San Diego HOUSING COMMISSION

ITEM 100

BOARD REPORT

DATE ISSUED: September 29, 2009 **REPORT NO:** HCR09-091

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of October 16, 2009

SUBJECT: Standard & Poor's Rating of the Housing Commission

REQUESTED ACTION: Accept the Standard & Poor's Rating Report of the Housing Commission resulting in an AA- credit rating.

STAFF RECOMMENDATION: That the Housing Commission Board review and accept the report completed for the rating by Standard & Poor's Rating Services regarding the credit rating criteria, rating assigned and rationale for the rating. The Housing Commission rating is AA-.

BACKGROUND: In March 2009, the San Diego Housing Commission (SDHC) requested an Issuer Credit Rating from Standard & Poor's Rating Services. An issuer credit rating is the current opinion of an obligor's overall credit worthiness – its capacity to pay financial obligations. Standard & Poor's Rating Services is the only rating company that has developed specific criteria to assess the credit worthiness of Housing Authorities nationwide. During this process, an overall credit analysis of the Housing Commission was conducted in comparison to other Housing Authorities throughout the country. Factors taken into account in assigning the rating included the Housing Commission's history, leadership, government support, growth potential and net working capital.

SUMMARY: In today's financial markets, the fiscal and management strength of an organization is paramount in the review of loan applications. SDHC is currently pursuing real estate loans in excess of $100 million. Though the Housing Commission has considerable real estate value as collateral to protect the loans, the fundamentals of the business operations, the balance sheet and reserves, and the agencies historical success are extremely important. The award of a Standard & Poor's rating of AA- to the Housing Commission is a universally recognized indicator of all the essential business merits that immediately provide comfort to lenders. The lender's confidence is boosted by the Standard & Poor's third party review and rating of the organization and can be a significant factor in negotiating terms and consummating loans.

SDHC's rating of "AA-" is currently the highest rating given in the affordable housing industry. Standard & Poor's rates borrowers on a scale from AAA to D; with AAA being the highest.The Issuer Credit Rating process was completed and released in August 2009.

Standard & Poor's Rating Services concluded that SDHC has a stable outlook based on the following:

- A strong link yet limited involvement between the federal government and SDHC;

- A very strong profitability and its growing trend of networking capital;
- Strong overall management and a strategic plan, (Business Plan) that supports the Commission's mission to provide quality affordable housing;
- Its position as one of the leading providers of affordable housing opportunities for lower income families and individuals in the City of San Diego;
- A strong development arm that maximizes external resources, and that has been successful in developing mixed-finance projects;
- Strong leverage ratios, and additional income and financial support from the mixed income and mixed-use sites; and
- A decrease in reliance on appropriated federal funding streams year to year.

An excerpt from the Standard & Poor's report states:

> "Standard & Poor's believes that the management at SDHC has the wherewithal to balance new development and rehabilitation prudently in a manner that makes the most use of its resources to improve its overall housing stock...A key factor to maintaining the rating will be our view of SDHC's ability to maintain market stability and tenant occupancy for continued profitability of its portfolio due to the low reliance on federal subsidies for its units. In addition, the stable outlook reflects our view of SDHC's current strength to carry out its continued engagement in business activities that provide the commission with additional income sources. However, SDHC could experience negative credit impact if there is a further decline in the coverage ratios due to the amount of debt the commission may incur."

FISCAL CONSIDERATIONS: The cost for the Housing Commission's Issuer Credit Rating Service was $40, 000; this cost was funded with Local Funds. The rating will be reviewed annually and the annual review cost will be $17,500.

ENVIRONMENTAL REVIEW: This activity is not a project within the meaning of the California Quality Act (CEQA) pursuant to Section 15060c (3) of the State CEQU guidelines. This activity is also exempt from review under the National Environmental Policy Act per 24 CFR 58.34 (a) (3).

