



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Comprehensive Annual Financial Report

A Component Unit of the City of San Diego

For the fiscal year ended June 30, 2019

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org



San Diego Housing Commission

**A Component Unit of the
City of San Diego, California**

Comprehensive Annual Financial Report

**For the Year Ended
June 30, 2019**

**Prepared by:
Financial Services Department**

Table of Contents

	PAGE
<u>INTRODUCTORY SECTION (UNAUDITED)</u>	
Letter of Transmittal	6
GFOA Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2018	20
Organizational Chart	21
Roster of Officials	22
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	24
Management's Discussion and Analysis (Unaudited)	27
Basic Financial Statements	
Statement of Net Position	37
Statement of Revenues, Expenses and Changes in Net Position	39
Statement of Cash Flows	40
Notes to Financial Statements	42
Supplementary Information	
Combining Schedules	
Combining Schedule of Net Position - Enterprise Funds	107
Combining Schedule of Revenues, Expenses and Changes in Net Position - Enterprise Funds	109
Combining Schedule of Cash Flows - Enterprise Funds	111
Financial Data Schedule	
Entity Wide Balance Sheet Summary	115
Entity Wide Revenue and Expense Summary	119

Table of Contents - Continued

	PAGE
<u>STATISTICAL SECTION (UNAUDITED)</u>	
Net Position by Component	128
Revenue, Expenses and Changes in Net Position	129
Capital Assets by Category	130
Revenue on a Gross Basis	132
Outstanding Debt Related to Capital Assets	134
Demographic Statistics	136
Demographic and Economic Statistics for the City of San Diego	137
Principal Employers for the City of San Diego	138
Resident Household Information - Housing Choice Voucher Program	139
Resident Income Information - Housing Choice Voucher Program	139
Length of Residency - Housing Choice Voucher Program	140
Property Characteristics and Dwelling Units	142
Employee Demographics	148
Number of Employees by Department	149



SAN DIEGO
HOUSING
COMMISSION

Introductory Section



We're About People

Established in 1979, the San Diego Housing Commission (SDHC) is an award-winning public agency that serves the City of San Diego. SDHC's major program areas include: providing federal rental assistance to more than 15,400 low-income households; addressing homelessness; and creating and preserving affordable rental housing.





November 7, 2019

Mayor Kevin L. Faulconer,
Council President Georgette Gómez,
Members of the San Diego City Council,
San Diego Housing Commission (SDHC) Chair of the Board Stefanie Benvenuto,
Members of the SDHC Board of Commissioners,
Citizens of the City of San Diego, California, and additional interested parties

California state law requires that all general purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As a component unit of the City of San Diego, and pursuant to the above stated requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the San Diego Housing Commission (SDHC) for the fiscal year that ended on June 30, 2019.

This report consists of SDHC management's representations concerning SDHC's finances. Consequently, SDHC management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, SDHC management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of SDHC's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, SDHC's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As SDHC management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

SDHC's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The goal of this independent audit was to provide reasonable assurance that SDHC's financial statements for the fiscal year that ended on June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that SDHC's financial statements for the fiscal year that ended on June 30, 2019, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of SDHC's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in SDHC's Single Audit Report, which is issued separately.

The CAFR includes the HUD-required Financial Data Schedule (FDS), created to standardize financial information reported by Public Housing Authorities (PHAs). The HUD Real Estate Assessment Center (REAC) requires that PHA accounting information be reported in accordance with GAAP, using either governmental or enterprise fund accounting. REAC analyzes the FDS to assess the financial condition, viability, and effectiveness of overall resource management of PHAs compared to industry peers. The FDS discloses federal, state and local funded activities reported to HUD. These activities are the basis of SDHC's enterprise fund program schedules, which are combined in the basic financial statements.

Established in 1979, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of San Diegans with low income and/or experiencing homelessness. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDHC for its CAFR for the fiscal year that ended on June 30, 2018. This was the 11th consecutive year that SDHC has achieved this prestigious award, recognizing "transparency and full disclosure" in the CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a Certificate of Achievement.

The GFOA has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report for Fiscal Year 2018. This was the ninth consecutive year that SDHC has received this prestigious award.

Governing Body and Strategic Guidance

SDHC is governed by the San Diego City Council, sitting as the Housing Authority of the City of San Diego (Housing Authority).

SDHC President & CEO Richard C. Gentry is the Executive Director of the Housing Authority.

The Housing Authority has final authority over SDHC's budget and major policy decisions. Housing Authority approval is required for amending the annual budget for amounts in excess of \$500,000.

A seven-member Board of Commissioners oversees SDHC's operations and makes recommendations to the Housing Authority.

The Mayor appoints Commissioners, who are confirmed by the San Diego City Council.

The Board reviews proposed changes to housing policy, property acquisitions and other financial commitments. The Board offers policy guidance to SDHC staff through its communications with the agency's President & CEO.

SDHC Mission Statement

To 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.

SDHC Strategic Plan 2016-2020

SDHC's Strategic Plan 2016 - 2020 ensures that SDHC operates efficiently; shares its voice through advocacy at the forefront of national, state, and local decision-making; and meets the needs of as many families with low-income and/or experiencing homelessness as possible.

The SDHC Board of Commissioners approved this four-year Strategic Plan on September 9, 2016.

SDHC's Strategic Plan provides a framework to identify how SDHC can have the greatest possible impact on affordable rental housing opportunities.

The Plan includes three major goals, which include metrics to monitor progress:

1. Maximize resources through operational efficiencies and technological innovations;
2. Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego; and
3. Advocate for more effective affordable housing policies and resources

SDHC Strategic Plan accomplishments:

1. Maximize resources through operational efficiencies and technological innovations

SDHC Vendor Portal - On January 2, 2018, SDHC launched its new Vendor Portal through PlanetBids, an online management system. Benefits of the system include:

- Automatic notification of bid opportunities;
- The ability to download bid documents directly from the Internet;
- Automatic notification of addenda;
- Access to bidding information 24 hours per day and 7 days a week; and
- Alerts to vendors when the expiration of their insurance certificate is approaching

In September 2018, the SDHC Vendor Portal added the ability for construction contractor prequalification, allowing prospective SDHC business partners to complete an online application to become SDHC Prequalified Construction Contractors. Prequalified Construction Contractors are eligible to bid on SDHC projects up to the amount for which they are approved for a two-year term.

SDHC Landlord Portal - In November of 2018, SDHC launched its upgraded online Landlord Portal with improved performance and enhanced capabilities, such as one login to access all of a landlord's accounts. The improved capabilities enable SDHC staff to guide landlords through the portal more effectively, providing enhanced customer service. In addition, SDHC made the Landlord Portal available to landlords participating in the Landlord Engagement & Assistance Program (LEAP) of HOUSING FIRST - SAN DIEGO, SDHC's homelessness action plan.

SDHC Loan Servicing Borrower Portal - SDHC launched its Loan Servicing Borrower Portal in February 2019, making it possible for borrowers working with the Real Estate Division to view their loan balance, accrued interest, payment activity and download loan documents. The portal provides an enhanced user experience.

First-Time Homebuyer Lender Portal - As of June 2019, all applications for First-Time Homebuyer (FTHB) Assistance can be submitted to SDHC's Real Estate Division online via SDHC's FTHB Lender Portal.

Participating lenders can also use the portal to view loan status and required items, and access loan document updates. The portal helps streamline internal processing by staff.

Green Physical Needs Assessment (GPNA) - In Fiscal Year 2019, SDHC completed \$2 million in capital improvements at 23 of the 154 affordable rental housing properties that it owns. SDHC identified these renovations through a previously conducted GPNA on a sample of 10-20 percent of the affordable housing units at each of SDHC's rental properties. The renovations included new

roofs, windows, kitchen and bathroom cabinets, exterior paint, plumbing line replacement, and site lighting improvements. These renovations benefitted more than 202 residents.

2. Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego

Creating and Preserving Affordable Housing - As part of its 2016-2020 Strategic Plan, SDHC set an objective to create 2,000 units of mixed-income and affordable housing - approximately 500 units per year.

In Fiscal Year 2017 and Fiscal Year 2018, 627 and 618 affordable units, respectively, closed financing and are currently under construction or rehabilitation. In Fiscal Year 2019, 297 affordable units closed financing, for a total of 1,542 affordable units over the three years. In addition, in collaboration with San Diego City Councilmember Scott Sherman and then-Councilmember David Alvarez, SDHC developed the report, "Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028." Presented to the Smart Growth and Land Use Committee on September 21, 2017, this report provides important data that will help the City of San Diego establish realistic and achievable housing goals. The City of San Diego can create enough additional housing to meet its need for 150,000 - 220,000 housing units over the next 10 years if the majority of the proposals in the report are implemented.

HOUSING FIRST - SAN DIEGO

SDHC's homelessness action plan, HOUSING FIRST - SAN DIEGO, has created more than 7,600 housing opportunities in less than five years for individuals and families experiencing homelessness in the City of San Diego.

HOUSING FIRST - SAN DIEGO, an effective, diverse funding and housing strategy, launched on November 12, 2014. The current phase of this action plan launched on July 1, 2017, and continues through June 30, 2020.

The current phase of HOUSING FIRST – SAN DIEGO surpassed its three-year goal in two years, creating more than 4,700 housing opportunities as of June 30, 2019.

This phase of SDHC's homelessness action plan consists of programs that provide a variety of housing interventions to address the diverse housing needs of San Diegans experiencing homelessness:

- Landlord Engagement and Assistance Program (LEAP)
- SDHC Moving Home Rapid Rehousing
- Homelessness Prevention & Diversion
- New Permanent Supportive Housing
- SDHC Moving On Rental Assistance
- HUD Mainstream Vouchers
- Coordinated Outreach

In the first three years of HOUSING FIRST - SAN DIEGO (2014 - 2017), the programs of SDHC's homelessness action plan created 2,934 housing opportunities for individuals experiencing homelessness—nearly doubling the initial goal of 1,500.

3. Advocate for more effective affordable housing policies and resources

SDHC maintains a careful watch on emerging issues or trends that could impact the families and individuals the agency assists through its three major program functions: providing rental assistance; creating and preserving affordable housing; and addressing homelessness.

SDHC's goal is to demonstrate that its partnership developments revitalize neighborhoods and strengthen the community fabric by providing families with safe, affordable places to live. In Advocating for more effective affordable housing policies and resources, throughout Fiscal Year 2019, SDHC continued to enhance the agency's engagement and leadership role among stakeholders to expand SDHC's influence on policy decisions that are consistent with SDHC's mission.

At the federal level, SDHC hosted HUD Assistant Deputy Secretary for Field Policy and Management Matthew Hunter and HUD's 10 Regional Administrators for a meeting in San Diego on May 22, 2019. SDHC President & CEO Richard C. Gentry shared with them details about SDHC's innovative initiatives in rental assistance, affordable housing and homelessness. This included SDHC's public housing conversion and finance plan, which created or preserved 810 affordable rental housing units. An update on the progress of the San Diego EnVision Center, an SDHC partnership, also was among the areas of focus for the meeting.

On December 3, 2018, Mr. Gentry urged California's U.S. Senators and the San Diego Congressional delegation to support the U.S. Senate version of the Transportation and Housing and Urban Development spending bill for Fiscal Year 2019. The Senate version of this bill included \$1.3 billion for the HOME Investment Partnerships Program and increased Section 8 Housing Choice Voucher rental assistance program administrative fees, which help public housing authorities ensure the safety of rental units and the eligibility of housing voucher households.

At the state level, SDHC welcomed California State Treasurer Fiona Ma twice in Fiscal Year 2019 for stops on statewide tours she conducted regarding affordable housing. SDHC Chair of the Board Stefanie Benvenuto joined Treasurer Ma on June 20, 2019, at SDHC as part of the Treasurer's 10-city "Building for California's Future" tour.

Approximately 65 people attended this meeting, including representatives from the offices of California State Senator Ben Hueso, California State Assemblymember Todd Gloria and San Diego City Councilmember Chris Ward,

and developers, nonprofit partners, and supporters of creating more affordable housing.

In addition, SDHC welcomed Treasurer Ma on January 17, 2019, during the second stop on her listening tour on affordable housing, with approximately 60 people in attendance.

SDHC President & CEO Richard C. Gentry participated in this meeting with Treasurer Ma and provided her with copies of three SDHC reports: “Addressing the Housing Affordability Crisis: An Action Plan for San Diego,” “Addressing The Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028,” and, “SDHC’s Fiscal Year 2018 Annual Report.”

SDHC Business Activities

Providing Rental Assistance

SDHC administers a variety of federally funded affordable housing programs and services, including the Section 8 Housing Choice Voucher Program, which provides rental assistance to more than 15,400 low-income families in the City of San Diego.

SDHC’s Rental Assistance Division manages the program and is dedicated to assisting families with supportive services and individualized case management to encourage economic independence.

‘Moving to Work’ Agency

SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive the Moving to Work (MTW) designation from HUD.

MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for low-income and homeless residents who live in the City of San Diego.

Committing Federal Rental Housing Vouchers to Address Homelessness

SDHC’s MTW status has allowed SDHC to leverage its available resources to address homelessness. To date, SDHC has committed more than 4,200 rental housing vouchers that help families experiencing homelessness secure housing.

In Fiscal Year 2019, SDHC committed 486 federal Project-Based Housing Vouchers, 16 HUD Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers and 100 Sponsor-Based Housing Vouchers:.

- 82 Project-Based Housing Vouchers to Benson Place Apartments, a rehabilitation development by S.V.D.P Management Inc. Of these housing vouchers, 57 are dedicated to adults with a disability experiencing chronic homelessness, and 25 housing vouchers are part of Project One For All (POFA),

a partnership with the County of San Diego. POFA vouchers are combined with supportive services for adults experiencing homelessness with serious mental illness who receive county services. Benson Place is estimated to start leasing in April 2020. The units will remain affordable for 55 years.

- 52 Project-Based Housing Vouchers to Ivy Apartments (Ivy), a new affordable housing development by Wakeland Housing and Development Corporation. Of these units, 45 are dedicated to seniors aged 55 and older with a chronic illness who are experiencing homelessness. Seven vouchers are designated as POFA, serving seniors experiencing homelessness aged 55 and older with serious mental illness. Ivy is estimated to start leasing in February 2021. The units will remain affordable for 55 years.
- 270 Project-Based Housing Vouchers to new construction affordable housing in two contiguous residential high-rise towers located at 1 14th Street in the East Village neighborhood of San Diego. The developers are S.V.D.P. Management and Chelsea Investment Corporation. All units are dedicated to adults experiencing homelessness, including 16 HUD-VASH Project-Based Vouchers. The developments are estimated to start leasing on June 2021. The units will remain affordable for 55 years.
- 73 Project-Based Housing Vouchers to Trinity Place, a new construction affordable housing development by Wakeland Housing and Development Corporation. All vouchers are dedicated to seniors experiencing homelessness aged 55 and older. Trinity Place is estimated to start leasing in May 2021. The units will remain affordable for 55 years.
- 25 Project-Based Housing Vouchers to a new construction affordable housing development that is pending SDHC Board approval. All vouchers are dedicated to seniors age 55 and older experiencing homelessness and seniors age 55 and older experiencing homelessness with serious mental illness. If approved, this development is estimated to start leasing in April 2021. The units will remain affordable for 55 years.
- 100 Sponsor-Based Housing Vouchers to the Home Finder Program. All vouchers are designated as POFA and for adults experiencing homelessness with serious mental illness who are receiving outpatient mental health services from the County of San Diego. The program is administered by SDHC, and Alpha Project provides case management and housing location services to participants. The program is currently leasing.

SDHC also was awarded an additional 50 tenant-based VASH vouchers and 83 tenant-based Mainstream vouchers in Fiscal Year 2019 from HUD. SDHC Mainstream vouchers serve families experiencing homelessness that include at least one non-elderly, disabled family member. Mainstream vouchers are currently leasing.

