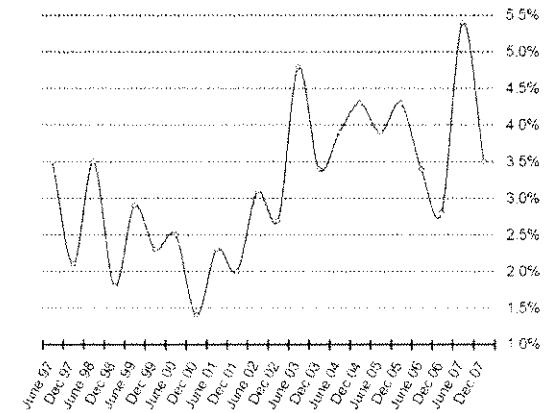


Chart 6. Historic Average Rent Increases

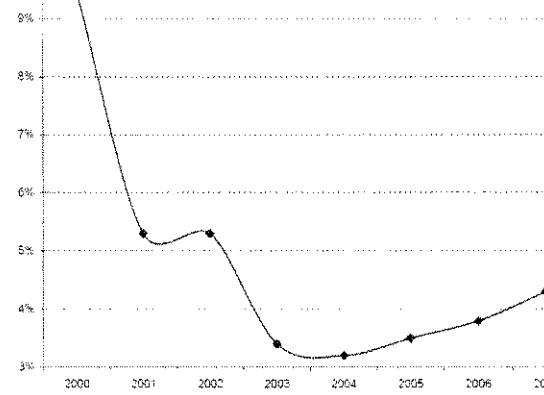
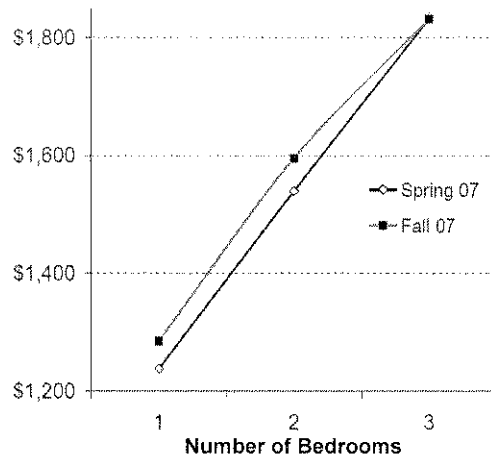


Chart 7. Average Rental Rates



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

² Analysis of the San Diego, California Housing Market, As of July 1, 2005, Comprehensive Market Analysis Reports, Policy Development & Research, U.S. Department of Housing and Urban Development.

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

⁴ Fall 2007 Vacancy & Rental Rate Survey, San Diego County Apartment Association.

Customer Analysis

The San Diego Housing Commission draws its 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 better 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 8. Income & Demographics of the Families on the SDHC Waiting List

Families	% of Families on the Waiting List	
	January 2007	January 2008
Income below 30% of AMI.	73%	73%
Income between 30% and 50% of AMI.	24%	22%
Income between 50% and 80% of AMI.	3%	5%
Families with Children.	41%	51%
Elderly Families.	11%	10%
Families with Disabilities.	35%	30%

Household's Bedroom Size Requirements

	January 2007	January 2008
1 Bedroom	47%	53%
2 Bedrooms	42%	41%
3 Bedrooms	8%	5%
4 Bedrooms	3%	1%
5 Bedrooms	.6%	.1%

Income and Rent Potential

Income as % of AMI	Monthly Income	Affordable Rent @ 30% of Income
30% of AMI: \$ 21,630	\$ 1,803	\$ 541
50% of AMI: \$ 36,050	\$ 3,004	\$ 901
80% of AMI: \$ 57,680	\$ 4,807	\$ 1,442

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%	283,639	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%	67,269	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	367.6%	\$38,664	-31.73%	\$26,397	0.77%	\$26,599	-23.15%	\$20,442	-23.77%	\$15,562	-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	

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



Access to Independence
Cal Pacific Mortgage
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Family Health Centers of SD
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Family Resource Centers of SD
Aging & Independent Services
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Allstate Services Environmental
Chelsea Investment Group
First Magnus Financial Corp
Alvarado Design Studio
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First Mortgage Corporation
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College Opportunity Foundation
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Solution
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Bonded Window Coverings, Inc
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Hazlo Inc.
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Housing Development Partners
Cal Home Shared Appreciation
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San Diego Housing Federation
Jacobs Family Foundation
Nationwide Realty Services, Inc.
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Our Partners

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San Diego Foundation	SCME Mortgage Bankers	Sterling Companies, Inc.
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Office Depot	Swift Real Estate Partners	San Diego Community College District
San Diego Funding	Senior Community Centers	Hyland Software, Inc.
Legal Aide Society	Union Bank of California	Interwest Electric
Office Max	Tayman Industries, Inc.	San Diego County Apartment Association
Nan McKay & Associates	Signs & Services Co.	Intergis
Loan Link Financial Services	Union of Pan Asian Communities	San Diego Home Loan Counseling & Education Center
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Local Initiatives Support Corp.	United Way of San Diego	SDG&E Energy Team
Optera	The Association for Community Housing Solutions	SEDC
National Conflict Resolution Ctr	Small Business Development & International Trade Center.	Jewish Family Services
M.W. Steele Group, Inc.	University of California, San Diego	Clancy Contracting Services
Palm Engineering	The Center for Social Advocacy	Alpha Project
National Credit Reporting (NCR)	South Bay Community Services	Corporation for Supportive Housing
McCullough Landscape Architecture	University of San Diego	Urban Housing Corporation
Pathfinders	The Centre for Organizational Effectiveness	City Heights CDC
San Diego Bank & Trust	South County Career Center	Chicano Federation of SD County
MDC Financial Service Group	Urban Corps of San Diego	San Diego Youth & Family Services
Plaza Home Mortgage, Inc.	The Epler Company	Bayview CDC
San Diego Safe Harbor	South Pacific Financial Corp.	HOPE Community Dev. Corporation
Mental Health Systems	US Bank	Richard Bundy & David Thompson
Public Relations Society of America	Stewart National Mortgage Comp.	Ashkins & Associates
San Diego Second Chance	Springboard	Chicago Title Company
Michael Baker Electric		San Ysidro Livable Neighborhoods
Rebuilding Together San Diego		
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