Respectfully submitted,

LP Mirta Schloss

Mirta Schloss
Senior Program Analyst

Approved by,

Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachment 1: San Diego Housing Commission Standard & Poor's Rating

August 26, 2009

San Diego Housing Commission, California; Other

Primary Credit Analyst:
Mikiyon Alexander, New York (1) 212-438-2083; mikiyon_alexander@standardandpoors.com

Secondary Credit Analyst:
Valerie White, New York (1) 212-438-2078; valerie_white@standardandpoors.com

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Credit Profile		
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Long Term Rating	AA-/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' issuer credit rating (ICR), with a stable outlook, to the San Diego Housing Commission (SDHC).

The ICR reflects our opinion of the following strengths:

- A moderate likelihood of extraordinary government support from the federal government, resulting in a one notch upgrade to 'AA-' from the stand alone 'A+' credit rating of SDHC pursuant to our government related entity (GRE) criteria, under which we assess a strong link and a limited importance role between the federal government and SDHC;
- SDHC's very strong profitability and its growing trend of net working capital;
- SDHC's strong overall management and a strategic plan that supports the commission's mission to provide quality low income housing;
- SDHC's position as one of the leading provider of affordable housing opportunities for lower income families and individuals in the city of San Diego;
- A strong development arm that maximizes external resources, which has been successful in developing mixed-finance projects;
- SDHC's strong leverage ratios, and additional income and financial support from the mixed-income and mixed-use sites; and
- SDHC's decrease in reliance on appropriated federal funding streams year to year.

The strengths are offset by our opinion of the following factors:

- Potential local real estate market instability in San Diego that could increase vacancy and introduce low net-operating income for the mixed-income and mixed-use sites;
- Low cash flow coverage induced by high operating activities; this is off set by the commission's current environment of low interest expenses on outstanding debt and high profitability; and
- Growing new operating activities that can impede on existing profitability levels.

The rating reflects our view of the strong management of SDHC over the last 10 years, as evidenced by a trend of improvement in overall operational performance, portfolio quality, and financial management. SDHC is one of the last public housing authorities created in 1979, with a fairly young housing stock that includes 1,800 multifamily units within scattered sites throughout the city of San Diego.

A key rating factor is the management team and what we consider its well-developed strategic plan with clear goals and overall objectives. Standard & Poor's believes that the management at SDHC has the wherewithal to balance new development and rehabilitation prudently in a manner that makes the most use of its resources to improve its overall housing stock. In 2008, SDHC transitioned out of the federal public housing program in favor of a private sector affordable housing real estate model. With this management decision, SDHC is able to access equity and in our view to better utilize revenues generated from 1,350 of its 1,800 apartment units previously under the Housing and Urban Development (HUD) control. SDHC effectively maintains a level of financial stability while achieving its overall affordable housing goals.

Standard & Poor's believes SDHC has demonstrated a strong ability to leverage resources and develop partnerships in its efforts to revitalize its communities, as evidenced through the Housing Commission's Multifamily Mortgage Revenue Bond Program. Since 1982, the bond program has issued $1 billion in tax-exempt bonds to provide below-market rate financing for affordable housing projects. Currently more than $670 million in outstanding bonds provide financing for 45 housing communities with a total of 9,107 units - 5,821 of which are restricted at various levels of affordability. Although the Housing Authority acts as the issuer of the bonds, there is no financial liability to the city, the Housing Authority, or the Housing Commission in connection with the issuance or repayment of bonds. The bonds are special, limited obligations of the Housing Authority payable solely from private revenue sources such as project cash flows and equity payments.

In 2008, SDHCs total grant revenues from HUD made up 59% of SDHC total revenues. Of the total subsidies, 95% consisted of Section 8 Housing Assistance Program Contract (HAP) funds. Standard & Poor's believes that even with declining subsidies, this will not be a constraining factor for SDHC as they only receive capital fund grants funds for 36 public housing units, which is less than 3% of total units.