At the close of Fiscal Year 2019, SDHC had committed a total of 4,273 rental assistance subsidies for homeless families and individuals dating back to 2002. Additionally, since 2008, 1,125 VASH vouchers are allocated to serve veterans experiencing homelessness.

Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2019 was \$166,136,417. Examples of MTW initiatives that SDHC has implemented are the expansion of Choice Communities Initiative and updates to rental assistance payment standards; Path to Success; the HOUSING FIRST - SAN DIEGO homelessness programs Guardian Scholars, Monarch School Project, SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance; and the SDHC Achievement Academy.

Choice Communities

SDHC's Choice Communities initiative, developed under SDHC's federal designation as an MTW public housing agency, provides families that receive rental assistance with more flexibility to choose to live in neighborhoods that offer more opportunities for transportation, schools, and employment.

To increase housing opportunities through this initiative and to assist as many low-income families as possible, on January 1, 2018, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

SDHC divided City of San Diego ZIP Codes into three groups, each with its own payment standards:

- Choice Communities
- Enterprise Communities
- Signature Communities

The payment standard is the maximum subsidy payment that the Section 8 Housing Choice Voucher would pay for an apartment or rental house, minus the applicable tenant rent portion. Families pay a predetermined amount of the rent, and SDHC pays the remainder of the rent, up to the applicable payment standard, directly to the landlord.

In Fiscal Year 2019, 695 families moved to Enterprise or Choice communities. In addition, 1,485 families were contacted by an SDHC Mobility Counselor, who assists with pre- and post-moving counseling, housing search assistance and guidance about neighborhood features for families moving to Choice or Enterprise Communities.

Families moving to Choice or Enterprise Communities are eligible for no-interest security deposit loans up to the payment standards for the area for their voucher size. In Fiscal Year 2019, 252 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$338,000 through this program.

SDHC Achievement Academy

The SDHC Achievement Academy is a learning and resource center and computer lab located at SDHC's downtown San Diego headquarters. Its programs emphasize career development, job skills, job placement and personal financial education. The SDHC Achievement Academy is available at no charge to families receiving Federal Section 8 Housing Choice Voucher rental assistance and public housing residents.

In Fiscal Year 2019, more than 2,000 SDHC Achievement Academy participants attended 275 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,197 participants received core services, including benefits screening and meeting with a certified financial counselor; 328 participants were placed in jobs; and 414 increased their earnings. In Fiscal Year 2019, the average hourly wage earned by SDHC Achievement Academy participants was \$13.76. From recruitment fairs and employer presentations to small business classes and industry-specific trainings, the SDHC Achievement Academy offers an array of services to meet the varying needs of its participants.

In February 2019 the SDHC Achievement Academy was awarded a three-year \$190,000 grant from the Local Initiatives Support Corporation (LISC) to operate a Bridges to Career Opportunities (BCO) program. The BCO will serve up to 300 low- and moderate-income individuals and offer both bridge and occupational skills training in the healthcare and customer service/hospitality industries.

On June 20, 2019, the San Diego County Grand Jury issued a report commending the SDHC Achievement Academy as an example of an agency “performing in an outstanding manner or providing noteworthy community services.” The Grand Jury report stated: “The Achievement Academy, in conjunction with its partner agencies, operates a robust menu of innovative training and educational programs designed to improve the lives of clients while simultaneously reducing their dependence on public aid. For this service, the Grand Jury commends the Achievement Academy of the San Diego Housing Commission.”

EnVision Center

The SDHC Achievement Academy is one of the key partners in the collaboration among SDHC, the City of San Diego, and the San Diego Workforce Partnership that HUD selected to be an EnVision Center, which promotes financial self-reliance among federal rental assistance participants and public housing residents.

The San Diego EnVision Center was announced by HUD Secretary Ben Carson on June 7, 2018.

To receive community input regarding the programs that the San Diego EnVision Center would offer, HUD senior officials led roundtable discussions in July 2018 in San Diego with a group of residents who participate in SDHC rental assistance programs and community organizations that assist families with low income.

Core services provided include:

- Economic Empowerment;
- Educational Advancement;
- Health & Wellness; and
- Character & Leadership Development

In Fiscal Year 2019, SDHC Achievement Academy staff secured \$75,000 in operational support from financial institutions and private businesses.

The San Diego EnVision Center had its soft opening in November 2018. More than 300 clients have received services at the EnVision Center, including financial counseling, resume assistance, employment referrals and training, and educational counseling.

Path to Success

SDHC's Path to Success initiative encourages Section 8 Housing Choice Voucher rental assistance families to become more financially self-reliant.

Path to Success modified the method SDHC uses to determine the portion of the monthly rent that rental assistance families and public housing residents pay. The new rent methodology was designed to motivate families to increase earnings.

In addition, Path to Success set minimum monthly rent payment amounts for participants who are identified as able to work (Work-Able). Work-Able Families are Households with at least one adult who is under 55, not disabled, and not a full-time student ages 18-23. Full-time students ages 18-23 are considered Work-Able if they are the spouse, head or co-head of the household.

There is no minimum monthly rent payment amount for Elderly/Disabled families, which are households in which all adult family members are 55 or older, disabled, or a full-time student ages 18 to 23.

Work-Able families pay either the minimum monthly rent payment amount or a predetermined amount of rent that is based on the family's annual income, whichever is greater.

Minimum rents were implemented in two phases. The initial minimum monthly rent payment amounts were based on California's minimum wage standards - \$8 per hour at the time the program was implemented. SDHC determined what a Work-Able household could earn working 20 hours a week at minimum wage, and then calculated minimum rent payment amounts that would be approximately 30 percent of that monthly figure.

New minimum monthly rent payment amounts took effect on July 1, 2015 - \$300 for households with one Work-Able adult, \$500 for households with two or more Work-Able adults. Minimum monthly rent payment amounts will be adjusted again, effective January 1, 2020, to reflect increases in California's minimum wage.

Under Path to Success, adjusted annual income is separated into income ranges. The lower edge of the range is used to calculate the family's rent payment. This allows Work-Able families to increase their income without being penalized.

SDHC also guides Work-Able families to become more financially self-reliant through enrollment at the SDHC Achievement Academy.

Work-Able households may apply for a temporary hardship exemption from the minimum rent standards under Path to Success. During the hardship period, however, the household is required to participate in the SDHC Achievement Academy work readiness programs. The minimum rent is not applicable for Elderly/Disabled households.

City of San Diego's Homeless Shelters and Services Programs

The City of San Diego's (City) Homeless Shelters and Services Programs provide temporary shelter and supportive services to some of the City's most vulnerable residents.

The San Diego Housing Commission (SDHC) administers these programs through a Memorandum of Understanding (MOU) with the City that first took effect on July 1, 2010.

In addition, on November 14, 2017, the San Diego City Council authorized a separate MOU for SDHC to oversee, administer, and manage the City's Bridge Shelters. These Bridge Shelters support a total of 665 beds for single individuals, families with children and veterans experiencing homelessness

The first amendment to this MOU was authorized by the City Council on March 20, 2018, to also address the duties of the City and SDHC concerning the City's Storage Connect Center, previously known as a Transitional Storage Center, at 116 South 20th Street. The storage center has 500 storage bins for persons experiencing homelessness. This storage facility is in addition to the lockers and storage bins that serve more than 400 persons experiencing homelessness at the City's Homeless Transitional Storage Center in Downtown San Diego.

On June 25, 2019, the City of San Diego extended the MOU for an initial one-year term from July 1, 2019 through June 30, 2020, with four options to renew. The City's homelessness programs also include:

- Day Center Facility for Homeless Adults;
- Homeless Transitional Storage Center;
- Three interim housing programs (Connections Housing Downtown, the City-sponsored one-stop housing and services center for San Diegans experiencing homelessness; Cortez Hill Family Center, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; and the City's Year-Round Permanent Interim Housing Program); and
- A rapid re-housing program

In Fiscal Year 2019, SDHC also supported more than 260 transitional housing beds with City of San Diego Inclusionary Housing Funds and Housing Trust Funds. With Federal Emergency Solutions Grant and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services.

Also, an MOU and operating agreement for the City's Housing Navigation Center was approved by the San Diego City Council on November 13, 2018. SDHC will administer the Housing Navigation Center with the awarded operator, Family Health Centers of San Diego. The Housing Navigation Center will provide core services to address housing crises and on-site intake, assessment, triage, and referrals for permanent and longer-term housing opportunities to individuals, families, and youth experiencing homelessness in the City. The Housing Navigation Center is expected to open in fall of 2019.

In Fiscal Year 2019, SDHC also received approval from City Council to administer three additional Rapid Rehousing (RRH) Programs and expand the successful Family Reunification program, operated by the Downtown San Diego Partnership, with funding from the Homeless Emergency Assistance Program (HEAP). The RRH programs will become fully operational in Fiscal Year 2020 and are expected to serve 120 homeless households (both families and individuals).

Creating Affordable Housing

As of June 30, 2019, SDHC owns 155 properties with 2,195 affordable housing rental apartments, of which 189 are federal public housing apartments SDHC operates in the City of San Diego.

In addition, Housing Development Partners, SDHC's nonprofit affiliate, has developed 1,537 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which includes 521 units on SDHC-owned land that is ground leased to HDP: Parker-Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior Garden Apartments (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit) and San Diego Square (154 affordable units and one manager's unit).

SDHC also is a developer of new affordable housing. The agency's hallmark has been its ability to foster affordable housing projects by forging partnerships with nonprofit and for-profit developers, and the City of San Diego.

In Fiscal Year 2019, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- The Nook, 90 affordable housing units for low-income families, including 8 units of permanent supportive housing for Veterans experiencing homelessness
- Island Inn, extended affordability for 201 affordable housing units for low-income families

- Zephyr Grantville Veterans, 84 permanent supporting housing units for Veterans experiencing homelessness
- New Palace Hotel, 79 affordable housing units for seniors at risk of homelessness
- Vista Del Puente, 51 affordable housing units for low-income families, including 38 units of permanent supportive housing
- Alpha Lofts, 52 permanent supportive housing units for Veterans experiencing homelessness
- Villa Encantada, 66 affordable housing units for low-income families
- Town and Country, 143 affordable housing units for low-income families
- Coronado Terrace, 310 affordable housing units for low-income families
- Luna at Pacific Highlands Ranch, 77 affordable housing units for low-income families
- Luther Tower, 198 affordable housing units for low-income seniors

Management's Discussion & Analysis

In addition to the above discussion, the Government Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SDHC's MD&A can be found immediately following the report of the independent auditor in the financial section of this report.

The preparation of this report is made possible through the ongoing and dedicated service of the entire staff of the Financial Services Department. Credit also must be given to management and the governing boards for their support for maintaining the highest standards of professionalism in the management of SDHC's finances.



Richard C. Gentry
President and Chief Executive Officer



Tracey McDermott
Senior Vice President and Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Diego Housing Commission
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

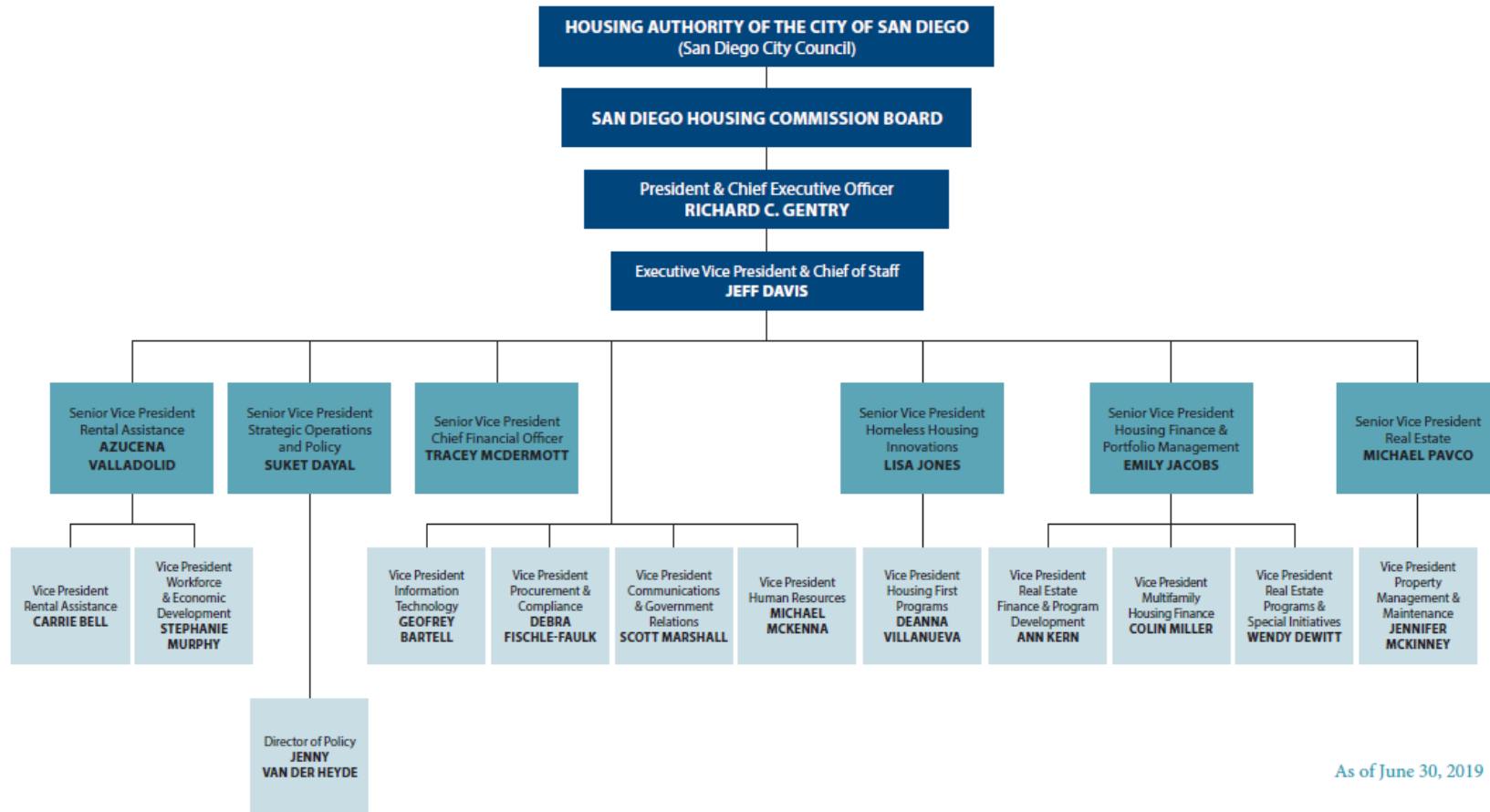
June 30, 2018

Christopher P. Morill

Executive Director/CEO



SDHC Organizational Chart



As of June 30, 2019



**SAN DIEGO HOUSING COMMISSION
ROSTER OF OFFICIALS**

AS OF JUNE 30, 2019

SDHC was formed by the City of San Diego in accordance with the Housing Authority Law of the State of California. The City Council, acting in its capacity as the Housing Authority of the City of San Diego, has final authority over SDHC's budget and major policy decisions.

Housing Authority of the City of San Diego

Council President - District 9	Georgette Gomez
Council President Pro Tem - District 1	Barbara Bry
Councilmember - District 2	Jennifer Campbell
Councilmember - District 3	Chris Ward
Councilmember - District 4	Monica Montgomery
Councilmember - District 5	Mark Kersey
Councilmember - District 6	Chris Cate
Councilmember - District 7	Scott Sherman
Councilmember - District 8	Vivian Moreno

Members of the SDHC Board of Commissioners are appointed by the Mayor and confirmed by the City Council. Two Commissioners must be residents of assisted housing, and one of the resident Commissioners must be age 62 or older.

