September 2016

SDHC's Growing Economic and Community Impact on San Diego

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Letter to the Reader

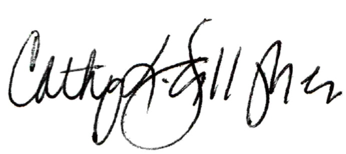
September 2016

The Fermanian Business & Economic Institute at PLNU specializes in a variety of business and economic consulting services dedicated to discovering insights that effect change for individuals, for profit and non-profit businesses and organizations, and government entities throughout the region, as well as nationally and internationally. The Institute is pleased to have a skilled team of consultants, economists, and researchers to be a source of expertise and a resource for firms and organizations by providing them with insights that support and clearly define their role in the community.

In the following report, *SDHC's Growing Economic and Community Impact on San Diego*, we attempt to quantify the economic impact of SDHC on the City of San Diego and San Diego County over the past eight years (Fiscal Years 2008-15) in terms of its various channels of funding and its programs. This is primarily an analysis of new money coming into the City or County and its ripple effects on various supply chains and paths of consumer spending, since most of SDHC funding is through the federal government.

The staff of the Institute appreciated the opportunity to work on this project and would like to thank the team at San Diego Housing Commission for providing the internal documentation and data sources needed to deliver a thorough analysis of the agency over the last 8 years.

We are pleased to present this study to the agency, as well as their stakeholders and hope that the results of our study will have a positive and transformative impact at the local and national level as future programs and resources for housing and community development are developed and implemented.



Cathy L. Gallagher
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Executive Editor*, SDHC's Growing Economic and Community Impact on San Diego*
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Point Loma Nazarene University

Executive Summary

Can a government agency add economic value, be entrepreneurial, and address two of the most critical issues facing San Diego—housing affordability and homelessness? This report analyzes the San Diego Housing Commission (SDHC) over the past eight years as a positive answer to these questions.

SDHC was founded in 1979 as a public agency to help low and moderate-income households in the City of San Diego secure affordable housing as a pathway to an improved quality of life. As a developer, property owner, lender, and provider of rental assistance, SDHC is a key player responsible for helping individuals and families secure affordable housing in the area's perpetually tight housing market.

- SDHC today assists about 89,000 people, compared with about 74,000 eight years ago. Individuals benefit from four primary SDHC program functions: federal housing vouchers for low-income housing, low- and moderate-income housing in units owned or managed by SDHC, loans and grants provided to developers to build affordable housing along with assistance to first-time homebuyers, and SDHC's various homeless programs.

- While SDHC's direct or budgeted spending has increased only about 7% over the past eight years and employment has been relatively flat, its impact on the overall region's GRP has expanded by more than 50%. This indicates the impact of the innovative programs and initiatives adopted by this government agency as it tackles the various dimensions of San Diego's housing problem.

- SDHC, including its nonprofit affiliate, Housing Development Partners (HDP), owns or manages more than 3,000 rental housing units, provides federal housing vouchers to about 16,000 families, oversees a loan portfolio of more than $300 million, and helps more than 4,000 homeless San Diegans.

- The SDHC currently distributes federal housing vouchers to about 16,000 households annually, serving nearly 40,000 individuals, to provide assistance in the region's expensive rental market.

- In fiscal year (FY) 2015 (July 1, 2014-June 30, 2015), SDHC injected a total of $226 million into San Diego's economy. These funds entered the region through a number of channels, including housing vouchers, loans, grants, outlays for property maintenance, employee compensation, services and supplies, and capital spending.

- Including all of the multiplier or ripple effects, SDHC was responsible for creating about 2,900 jobs in the City of San Diego in FY 2015 and more than 3,200 jobs in the County. These jobs spanned a wide range of industries, including building maintenance, health care, retail, financial services, food services, insurance, and education. This compares with the approximate 2,100 jobs generated in the City in FY 2008 and about 2,400 in the County.

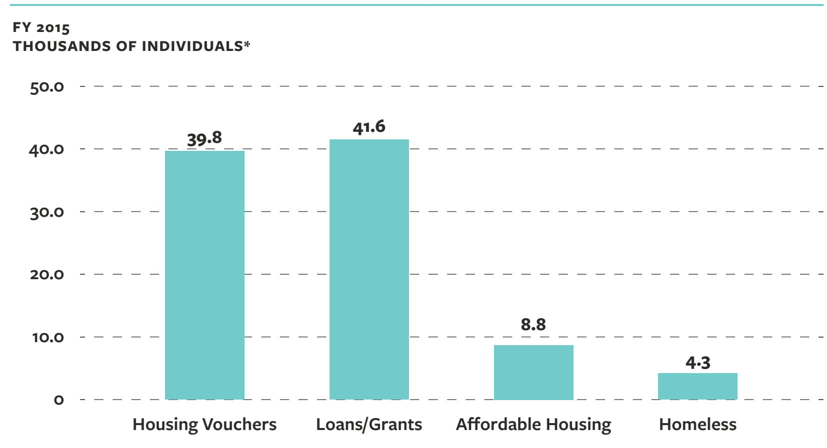
- In 2015, SDHC launched a major initiative to work with various government agencies to produce housing more quickly and reduce the time and other costs involved in the development and construction of affordable housing.

- SDHC has demonstrated the power of entrepreneurship and collaborative relations fostered with borrowers, lenders, developers, builders, civic leaders, and non-profit organizations in raising the supply of affordable housing. It is vital for the region that it continues to amplify the successes of the past eight years.

- The total economic impact of SDHC's direct spending generated about $250 million of Gross Regional Product (GRP) in the City of San Diego in FY 2015 and approximately $280 million in the County. These numbers were each around $100 million higher than the totals recorded eight years prior.

- Nearly 14,000 households realized average rent savings of $520 a month in FY 2015 in affordable housing units financed by loans and grants secured through SDHC. This represented a total of $86 million annually in the boost to effective income or buying power of families occupying these units.