SDHC income stream consists of tenant rents, Housing Assistance Program (HAP) subsidy, and other fee-generated income from its affordable housing efforts. This fee-generated income is mainly composed of development linkage fees and administrative fees. The commission receives no city of San Diego General Fund monies. HUD provides the monthly Housing Assistance Program (HAP) rental payments under the Housing Choice Voucher Program.

Standard & Poor's views SDHC as a Government Related Entity (GRE), and therefore, we apply our recently published criteria (see, "Enhanced Methodology and Assumptions for Rating Government Related Entities," published June 29, 2009, on Ratings Direct). Under the GRE criteria, we view SDHC as having a "strong" link with the U.S. federal government based on the federal government policy, supported by what we see as a track record of providing strong credit support for the public housing sector under certain circumstance. We also view SDHC as having a "limited importance" role to the government because in our view, a credit default of SDHC would have a limited impact for the government. According to our criteria, this combination of the "strong" link and "limited importance" role leads us to believe that the likelihood of extraordinary support that may be available to this GRE when required is moderate.

Outlook

The stable outlook is based on our view of SDHC's management and what we consider clear, directive strategic plans to maximize its position in the San Diego market. We believe that current and future market demand for affordable housing far outweighs SDHC's existing and planned portfolio, as evidenced by a strong need for this segment of the housing market. A key factor to maintaining the rating will be our view of SDHC's ability to maintain market stability and tenant occupancy for continued profitability of its portfolio due to the low reliance on federal subsidies for its units. In addition, the stable outlook reflects our view of SDHC's current strength to carry out its continued engagement in business activities that provide the commission with additional income sources. However, SDHC could experience negative credit impact if there is a further decline in the coverage ratios due to the amount of debt the commission may incur. In our opinion, a further increase in operating activity without an increase in SDHC's profitability position could, in the long term, impair the commission's financial strength, resulting in a negative credit impact.

Business Profile

The SDHC was established by the San Diego City Council for the benefit of housing low-income San Diegans through a variety of programs. These programs include owning and managing almost 1,800 housing units, providing rental assistance for families and individuals, offering financial assistance for qualifying first-time homebuyers, and rendering both financial and technical assistance to low-income households whose older homes need rehabilitation. SDHC owns and/or operates more than 1,800 family and elderly units in 161 sites scattered throughout the city, and administers more than 13,380 housing choice vouchers. SDHC provides housing services for more than 75,000 residents of San Diego, and is the youngest public housing authority in the United States, with its oldest housing development built in 1979.

In fiscal year 2008, SDHC completed its multi-year plan to transition out of public housing owned units in favor of a private sector affordable housing real estate model. This allowed SDHC access to equity and in our view to better utilize revenues generated by 1,350 apartment units at 150 properties previously under HUD control. Simultaneously, SDHC received housing choice vouchers for the like amount of transitioned PHA units. Under this transition, HUD mandated that the commission add 350 additional affordable housing units so that current residents of public housing will remain fully supported.

Standard & Poor's believes that SDHC's essentiality to the market it serves is very strong. Like many other public housing authorities in the country, the market demand for SDHC's housing services exceeds the supply available, as evidenced by the number of people on the waiting list versus available units. SDHC has been in our view the leading provider of affordable housing opportunities for lower income families and individuals in the city of San Diego for at least the last 10 years. SDHC's Section 8 waiting list currently consists of 38,566 families, resulting in wait times of approximately five to seven years. Currently, SDHC's utilization rate for housing choice vouchers is 99.6%.

Standard & Poor's believes that SDHC's housing choice voucher program has great growth potential due to the transition of public housing units to Section 8 vouchers. With the significant wait list for the housing choice vouchers and as they administer the vouchers for the city of San Diego, we believe that the additional housing units mandated by HUD will not encounter low utilization and occupancy rates. We believe this is evident as occupancy rates for SDHC-owned property have historically experienced full utilization, with a long waiting list.