SDHC Board of Commissioners

Chair	Stefanie Benvenuto
Vice Chair	Ryan Clumpner
Commissioner	Margaret Davis
Commissioner	Johanna Hester
Commissioner	Kellee Hubbard
Commissioner	Frank Urtasun
Commissioner	Tim Walsh



SAN DIEGO
HOUSING
COMMISSION

Financial Section



We're About People

For the 11th consecutive year, the SDHC Financial Services Department was recognized by the Government Finance Officers Association (GFOA) with the "Certificate of Achievement for excellence in Financial Reporting" for the fiscal year 2018 (July 1, 2017 - June 30, 2018) Annual Financial Report. SDHC also received the Award for Outstanding Achievement in Popular Annual Financial Reporting from GFOA for the ninth year in a row.



Independent Auditor's Report

To the Board of Commissioners
of the San Diego Housing Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, and its discretely presented component units as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Housing Commission and its discretely presented component units as of June 30, 2019, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 to 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SDHC's basic financial statements. The introductory section, the Combining Schedules and the Financial Data Schedule required by HUD listed in the table of contents as supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedules and the Financial Data Schedule required by HUD listed in the table of contents as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules and the Financial Data Schedule required by HUD listed in the table of contents as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019 on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDHC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDHC's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
November 7, 2019



San Diego Housing Commission

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

Management's Discussion and Analysis is a supplement to the accompanying year-end financial statements and presents an analysis of SDHC's financial performance for the fiscal year ended June 30, 2019. This analysis should be read in conjunction with the letter of transmittal preceding this section and the financial statements and related notes following this section.

Financial Highlights

- The assets of SDHC exceeded its liabilities by \$651.5 million (net position). Of this amount, \$336.4 million (unrestricted net position) is available to meet ongoing and recurring obligations, \$200.5 million is restricted for specific purposes (restricted net position) and \$114.5 million is net investment in capital assets.
- Total net position of SDHC increased \$20.5 million. The change in net position is comprised of \$225.3 million of non-operating revenue and expenses (net), principally revenue earned through the Moving to Work (MTW) program and other Federal programs (Community Development Block Grant and HOME), \$31.5 million related to dwelling (tenant rental) income, \$3.1 million of fee revenue primarily related to bond administration and compliance monitoring, \$3.0 million of land lease rental income and \$6.5 million of other revenue. Offset by operating expenses of \$240.9 million primarily related to housing assistance payments and administrative expenses and \$8.1 million of depreciation expense.
- Current liabilities increased \$11.9 million. This is related to unearned revenue of \$11.9 million held to fund multi-family loans under the CDBG Affordable Housing Revolving Loan fund program.
- Noncurrent assets increased \$28.7 million. This increase includes \$17.6 million increase in long-term investments, \$6.2 million increase in notes and mortgages receivable (principal), net of allowance, and \$4.9 million increase in accrued interest on notes receivable.

Overview of the Financial Statements

SDHC provides a variety of affordable housing and supportive services to individuals within the City of San Diego. The financial statements include the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), basic financial statements, accompanying notes and supplemental information.



Required Financial Statements

SDHC financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about SDHC activities.

The ***Statement of Net Position*** includes all of SDHC's assets and liabilities for the year ended June 30, 2019, and provides information about the nature and amounts of investments in resources (assets) and obligations to SDHC's creditors (liabilities). It also provides the basis for computing rates of return, evaluating the capital structure of SDHC, and assessing the liquidity and financial flexibility of SDHC.

The ***Statement of Revenues, Expenses and Changes in Net Position*** accounts for all of SDHC's revenue and expenses for the year ended June 30, 2019. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's credit worthiness and its ability to successfully recover all its costs through grants, tenant charges and other income.

The ***Statement of Cash Flows*** provides information about SDHC's cash receipts and cash payments during the year ended June 30, 2019. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and noncapital related financing activities, and investment activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting periods covered.

The accompanying ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, the final section in this report also presents certain ***supplementary information***. This supplementary information section contains the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, and Combining Schedule of Cash Flows, along with the annual Financial Data Submission Summary (FDS) report electronically submitted to HUD.



Financial Analysis of SDHC (Primary Government) (Condensed)

The following analysis summarizes SDHC's net position (Table 1) as of June 30, 2019 and 2018 and changes in net position (Table 2) during the fiscal years then ended.

TABLE 1
Net Position
(Dollars in Thousands)

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
<u>Assets</u>				
Current assets	\$ 94,266	\$ 97,377	\$ (3,111)	-3%
Noncurrent assets	473,520	444,801	28,719	6%
Capital assets net of depreciation	215,634	211,805	3,829	2%
Total assets	\$ 783,420	\$ 753,983	\$ 29,437	4%
<u>Liabilities</u>				
Current liabilities	\$ 33,099	\$ 21,215	\$ 11,884	56%
Notes payable and non-current liabilities	98,844	101,786	(2,942)	-3%
Total liabilities	131,943	123,001	8,942	7%
<u>Net Position</u>				
Net investment in capital assets	114,532	107,299	7,233	7%
Restricted	200,545	199,382	1,163	1%
Unrestricted	336,400	324,301	12,099	4%
Total net position	651,477	630,982	20,495	3%
Total liabilities and net position	\$ 783,420	\$ 753,983	\$ 29,437	4%

SDHC's net position increased from \$631 million to \$651.5 million due to a \$20.5 million surplus generated during fiscal year 2019. The fiscal year 2019 surplus is \$43.4 million less than the fiscal year 2018 surplus of \$63.9 million, primarily due to a decrease in non-operating income and expense (net) of \$21 million principally related to a decrease in grant revenue, the absence of gain on sale of property to component unit of \$13.7 million in fiscal year 2019 and a decrease of \$8.7 million primarily related to a decrease in Affordable Housing Fund fee collections in fiscal year 2019.

Total assets increased \$29.4 million from \$754 million in fiscal year 2018 to \$783.4 million in fiscal year 2019. The increase in total assets is primarily due to an increase of \$17.6 million in



long term investments, \$6 million in current and long-term notes and mortgages receivable (net), plus associated accrued interest of \$4.9 million and an increase of \$3.8 million in capital assets, offset by a decrease of \$2.9 million primarily related to accounts receivable.

Total liabilities increased \$8.9 million from \$123 million in fiscal year 2018 to \$131.9 million in fiscal year 2019. The increase in total liabilities is principally due to an increase of \$11.9 million in unearned revenue for CDBG Affordable Housing Revolving Loan funds, offset by a decrease of \$3 million primarily related to notes payable.

Restricted net position increased \$1.1 million from \$199.4 million in fiscal year 2018 to \$200.5 million in fiscal year 2019, primarily due to an increase of \$1.6 million in reserves for VASH and Mainstream, offset by a decrease of \$0.5 million in required property replacement reserves and overall notes receivable programmatic reserves. Additional information can be found in Note 14 to the Basic Financial Statements.

Unrestricted net position increased \$12.1 million from \$324.3 million in fiscal year 2018 to \$336.4 million in fiscal year 2019. Unrestricted net position includes funds that will be spent for future years' contractual, grant and other obligations, funds invested in notes receivable, public housing funds, capital funds needed for future property maintenance and improvements, funds reserved for future MTW program initiatives and unrestricted reserve funds available for operations and contingencies.



TABLE 2
Changes in Net Position
(Dollars in Thousands)

	June 30, 2019	June 30, 2018	Change \$	Change %
Operating revenues				
Dwelling rental income	\$ 31,520	\$ 31,061	\$ 459	1%
Land lease and other rental income	2,969	2,601	368	14%
Fee revenue	3,164	4,214	(1,050)	-25%
Other revenue	6,571	6,277	294	5%
Total operating revenues	44,224	44,153	71	0%
Operating expenses	240,883	233,042	7,841	3%
Deficit before depreciation and other nonoperating income and expenses	(196,659)	(188,889)	(7,770)	4%
Depreciation	8,118	7,215	903	13%
Deficit before other non- operating income and expenses	(204,777)	(196,104)	(8,673)	4%
Other nonoperating income and expense, net	225,272	246,318	(21,046)	-9%
Change in net position before capital transactions	20,495	50,214	(29,719)	-59%
Gain on sale of property to component unit	-	13,681	(13,681)	-100%
Change in net position	20,495	63,895	(43,400)	-68%
Net position beginning of year	630,982	567,087	63,895	11%
Net position end of year	<u>\$ 651,477</u>	<u>\$ 630,982</u>	<u>\$ 20,495</u>	<u>3%</u>

Total operating revenues remained steady at \$44.2 million in both fiscal year 2019 and fiscal year 2018.

Operating expenses increased \$7.8 million from \$233 million in fiscal year 2018 to \$240.9 million in fiscal year 2019. This increase is primarily due to an increase in housing assistance payments of \$5.5 million, grant expense of \$4.6 million (principally related to the forgivable loans) and administrative expenses of \$2.9 million (primarily related to personnel costs), offset



by a decrease in asset management of \$3.4 million and general expenses of \$1.8 million (bad debt).

Other non-operating income and expense (net) decreased \$21 million from \$246.3 million in fiscal year 2018 to \$225.3 million in fiscal year 2019 primarily due to a decrease in grant revenue principally related to Moving to Work (MTW) and Affordable Housing Finance grants.

The following summarizes SDHC's capital assets, net of accumulated depreciation, and changes therein (Table 3) for the years ended June 30, 2019 and June 30, 2018:

TABLE 3
Net Capital Assets
(Dollars in Thousands)

	June 30, 2019	June 30, 2018	Change \$	Change %
Land and buildings	\$ 214,432	\$ 210,089	\$ 4,343	2%
Construction-in-progress	532	878	(346)	-39%
Equipment	670	838	(168)	-20%
Total	\$ 215,634	\$ 211,805	\$ 3,829	2%

Capital Assets

Capital asset additions, net of transfers and retirements, of \$3.8 million, related to the acquisition of land of \$6.8 million (San Diego Square, La Jolla Marine and VLC - University Canyon) and the completion of building improvements of \$5.1 million related to Green Physical Needs Assessment rehabilitation and other projects, offset by depreciation of \$8.1 million.

Additional information on SDHC's capital assets can be found in Note 7 to the Basic Financial Statements.

Current and Long-Term Debt

Notes payable, (including current and noncurrent) totaled \$100.1 million at June 30, 2019. Of this balance, \$82.4 million are FHA and Fannie Mae loans, which are non-recourse obligations of the LLCs only and not of SDHC.

The capital loan for the Smart Corner office building located at 1122 Broadway, San Diego, California 92101, serviced by Key Bank Real Estate Capital, comprised \$3.9 million of the notes payable balance. The loan term is 15 years, with payments amortized over 25 years, and a fixed interest rate of 6.08% for 10 years.

Two loans payable to the City of San Diego, comprised another \$6.5 million of the notes payable balance. The first of these loans, with a balance on June 30, 2019 of \$5.8 million, is forgivable in 2065 and carries 1% simple interest. The second loan, with a remaining balance of \$0.7 million, is forgivable in 2022 and is non-interest bearing.



Two loans from the State of California, originally made to finance the acquisition of the Otay Villas Apartments and Adaptable Housing properties, constitute \$4.6 million of the notes payable balance. These loans were renegotiated through the Housing Loan Conversion Program in May 2013, and their terms were extended for 55 years to 2068. These two loans now bear an interest rate of 3% with required annual interest payments and potential residual receipt payments.

In fiscal year 2018, the Courtyard Apartments were leveraged and the \$4.2 million loan is serviced by Red Capital Mortgage, LLC and has a fixed interest rate of 4.92% and a term of 12 years. The balance remaining as of June 30, 2019 is \$4.1 million.

Further detail related to debt obligations and payments can be found in Note 9 to the Basic Financial Statements.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, SDHC's LLCs and the financial reporting entity of consolidated Housing Development Partners, and in accordance with GASB Statement 80, SDHC Building Opportunities, Inc. are incorporated into the accompanying financial statements. The LLCs and SDHC Building Opportunities are separate legal entities that are blended component units with the primary government, SDHC, due to their fiscal dependency and financial benefit/burden relationship. Further information on the LLCs and SDHC Building Opportunities can be found in Note 18 to the Basic Financial Statements. The financial reporting entity of consolidated Housing Development Partners consists of 21 separate legal entities, which have substantively the same governing body as SDHC; however, the entities are not financially dependent on SDHC and these entities have their own operational policies, and, therefore, are presented as discrete component units. The financial reporting entity of consolidated Housing Development Partners has been independently audited by CohnReznick LLP. Note 19 to the Basic Financial Statements includes the December 31, 2018 consolidated Housing Development Partners financial statements.

Economic Factors and Next Year's Budget

The majority of SDHC's programs depend on federal financial assistance from HUD to continue operations. In fiscal year 2019, SDHC received 74.5% of its revenue from HUD, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2019 and will have a balanced budget in fiscal year 2020.



Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2019 MTW Plan on August 15, 2018. HUD's fiscal year runs from October to September. HUD approved the 2020 MTW Plan on June 28, 2019. The plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>

San Diego County's unemployment rate remained steady from July 2018 to July 2019 at 3.6% for San Diego County according to the US Bureau of Labor and Statistics. The nation's unemployment rate declined only 0.1% compared to the same time period from 4.1% in July 2018 down to 4.0% in July 2019.

While San Diego's unemployment rate remains below the nation's average and its average weekly wages was \$116 more than the nation's, costs related to all items, energy and housing remain higher than the nation's¹.

The median home value in San Diego County is \$591,500 and has gone up 1.1% over last year, the median home sales price is \$563,600 and the median rent price is \$2,750¹. The median home value for the United States is \$229,000 (up 5.2% over the past year), the median home sales price is \$235,500 and the median rent price is \$1,735².

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as "We All Count" was conducted on January 25, 2019. This year's count identified 8,102 individuals (3,626 sheltered and 4,476 unsheltered) in San Diego. This number is down slightly from last years observed total of 8,576. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and this is coordinated by the Regional Task Force on Homelessness.

SDHC continues to focus on its mission to *"Provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and provide opportunities to improve the quality of life for the families that SDHC serves."*

Through the execution of SDHC's 2020 budget of \$452 million, SDHC plans to:

- **Provide Rental Assistance to Low-Income Households:**
 - Assist more than 15,400 households
 - Continue specialized programs: Assist populations, such as individuals experiencing chronic homelessness, individuals with serious mental illness experiencing homelessness, and transitional age youth
 - Continue Path to Success: Identify participants who are work-able and encourage them to become more financially self-reliant
 - Implement Landlord Partnership Program
 - SDHC Moving Home: Rapid rehousing program that increases housing choice for families experiencing homelessness

¹ <https://www.zillow.com/san-diego-ca/home-values>, July 31, 2019

² <https://www.zillow.com/home-values>, July 31, 2019



▪ **Create and Preserve Affordable Housing:**

- Acquire and develop 120 affordable housing units
- Renovate and rehabilitate 303 SDHC-owned units
- Award funds to developers to create 120 permanent affordable housing units, including units for the homeless
- Assist 42 households to become first-time homebuyers
- Develop Companion Unit (CU) pilot programs: Produce CUs at SDHC-owned properties and finance CUs in partnership with private homeowners
- Own and/or manage 3,732 affordable housing units in the City of San Diego, including SDHC's nonprofit affiliate, Housing Development Partners

▪ **Address Homelessness:**

HOUSING FIRST - SAN DIEGO (2018-2020), SDHC's Homelessness Action Plan, built upon prior accomplishments by providing additional, multifaceted solutions to provide housing opportunities for at least 3,000 homeless individuals in the City of San Diego:

- Landlord Engagement and Assistance Program (LEAP)
- New Permanent Supportive Housing
- Homelessness Prevention & Diversion Services
- SDHC Moving Home Rapid Rehousing Assistance
- SDHC Moving On Rental Assistance Program
- Coordinated Street Outreach
- Administer the City of San Diego's Homeless Shelters and Services Programs

Contacting SDHC's Financial Management

This financial report was designed to provide a general overview of SDHC's financial position and is intended for distribution to a wide variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tracey McDermott, Senior Vice President and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.