SDHC Reaches 89,000 San Diegans

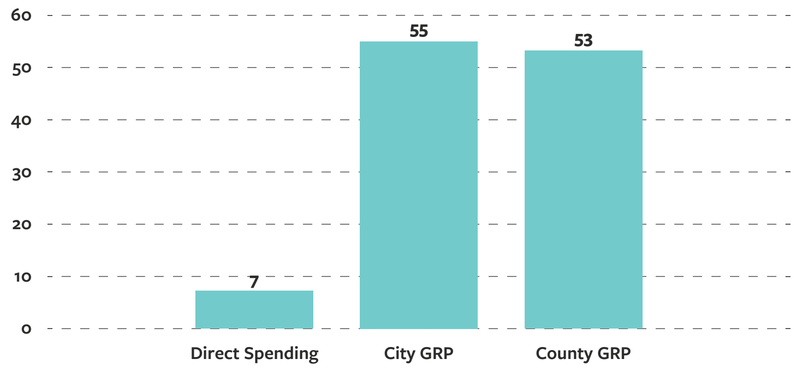


* Some individuals benefit from more than one SDHC program

Source: SDHC, FBEI

SDHC's Impact Dwarfs Its Outlays

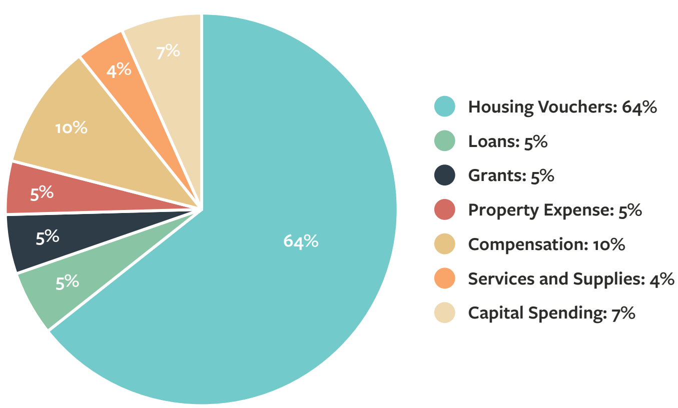
PERCENT GROWTH, FISCAL YEAR 2008-2015



Source: FBEI

SDHC Directly Channels Nearly $230 Million into San Diego's Economy

PERCENT OF DIRECT SPENDING, FY 2015



SDHC's Total Economic Influence Increases

FISCAL YEARS

	2008 City of San Diego	2015 City of San Diego	2008 San Diego County	2015 San Diego County
Direct Spending ($ millions)	$211	$226	$211	$226
Jobs	2,092	2,864	2,362	3,210
GRP ($ millions)	$160	$248	$182	$279
Income ($ millions)	$241	$314	$255	$334

Source: FBEI

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SECTION I

Introduction: Study Purpose and Scope

What is a government agency worth? Generally, one only thinks about the expense of government offices, but do government entities also create economic value? Government organizations are also typically thought of as colossal bureaucracies. But, can they be entrepreneurial and innovative? Finally, is there a public entity that is making inroads in addressing two of the most pressing issues of our time—housing affordability and homelessness?

In answering these questions, this report analyzes the work and impact of the SDHC over the past eight years, 2008-15. It quantifies the economic impact, examines its entrepreneurship and innovation, and analyzes its impact on housing issues facing San Diego.

Background

SDHC, founded in 1979 as a public agency, focuses on helping low and moderate-income households in the City of San Diego secure affordable housing as a pathway to an improved quality of life. As a developer, property owner, and lender, SDHC is a key player responsible for helping individuals and families secure affordable housing in the area's perpetually tight housing market. Funded primarily by the U.S. Department of Housing and Urban Development (HUD), it is also accountable to SDHC Board of Commissioners, an independent body composed of seven members appointed by the Mayor and confirmed by the City Council, and the Housing Authority of the City of San Diego, which is composed of all nine members of the City Council.

Although a government agency, SDHC over the past several years has developed many of the entrepreneurial characteristics of a private enterprise as it strives to put federal, state, and local funds to work quickly and productively. Its results suggest that it might be viewed as a role model for other government entities.

Enabled by a 2007 federal agreement, it has used public-private partnerships to create new affordable housing. SDHC is currently one of only 39 of a total 3,400 housing agencies in the U.S. to receive the "Moving to Work" status from HUD. This designation allows SDHC to innovate and develop new solutions to help provide housing and related services to low-income individuals and families.

SDHC's mission can be divided into four primary areas:

- Rental Assistance: SDHC manages the federally funded Section 8 Housing Choice Voucher (HCV) (Section 8) program, providing rental assistance to low-income families.
- Affordable Housing: SDHC owns and manages affordable rental housing units, while also helping to funnel grants and loans for the production, renovation, and preservation of affordable housing units.
- Homelessness Solutions: SDHC uses federal rental assistance vouchers and other means to address the various needs of San Diego's homeless population.
- Workforce Development / Self-Sufficiency: SDHC provides education, job-training, counseling and other programs to help families receiving rental assistance access opportunities to become more self-reliant.

Purpose

The primary purpose of this study is to quantify the economic impact of SDHC on the City of San Diego and San Diego County over the past eight years (Fiscal Years 2008-15) in terms of its various channels of funding and its programs. Since almost all of SDHC funding originates from outside the region (the federal government), this is primarily an analysis of new money coming into the city or county and its ripple effects on various supply chains and paths of consumer spending.

The Study also examines the growth of the agency in terms of the number of individuals impacted by its various programs and identifies the primary channels of direct spending. The impact of that direct spending and its various ripple or multiplier effects on total jobs, personal income, and GRP for both the city and county of San Diego was also analyzed. Finally, conclusions are presented highlighting where SDHC has been particularly successful, where some of the most promising opportunities may lie for the future, the challenges facing the agency, and how SDHC is addressing those hurdles.

Comparison to FY 2014 Report

This report updates and expands the analysis presented in "*SDHC: Its Housing Footprint, Community Role, and Economic Impact on San Diego*," published in November 2015 by the Fermanian Business & Economic Institute at PLNU. The numbers for FY 2014 (July 1, 2013-June 30, 2014) are slightly different from those published at that time, reflecting a number of revisions in the data and underlying models.

The total for direct spending has been redefined to exclude rent savings, which are now captured in the total economic impact. Rent savings estimates are much higher since grants, as well as loans used to fund the production of affordable housing units are encompassed in this report.

The job totals are similar in this study to the prior report, although they are slightly higher for the county and lower for the city. This reflects primarily the impact of new underlying data for the San Diego region that has been released by various U.S. government agencies, as well as updates to input-output coefficients as reflected in the current revised IMPLAN models. GRP figures are slightly higher for both the county and the city than included in the prior report due to these data and model revisions. These revisions have also boosted the city and county figures for total personal income. ■