Strategic and long-term planning

In 2004, the commission's leadership team began utilizing three-year business plans as a strategic management tool to identify priorities, guide SDHC activities, and align staff and resources behind common goals. The plan breaks down all goals into 66 strategies in support of five business plan goals. Each goal has a starting date, action to implement, measurements of completion, scheduled completion date, and estimated cost and funding source for each goal.

The five goals are:

- Continue to be the leading provider of affordable housing opportunities for lower income families and individuals in the city of San Diego.
- Achieve financial independence and economic stability through the application of private sector business practices within the context that the commission's highest priority is to provide homes at below-market rates for those who can least afford it.
- Become the regional housing leader, expert, and authority in initiating and implementing new, progressive solutions for San Diego's affordable housing needs.
- Provide a positive customer experience through the seamless, efficient, and professional delivery of our products, programs, and services.
- Become an employer of choice in San Diego.

Standard & Poor's believes the business plan provides a clear and exhaustive path for the commission to pursue.

Governance And Management

The SDHC is governed by the city of San Diego Housing Authority. The Mayor recommends, and the City Council approves seven members to serve as the more general structure of the SDHC board who report to the eight city council members. The functions of the city of San Diego Housing Authority are to provide public and affordable housing to San Diegans; these functions are performed by SDHC. Consistent with HUD regulations, two of the appointees are residential members which include one elderly resident member.

SDHC's organizational structure is composed of a president and chief executive officer (CEO), an executive vice president & chief operating officer, senior vice president real estate, and six vice presidents. The President and CEO are responsible to the Board of Commissioners and the city of San Diego Housing Authority. The vice presidents report to the CEO and chief operating office (COO), or to the senior vice president real estate, and are charged with developing and operating all programs and activities.

Standard & Poor's believes that the SDHC senior staff team consists of experienced professionals, with well over 40 years of Public Housing Authority and Affordable Housing experience collectively. SDHC has a formal succession plan that is administered through the commission's specialized professional development program.

Portfolio And Asset Management

SDHC owns and operates more 1,800 units in 151 multifamily projects, including 39 scattered single-family homes throughout the city of San Diego. Included in its portfolio are 1,350 housing units that were formerly public housing units, mixed-use sites (including commercial components), and mixed-finance properties, with market rate units mixed in with properties. Unit size ranges from one-bedroom to six-bedroom units. The bulk of the portfolio consists of two- and three-bedroom units. Currently, the commission has a low level of debt tied to its properties.

Upon repositioning the portfolio from public housing to the private sector affordable housing model, SDHC received 1,354 HUD housing choice vouchers. Public housing residents, with low-income household earnings no greater than 80% area median income, were immediately granted vouchers as the units became available at a varying range of affordable rents. Under the change in the portfolio, HUD required that SDHC implement a relocation program for families who wanted to utilize their vouchers in units outside of the SDHC portfolio. To date, only 10% of the families have participated in the relocation program opting out of SDHC units. Standard &

Poor's considers the low level of participants in the relocation program as a strength and a direct indication of prudent asset and property management that has lead to tenant satisfaction with SDHC.

As apart of the ICR review, Standard & Poor's conducted a site visit of a sampling of the portfolio; we ranked the portfolio an overall '2', with '1' being the highest and '5' being the lowest. Physical curb appeal on newly developed or acquired and renovated properties is in our view excellent and, in some cases, better than surrounding properties in the neighborhood. One difficult portion of the commission's portfolio is its scattered site inventory. Consisting of almost 25% of SDHC's total units, these are stand-alone properties located in various neighborhoods throughout the city. Regular maintenance of these diversely geographically-located units can be challenging to the commission's asset management staff. We believe the commission has proven their prudent asset management with short turnarounds on maintenance and repairs.