SAN DIEGO
HOUSING
COMMISSION

Basic Financial Statements



We're About People

HOUSING FIRST – SAN DIEGO, the San Diego Housing Commission's (SDHC) homelessness action plan, which launched on November 12, 2014, has created more than 7,000 housing opportunities for families and individuals experiencing homelessness in the City of San Diego.

This program is an effective, diverse funding and housing strategy that is rooted in the national "Housing First" model of addressing homelessness – to provide housing as quickly as possible, with supportive services as needed.





San Diego Housing Commission
 STATEMENT OF NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	<u>Primary Government</u>	<u>Component Units</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 18,318	\$ 8,619
Restricted cash and cash equivalents	3,714	571
Short-term investments	51,415	-
Accounts receivable - tenants, net	452	30
Accounts receivable - funding sources	13,967	85
Accounts receivable - other	1,951	562
Notes and mortgages receivable, current portion	1,013	-
Accrued interest receivable - investments	433	-
Prepaid items and other assets	3,003	358
	<u>94,266</u>	<u>10,225</u>
Total current assets		
Noncurrent assets		
Restricted cash and cash equivalents	-	3,288
Long-term investments	88,931	-
Accrued interest receivable - notes and mortgages receivable	50,200	-
Notes and mortgages receivable, net of allowance for loan losses	334,296	-
Investment in partnerships	-	52
Other assets	93	8,400
Capital assets not being depreciated	77,408	13,938
Capital assets, net of accumulated depreciation	138,226	83,483
	<u>689,154</u>	<u>109,161</u>
Total noncurrent assets		
	<u>\$ 783,420</u>	<u>\$ 119,386</u>
Total assets		



San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2019
(Dollars in Thousands)

	Primary Government	Component Units
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 9,599	\$ 5,278
Accounts payable - funding sources	176	2
Accrued payroll and benefits	1,454	38
Accrued compensated absences	2,443	-
Accrued interest payable	409	257
Notes payable, current portion	2,872	519
Deposits payable	1,887	412
Unearned revenue	14,234	266
Other current liabilities	25	-
Total current liabilities	33,099	6,772
Noncurrent liabilities		
Accrued interest payable - noncurrent	1,183	4,243
Notes payable noncurrent, net	97,182	102,559
Other liabilities	479	11,429
Total noncurrent liabilities	98,844	118,231
Total liabilities	\$ 131,943	\$ 125,003
<u>Net Position</u>		
Net investment in capital assets	\$ 114,532	\$ -
Restricted		
HOME notes receivable reserve	176,465	-
NSP notes receivable reserve	6,719	-
CDBG notes receivable reserve	9,912	-
Replacement reserves	3,542	1,507
VASH, FUP and Mainstream housing assistance reserves	3,907	-
Non-controlling interest - tax credit partnerships	-	10,588
Total restricted	200,545	12,095
Unrestricted	336,400	(17,712)
Total net position	\$ 651,477	\$ (5,617)
Total liabilities and net position	\$ 783,420	\$ 119,386

See notes to financial statements



San Diego Housing Commission
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended June 30, 2019
 (Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Dwelling rental income	\$ 31,520	\$ 9,851
Land lease and other rental income	2,969	139
Fee revenue	3,164	1,299
Other revenue	6,571	262
Total operating revenues	<u>44,224</u>	<u>11,551</u>
Operating expenses		
Administrative expenses	39,905	3,354
Tenant services	2,614	1,405
Asset management	16,929	3,289
General expenses	1,264	815
Grant expense	25,021	-
Housing assistance	155,150	-
Depreciation	8,118	2,812
Total operating expenses	<u>249,001</u>	<u>11,675</u>
Operating loss	<u>(204,777)</u>	<u>(124)</u>
Nonoperating revenues (expenses)		
Grant revenue	214,795	612
Interest income on investments and notes receivable	15,684	51
Interest expense	(5,186)	(4,174)
Loss on sale of capital asset	(21)	-
Total nonoperating revenues (expenses)	<u>225,272</u>	<u>(3,511)</u>
Change in net position before capital transactions	20,495	(3,635)
Contributions, net of distributions	-	(163)
Change in net position	20,495	(3,798)
Net position		
Beginning of year	<u>630,982</u>	<u>(1,819)</u>
End of year	<u>\$ 651,477</u>	<u>\$ (5,617)</u>

See notes to financial statements



San Diego Housing Commission
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2019
 (Dollars in Thousands)

	<u>Primary Government</u>
Cash flows from operating activities	
Cash received from tenants and other revenue	\$ 46,305
Cash payments to suppliers for operations	(199,302)
Cash payments for general and administrative expenses	<u>(32,522)</u>
Net cash used for operating activities	<u>(185,519)</u>
Cash flows from capital and related financing activities	
Principal paid on notes payable	(3,395)
Acquisition and construction of capital assets	(5,173)
Interest expense paid	<u>(4,797)</u>
Net cash used for capital and related financing activities	<u>(13,365)</u>
Cash flows from noncapital financing activities	
Cash received from grants	<u>208,972</u>
Net cash provided by noncapital financing activities	<u>208,972</u>
Cash flows from investing activities	
Interest received on investments and notes receivable	10,500
Collection of notes receivable	11,695
Cash loaned on notes receivable	(16,257)
Purchases of investments	(67,488)
Proceeds from sale of investments	<u>37,678</u>
Net cash used in investing activities	<u>(23,872)</u>
Net decrease in cash and cash equivalents	(13,784)
Cash and cash equivalents	
Beginning of year	<u>35,816</u>
End of year	<u><u>\$ 22,032</u></u>
Financial statement presentation	
Cash and cash equivalents	\$ 18,318
Restricted cash and cash equivalents	<u>3,714</u>
Total cash and cash equivalents	<u><u>\$ 22,032</u></u>



San Diego Housing Commission
 STATEMENT OF CASH FLOWS - CONTINUED
 For the Year Ended June 30, 2019
 (Dollars in Thousands)

	<u>Primary Government</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (204,777)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	8,118
Amortization	133
Allowance for accounts receivable	(240)
Provision for loan losses	(862)
Allowance for forgivable loans	2,073
Changes in operating assets and liabilities:	
Decrease in tenant receivables	79
Increase in other receivables	(1,789)
Increase in prepaid items and other assets	(120)
Decrease in accounts payable	(421)
Increase in accrued payroll and benefits	152
Increase in deposits payable	118
Increase in unearned revenues	11,870
Increase in other liabilities	147
	147
Net cash used for operating activities	\$ (185,519)
 Supplemental Disclosure of Cash Flow Information	
Noncash Capital and Related Financing Activities	
Increases in capital assets included in grant revenue	\$ 6,787
Increases in capital assets included in accounts payable	1,352
Total Noncash Capital and Related Financing Activities	\$ 8,139

See notes to financial statements



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1 - The Financial Reporting Entity

Primary Government

The San Diego Housing Commission (SDHC), a governmental agency, was formed by the City of San Diego (City) in accordance with the Housing Authority Law of the State of California, through the adoption of Ordinance No. 2515 on December 5, 1978. SDHC is governed by the Housing Authority of the City of San Diego (Housing Authority), which is composed of the nine members of the San Diego City Council. The Housing Authority has final authority over SDHC's budget and major policy changes. SDHC is considered an integral part (component unit) of the City and the accounts of SDHC have been included within the scope of the basic financial statements of the City.

SDHC's priority is to serve low and moderate income persons by providing rental assistance payments, rental housing, loans and grants to families, individuals and not-for-profit organizations to create and preserve affordable housing. SDHC is also committed to special programs aimed at breaking the cycle of poverty by providing opportunities for individuals to become more financially self-reliant through various programs such as Choice Communities to move closer to work, Achievement Academy to emphasize job skills, personal financial education and career planning and Veterans supportive housing to assist veterans in rebuilding their lives.

Component Units

The governmental reporting entity for which these financial statements have been prepared consists of SDHC (the primary government) and its component units. Component units are legally separate organizations for which the primary government is financially accountable, or other organizations whose nature and significant relationships with SDHC are such that exclusion would cause SDHC's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either SDHC's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on SDHC. The basic financial statements include both blended and discretely presented component units. Although the component units follow accounting principles of the Financial Accounting Standards Boards (FASB), certain transactions may be reflected differently in these statements than in the separately issued information in order to conform to the presentation of the primary government.

Blended Component Units

SDHC's blended component units reflect LLCs and a 501(c)(3) California Nonprofit Public Benefit Corporation.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

SDHC has seven LLC blended component units: Belden SDHC FNMA LLC, Northern SDHC FNMA LLC, Central SDHC FNMA LLC, Northern SDHC FHA LLC, Southern SDHC FHA LLC, Central SDHC FHA LLC and Mercado SDHC LLC (together collectively referred to as the LLCs). With the exception of Mercado SDHC LLC, the titles of 77 properties have been transferred from SDHC to the LLCs. SDHC includes its blended component units within its business-type activities in the financial statements. See Note 18 for additional information about the blended component units.

While these blended component units are legally separate entities, they are, in substance, part of SDHC's operations as the LLCs and SDHC share the same management team which has operational responsibility over the LLCs, the LLCs and SDHC have the same Board of Commissioners and SDHC is financially responsible for the LLCs. Because of the LLCs' direct financial benefit/burden relationship with SDHC and in accordance with Governmental Accounting Standards Board (GASB) Statement 61, the LLCs are component units whose financial information are blended (combined) within the financial information of the primary government.

SDHC has one 501(c)(3) California Nonprofit Public Benefit Corporation blended component unit, SDHC Building Opportunities, Inc. (Building Opportunities).

The specific purpose of Building Opportunities is to improve the quality of life of low and moderate income residents of the City of San Diego and County of San Diego. Building Opportunities has received Internal Revenue Code Section 501(c)(3) status from the Internal Revenue Service, which has classified it as a public charity. Building Opportunities has no members and any action would only require approval of its Board of Directors (Board). Its Board is comprised of persons appointed by the President and Chief Executive Officer of SDHC. The appointed Board members are employees of SDHC, as are its officers. Building Opportunities did not have significant activities during the year ended June 30, 2019 and pursuant to GASB Statement 80, it has been included in the financial statements as a blended component unit of SDHC. See Note 18 for further information on Building Opportunities.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Discretely Presented Component Units

SDHC's discretely presented component units reflect the financial reporting entity of consolidated Housing Development Partners, which includes the following legal entities: Housing Development Partners of San Diego (HDP), HDP Mason Housing Corporation (HDP Mason), Casa Colina, LP (Casa Colina), Logan Development II, LP (Logan II), HDP Broadway, LP (HDP Broadway), HDP Churchill, LP (HDP Churchill), HDP Parkier Kier, LLC (HDP Parker Kier), HDP New Palace, LP (HDP New Palace), Logan Development Management, LLC, HDP Broadway Management, LLC, HDP Churchill, LLC, HDP Island Village, LLC, HDP New Palace Management, LLC, HDP Village North, LLC, HDP West Park, LP (HDP West Park) HDP West Park Management, LLC, HDP Quality Inn, LLC, HDP Town and Country, LP and HDP Town and Country, LLC, HDP Mariner's Village, LP and HDP Mariner's Village Management, LLC collectively referred to as the "Corporation".

The Corporation is comprised of nonprofit organizations, limited partnerships and limited liability companies, each of which is a separate legal entity from SDHC. The Corporation also shares staff and Board of Directors with SDHC and the Corporation's by-laws state that two of the Corporation's board members are also SDHC board members and a third Corporation board member is the Chief Executive Officer of SDHC. Due to the shared governance between the Corporation and SDHC, SDHC can exercise considerable influence over the Corporation.

While the Corporation has substantially the same governing body as SDHC, the Corporation is managed differently than SDHC and operationally the Corporation has its own procurement practices, its own legal counsel and its own separate accounting system in place. In addition, SDHC is not legally entitled to the Corporation's resources, nor is SDHC legally obligated to financially support the Corporation. As there is no financial benefit or burden relationship between the Corporation and SDHC, nor is SDHC expected to repay any of the Corporation's outstanding debts or leases, in accordance with GASB Statement 61, the Corporation is discretely presented, wherein these entities are reported as a separate column in the basic financial statements. In addition, the Corporation has been audited by CohnReznick LLP and reports on a calendar year basis. See Note 19 for additional information about the discretely presented component units. The financial statements for the Corporation can be obtained upon request at <https://hdppartners.org/contact-us/>.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 2 - Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements report information of the primary government and its component units. The primary government is reported separately from certain legally separate discrete component units for which the primary government is financially accountable. For financial reporting purposes, SDHC reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and fund financial statements are the same.

Basic Financial Statements

The basic financial statements (i.e. the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows) report information on all of the business-type activities of SDHC and its wholly owned LLCs, as well as its discretely presented component units. These basic financial statements are presented in accordance with the GASB standards, with the exception of the LLC's and the discretely presented component units which follow FASB standards and present their unamortized debt issuance costs, in accordance with Accounting Standards Update (ASU) No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, wherein the unamortized debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability. See Note 9 for additional information on Notes Payable.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources and liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

SDHC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Operating expenses include the cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Fair Value

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2: Unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs for the asset or liability.

New Accounting Pronouncements

During the fiscal year ending June 30, 2019, SDHC has implemented the following new accounting standards issued by the GASB:

Statement No. 83, "Certain Asset Retirement Obligations". GASB Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The adoption of this Statement had no impact on SDHC's financial statements for fiscal year ending June 30, 2019.

Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". GASB Statement No. 88 for disclosure purposes specifically defines debt as a liability that arises from a contractual obligation to pay cash (or other asset in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Additional debt disclosures in the notes to the financial statements include unused lines of credit; assets pledged as collateral for the debt; and terms specified in the debt agreements related to significant events of default with finance related-consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. In addition, direct borrowings and direct placement disclosure information should be disclosed separately from other debt disclosures. The notes to the financial statements for the period ended June 30, 2019, were updated to reflect the additional disclosures required by this Statement—see Note 9 for additional information on Notes Payable.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

SDHC is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2020.

Statement No. 87, "Leases". GASB Statement No. 87 requires that government lessees recognize a lease liability and an intangible assets representing the lessee's right to use the leased asset and report in its financial statements amortization expense for using the leased asset for the shorter of the lease term or the useful life of the underlying asset, interest expense on the lease liability and note disclosures about the lease. The Statement also requires government lessors recognize a lease receivable and a deferred inflow of resources and continue to report the leased asset in its financial statements and report in its financial statements lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, interest income on the receivable and note disclosures about the lease. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2021.

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". GASB Statement 89 provides accounting requirements for interest cost incurred before the end of a construction period. It establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. For financial statements prepared using the current financial resources measurement focus, interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2021.

Statement No 90, "Majority Equity Interests". The primary objective of GASB No 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the financial statements relevance for certain component units. It specifies that a majority equity



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2021.

Statement No 91, "Conduit Debt Obligations". The primary objectives of Statement No 91 are to provide a single method to report conduit debt obligation and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022.

Cash and Cash Equivalents

SDHC's cash and cash equivalents are considered to be cash on hand, demand deposits, reserves for replacements, certificates of deposits and securities with original maturities of three months or less from the date of acquisition that are not specifically restricted as to use.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent deposits to lender required reserves for replacements, insurance reserve and security deposit accounts.

Investments

All investments are stated at fair value, except for some certificates of deposit and pooled investments. These investments are instead stated at amortized cost and net asset value, respectively.

Interfund Transactions

Interprogram due from/to have been eliminated as prescribed by GASB standards in regards to interfund activities, payables and receivables.