SECTION II

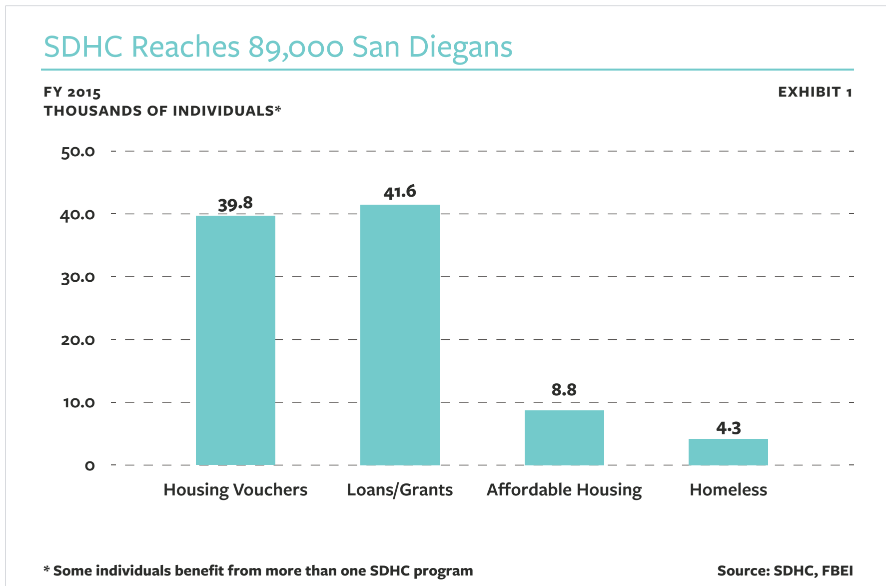
SDHC'S Footprint

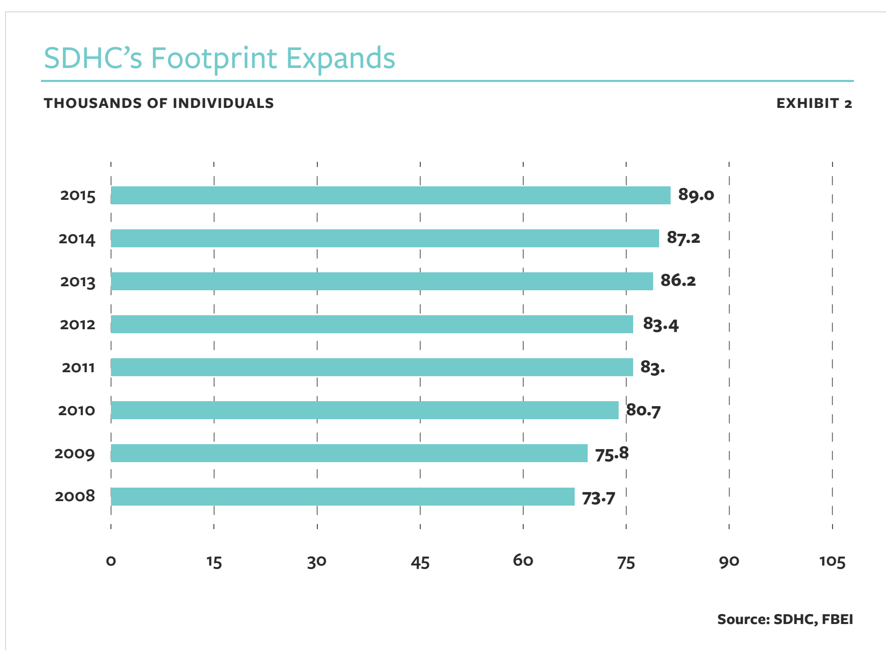
The most direct way to measure the impact of SDHC on the San Diego region is to look at the number of households and individuals directly affected by SDHC's programs. For FY 2015 (July 1, 2014-June 30, 2015), this number stood at about 89,000 people, including a sizable number who might have benefited from more than one of SDHC's programs. ***(See Exhibit 1)***

Eight years ago, in FY 2008, SDHC touched about 74,000 individuals. That number steadily climbed during the recession, helping many San Diegans who lost their jobs during the sharp downturn when San Diego employment dropped by nearly 100,000. In FY 2015 the total reached 89,000. ***(See Exhibit 2)***

SDHC's influence across San Diego's population encompasses four primary groups.

- Rental Assistance
- Affordable Housing
- Homelessness Solutions
- Workforce Development and Self Sufficiency

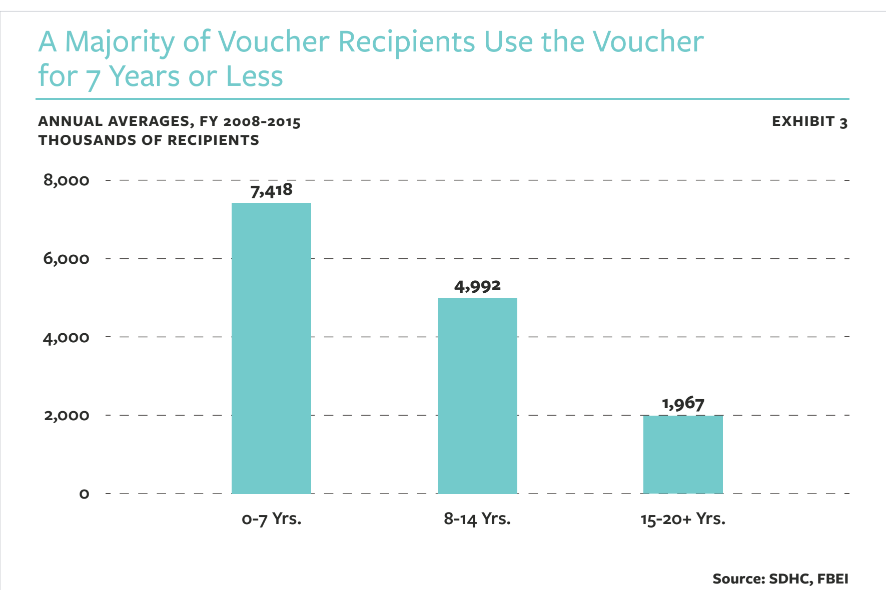




Federal Housing Vouchers

Housing vouchers were provided to 15,812 households in FY 2015 to assist low-income individuals and families to meet their rent obligations. These include federal housing vouchers provided to homeless veterans as well as Section 8 recipients. This number has held at approximately 15,500 during the past two years. In FY 2008, the number of vouchers was slightly less than 14,000. Both the number of vouchers and the number of individuals served have increased by about 2,000 over the past two years. There has been a small decline in the average family size served by federal housing voucher programs from 2.73 persons per household in FY 2008 to 2.52 persons in FY 2015. This may reflect a rise in the number of elderly residents with smaller household sizes.

Slightly more than half of HCV, or Section 8 recipients, are elderly or disabled. Approximately 70% of households identified as able to work (work-able) households have earned income. Nearly one-third of all recipients have jobs and vouchers are typically not needed on a permanent basis. A majority of federal housing voucher recipients uses the voucher for seven years or less. ***(See Exhibit 3)*** Demand is so strong relative to supply that there is currently a waiting list of 72,000 eligible households for a Section 8 housing voucher.



Affordable Housing

As of FY 2015, a total of 3,135 households lived in affordable housing units owned or managed by SDHC. This number is about one thousand, or 40%, higher than eight years ago ***(See Exhibit 4)*** In addition to the 1,366 former public housing units it purchased in 2007 from HUD in a landmark agreement, SDHC has pursued multiple means of acquiring additional affordable housing units over the past several years.

In 2009, SDHC Board of Commissioners and the Housing Authority of the City of San Diego approved the Finance Plan for Acquisition of New Affordable Housing Units (Finance Plan). The Finance Plan was created to leverage equity from a portion of SDHC's real estate portfolio to acquire additional affordable housing in the City of San Diego.

As of 2015, SDHC's nonprofit affiliate, HDP, owned and managed more than 1,000 housing units, more than double the number of eight years ago. These include 226 units that opened in FY 2016. These units have been created through both new construction and the rehabilitation of existing buildings. HDP projects are funded either through partnerships with investors or by its own special initiatives including tax credits, bonds, and private debt.