According to Reis, the San Diego apartment market for investment-grade market rate units has weakened, with negative net absorption and flat rents. However, with the apartment market weakening nationally, San Diego still posted the tenth-lowest vacancy rate among the top markets tracked by Reis. Reis reported the fourth quarter vacancy rate is 3.9%, up 30 basis points from the prior quarter and 20 basis points year over year. Rents are stable with marginal declines in the San Diego market. Overall, the rental market in San Diego has remained stable amid a looming recession in state of California. Reis predicts both the vacancy rate gain and rent decline will be limited and will last only one year.

According to HUD, the Fair Market Rental (FMR) rates for a one-bedroom unit are $1,168; for two bedrooms is $1,418; and for three bedrooms is $2,067. SDHC average rents for one-bedroom units are $568; for two bedrooms $740 and for three bedrooms $1,274. On average, the commission has experienced rates lower than the FMR rates, which in our view is an indication that housing choice vouchers provide room for increases in revenue growth due to potential for increases.

Standard & Poor's believes that SDHC demonstrates strong efficiencies in its property management functions. SDHC has a total of 13 property managers. Each property manager oversees approximately 125 units. In addition, the SDHC employs three standing security guards stationed at four locations during afternoon and evening hours, and additional security personnel is available when special circumstances arise. One major area of operational stability was in the unit turnaround time, which remained steady from 2004 to 2007, ranging from 12 days to 19 days. However, in 2008, SDHC experienced a higher turnaround time of 79 days as the units were transitioned out of public housing-owned units to affordable housing, as the commission completed minor renovations, and as the commission conducted relocations of tenants. Unit occupancy rate has been steady over the past five years, averaging about 98%, and is at 95% for 2008. Rent collected as a percentage to gross rent charged has remained steady in the last five years with more than 99% on average of rent collected.

Development And Rehabilitation

SDHC has procedures and systems for prioritizing capital needs improvements that Standard & Poor's believes are sufficient to keep up with physical conditions, preventive maintenance systems, administrative systems, and security systems. Prior to completing capital needs, we understand that SDHC's maintenance department staff and property managers conduct an assessment of all capital-improved needs at each site. Recommendations from this assessment are forwarded to the Assistant Director of Housing Programs for review. Once the items are reviewed by all of the appropriate staff, the work items are reviewed and prioritized based on funding availability. A final determination is made by the Housing Construction Officer and the Director of Asset Management.

Over the course of the next five years, we understand that the agency intends to acquire and/or develop 350 new public housing units. Standard & Poor's believes that the scope of work for the development of these units is within the realm of work that the SDHC has experience in. We understand that, currently, the commission has identified 900 units which it plans to acquire; this process has not been complete as the commission is undergoing the due diligence necessary to leverage the appropriate funds for the acquisition. The commission has acquired more than a third of its existing portfolio and has developed the remaining since 1979.

Financial Profile

SDHCs financial polices are in our view well established and contain sufficient oversight and prudence consistent with an 'AA-' rating. SDHC is among the highest-rated housing authorities that have represented high profitability. The commission's finances are managed through its finance department, which consists of four units: budget, general ledger, accounts payable/accounts receivable, and treasury. SDHC's financial management benefits from thorough planning and budgeting, with implementation enhanced through an extensive financial reporting system.

SDHC follows all applicable HUD requirements concerning cash management and the investment of funds not required for current operations. During the course of the fiscal year 2004 audit, auditors referred to various sections of the California Government Code regarding the formal establishment; they determined SDHC was consistent with HUD guidelines for investment policy and investment reports for all local agencies. Investments are short term in nature and consist of treasuries, mortgaged-backed securities backed by government sponsored entities, collateralized repurchase agreements, and other federally supported instruments. Maximum maturity under the investment policy is six months.

Profitability performance

SDHC profitability ratios have experienced increases over the past five years, with return on equity at 10.24% in 2008 compared 7.56% in 2004 (see table 1). SDHC income has fluctuated since 2004, which is evident in the return on asset ratios. In 2005, the commission income almost doubled as the return on assets grew to 13.34% from 7.07%; however, since 2005, the income has decreased as the return on assets was 9.07% in 2008. Standard & Poor's believes this trend can be attributed to SDHC's ability to leverage funds from fee-based services, such as developers' fees and contract service revenues that adhere to its affordable housing mission, along with the volatility in interest rates on invested funds from 2006 to 2007. Despite this volatility, SDHC has maintained, in our opinion, very strong profitability due to its prudent business decisions (see table 1).