Notes and Mortgages and Interest Receivable

Funds loaned by SDHC are recorded as notes and mortgages receivable. Interest on notes and mortgages receivable is accrued at least annually. A contra-asset account, allowance



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

for loan and interest losses, represents the current estimates of the amount of loans and interest that will become uncollectible.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement (if applicable) are reported at acquisition value rather than fair value. Net interest costs are capitalized on projects during the construction period. The capitalization threshold for all capital assets is five thousand dollars.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful life of the assets is as follows:

	<u>Years</u>
Buildings	40
Building improvements	15
Office equipment	5
Dwelling equipment	5
Vehicles	5
Computers/software	3

Property acquired with HUD funds is considered to be owned by SDHC while used in the program for which it was purchased. However, HUD may have a reversionary interest in the property and ownership of any proceeds from disposition thereof.

The costs of normal maintenance and repair that do not materially extend asset lives, enhance its efficiency or increase or amend asset usefulness are not capitalized.

Impairment of Capital Assets

SDHC reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2019, there has been no impairment of the capital assets.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Accrued Compensated Absences

It is SDHC's policy to permit employees hired prior to July 1, 1994, to accumulate up to 650 hours of annual leave. Employees hired after July 1, 1994, are permitted to accumulate a maximum of 380 hours. All employees whose service is terminated shall be entitled to receive the equivalent amount of pay for the balance in their annual leave account at the time of termination.

In accordance with GASB standards, vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees, if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement. The liability for compensated absences was approximately \$2,443,000 at June 30, 2019.

In providing direction for conversion to the GAAP basis of accounting, HUD's Accounting Brief No. 6 discusses the conflicting direction given in HUD grant handbooks, which are not considered GAAP, and the cost principles of GAAP. In its final analysis, HUD opines that "Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salaries, and fringe benefits." Since federal awards extend for a limited time period, and accrued benefits may not be paid out during the term of the award, the above analysis can be reasonably interpreted to mean that costs may be drawn down at the close of the award period to fund unpaid compensated absences.

As a matter of convenience, to allow SDHC to close inactive funds and to lessen the administrative burden, SDHC tracks all compensated absence liabilities in the business activities fund.

Notes Payable and Interest Payable

Notes payable consists of notes from banks, the City, State and Federal agencies. Interest on these notes is accrued at year-end.

Unearned Revenue

Unearned revenue includes rents received in advance from tenants, unearned interest income, and grant funds received from other governmental agencies, which are conditioned upon incurring certain qualifying costs or meeting other conditions. The rents from tenants will be recognized as revenue when earned and the grant funds will be recognized as revenue when qualifying costs are incurred.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. SDHC does not have any items that currently meet this criterion as of June 30, 2019.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. SDHC does not have any items that meet this criterion as of June 30, 2019.

Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 3 - Cash, Cash Equivalents and Investments (Dollars in Thousands)

Cash, cash equivalents and investments at June 30, 2019 consist of the following:

Deposits and Petty Cash	\$	18,318
Local Agency Investment Funds		15,419
San Diego County Investment Pool		21,439
Certificates of Deposit		3,434
Agency Bonds		100,054
Total Investment		<u>140,346</u>
Restricted Cash and Cash Equivalents		<u>3,714</u>
Total	<u>\$</u>	<u>162,378</u>

Cash, cash equivalents and investments are not indicative of funds available for discretionary use as they have been earmarked for loans and grants that the Commission has already committed to fund through Board approval or have federal/state/local programmatic requirements that are designated for HAP payments, property maintenance, etc., or operating reserves as required by the City of San Diego for future contingencies. (See Note 14 Net Position for further information.)

Deposits

The fair value of SDHC's cash deposits and petty cash are \$18,318 at June 30, 2019. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 and for amounts over \$250 collateralized with securities held by the pledging financial institutions in SDHC's name in accordance with California Government Code as discussed below.

The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging government securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for the purpose of custodial credit risk the collateral for cash deposits is considered to be held in SDHC's name.

The fair market value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows financial institutions to secure Commission deposits by



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits.

Investment Policy

In accordance with California state statute and HUD regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy.

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as CDs, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

Local Agency Investment Fund Investments

SDHC participates in the State's LAIF, which is regulated by California Government Code. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain Commission assets. The fair value of the investment portfolio of PMIA at June 30, 2019, was approximately \$105,814,483. PMIA is not registered with the Securities and Exchange Commission (SEC) but is required to invest in accordance with California State Code. The average maturity of PMIA investments was 173 days as of June 30, 2019.

As of June 30, 2019, SDHC had \$15,419 invested in LAIF. At that date, LAIF fair value factor of 1.001711790 was used to calculate the fair value of the investments in LAIF. More information on LAIF investment pool can be found at:

<http://www.treasurer.ca.gov/pmia - laif/laif.asp>

San Diego County Investment Pool Investments

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA - rated fund managed by the San Diego County Treasurer - Tax Collector. The fair value of the investment portfolio of SDCIP at June 30, 2019 was \$10,135,946 and had a weighted average yield to maturity of 2.39%, a weighted average days to maturity of 528 days and an effective duration of .95 years. In addition to voluntary participants such as SDHC, the



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

pool is largely made up of mandatory participants such as the County of San Diego (37.62%), public schools (44.51%), community colleges (9.95%) and non-County funds (1.14%). Voluntary depositors make up only 6.78% of the invested funds as of June 30, 2019.

As of June 30, 2019, SDHC had \$21,439 invested in SDCIP. More information on SDCIP can be found at:

https://www.sdttc.com/content/dam/ttc/docs/treasury/pool_reports_1906.pdf

Certificates of Deposit

As of June 30, 2019, SDHC had \$3,434 in negotiable certificates of deposit in its investment portfolio, of which \$2,450 is held at amortized cost. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the \$250 FDIC federally insured limit.

Agency Bonds

SDHC's investments under U.S. Government Agency bonds are mortgage-backed security (MBS) bonds and debentures traded on an active secondary market. MBS bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association) and FHLMC (Federal Home Loans Money Corporation). Moody's rate FNMA and FHLMC GSE as AAA while Standard & Poor's rate FNMA and FHLMC as AA+. At June 30, 2019, SDHC had \$100,054 invested in Agency MBS bonds.

Fair Value Classification

Management has determined that investments in LAIF and SDCIP are reported at net asset value and are not included in the fair value hierarchy categories.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy under the guidance are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs. The Authority doesn't hold any level 3 investments.

Management has determined that MBS investments and certificates of deposits are classified as Level 2 as there are no quoted market prices published. MBS investments and certificates of deposits are fair valued on a recurring basis. The valuation technique used to determine the fair value on the actively traded secondary market is the pricing provided on the secondary market.

The following table summarized the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2019:

	Level 1	Level 2	Level 3	Total
MBS	\$ -	\$ 100,054	\$ -	\$ 100,054
Certificates of Deposit	-	984	-	984
Total	<u>\$ -</u>	<u>\$ 101,038</u>	<u>\$ -</u>	<u>\$ 101,038</u>

Note 4 - Investment Risk Factors (Dollars in Thousands)

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of the HUD Notice PIH 96 - 33 and California Government Code Sections 5922 and 53601. The investment policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in its Investment Policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries and advisors with which



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

SDHC will do business in accordance with the Investment Policy. Finally, SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

Custodial Risk

Custodial risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where they are all held in safekeeping.

The exposure of SDHC's debt securities to credit risk and custodial risk as of June 30, 2019 is as follows:

	Total fair value	Standard and Poor's Credit Rating			Not Provided
		AA+	AA	A	
Cash and cash equivalents					
Cash and cash equivalents	\$ 18,318	\$ -	\$ -	\$ -	\$ 18,318
Restricted cash and cash equivalents	3,714	-	-	-	3,714
Total cash and cash equivalents	\$ 22,032	\$ -	\$ -	\$ -	\$ 22,032
Short-term Investments					
Local Agency Investment Fund	\$ 15,419	\$ -	\$ -	\$ -	\$ 15,419
San Diego County Pool	21,439	21,439	-	-	-
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	1,575	1,575	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	11,998	11,998	-	-	-
Certificates of Deposit	984	-	-	-	984
Total Short-term Investments	\$ 51,415	\$ 35,012	\$ -	\$ -	\$ 16,403
Long-Term Investments					
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 17,719	\$ 17,719	\$ -	\$ -	\$ -
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE) /	-	-	-	-	-
Guaranteed Multifamily Structures (Fannie Mae GeMS)	6,926	6,926	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	61,836	61,836	-	-	-
Certificates of Deposit	2,450	-	-	-	2,450
Total long-term Investments	\$ 88,931	\$ 86,481	\$ -	\$ -	\$ 2,450



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. Government and investments in external investment pools such as the California LAIF are not considered subject to concentration of credit risk.

The U.S. Government Agency securities in SDHC's portfolio include Fannie Mae Federal National Mortgage Association (FNMA/FNA) and Freddie Mac Federal Home Loan Mortgage Corporation (FHMS). Of the \$100,054 invested in agency bonds and debentures as of June 30, 2019, all are mortgage-backed securities (MBS) issued either by Freddie Mac Federal Home Loan Mortgage Corporation K series, Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) or Fannie Mae Alternative Credit Enhancement (Fannie Mae ACE) / Guaranteed Multifamily Structures (Fannie Mae GeMS).

MBS are not rated by credit rating agencies. While the rating agencies do not specifically rate MBS, they carry an implied AA+ rating based on the collateral that backs the bond and the AA+ rating of the Agency that issues/guarantees them. MBS are not considered subject to concentration of credit risk.

SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, notes, bonds and collateralized certificates of deposit. Certificates of deposit are, according to SDHC's Investment Policy, to be collateralized at least 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to SDHC. The security cannot be released, substituted or sold without the approval of SDHC. As of June 30, 2019, SDHC had \$3,434 invested in certificates of deposit. Of these certificates of deposit, all were covered under FDIC insurance limits.

Market Risk

Market risk is the risk that the value of an investment will change due to changes in the financial market. Changes in market conditions can increase Interest Rate Risk, Liquidity Risk and Reinvestment Risk.

Interest Rate Risk is the risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. SDHC does not have a formal policy related to interest rate risk.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Liquidity Risk is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.

Reinvestment Risk is the risk that the proceeds from a fixed-income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

In accordance with its Investment Policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to market risk as of June 30, 2019, is as follows:

	Investment maturities as of			
	Total fair value	Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	\$ 18,305	\$ 18,305	\$ -	\$ -
Petty cash	13	13	-	-
Total cash and cash equivalents	<u>\$ 18,318</u>	<u>\$ 18,318</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted cash and cash equivalents	<u>\$ 3,714</u>	<u>\$ 3,714</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments				
Local Agency Investment Fund	\$ 15,419	\$ 15,419	\$ -	\$ -
San Diego County Pool	21,439	21,439	-	-
Agency bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	1,575	-	1,575	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	11,998	-	11,998	-
Certificates of deposit	984	490	494	-
Total short-term investments	<u>\$ 51,415</u>	<u>\$ 37,348</u>	<u>\$ 14,067</u>	<u>\$ -</u>
Long-term investments:				
Agency bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 17,719	\$ -	\$ -	\$ 17,719
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE) /	-	-	-	-
Guaranteed Multifamily Structures (Fannie Mae GeMS)	6,926	-	-	6,926
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	61,836	-	-	61,836
Certificates of deposit	2,450	-	-	2,450
Total long-term investments	<u>\$ 88,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,931</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 5 - Accounts Receivable - Funding Sources (Dollars in Thousands)

At June 30, 2019, amounts due from funding sources consist of the following:

Source / Program	Amount
Business	
City of San Diego	\$ 9,372
Total business	<u>9,372</u>
Federal	
Moving to Work (MTW)	2,822
Continuum of Care	817
Capital Fund	316
Emergency Solutions Grant	299
HOME Investment Partnerships (HOME)	161
Federal - Various	55
Total federal	<u>4,470</u>
State	
State - Various	34
Total state	<u>34</u>
Local	
Local - Various	91
Total local	<u>91</u>
Total	<u>\$ 13,967</u>

All amounts are expected to be collected in the next fiscal year.

Note 6 - Notes, Mortgages and Interest Receivable (Dollars in Thousands)

Loans made by SDHC consist of three types:

1. Notes requiring periodic payments of principal and interest with interest rates ranging from 0% to 10% and lengths of maturity ranging from 3 to 65 years;
2. Deferred payment notes with interest rates ranging from 0% to 10% and lengths of maturity ranging from 3 to 65 years; and
3. Subsidy loans made to reduce the effective interest rate to recipients on loans made by a commercial bank.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Notes, mortgages and interest receivable at June 30, 2019, consist of the following:

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
Town & Country Village Apts.	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	\$ 14,119
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	11,844
Mesa Verde CIC, LP/Mission	7811 Mission Gorge Rd. San Diego, CA 92120	4.00%	06/30/73	9,600
Fairmount Family Housing, L.P.	6121-612 Fairmount Ave. San Diego, CA 92120	4.00%	12/31/74	8,414
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,125
Mercado CIC, LP	Cesar E Chavez Parkway Lot 2,6&7, SD CA 92113	5.00%	05/02/68	7,000
Texas St. Sr. Hsg LP/North	4200 Texas St. San Diego, CA 92104	4.00%	07/31/73	7,000
Florida Street Housing Assoc -	3783-3825 Florida St. San Diego, CA 92104	3.00%	02/01/67	6,966
San Ysidro CIC, LP/Paseo La	238-240; 251-263 Cypress Dr. San Diego, CA 92173	4.00%	12/31/74	6,938
Dawson Ave. Senior Apts. LP-	4321-52nd St. San Diego, CA 92115	2.00%	11/12/63	6,827
Twain Housing, L.P.	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	6,750
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	6,747
Delta Village Housing Assoc.	4316-436 Delta St. San Diego, CA 92113	3.00%	05/01/36	6,100
LINC Arbor Village Apartments	4914-499 Logan Ave. San Diego, CA 92113	3.00%	05/01/67	5,460
Georgia Street, L.P./ City	4105 Georgia St. San Diego, CA 92104	3.00%	07/01/66	5,111
San Diego Commons, LP/	6456 El Cajon Blvd. San Diego, CA 92115	3.00%	04/30/69	4,905
Talmadge Gateway, LP	4422 Euclid Ave. San Diego, CA 92115	3.00%	06/01/72	4,800
Normal Heights, CIC, L.P.	3808 El Cajon Blvd. San Diego, CA 92105	3.00%	05/31/74	4,680
Beyer Blvd Apts. LP	3412-346 Beyer Blvd. San Diego, CA 92154	3.00%	10/22/59	4,200
Del Sol Apts. LP	Del Sol Apts, 3606-3690 Del Sol San Diego, CA 92154	3.00%	08/31/61	4,126
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	3,968
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	3,918
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	3,895
Market Square Manor	525 14th St. San Diego, CA 92113	5.60%	02/10/58	3,863
HDP Churchill, L.P./Hotel	827 C St. San Diego, CA 92101	3.00%	08/31/71	3,800
Alabama Manor Hsg	3822-383 Alabama St. San Diego, CA 92104	0.00%	12/31/63	3,781
Golden Age Garden Hsing Prtn	740 South 36th St. San Diego, CA 92113	3.00%	12/31/67	3,661
Imperial Urban Hsg, LP/	1435 Imperial Ave. San Diego, 92101	3.00%	12/31/72	3,535
15th & Commercial, L.P.	1506 Commercial St. San Diego, CA 92101	3.00%	01/01/66	3,464
Comm22 Sr. Hsg., LP/Victoria	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	3,456
Creekside - Affirmed Hsg.	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	3,221
Trolley Residential CIC, L.P.	4981 Market St. San Diego, CA 92114	4.00%	06/30/72	3,120
Mesa Family Villas,L.P.	2061-207 Avenida Del Mexico, San Diego, CA 92154	5.60%	02/08/57	3,041
Wakeland Atmosphere,	5th Ave. & Beech St. San Diego, CA 92101	4.00%	03/01/70	3,000
Wakeland Vista Grand,	5391-541 Santa Margarita, San Diego, CA 92114	3.00%	05/01/67	2,967
HDP New Palace, LP	1814 5th Ave. San Diego, CA 92101	4.00%	12/31/73	2,945
34th Street Project, LLC	4637 34th St. San Diego, CA 92116	3.00%	02/24/77	2,920
Juniper Gardens, L.P,	4251 Juniper St. San Diego, CA 92105	3.00%	12/31/68	2,839
Vietnam Veterans ofSD/ Phase	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/29/72	2,760
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	2,750
Grantville Veteran Housing,	4370 Alvarado Canyon Rd. San Diego, CA 92120	3.00%	12/31/73	2,730
WJJ CIC, L.P.	327 S Willie James Jones, San Diego, CA 92130	4.00%	01/31/71	2,500
Amcal Mission, LP/Mission	1815-187 Hancock St. San Diego, CA 92110	3.00%	01/01/68	2,499
Hacienda Townhomes,Ltd.	350 17th St. San Diego, CA 92101	4.50%	07/01/48	2,454
HDP Mason Hsg. Corp./Mason	1337-134 Fifth Ave. San Diego, CA 92101	3.00%	02/28/68	2,434
Wakeland-Beacon, LP Beacon	145 C St. San Diego, CA 92110	4.50%	12/31/74	2,400
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
HDP Churchill, L.P./Hotel	827 C St. San Diego, CA 92101	3.00%	08/31/71	2,212
Wakeland Village Green Apts	4140-415 Bonillo Dr. San Diego, CA 92115	3.00%	04/01/65	2,165
Winona Gardens Housing	3810 Winona Ave. San Diego, CA 92105	3.00%	07/01/55	2,100