The renovation of SDHC-owned Hotel Churchill is an example of such a project. Opening in August 2016, it will provide 72 affordable studios for homeless individuals, including 56 units that will serve homeless veterans. To help meet the vast need for housing the City's most disadvantaged residents, the goal of HDP is to add one new property to its portfolio each year.

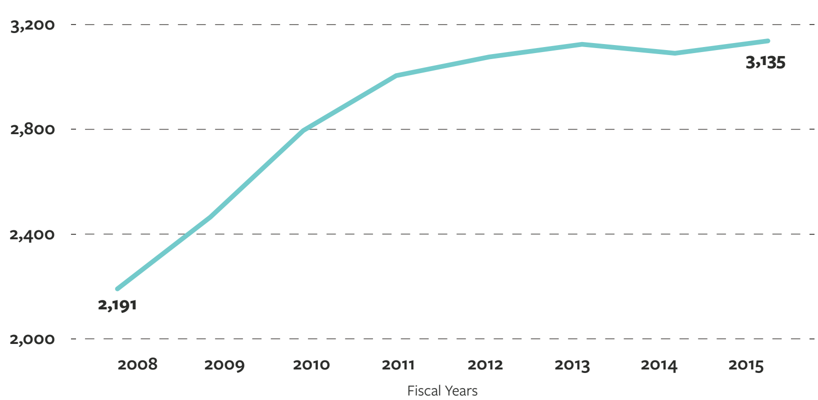
SDHC's responsibilities do not end with the creation of new affordable housing units; it is also accountable for the maintenance of these properties. The focus of SDHC Real Estate Division is to ensure the long-term viability of its real estate assets. In addition to routine short-term maintenance, SDHC is responsible for long-term property maintenance and renovations. It has a 20-year capital improvement timeline for its properties, which currently average more than 35 years old, to maintain a quality living environment for its residents.

Loans and Grants

SDHC's extensive loan program directly and indirectly served more than 16,000 households, or about 42,000 individuals, in FY 2015. This represented a notable gain from the 12,000 households, or 31,000 individuals, served by the different lending programs in 2008. ***(See Exhibit 5)*** SDHC helps low- and moderate-income households finance their first home and makes loans for home rehabilitation. SDHC also finances the development of new multi-family housing through loans and grants, which resulted in rent savings for approximately 14,000 households in 2015.

SDHC Portfolio of Affordable Housing Units Expands by 1,000 in Eight Years*

NUMBER OF UNITS **EXHIBIT 4**

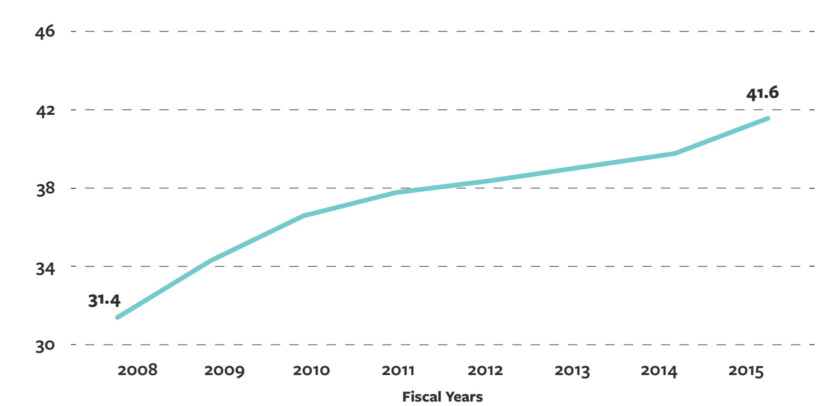


*** Includes only completed units. An additional 226 HDP units were completed in FY 2016.**

Source: SDHC, FBEI

Loans & Grants Benefit Homebuyers and Affordable Housing Supply

THOUSANDS OF INDIVIDUALS **EXHIBIT 5**



Source: SDHC, FBEI

Homelessness Solutions

SDHC reached more than 4,000 homeless individuals during FY 2015, more than double the individuals accommodated in 2008. A wide array of housing and services are provided, involving numerous partners and organizations in the region. SDHC support involves providing homeless San Diegans with access to temporary shelter or permanent housing, storage facilities, and a wide array of services, including medical care, counseling, job training, and placement via pass-through grants to service providers.

SDHC is the lead organizer for Project Homeless Connect, which is the annual one-day event providing the homeless with clothes and a variety of services, including flu shots, dental exams, haircuts, housing counseling, and legal aid. In 2015 Project Homeless Connect assisted 1,145 homeless San Diegans and more than 80 organizations provided services. SDHC and HDP have carved a special niche in providing Permanent Supportive Housing (PSH) for homeless San Diegans. These programs aim to provide homeless individuals and families with housing and a full wrap-around package of various health care and social services.

SDHC's reach across the community has thus expanded significantly during the past eight years through its various touch points. Some of the most impressive numbers and gains have occurred in the area of production or renovation to increase the supply of new affordable housing, facilitated by SDHC direct investment, loans, and grants. ■

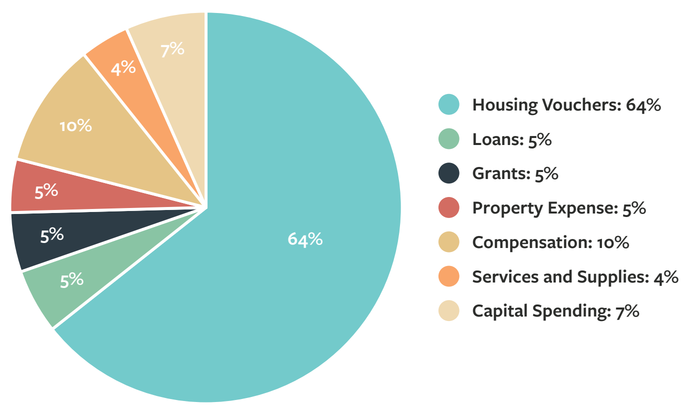
SECTION III

Channels of Direct Spending

In fiscal year 2015, SDHC injected a total of $226 million of stimulus into San Diego's economy. This represents about a 7% increase over the $211 million of direct spending in 2008. These funds entered the economy through a number of different channels, which can be analyzed in terms of seven major categories. (*See Exhibits 6 and 7*)