Coverage ratios

Coverage ratios are in our view relatively low due to the amount of debt incurred by the commission versus its revenues. Interest paid, as a percentage of operating revenue, is what we consider very low at 0.01% in 2008 and 0% in the previous years. Standard & Poor's expects this ratio to grow as more debt is incurred to help fund the costs of long-term development projects. However, SDHC must continue to balance the need to augment its shrinking subsidies through debt issues with the credit implications of maintaining strong coverage ratios. SDHC has a negative cash flow coverage of -85.58 in 2008; it has trended down to this level since 2005. We believe this can be attributed to the high operating activities. Standard & Poor's believes this could potentially be a factor if the commission decides to enter the debt market. With high operating activities and higher debt expenses, there is great potential for improper cash flow coverage for future outstanding debt (see table 1).

Capital structure/leverage

Leverage ratios are strong, and, in our opinion, they indicate a prudent, yet effective, approach to debt financing for SDHC's continued development activities. While total debt to capital has steadily risen since 2004 (3.93%), it is only at 8.48%. We believe this can be attributed to SDHC's ability to leverage equity contributions to its development projects through LITHC funding, excess assets from its existing affordable housing portfolio, and other sources including its own capital contribution and the deferral of development fees. Total revenue to total debt, although in a declining position from 2005, is still what we consider a strong 653.14% (see table 1).

Liquidity

Liquidity ratios show an increasing percentage of unrestricted assets to total assets since 2005. This is due to the commission's decision to invest more cash in short-term securities. Because of this decision, unrestricted cash to total asset have declined over the last five years from 2004 to 2008 to a low of 0.21% in 2008. SDHC has stated that they expect that the investment portfolio will remain sufficiently liquid to enable them to meet all operating requirements that might be reasonably anticipated. This is accomplished by SDHC's structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. In addition, a portion of the portfolio is placed in money market mutual funds or local government pools, which offer same-day liquidity for short-term funds.

Net working capital has increased to its high in 2008 of about $82 million; however, we believe this is an indication of SDHC investing its own capital in long-term development plans to improve its portfolio and give better value to their assets (see table 1).

Technological Capacity

SDHC's information technology (IT) systems provide financial management, housing management, document management, and loan management applications, as well as support to more conventional office application. Only payroll and IT support are outsourced.

We understand that SDHC plans to invest in solar photovoltaic electric generating systems. We also understand that SDHC is currently in the process of analyzing available technologies for implementation in order to offset utility costs at several "prototype" multifamily housing sites located in the north, central, and southern limits of the city of San Diego. In addition, SHDC is able to analyze its water usage based on the water conservation ordinance on Housing Commission-owned properties.

Economy

San Diego's population of 1.3 million in 2008 has risen about 1% per year since the 2000 U.S. Census. The economy consists of various high-tech clusters, including biotech and telecommunications, combined with a reliance on tourism and the military and defense industries. The city's economic base is also anchored by higher education and major scientific research institutions, including the University of California-San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center. On a per capita basis, market values are extremely strong, in our opinion, at approximately $141,000. The county assessor's office has indicated assessed valuation could fall 1.5% in 2010. Median household effective buying income is also strong, in our view, at 117% of the national average in 2008. City unemployment, which averaged 4.6% in 2007, rose to 9.5% as of March 2009, based on data from the Bureau of Labor Statistics.