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,068
Mission Terrace Associates, LP	10210 San Diego Mission Rd. San Diego, CA 92108	3.00%	09/01/49	2,055
Pathfinders of San D,	2621-262 University Ave. San Diego, CA 92104	3.00%	07/15/65	2,050
Terramar CIC, L.P.,	13481 Silver Ivy Lane, San Diego, CA 92129	3.00%	06/01/68	2,035
Vietnam Veterans of SD/	4141 Pacific Highway, San Diego, CA 92110	3.00%	05/01/75	2,001
Connections	1250 Sixth Ave. San Diego, CA 92101	3.00%	06/01/69	2,000
YWCA of SD County-Becky's	2540-2550 Garnet Ave. San Diego, CA 92109	0.00%	11/10/62	1,786
Bolt Housing Partners LP/	4010-4050 Parkhaven Ct. San Diego, CA 92113	3.00%	04/01/56	1,726
St. Stephens Hsg. LP /Jean	5641 Imperial Ave. San Diego, CA 92114	4.79%	05/01/36	1,621
Townspeople, a CA nonprofit	4242-4260 51st St. San Diego, CA 92115	3.00%	05/01/61	1,570
Chicano Federation	5052 Wightman St. San Diego, CA 92105	3.00%	07/01/54	1,537
Vietnam Veterans ofSD/ Phase	4141 Pacific Highway, San Diego, CA 92110	3.00%	08/01/77	1,492
Chicano Federation	4420 Delta St. San Diego, CA 92113	3.00%	11/01/54	1,486
Vietnam Veterans of San	4141 Pacific Highway, San Diego, CA 92110	3.00%	07/01/70	1,437
Mercado Apartments /MAAC	2001-2097 Newton;2008-2094 Main St. SD CA 92101	6.00%	12/01/47	1,425
Logan Development L.P./Knox	4720-476 Logan Ave. San Diego, CA 92113	6.00%	11/30/50	1,400
Casa Colina LP	5207 52nd Place, San Diego, CA 92105	3.00%	02/01/59	1,238
Chicano Federation	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145
Creekside-AffirmedFamily Hsg.	2125-215 Coronado Ave. San Diego, CA 92154	4.79%	06/30/35	1,093
NCRC Encanto, L.P. Encanto	1617-165 Imperial Ave. San Diego. CA 92114	4.00%	05/31/74	1,000
TACHS Cove Apts LLC	5288 El Cajon Blvd. San Diego, CA 92115	3.00%	05/01/62	982
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities 9th & F ST.	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928
Mayberry	4328-449 Mayberry St. San Diego, CA 92113	2.64%	12/31/71	927
Carmel Valley Hsg./Torrey Del	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
Urban Housing/GrantHeights	2651-266 J St. San Diego, CA 92102	3.00%	02/01/57	867
Urban Council Dev't Inc./Villa	4227 52nd St; 5202 Orange Ave. San Diego, CA 92115	3.00%	12/17/54	742
Lillian Place LP	1401 & 1437 J St. San Diego, CA 92101	3.00%	12/16/60	731
Vietnam Veterans ofSD/ Phase	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	06/01/72	720
Bayview CDC	1440-1516 S. 40th St. San Diego, CA 92113	3.00%	02/01/56	696
Vietnam Veterans of SD/	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/15/70	675
Hope CDC/Lincoln Park	4910-4920 Ocean View Blvd;440-444 49th St. SD 92113	3.00%	12/22/48	647
South Bay CommunityServices	135 Averil Rd. San Diego, CA 92173	3.00%	12/16/53	631
3137 El Cajon Blvd. LP-The	3137 El Cajon Blvd. San Diego, CA 92104	3.00%	12/31/63	600
Chicano Federation	4033 33rd St. San Diego, CA 92104	3.00%	12/01/52	596
Nook East Village, LP	1492 K Street, San Diego, CA 92101	0.00%	09/01/48	583
Housing Innovation P	1851-186 Titus St. San Diego, CA 92103	3.00%	10/20/58	573
Creekside - Affirmed Hsg.	2125-215 Coronado Ave. San Diego, CA 92154	4.72%	06/30/35	571
NCRC SYSV, LP/San Ysidro	517 West San Ysidro, San Ysidro, CA 92713	3.00%	12/31/75	570
Santaluz Family Apts. LP-	16775 Saintbury Glen, San Diego, CA 92130	3.00%	09/20/60	500
COMM 22 Family Hsg. LP	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	500
Total Major Loans				276,415
Home ownership loans (Under \$500)				52,612
Single-Family rehabilitation loans (Under \$500)				12,895
Rental Housing Finance loans with rehab / acquisition (under \$500)				5,039
Total Non-Major Loans as of June 30, 2019				70,546
Total Major Loans and Total Non-Major Loans as of June 30, 2019 (Not Including Deferred Loans)				346,961
Allowance for Loan Losses				(4,136)
Allowance for Forgivable Loans				(7,516)
Total notes receivable at June 30, 2019				335,309
Deferred cumulative interest receivable at June 30, 2019				50,200
Total notes and interest receivable at June 30, 2019				\$ 385,509



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Notes and mortgages receivable due in less than one year amounted to \$1,013 at June 30, 2019.

The changes in allowance for loan, interest losses and forgivable loans consist of the following:

<u>Balance, July 1, 2018</u>	<u>Losses/ write-offs</u>	<u>Additions/ adjustments</u>	<u>Balance, June 30, 2019</u>
<u>\$ 10,442</u>	<u>\$ (655)</u>	<u>\$ 1,865</u>	<u>\$ 11,652</u>

SDHC makes affordable housing loans to individuals in which the borrower is not required to repay the loan during the loan compliance period as long as the compliance covenants are met. The compliance periods differ by program between 10 to 65 years. SDHC monitors the loan compliance. There is no cash disbursement associated with these loans and the loans do not bear interest. The notes are originated through noncash transactions having a net effect of zero to the Statement of Net Position, and SDHC does not record them in the Statement of Net Position. Any payment received during the compliance period is recorded as revenue in the fiscal year of receipt. Notes representing affordable housing loans outstanding as of June 30, 2019, total \$64,527.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 7 - Capital Assets (Dollars in Thousands)

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance, June 30, 2018	Additions	Transfers / Retirements	Balance, June 30, 2019
Capital assets, not being depreciated				
Land	\$ 70,081	\$ 6,795	\$ -	\$ 76,876
Construction in progress	878	5,052	(5,398)	532
Total capital assets not being depreciated	<u>70,959</u>	<u>11,847</u>	<u>(5,398)</u>	<u>77,408</u>
Capital assets, being depreciated				
Buildings	111,991	-	-	111,991
Building improvements	73,451	-	5,398	78,849
Office furniture and equipment	4,747	141	(647)	4,241
Total capital assets being depreciated	<u>190,189</u>	<u>141</u>	<u>4,751</u>	<u>195,081</u>
Less accumulated depreciation for:				
Buildings	(26,130)	(2,842)	-	(28,972)
Building improvements	(19,304)	(5,008)	-	(24,312)
Office furniture and equipment	(3,909)	(268)	606	(3,571)
Total accumulated depreciation	<u>(49,343)</u>	<u>(8,118)</u>	<u>606</u>	<u>(56,855)</u>
Total capital assets being depreciated, net	<u>140,846</u>	<u>(7,977)</u>	<u>5,357</u>	<u>138,226</u>
Total capital assets, net	<u>\$ 211,805</u>	<u>\$ 3,870</u>	<u>\$ (41)</u>	<u>\$ 215,634</u>

In fiscal year 2019, \$5,398 of building improvements transferred out of construction in progress. The building improvements relate to the completion of rehabilitation projects, primarily Via Las Cumbres, Maya Linda, Hotel Sandford, Adaptable Housing and Otay Villas. Additionally, SDHC acquired from the City of San Diego the underlying land of the Via Las Cumbres, San Diego Square and La Jolla Marine properties. In accordance with the provisions of GASB Statement No. 34, "Basic Financial Statements -and Management's Discussion and Analysis- for State and Local Governments", in an exchange-like transaction, the capital asset is valued at its historical value. SDHC recorded the San Diego Square and La Jolla Marine land acquisitions at the City of San Diego's book value, which resulted in non-operating revenue of approximately \$1,337. In accordance with the provisions of GASB Statement No. 72, "Fair Value Measurements and Application", in a transaction where the capital asset is donated, the capital asset should be valued at the price that would be paid to acquire the asset with equivalent service potential in an orderly market transaction at the acquisition date. SDHC recorded the Via Las Cumbres land acquisition based on an appraisal valuation of the land "as if" vacant, which resulted in non-operating revenue of approximately \$5,450.

Depreciation expense for the year ended June 30, 2019 was \$8,118.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 8 - Prepaid Items and Other Assets (Dollars in Thousands)

Prepaid Items and Other Current Assets

As of June 30, 2019 prepaid and other items consisted of the following:

Prepaid grants	\$ 1,479
Prepaid software licenses	895
Escrow deposits - mortgage insurance premiums	309
Prepaid mortgage insurance	91
Prepaid insurance	77
Other assets	<u>152</u>
Total prepaids and other	<u><u>\$ 3,003</u></u>

Other Noncurrent Assets

As of June 30, 2019, other noncurrent assets was \$93. The balance consisted primarily of rents receivable. The rents receivable balance is related to the straight lining of commercial rents over the period of the associated leases. For more information on commercial leases, please see Note 10.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 9 - Notes Payable (Dollars in Thousands)

A summary of notes payable at June 30, 2019 is as follows:

Type of Obligation	Interest Rate	Fiscal Year		Balance, 6/30/2018	New Note Additions	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2019	Due Within One Year FY20	GASB 88 Disclosure Footnotes
		Maturity Date							
<u>Direct Borrowing Debts of the Commission</u>									
Key Bank Real Estate Capital - Smart Corner	6.08%*	2027	\$ 5,234	\$ -	\$ (1,343) **	\$ 3,891	\$ 964		A1, B1, C2, D2
* Note converts to variable interest rate after November 2021.									
** Payment includes optional annual payment of \$458									
City of San Diego - Parker Kier	0.00%	2022	696	-	-	696	-		A1, B2, C1
City of San Diego - Hotel Sanford	1.00%	2065	6,080	-	(237) ***	5,843	-		A1, B3, C5, D4
Forgivable loan with accrued interest totaling \$198.									
*** Lender applied loan cost savings to principal									
State of California - Housing Loan Conv Program 12-HLCP-0004	3.00%	2068	1,405	-	-	1,405	-		A1, B4, C6, D3
State of California - Housing Loan Conv Program 12-HLCP-0003	3.00%	2068	3,150	-	-	3,150	-		A1, B5, C6, D3
Red Capital Mortgage, LLC - Courtyard Apartments	4.92%	2030	4,169	-	(60)	4,109	62		A1, B6, C3, D1
<u>Debts of the LLCs</u>									
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	11,002	-	(217)	10,785	234		A1, B7, C3, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	9,654	-	(191)	9,463	205		A1, B8, C3, D1
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32%	2040	12,511	-	(247)	12,264	266		A1, B9, C3, D1
PNC Bank, NA - Southern SDHC FHA, LLC	0.0376	2046	21,913	-	(472)	21,441	489		A1, B10, C4, D1
PNC Bank, NA - Northern SDHC FHA, LLC	0.0376	2046	15,328	-	(329)	14,999	342		A1, B11, C4, D1
PNC Bank, NA - Central SDHC FHA, LLC	0.0365	2046	13,762	-	(299)	13,463	310		A1, B12, C4, D1
Subtotal			104,904	-	(3,395)	101,509	2,872		
Less unamortized debt issuance costs			(1,535)	-	79	(1,455)	-		
Total			\$ 103,369	\$ -	\$ (3,316)	\$ 100,054	\$ 2,872		

At June 30, 2019, the current portion of notes payable was \$2,872 and the noncurrent portion of notes payable was \$98,637.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$665 at June 30, 2019. For fiscal year 2019, amortization totaled \$80. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the FASB. In accordance with ASU 2015 - 13, debt issuance costs are capitalized and presented as a direct deduction to notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on Build America Bonds, equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, Northern SDHC FHA LLC and Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of \$700 in fiscal year 2019.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include forgivable loans of \$696 and \$5,843, which will be forgiven at maturity in 2022 and 2065, respectively. There was accrued interest of \$0 and \$481, respectively, as of June 30, 2019.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2020	\$ 2,872	\$ 4,623	\$ 7,495
2021	3,034	4,460	7,494
2022	3,204	4,288	7,492
2023	3,036	4,110	7,146
2024	2,343	3,976	6,319
2025-2029	13,761	17,825	31,586
2030-2034	20,756	12,951	33,707
2035-2039	23,009	7,199	30,208
2040-2044	14,700	2,044	16,744
2045-2049	3,700	178	3,878
2050-2068	4,555	6,942	11,497
Subtotal	94,970	68,596	163,566
Forgivable loans	6,539	-	6,539
Total Notes Payable	<u>\$ 101,509</u>	<u>\$ 68,596</u>	170,105
Less: Unamortized debt issuance costs			(1,455)
Total Notes Payable, Net			<u>\$ 168,650</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

GASB 88 Disclosure Footnotes

A. Amount of Unused Lines of Credit

A1 SDHC has no open lines of credit.