SDHC Directly Channels Nearly $230 Million into San Diego's Economy

PERCENT OF DIRECT SPENDING, FY 2015 — **EXHIBIT 6**



Source: SDHC, FBEI

SDHC Funds Feed Directly into San Diego's Economy

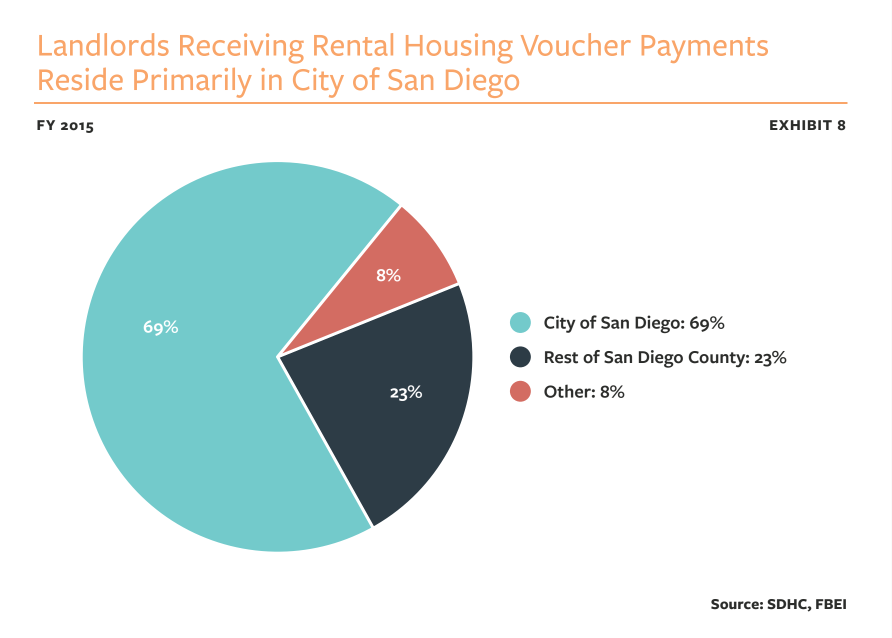
MILLIONS OF DOLLARS, FISCAL YEARS — **EXHIBIT 7**

	2008	2009	2010	2011	2012	2013	2014	2015
Housing Vouchers	126.6	139.2	144.8	145.9	147.8	150.9	147.3	145.8
Loans	22.2	17.4	39.9	21.7	16.9	17.1	18.3	12.1
Grants	5.6	4.5	5.1	3.8	5.9	6.7	17.1	11.1
Property Expense	4.5	5.9	6.5	9.5	6.7	7.5	8.7	10.0
Compensation	14.3	16.7	18.3	19.5	20.4	22.6	23.7	23.3
Services and Supplies	7.8	7.7	10.8	10.4	9.9	8.2	8.8	9.2
Capital Spending	30.0	0.2	18.7	51.3	0.5	20.0	3.2	15.1
Total	211.0	191.8	244.1	262.1	209.1	234.0	227.1	226.5

Source: SDHC, FBEI

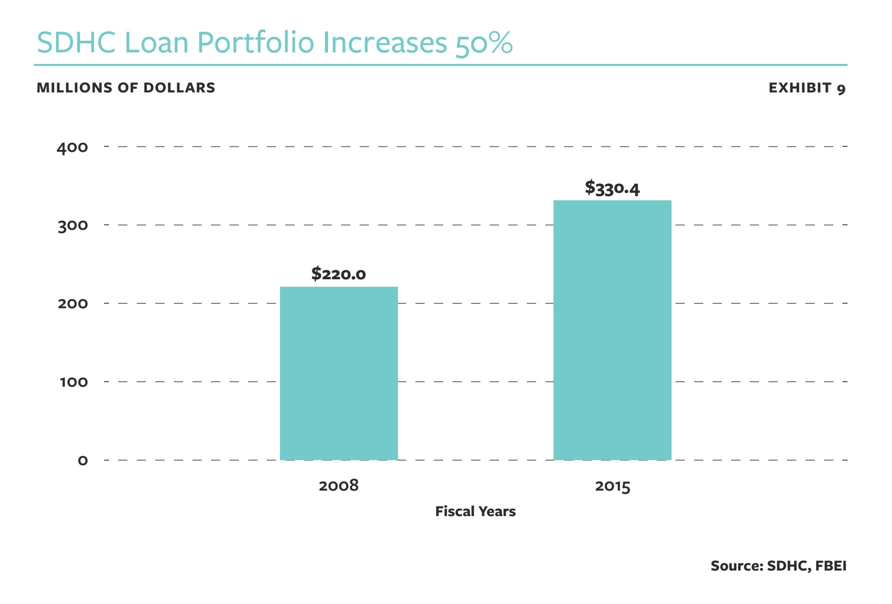
Federal Housing Vouchers

Federal Housing vouchers represent the largest dollar amount of SDHC direct economic spending, equaling close to $146 million in FY 2015, or more than three-fifths of the total. This compares with the $127 million of eight years ago. Households receiving rental assistance either are able to secure housing with more educational or transportation options than would otherwise be the case or are able to buy more of other goods and services. It should also be noted that nearly 70% of the landlords receiving these federal housing voucher rental payments live in the City of San Diego, and 92% of them live in the County of San Diego. ***(See Exhibit 8)***



Loans

Loans funded by SDHC amounted to $12.1 million in FY 2015 and went to buyers of single-family affordable housing, to help with the rehabilitation of single-family homes, and for the development, acquisition, and rehabilitation of multi-family affordable housing. SDHC's current loan portfolio stands at about $330 million, a 50% gain over the total outstanding at the end of FY 2008. ***(See Exhibit 9)***



Grants

Grants from HUD and other sources equaled $11.1 million in fiscal year 2015. These were used for homeless programs along with renovations and conversions for additional affordable housing. The dollar sum was double the figure of eight years prior.

Property Expense

Property expense summed to about $10 million in FY 2015. This covered a wide range of services necessary for the maintenance and repair of SDHC's affordable housing units. These included painting, cleaning, inspection, remodeling, utilities, and a myriad of other functions. As SDHC's portfolio of owned or managed units has climbed, maintenance and repair costs have as well. For example, in FY 2008, they summed to only about $4.5 million.

Compensation

SDHC employed an average of 266 individuals in FY 2015, earning a total of $23 million in total wages and benefits. The employment totals have been fairly stable in recent years even as the agency's scope has widened. Jobs at SDHC span a wide range of professions, including financial analysts, accountants, loan underwriters, property inspectors, information technology (IT) specialists, and many others.

Services and Supplies

Expenditures for SDHC operations and supplies totaled $9.2 million in FY 2015. Most of these expenditures were for software, legal, accounting, property management, insurance, and consulting. Other expenses covered banking fees, postage, and delivery services. These various operational costs have been relatively stable over time.

Capital Spending

Capital spending totaled about $15 million in FY 2015. This category includes major acquisitions of land or buildings along with improvements and renovations of complexes owned by SDHC as part of its affordable housing programs. Expenditures on furniture, fixtures, and equipment (including some computer hardware) are also included in this group. Because capital expenditures ebb and flow with the incidence of major building or development projects, the totals have varied widely from year to year over the FY 2008-15 period. Expenditures for principal payments on debt and mortgage payments made to Fannie Mae and others were not included in this analysis since these payments were made to creditors outside of the region.

The $226 million of funds received by SDHC and directly injected into the economy represent principally "outside" money or expenditures that are not simply diverted from other possible uses in the region. The bulk of the funds represent federal dollars, with the State of California also providing some additional support. ■

SECTION IV

SDHC'S Economic Impact

Tracing the Ripple Effects of SDHC Spending

SDHC spending affects the San Diego economy through a number of different routes. Federal housing vouchers raise the effective incomes of recipients, giving them more purchasing power and enabling them to spend more on various goods and services. The rental payments made with these vouchers are paid primarily to landlords residing in the San Diego region.