Table 1

San Diego Housing Commission: Five-Year Average						
Financial ratio analysis	**2004**	**2005**	**2006**	**2007**	**2008**	**Five-year average (2004-2008)**
Property management ratios						
Rent collected (%)	99.70	99.50	97.36	99.80	99.10	99.09
Occupancy (%)	99.56	99.37	99.16	97.25	95.18	98.10
Unit turnaround (days)	12.52	12.13	19.14	10.21	79.69	27
Average total maintenance cost per unit ($)	4,504	4,410	4,806	5,820	5,695	5,047
Administrative costs/Total expenses (%)	12.54	11.57	11.70	12.21	11.42	11.89
Development costs/Total expenses (%)	0.76	1.30	1.71	1.74	1.91	1.49
Efficiency ratios						
Net income(NOI)/Total revenues (%)	3.17	14.31	11.69	9.56	13.46	10.44
Overhead costs/Total revenues (%)	84.12	72.17	78.31	77.35	75.80	77.55
Maint. costs/Total revenues (%)	4.20	3.52	3.89	4.65	4.05	4.06
Total costs/Total revenues (%)	96.83	85.69	88.31	90.44	86.54	89.56
Net rental revenues/Total revenues (%)	6.21	5.53	6.32	5.92	8.49	6.49
Operating subsidies/Total revenues (%)	0.00	0.00	0.00	0.00	0.00	0.00
Capital grants/Total revenues (%)	88.17	89.27	89.20	91.42	89.63	89.54
HUD subsidies/Total revenues (%)	88.17	89.27	89.20	91.42	89.63	89.54
Other Grants/Total revenues (%)	0.00	0.00	0.00	0.00	0.00	0.00
Overhead Cost/Total Expenses (%)	86.88	84.22	88.68	85.52	87.59	86.58
Net income(NOI)/Total units ($)	3,400.74	17,937.46	14,439.00	11,951.72	18,923.51	13,330.49
HUD subsidies/Total expenses (%)	91.06	104.18	101.00	101.08	103.57	100.18
Gross rental revenues/Total expenses (%)	0.00	0.00	0.00	0.00	0.00	0.00
Liquidity ratios						
Current ratio (x)	8.98	11.97	13.74	11.55	11.67	11.58
Net working capital (mil. $)	42,310	66,451	68,544	78,723	82,537	67,713
Unrestricted cash/Total assets (%)	14.45	19.66	0.20	0.22	0.21	6.95
Total unrestricted assets/Total assets (%)	14.45	19.66	21.42	22.07	21.78	19.87
Coverage ratios						
Cash flow coverage (x)	(262.93)	(357.73)	(335.83)	(113.59)	(85.58)	(231.13)
Interest/Operating revenues	0.00	0.00	0.00	0.01	0.01	0.00
Leverage ratios						
Total debt/Total capital (%)	3.93	5.69	4.89	10.06	8.48	6.61
Long-term debt/Total capital (%)	3.82	5.61	4.79	9.92	8.37	6.50
Current debt/Total debt (%)	2.91	1.53	1.96	1.41	1.22	1.80
Equity/Total assets (%)	93.43	92.06	93.27	87.92	89.28	91.19
Total revenues/Total debt (%)	1,749.52	1,187.60	1,256.19	536.39	653.14	1,076.57
Debt per unit ($)	6,283	10,777	10,169	24,315	22,292	14,767
Unrestricted assets/ Total debt (%)	377.77	353.60	446.67	224.30	263.45	333.16

Table 1

San Diego Housing Commission: Five-Year Average (cont.)						
Profitability ratios						
ROE (%)	7.56	14.40	10.27	9.38	10.24	10.37
ROA (%)	7.07	13.34	9.52	8.48	9.07	9.50
Capital adequacy ratio						
Leverage ratio (%)	377.77	353.60	446.67	224.30	263.45	333.16
General obligation leverage ratio (%)	0.00	0.00	0.00	0.00	0.00	0.00
General obligation debt exposure (%)	0.00	0.00	0.00	0.00	0.00	0.00

Related Research

USPF Criteria: "U.S. Public Housing Authority Issuer Credit Rating," Nov. 13, 2007