B. Assets Pledged as Collateral

- B1 1122 Broadway, 92101
- B2 2172 Front Street, 92101
- B3 1301-1333 Fifth Avenue, San Diego, 92101. Lots D,E, and F in Block 191 of Horton's Addition in the City of San Diego
- B4 3222-3224 Camulos St, San Diego, CA, 4095 Valeta Street, San Diego, CA, 3919 Mason Street, San Diego, CA, 2420 44th Street, San Diego, CA, 5385-5389 Trojan Avenue, San Diego, CA
- B5 605-695 Picador Blvd, San Diego, 92154
- B6 4395 El Cajon Boulevard, 92105
- B7 7705-7795 Belden Street, 92111APN: 420-451-03 and 04
- B8 3501 1st Avenue, 92103, 4131 Maryland Street 92103, 7105-20 Eastman Street, 92111, 7526-80 Fulton Street, 92111, 2615-65 Genesee Avenue, 92123, 7085-95 Levant Street, 92111
- B9 2932 30th Street, 92104, 3012 30th Street, 92104, 3030 30th Street, 92104, 3217 30th Street, 92104, 3350-3356 1/2 Grim Avenue, 92104, 4729 32nd street, 92104, 4541 #1-8 33rd Street, 92116, 4751 33rd Street, 92116, 4254 36th Street, 92104, 4164 #1-8 37th Street, 92105, 4575-4579 38th Street, 92116, 4343 38th Street, 92105, 4054-4060 1/2 Cherokee Avenue, 92104, 3850 Cherokee Avenue, 92104, 4360 Cherokee Avenue, 4043 Wilson Avenue, 92104, 3755-3761 Alabama Street, 92104, 4081-4087 1/2 Florida Street, 92104, 4450-4456 1/2 Georgia Street, 92116, 4637-4643 1/2 Hamilton Street, 92116, 4381-4387 Louisiana Street, 92104, 2727-2729 Meade Avenue, 92116, 4352 #1-8 Oregon Street, 92104, 3125 Ivy Street, 92104, 7891-7899 Golfcrest Drive 92119, 3974-84 Bancroft, 92104
- B10 1351-15359 Hollister Street, 92154, 2381-2389 Grove Avenue, 92154, 121-125 Averil Road, 92173, 2005-2065 Alaquinas Drive, 92173, 178-190 Calle Primera, 92173, 281-289 Sycamore Road (North), 92173, 391-417 Sycamore Road (West), 92173, 402-412 Sycamore Road (East), 92173
- B11 12643-12687 El Camino Real, 92130, 8792 Mira Mesa Boulevard, 92126, 5071-5077 1/2 Muir Avenue, 92107, 8637-8643 Glenhaven Street, 92123, 8649-8655 Genhaven Street, 92123, 8661-8667 Glenhaven Street, 92123, 8701 Glenhaven Street, 92123, 8714-8720 Hurlbut Street, 92123, 8726-8732 Hurlbut Street, 92123
- B12 7281-7289 Saranac Street, 92115, 4560 Altadena Avenue, 92115, 4479-4481 Altadena Avenue, 92115, 4164 Altadena Avenue, 92105, 5316 Meade Avenue, 92115, 5330-5332 1/2 Rex Avenue, 92105, 5326-5328 Rex Avenue, 92105, 4261 45th Street, 92115, 4225 44th Street, 92115, 2628-2630 44th Street, 92105, 4416 #1-8 Highland Avenue, 92115, 4566 51st Street, 92115, 3051 54th Street, 92105, 4147-4157 Chamoune Avenue, 92105, 4205-4215 Juniper Street, 92105, 4273-4283 Juniper Street, 92105, 4390 Maple Street, 92105, 4180-4182 Poplar Street, 92105, 4451-4459 Market Street, 92102, 5359-5389 Santa Margarita, 92114, 2883 Boston Avenue, 92113, 2955 Boston Avenue, 92113



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

C. Events of Default with finance-related consequences

- C1 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due.
- C2 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a prepayment penalty.
- C3 The outstanding note contains event(s) of default which change the timing of repayment of outstanding principal amounts to become immediately due, adjusts the interest rate equal to the lesser of 4 percentage points above the current interest rate or the maximum allowed under applicable law and includes a prepayment penalty prior to December 31, 2024
- C4 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a variable rate prepayment penalty prior to October 31, 2020.
- C5 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due if not cured within the respective time periods provided by the Agency.
- C6 The outstanding note contains event(s) of default, which if not remedied to the satisfaction of the Department within the time line set forth by the Department could result in loss of rents and income, possession of the Development and/or change the timing of the repayment of outstanding amounts to become immediately due.

D. Subjective Acceleration Clause

- D1 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs.
- D2 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 15% or the maximum reate permitted by law, whichever is less.
- D3 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% per annum.
- D4 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% or the highest rate of interest permitted by law, from disbursement until paid in full.

E. Termination events with finance-related consequences

- E1 SDHC does not have an outstanding note that contains a termination clause



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 10 - Lease Commitments (Dollars in Thousands)

Lease Revenue

SDHC receives revenue from long-term land leases and commercial tenants. Commercial lease revenue is recognized on a straight line basis over the term of the lease. Land lease terms include annual payments ranging from \$12 to \$917,640 for periods of 1 to 55 years in addition to contingent payments based upon available surplus. SDHC also receives income from commercial leases at the Smart Corner building, Park Crest, Courtyard and Hotel Sanford. For fiscal year 2019, SDHC received land lease and other rental income, which is comprised of the following:

Land Leases	\$	1,446
Commercial Leases		887
Parking and Other Rental Income		<u>636</u>
	\$	<u><u>2,969</u></u>

Aggregate future minimum lease revenues are as follows:

Year(s) ending June 30, 2020	\$	2,086
2021		1,765
2022		1,620
2023		1,495
2024		1,374
2025-2029		6,817
2030-2034		6,772
2035-2039		6,694
2040-2044		<u>6,416</u>
	\$	<u><u>35,039</u></u>

Operating Leases

SDHC accounts for all lease arrangements as operating leases. SDHC does not hold any leases payable at June 30, 2019.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 11 - Defined Contribution Pension Plan (Dollars in Thousands)

SDHC provides a pension plan which is a defined contribution plan and is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2019, covered payroll was \$25,148. Pension expense related to SDHC's required contribution was \$3,521 and plan members contributed \$208 for the fiscal year ended June 30, 2019.

At June 30, 2019, there were 400 participants in the plan, including: 3 inactives receiving benefits, 92 inactives not receiving benefits and 305 active participants.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and one-half (70½) years of age.

The Plan has a third party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the Plan including the contribution requirements with the approval of the Board of Commissioners. The Plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

Note 12 - Deferred Compensation Plan (Dollars in Thousands)

SDHC offers a deferred compensation plan which is a defined contribution plan as permitted under Section 457 of the Internal Revenue Code (IRC). The deferred compensation plan is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The deferred compensation plan is available to



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

all permanent and temporary non-benefited employees of the SDHC who have completed one hour of service (qualified employees) and it permits qualified employees to defer a portion of their salary until future years.

SDHC is required to contribute 3.75% of defined earnings for each temporary non-benefited employee and 1% of defined earnings for each permanent employee. SDHC also contributes a 100% matching contribution of elective deferrals up to a maximum of 1.5% for each permanent employee. All contributions by SDHC and the qualified employees are fully vested at the time of contribution. For the fiscal year ended June 30, 2019, SDHC's covered payroll was \$25,765. Deferred compensation expense related to SDHC's required contribution was \$576 and plan members contributed \$1,312 for the fiscal year ended June 30, 2019.

At June 30, 2019, there were 658 participants in the plan, including: 7 inactives receiving benefits, 243 inactives not yet receiving benefits and 408 active participants.

Participants in the deferred compensation plan generally may borrow up to 50% of their vested account balance, subject to certain restrictions. These participant loans bear a reasonable interest rate, which is determined at the time the loan is advanced. Participants are entitled to their deferred compensation upon termination, retirement, death, disability or an unforeseeable emergency.

Great-West Life & Annuity Insurance Company (Great-West) is the third party trustee of the deferred compensation plan and Retirement Benefits Group is the third party fiduciary. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and per federal law, are not available to SDHC or its creditors. As a result, the plan's assets are not included in SDHC's basic financial statements. The assets held by the plan had a market value of \$18,602 at June 30, 2019. The plan is audited by an outside firm, and a copy of the audit can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.

Note 13 - Risk Management

Workers' Compensation Insurance

SDHC is a member of the California Housing Workers' Compensation Authority (CHWCA), which is a self-insurance pool that provides workers' compensation insurance, including employer's liability coverage, to its members with limits of \$750,000 per occurrence. CHWCA also procures excess workers' compensation insurance coverage for all of its members, which provides additional coverage above the self-insurance pool's \$750,000 limit up to the statutory requirements (\$5,000,000 per occurrence).



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

CHWCA is a joint powers authority consisting of 33 public housing authorities, housing commissions, and redevelopment agencies organized under a joint powers agreement to fund a self-insurance program for workers' compensation. Each member has equal representation (one seat) on the Board of Directors. The Board elects a seven-member Executive Committee, with members sitting two-year terms, which has the responsibility for conducting the business of the joint powers authority. Day-to-day operations of CHWCA are carried out by York Risk Services Group, under contract to CHWCA.

Annual premiums for CHWCA members are approved by the Board of Directors and are determined each year based on the following components:

- Rates per \$100 of payroll for CHWCA's four class codes, as determined annually by CHWCA's independent actuary, are multiplied by each member's estimated payroll by class code to calculate the pure loss premium;
- An experience modification factor (ex-mod) is applied to each member's pure loss premium, causing total pure loss premium to change according to the pool's average ex-mod;
- An off-balance factor is applied proportionately to each member's pure loss premium to return total premium to the actuarially-determined total; and
- Each member is allocated their proportionate share of administrative costs, claims servicing, and excess insurance coverage premium.

If CHWCA is dissolved by a vote of three-quarters or more of its members, the remaining assets of the joint powers authority, after all premiums and assessments have been paid and final disposition of all claims has been determined, will be distributed to members in proportion to each member's cash contributions (including premiums paid and property contributed, less incurred losses) made during the life of CHWCA. Until dissolution, however, no member has identifiable equity.

Property, General Liability and Other Liability Insurance

SDHC retained the services of various brokers and direct insurers to provide coverage for other identified risks. Deductibles under the policies vary. Claims and deductibles payable were \$0 at June 30, 2019. The amount of claims has not exceeded the insurance coverage purchased; accordingly, no liability is reported for these claims. Settlements have not exceeded coverage for each of the past five fiscal years.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 14 - Net Position (Dollars in Thousands)

SDHC's net position totaled \$651,477 for the period ending June 30, 2019 and is comprised of the following:

Net Investment in Capital Assets

SDHC's net investment in capital assets totaled \$114,532 for the period ending June 30, 2019. This relates to funds spent on capital assets being used for operations of SDHC.

Restricted Net Position

SDHC's restricted net position totaled \$200,545 for the period ending June 30, 2019. Of the total amount, \$176,465 is related to HOME - funded notes receivable, \$8,971 is related to CDBG Affordable Housing Revolving Loan Fund (AHRLF) - funded notes receivable, \$6,719 is related to Neighborhood Stabilization Program (NSP) - funded notes receivable, while \$941 is related to CDBG Loan Management, Housing Trust Fund, and Homeownership - funded notes receivable and accrued interest receivable net of the related allowance for loan losses.

The HOME loans are made to qualified applicants using grant proceeds received by SDHC under the HOME Program provisions of the 1990 National Affordable Housing Act. These HOME loans are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments received by SDHC on these loans (including principal and interest) are treated as program income and must be used for future HOME program purposes, including 10% that SDHC can retain to cover its administrative costs for HOME activities. As such, the net position associated with the HOME loans are treated as restricted net position because of the perpetual purpose restriction to continue to recycle these resources into eligible uses under the HOME program.

The CDBG AHRLF provides loans for the First Time Homebuyer Down Payment Assistance Program, which provides low-income households with assistance to help with the purchase of a single family home, the "Pilot" Clean and Green Housing Rehabilitation Program Development, providing rehabilitation grants and/or loans for efficiency and sustainability upgrades to single-family detached, owner-occupied units, and Affordable Multi-Family Housing which contributes to the creation of affordable rental housing opportunities and will provide gap financing loans for the acquisition and/or rehabilitation of multi-family housing.

The NSP funds were granted under President Bush's economic stimulus plan under Housing Economic Recovery Act of 2008. These funds were made available to provide



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become source of abandonment and blight within their communities. These NSP loans made to individuals and not-for-profit organizations are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments received by SDHC on these loans (including principal and interest) are treated as program income and must be used for future NSP program purposes, including 10% that SDHC can retain to cover its administrative costs for NSP activities. As such, the net position associated with the NSP loans are treated as restricted because of the perpetual purpose restriction to continue to recycle these resources into eligible uses under the NSP program.

In addition to HOME, AHRLF and NSP grant funds, \$3,542 is restricted for the replacement and operating reserves required by the debt obligations of the LLC's, Otay Villas, Adaptable Housing, Courtyard Apartments and Hotel Sandford projects. The remaining restricted balance, amounting to \$3,907, consists of \$3,252 of Veterans Affairs Supportive Housing (VASH) reserves, \$634 of Mainstream Vouchers reserves and \$21 of Family Unification Program (FUP) reserves. VASH, Mainstream Vouchers and FUP's restricted balances are administered in accordance with Housing Choice Vouchers (HCV) requirements.

Unrestricted Net Position

SDHC's unrestricted net position totaled \$336,400 for the period ending June 30, 2019. Unrestricted net position follows GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", wherein these funds are not included in the determination of net investment in capital assets or the restricted component of net position. In addition, although these funds are defined as unrestricted, these funds are not necessarily indicative of funds available for discretionary use. Of the total unrestricted amount, \$187,456 relates to notes receivable (money due to SDHC, not on-hand and net of allowance for loan loss), \$57,257 relates to loans and grants SDHC has committed to fund (also see Note 16), and the remaining \$91,687 either have federal/state/local programmatic requirements, are earmarked for property maintenance or are reserves required by the City of San Diego for contingencies.

Note 15 - Economic Dependency (Dollars in Thousands)

SDHC receives the majority of its funding from HUD. HUD is subject to the federal budget allocation process each year. For the fiscal year ended June 30, 2019, SDHC's original budget included \$241,131 of estimated HUD funding. A reduction in funding from HUD could significantly change the services provided by SDHC.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 16 - Commitments and Contingencies (Dollars in Thousands)

Grants

SDHC has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. SDHC management believes such disallowances, if any, would not have a material effect on SDHC's financial statements.

Loan Commitments

SDHC has committed funds for loans and grants to various individuals and entities as of June 30, 2019. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2019, is \$57,257.

Lawsuits and Claims

SDHC is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions of which it is aware, will not have a material effect on the financial position of SDHC.

Note 17 - Affordable Housing

The San Diego Affordable Housing Fund (AHF) was created by the San Diego City Council (City Council) on June 3, 2003, as a permanent and annually renewable source of revenue to help meet the housing needs of the City of San Diego's (City) lower-income households. The City Council expressed the purposes of the AHF in San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code). The fund seeks to:

- Meet a portion of the need for housing that is affordable to households with very-low, low-, and median-incomes;
- Leverage every \$1 of City funds with \$2 of non-City subsidy capital funds;
- Support the City's Balanced Communities Policy by fostering a mix of family incomes in AHF assisted projects and dispersing affordable housing projects throughout the City;
- Preserve and maintain affordable rental and ownership housing; and
- Encourage private sector activities that advance these goals.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

The AHF is composed of two funds: the Housing Trust Fund (HTF) and the Inclusionary Housing Fund (IHF).

The Housing Trust Fund:

Per Section 98.0504 of the Code, HTF funds may be used in any manner, through loans, grants or indirect assistance for the production and maintenance of assisted units and related facilities. The HTF regulations require that:

- No less than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to provide transitional housing for households who lack permanent housing;
- No less than sixty percent (60%) of the funds in the Trust Fund account shall be expended to provide housing to very low income households at affordable housing costs;
- No more than twenty percent (20%) of the funds in the San Diego Housing Trust Fund account shall be expended to provide housing to low income households at affordable housing costs; and
- No more than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to assist median income and moderate income first-time home buyers purchase a home at an affordable housing cost.

Inclusionary Housing Fund

The expenditure of IHF is governed by Section 98.0505 of the Code. Priority is given to the construction of new affordable housing stock. Monies may also be used for other programs if approved by City Council in the Annual Plan. SDHC monitors the revenue collected from each Community Planning Area and is responsible for reinvesting the funds. The IHF program requires that 10% of the new construction resident units be set aside as affordable housing for families earning no more than 65% of area median income (AMI) for rental units or 100% of AMI for-sale properties.