Nearly 14,000 households realized average rent savings of $520 a month in FY 2015 in affordable housing units financed by loans and grants secured through SDHC. This represented a total of $86 million in the gain in effective income or buying power of families occupying these units. The expansion of SDHC's impact in boosting the supply of affordable housing is illustrated by the $20 million gain in this rent savings figure from the $66 million of eight years ago. ***(See Exhibit 10)***

Other direct spending benefits a wide range of San Diego firms involved in construction, building maintenance and repair, finance, various professional and business services, property management, and technology.

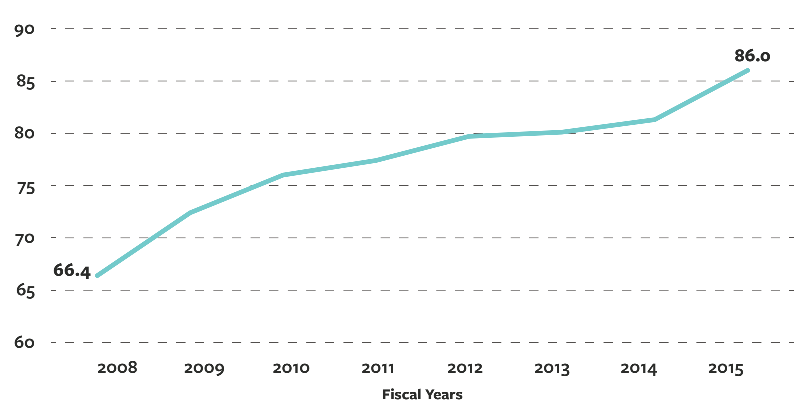
The $226 million of direct spending by SDHC is only the starting point for quantifying the total economic impact. Supply chain and consumer spending effects must also be included.

To illustrate these effects, consider the renovation of one of SDHC's apartment complexes. The contractor will need to hire employees and subcontractors while purchasing building materials and supplies to complete

Rent Savings Increase $20 Million Since 2008

MILLIONS OF DOLLARS

EXHIBIT 10



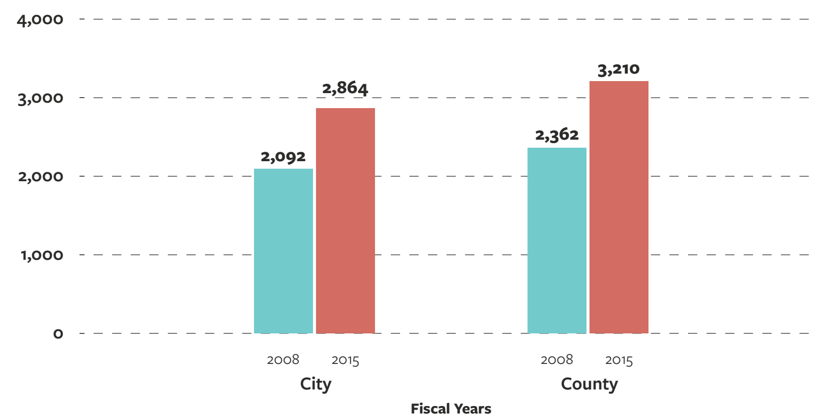
Source: SDHC, FBEI

the project. These represent the supply chain effects. Consumer spending effects occur as employees of the primary contractor, subcontractors, and others along the supply chain spend part of their resulting earnings in the region. The total economic impact is measured as the sum of the direct, supply chain, and consumer spending effects.

The total economic impact of any amount of direct spending will depend on the geographic size or scope of the region considered. For example, some of the spending by companies or their employees doing business with SDHC may be conducted outside the City of San Diego but still fall within the boundaries of the County.

SDHC Stimulates Job Growth

MILLIONS OF JOBS **EXHIBIT 11**



Source: FBEI

Total Economic Impact

Including all of the multiplier or ripple effects, SDHC was responsible for creating more than 3,200 jobs in San Diego County in FY 2015. These jobs spanned a wide range of industries, including building maintenance, health care, retail, financial services, food services, insurance, and education. This compares with the approximate 2,400 jobs created directly and indirectly in FY 2008. ***(See Exhibit 11)***

SDHC's Total Economic Influence Increases

FISCAL YEARS **EXHIBIT 12**

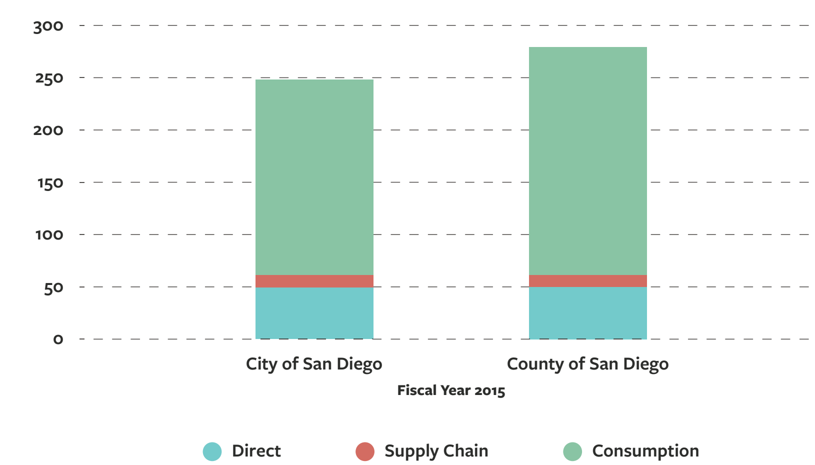
	2008 City of San Diego	2015 City of San Diego	2008 San Diego County	2015 San Diego County
Direct Spending ($ millions)	$211	$226	$211	$226
Jobs	2,092	2,864	2,362	3,210
GRP ($ millions)	$160	$248	$182	$279
Income ($ millions)	$241	$314	$255	$334

Source: FBEI

The total economic impact of SDHC direct spending generated nearly $280 million of output or GRP in the County during FY 2015. This was about $100 million higher than the figure for FY 2008. The influence of SDHC on the total value of personal income generated in the County was even larger. It includes the effect of the earnings accompanying the jobs created as well as the contribution of the government through its federal housing voucher payments. Total personal income that can be traced to the influence of SDHC equaled nearly $335 million in FY 2015, compared with $255 million in FY 2008. ***(See Exhibits 12 and 13)***.

SDHC'S Dollars Support San Diego GRP

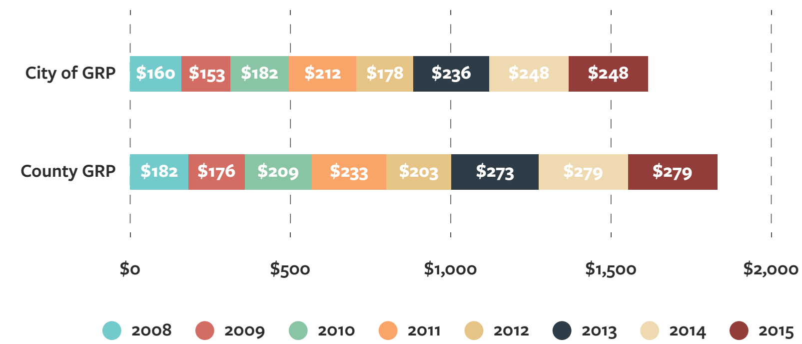
MILLIONS OF DOLLARS **EXHIBIT 13**



Source: FBEI

SDHC GRP Contribution Grows by Nearly $100 Million

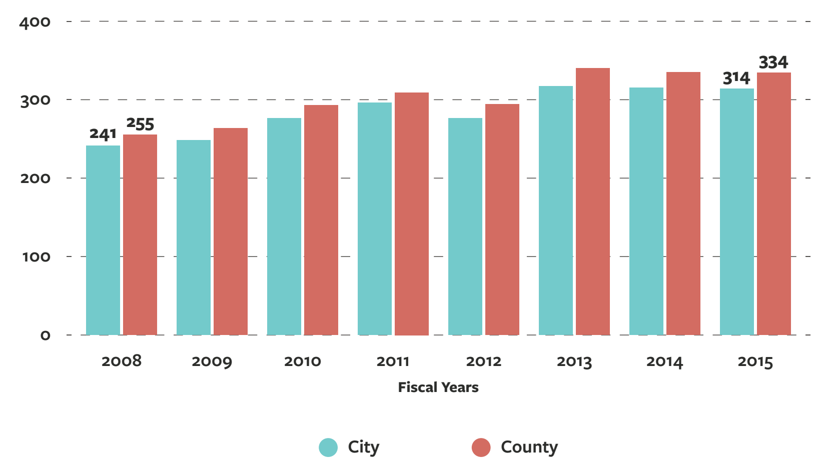
MILLIONS OF DOLLARS, FISCAL YEARS **EXHIBIT 14**



Source: FBEI

SDHC Boosts San Diego Personal Income

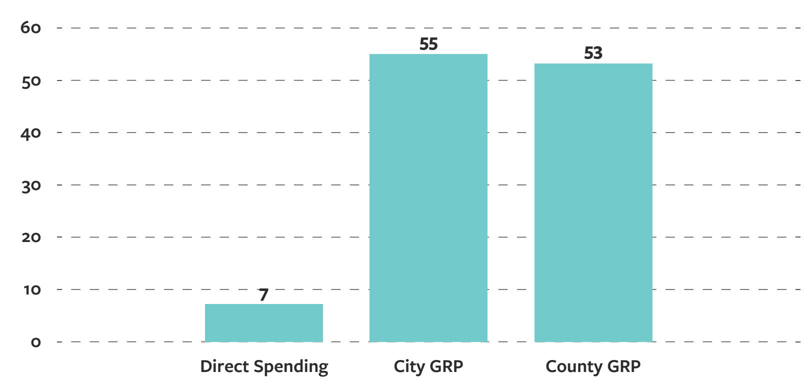
MILLIONS OF DOLLARS **EXHIBIT 15**



Source: FBEI

SDHC's Impact Dwarfs Its Outlays

PERCENT GROWTH, FISCAL YEAR 2008-2015 **EXHIBIT 16**



Source: FBEI

Analyzing the economic impact on the City of San Diego, SDHC spending was responsible for a total of about 2,900 jobs in FY 2015. SDHC also created through its combination of direct and indirect effects a total of nearly $250 million in total GRP and almost $315 million in total personal income. ***(See Exhibits 14 and 15)***

There are also a number of benefits of helping the homeless find permanent housing or becoming gainfully employed that are not quantified in this analysis. Businesses and communities could see reduced costs as these people improve their quality of life.

The expansion of SDHC's footprint and its impact on the economy have expanded much more rapidly than would have been expected given the relatively modest rise in its budget or direct spending. While SDHC's direct spending has grown only by about 7% over the past eight years, its impact on the overall region's GRP has expanded by more than 50%. This indicates the impact of the innovative programs and initiatives adopted by this government agency as it tackles the various dimensions of San Diego's housing problem. ***(See Exhibit 16)*** ■

SECTION V

Conclusions

SDHC has set its mission as the following: "Provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and to provide opportunities to improve the quality of life for the families that SDHC serves."

The past eight years have witnessed a broadening and deepening of SDHC's footprint as its overall economic impact has expanded. Housing affordability represents the biggest impediment to our region's well-being and underscores the importance of SDHC's success.

As this study documents, SDHC's expanding reach has been particularly notable over the past eight years in four areas: (1) the increase in the number of affordable housing units owned or managed by SDHC; (2) the growth in the production of affordable housing units financed by SDHC loans and grants; (3) the rise in the homeless population served by SDHC's various programs, including Housing First San Diego, permanent supportive housing models; and (4) the increase in number of low-income families served through federal rental assistance housing vouchers. The approach of "Housing First," specifically using the Permanent Supportive Housing (PSH) model, is based on the premise that individuals need to be placed in affordable, permanent housing as quickly as possible and then offered a comprehensive set of services as long as needed. This contrasts with the historical approach of providing rehabilitative services while a person is living in a temporary housing situation, such as an emergency shelter or transitional housing.

SDHC's effect on the region's supply of affordable housing, along with its impact on total employment, GRP, and personal income, has been much greater than would have been expected based on the relatively modest rise in its budget or direct spending over the past eight years. This reflects the agency's effort in fostering a culture of excellence and innovation to spur activity and produce tangible results in the areas of housing affordability and homelessness. Approaches have included initiating partnerships with investors or creating unique finance packages to acquire or develop affordable housing. In the area of homelessness, the SDHC's Achievement Academy and its various programs are other prime examples of innovative solutions.

Formidable challenges remain. San Diego's high cost of land and housing mean that housing affordability remains the primary concern of low and moderate-income families. While SDHC has materially helped to augment the support of affordable housing, large gaps persist. The 68,000 households currently on the wait list for vouchers is one indicator of this issue.

SDHC has experienced some of the same constraints in creating more housing as faced by the private sector. The FBEI study, "Opening San Diego's Door to Lower Housing Costs" (2015), showed that various aspects of government regulation directly or indirectly contribute an average of 40% to the cost of a new housing unit in San Diego County. These costs have also weighed on SDHC.

To determine how it could produce housing more quickly, reduce time and other costs, and accelerate the deployment of public funds, SDHC recently conducted an extensive study to find the core impediments and solutions.

SDHC identified 60 reasons why housing production is costly and has consistently fallen short of demand. From this report, SDHC culled eleven initiatives, primarily involving different government entities that could help increase the supply of affordable housing. These recommendations are detailed in the SDHC report, *"Addressing the Housing Affordability Crisis: An Action Plan for San Diego"* (2015).

Budget constraints and the various dimensions of San Diego's housing issues will continue to pose strategic questions for SDHC and other policymakers going forward. Three of the most important issues are:

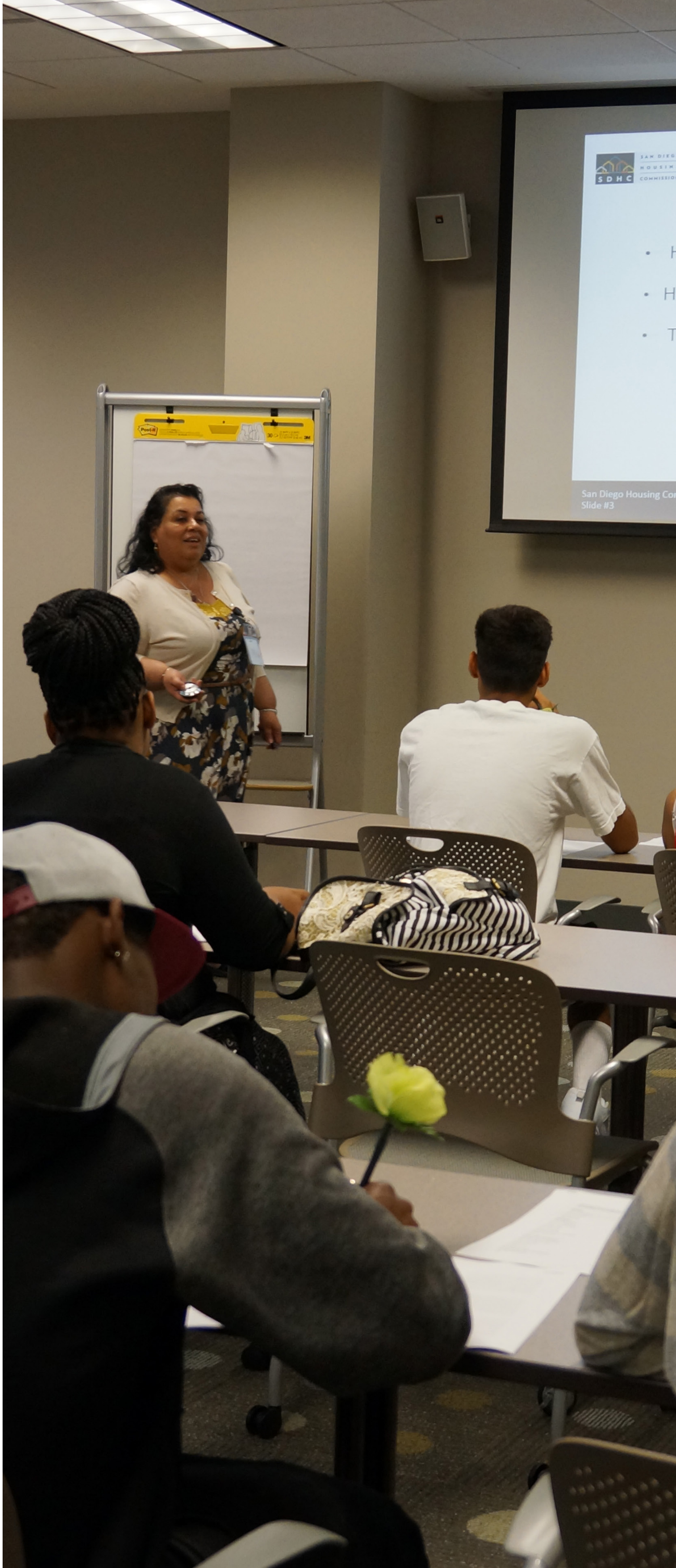
1. Increasing the supply of affordable housing.

2. Defining the most effective program combinations to end homelessness.

3. Determining the most effective funding channels for both of the above objectives.

SDHC has demonstrated the power of innovation, entrepreneurship, and collaborative relations fostered with borrowers, lenders, developers, builders, civic leaders, and non-profit organizations in raising the supply of affordable housing. The innovative approach adopted by SDHC could represent a new model for other housing agencies around the country to emulate.

It is vital for the region that it continues to amplify the successes of the past eight years.



SECTION VI

Methodology

This study began with an extensive collection of data from the various divisions within SDHC for Fiscal Year 2008 (July 1, 2007-June 30, 2008) through FY 2015. This data encompassed two primary parts. First, data was compiled to assess the SDHC “Footprint” or the numbers of individuals SDHC touches each year. Second, detailed information and statistics were gathered in terms of the dollars dispersed by SDHC through its various activities.

The Footprint section entailed collecting data on the numbers of individuals and or households benefiting from four SDHC program areas: Federal Housing Vouchers, Affordable Housing, Loans and Grants, and Homelessness Solutions. Households or individuals benefiting from more than one SDHC program were then subtracted to estimate the total number of individuals uniquely affected each year by SDHC.

The dollars spent directly by SDHC were collected for each of the seven major categories: Federal housing vouchers, loans, grants, outlays for property maintenance, employee compensation, services and supplies, and capital spending for each of the eight years. Each of these categories included a number of more granular entities. For example, property expense included water, gas, electricity and other utilities, maintenance, and security. Careful analysis was taken to ensure that all data collected was based on a consistent accounting method and there was no double counting across spending categories.

The IMPLAN model was utilized to map and analyze the dynamics and total impact of each of the channels of SDHC direct spending on both the City of San Diego and San Diego County. IMPLAN is a widely used and respected model incorporating data and input-output coefficients from the U.S. Bureau of Economic Analysis.

Each industry receiving SDHC funds was identified and assigned the appropriate expenditure total. Compensation and the number of SDHC employees were directly inputted into the model. Households receiving Federal housing vouchers were divided into different income groups since spending patterns vary with income.

SDHC provided the total number of households living in affordable housing units financed via its loans or grants along with average rent savings. These savings were then divided into different income groups based on SDHC input. Loan proceeds were allocated to households for the purpose of home purchase or to entities involved in either rehabilitating homes or renovating multi-family units for occupancy. Other grants were distributed to the appropriate segments of the model in terms of whether they were used for property renovation or for support of various homeless programs.

Models for both the City and County were developed for each fiscal year, 2008 through 2015, using the underlying demographic and economic data available for each fiscal year. The City of San Diego model was defined on the IMPLAN platform based on zip codes. IMPLAN already carries a San Diego County base model since the County is a Metropolitan Statistical Area (MSA). The models were then simulated for both the City and the County to calculate all of the multiplier effects of SDHC through supply channels and consumer spending and to calculate the total economic impact in terms of jobs, income, and GRP for each year. All final numbers were checked for consistency and reasonableness.

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The Fermanian Business & Economic Institute

The Fermanian Business & Economic Institute (FBEI) is a strategic unit of Point Loma Nazarene University that specializes in a variety of business and economic consulting services dedicated to discovering insights that effect change for organizations around the nation. Our skilled team of consultants, economists, and researchers provide clients and partners with individualized, actionable results that support strategic decision-making.

Our clients include, San Diego Military Advisory Council (SDMAC), Terrapin Bright Green, National Association for Business Economics (NABE), Building Industry Association (BIA) San Diego, Chain Link Fence Manufacturer's Institute (CLFMI), California State Treasurer, Sempra Generation, San Diego Zoo Global, and many other private, public, and government organizations.

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