The following table reflects the condensed statement of revenues, expenses and changes in net position as of the fiscal year ended June 30, 2019 for IHF and HTF as required by the AHF Ordinance (San Diego Municipal Code Section 98.0515) and the dollars presented in the table below are in thousands.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

	<u>Inclusionary Housing Fund</u>	<u>Housing Trust Fund</u>
Operating Revenues		
Other revenue	\$ -	\$ 33
Total operating revenue	-	33
Operating Expenses		
Administrative expenses	1,922	1,148
Grant expense	2,858	480
Housing assistance	1,556	355
Total operating expenses	<u>6,336</u>	<u>1,983</u>
Operating loss	<u>(6,336)</u>	<u>(1,950)</u>
Non- Operating Revenues		
Grant revenue	9,760	1,816
Interest income on investments and notes receivable	3,598	1,626
Housing assistance income	4	-
Total non-operating revenues	<u>13,362</u>	<u>3,442</u>
Change in net assets	<u>\$ 7,026</u>	<u>\$ 1,492</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 18 - Blended Component Units

SDHC's blended component units reflect SDHC Building Opportunities, Inc. (Building Opportunities) and the LLCs.

Building Opportunities

Building Opportunities is a 501(c) (3) California Nonprofit Public Benefit Corporation, which has been classified by the Internal Revenue Service as a public charity. For the fiscal year-ended June 30, 2019, Building Opportunities raised \$123,000, of which \$3,386 is recorded in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2019, \$119,614 remains to be expended and is recorded in unearned revenues.

LLCs

In September 2007, SDHC received HUD approval to transition out of the Public Housing Program and to own and operate those same 134 properties (1,366 units) of rental housing. In October 2009, the Housing Authority of the City of San Diego approved SDHC's Finance Plan for the Acquisition of New Affordable Housing Units (see Housing Authority Report HAR 09-030). SDHC leveraged the equity in a portion of those properties through two financing sources, Fannie Mae and FHA.

A portion of SDHC's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated \$37,140,000 in total loan proceeds. Another portion of SDHC's portfolio (44 properties) was leveraged under FHA's 223(f) program and generated \$58,243,400 in total loan proceeds. The Fannie Mae loans closed in December 2009; two of the FHA loans closed in August 2010 and one FHA loan closed in September 2010. The loans were obtained by grouping the properties into six Limited Liability Companies. The groupings were primarily based on property location. Each of these LLC loans is nonrecourse.

On January 31, 2011, SDHC established its seventh wholly-owned LLC, Mercado SDHC LLC (Mercado). Mercado was created to acquire land for the Estrella del Mercado project which was subsequently ground leased to the developer of the project.

The following are the financial statements of the LLC Blended Component Units of the San Diego Housing Commission for the year ended June 30, 2019:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - LLCs Blended Component Units

Balance Sheet

June 30, 2019

(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	TOTAL
<u>Assets</u>								
Current assets								
Operating cash	\$ 753	\$ 681	\$ 803	\$ 762	\$ 1,320	\$ 750	\$ -	\$ 5,069
Security deposit account	105	81	126	96	182	151	-	741
Restricted cash	221	42	178	356	726	671	-	2,194
Accounts receivable	45	2	3	22	49	10	-	131
Allowance for doubtful accounts	-	(1)	-	(1)	(1)	(4)	-	(7)
Prepaid mortgage insurance	-	-	-	25	36	30	-	91
Escrow account - MIP	-	-	-	59	85	48	-	192
Total current assets	1,124	805	1,110	1,319	2,397	1,656	-	8,411
Capital assets								
Land	2,226	2,985	3,217	3,691	3,683	3,852	30	19,684
Building	1,815	3,252	3,929	5,098	3,901	3,857	-	21,852
Building improvements	338	2,346	5,440	5,962	6,628	5,222	-	25,936
Office Furniture & Equipment	-	-	-	-	-	23	-	23
Accumulated depreciation	(672)	(1,379)	(3,047)	(3,440)	(3,400)	(2,585)	-	(14,523)
Total capital assets	3,707	7,204	9,539	11,311	10,812	10,369	30	52,972
Total assets	\$ 4,831	\$ 8,009	\$ 10,649	\$ 12,630	\$ 13,209	\$ 12,025	\$ 30	\$ 61,383



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - LLCs Blended Component Units
Balance Sheet
June 30, 2019
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	TOTAL
<u>Liabilities</u>								
Current liabilities								
Accounts payable	\$ 90	\$ 138	\$ 70	\$ 88	\$ 118	\$ 334	\$ -	\$ 838
Related party payable	68	64	128	80	178	161	-	679
Accrued interest payable	66	58	75	47	67	41	-	354
First mortgage - current portion	234	205	266	342	488	310	-	1,845
Prepaid revenue	21	11	20	16	45	14	-	127
Tenant security deposits	105	81	126	96	182	151	-	741
Total current liabilities	584	557	685	669	1,078	1,011	-	4,584
Long -term liabilities								
First mortgage payable , net	10,456	9,172	11,837	14,318	20,488	12,843	-	79,114
Total liabilities	11,040	9,729	12,522	14,987	21,566	13,854	-	83,698
<u>Net Position</u>								
Net investment in capital assets	(7,077)	(2,258)	(2,725)	(3,688)	(10,542)	(2,775)	30	(29,035)
Restricted net position	220	43	178	356	726	671	-	2,194
Unrestricted net position	648	495	674	975	1,459	275	-	4,526
Total net position	(6,209)	(1,720)	(1,873)	(2,357)	(8,357)	(1,829)	30	(22,315)
Total liabilities and net position	\$ 4,831	\$ 8,009	\$ 10,649	\$ 12,630	\$ 13,209	\$ 12,025	\$ 30	\$ 61,383



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - LLCs Blended Component Units
 Statement of Operations
 For the Year Ended June 30, 2019
 (Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	TOTAL
Income								
Rental income	\$ 2,513	\$ 2,183	\$ 3,083	\$ 2,976	\$ 4,849	\$ 3,811	\$ -	\$ 19,415
Other income	324	65	18	225	318	29	-	979
Total income	2,837	2,248	3,101	3,201	5,167	3,840	-	20,394
Expenses								
Operating expenses								
Salaries and benefits	238	174	215	215	376	358	-	1,576
Management fee	127	110	155	151	245	192	-	980
Other admin	54	37	39	63	77	80	2	352
Utilities	169	150	207	231	372	357	-	1,486
Repairs and maintenance	361	283	399	375	593	751	-	2,762
Protective services	45	22	-	-	51	44	-	162
Insurance	51	25	28	30	50	43	-	227
Total operating expenses	1,045	801	1,043	1,065	1,764	1,825	2	7,545
Other expenses								
Interest expense	797	699	906	570	814	497	-	4,283
Mortgage insurance	-	-	-	68	98	61	-	227
Depreciation	77	252	493	570	589	440	-	2,421
Amortization	5	5	9	18	24	16	-	77
Bad debt expense	8	23	14	22	6	52	-	125
Other expenses	45	23	9	9	6	22	1	115
Total other expenses	932	1,002	1,431	1,257	1,537	1,088	1	7,248
Total expenses	1,977	1,803	2,474	2,322	3,301	2,913	3	14,793
Net income	\$ 860	\$ 445	\$ 627	\$ 879	\$ 1,866	\$ 927	\$ (3)	\$ 5,601



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units

The discretely presented component units include the consolidated financial statements of the financial reporting entity, Housing Development Partners of San Diego (collectively referred to as the "Corporation"). The Corporation follows accounting principles of the FASB. The entities consolidated within the Corporation's financial statements include: Housing Development Partners of San Diego, Casa Colina, L.P., HDP Mason Housing Corporation, Logan Development Management, LLC, Logan Development II, L.P., HDP Parker Kier, LLC, HDP Churchill, LLC, HDP Churchill, L.P., HDP Broadway, L.P., HDP Broadway Management, LLC, HDP Island Village, LLC, HDP New Palace, L.P., HDP New Palace Management, LLC, HDP Town & Country, LLC, HDP Town & Country L.P., HDP Village North, LLC, HDP Quality Inn, LLC, HDP West Park, L.P., HDP West Park Management, LLC., HDP Mariner's Village, L.P., and HDP Mariner's Village Management, LLC. All intercompany transactions have been eliminated in consolidation. A detail of the consolidated financial statements of the discretely presented component units as of December 31, 2018 is presented below along with the Notes to the Financial Statements. In addition, subsequent to the Corporation's fiscal year end, in September 2019, the construction loan for HDP New Palace, LP rehabilitation with Citibank was paid down to \$4,910,000 and converted to permanent financing.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Due to differing fiscal years, the nature and amount of inter-entity transactions between the primary government and component units are disclosed in the table below.

Type of Obligation		HDP Balance, 12/31/2018	Additions	Payments	SDHC Balance, 6/30/2019
SALARIES PAYABLE AND OTHER PAYABLES					
<u>Debts of Housing Development Partners of San Diego</u>					
San Diego Housing Commission		\$ 78,910	\$ 664,636	\$ 608,884	\$ 134,662
ACCRUED INTEREST PAYABLE AND NOTES PAYABLE					
<u>Debts of HDP Mason Housing Corporation</u>					
San Diego Housing Commission	Principal	2,365,284	-	-	2,365,284
San Diego Housing Commission	Interest	469,955	35,479	-	505,434
San Diego Housing Commission	Principal	68,858	-	-	68,858
San Diego Housing Commission	Interest	31,193	1,033	-	32,226
San Diego Housing Commission - Debt Forgiveness	Principal	92,000	-	-	92,000
<u>Debts of Casa Colina, LP</u>					
San Diego Housing Commission	Principal	1,318,441	-	80,399	1,238,042
San Diego Housing Commission	Interest	30,764	19,789	47,354	3,198
<u>Debts of Logan Development II, LP</u>					
San Diego Housing Commission	Principal	1,400,000	-	-	1,400,000
San Diego Housing Commission	Interest	1,438,536	42,467	65,645	1,415,358
<u>Debts of HDP Churchill, LP</u>					
San Diego Housing Commission	Principal	3,800,000	-	-	3,800,000
San Diego Housing Commission	Interest	289,413	57,000	-	346,413
San Diego Housing Commission	Principal	2,232,446	-	20,087	2,212,359
San Diego Housing Commission	Interest	34,045	33,441	62,508	4,978
<u>Debts of HDP New Palace, LP</u>					
San Diego Housing Commission	Principal	2,945,000	-	-	2,945,000
San Diego Housing Commission	Interest	145,782	70,185	11,285	204,682
<u>Debts of HDP Town & Country, LP</u>					
San Diego Housing Commission*	Principal	13,250,000	-	-	13,250,000
San Diego Housing Commission*	Interest	1,007,919	480,894	512,880	975,933
Total		<u>\$ 30,998,545</u>	<u>\$ 1,404,924</u>	<u>\$ 1,409,042</u>	<u>\$ 30,994,426</u>

*For presentation purposes with the primary government this is presented as a liability throughout note 19



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - Discretely Presented Component Units
Consolidating Statement of Financial Position
December 31, 2018

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Assets														
Current assets														
Cash and cash equivalents	\$ 4,922,095	\$ 34,093	\$ 466,174	\$ 224,324	\$ 249,985	\$ 303,552	\$ 124,227	\$ 615,592	\$ 563,988	\$ 370,374	\$ 548,771	\$ 196,196	\$ -	\$ 8,619,371
Restricted reserves and deposits														
Restricted reserves	-	-	-	-	-	-	-	-	-	-	73,801	-	-	73,801
Deposits	4,787	-	-	-	-	-	-	-	1,200	58,000	3,886	1,909	-	69,782
Tenant security deposits	-	9,687	22,077	26,243	23,740	64,558	18,717	47,979	104,481	100	65,126	45,100	-	427,808
Accounts receivable	290,143	1,233	16,367	2,519	70,602	16,342	1,051	3,168	289,350	8,375	8,858	66,575	(97,163)	677,420
Prepaid ground lease	-	-	-	-	10,798	-	-	214,771	-	-	-	-	-	225,569
Prepaid expenses	17,404	4,422	-	6,401	17,210	12,235	4,877	16,346	16,887	-	36,196	145	-	132,123
Related party advances	1,952,752	-	-	-	-	-	-	-	-	57	-	-	(1,952,809)	-
Total current assets	7,187,181	49,435	504,618	259,487	372,335	396,687	148,872	897,856	975,906	436,906	736,638	309,925	(2,049,972)	10,225,874
Noncurrent assets														
Restricted reserves and deposits														
Restricted reserves	-	92,026	96,010	421,823	466,526	290,316	50,146	1,495,911	-	301	463,846	300	-	3,377,205
Deposits	-	3,677	15,039	6,000	-	6,000	3,000	-	109	5,403	-	12,004	-	51,232
Tax credit fees, net	-	-	39,128	12,298	-	-	-	55,252	81,267	-	-	-	-	187,945
Developer fees receivable	6,861,002	-	-	-	-	-	-	-	-	-	-	-	(6,861,002)	-
Escrow deposits	-	-	-	6,807	15,044	-	-	56,100	-	-	4,570,535	-	-	4,648,486
Interest receivable	248,779	-	-	-	-	-	-	-	-	-	-	-	(248,779)	-
Investment in partnerships	51,674	-	-	-	-	-	-	-	-	-	-	73	-	51,747
Note receivable	10,263,567	-	-	-	-	-	-	-	-	-	-	-	(10,263,567)	-
Prepaid ground leases, less current portion	-	-	-	-	529,089	-	-	2,893,625	-	-	-	-	-	3,422,714
Property and equipment, net	149,320	4,933,811	17,147,999	7,198,196	3,126,406	18,436,523	-	28,405,462	29,391,753	982,507	9,438,578	533,146	(22,322,842)	97,420,859
Total noncurrent assets	17,574,342	5,029,514	17,298,176	7,645,124	4,137,065	18,732,839	53,146	32,906,350	29,473,129	988,211	14,472,959	545,523	(39,696,190)	109,160,188
Total assets	\$ 24,761,523	\$ 5,078,949	\$ 17,802,794	\$ 7,904,611	\$ 4,509,400	\$ 19,129,526	\$ 202,018	\$ 33,804,206	\$ 30,449,035	\$ 1,425,117	\$ 15,209,597	\$ 855,448	\$ (41,746,162)	\$ 119,386,062



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - Discretely Presented Component Units
Consolidating Statement of Financial Position - Continued
December 31, 2018

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Liabilities and Net Assets														
Current liabilities														
Accounts payable and accrued expenses	\$ 155,866	\$ 26,644	\$ 40,797	\$ 23,257	\$ 28,155	\$ 38,704	\$ 19,558	\$ 56,247	\$ 110,103	\$ 105,581	\$ 2,018,217	\$ 56,705	\$ -	\$ 2,679,834
Construction costs payable	-	-	753,632	-	-	-	-	-	847,160	-	717,910	-	-	2,318,702
Accrued interest payable	-	-	35,780	14,783	43,716	-	-	262,573	98,497	-	-	-	(199,324)	256,025
Ground lease payable	-	-	-	-	997	36,844	17,801	3,475	-	-	57,395	-	-	116,512
Mortgages and notes payable, current	-	23,000	-	57,005	74,712	-	-	257,235	-	-	107,246	-	-	519,198
Prepaid revenue	-	25	33	328	-	5,684	436	24	12,174	233,086	14,588	39	-	266,417
Related party payables, current	78,910	850	834,033	24,394	23,115	11,409	10,670	21,397	10,000	1,141,264	779,756	697,821	(3,429,747)	203,872
Tenant security deposits liability	-	8,600	20,791	26,243	21,915	63,000	17,744	45,859	100,831	-	65,676	41,565	-	412,224
Total current liabilities	234,776	59,119	1,685,066	146,010	192,610	155,641	66,209	646,810	1,178,765	1,479,931	3,760,788	796,130	(3,629,071)	6,772,784
Noncurrent liabilities														
Accrued interest payable	-	1,005,770	228,350	1,504,702	-	502,092	-	-	1,007,919	-	-	-	(5,726)	4,243,107
Deferred grant revenue	-	-	-	-	-	8,920,282	-	-	-	-	2,285,276	-	(364,848)	10,840,710
Investment in partnerships	786,060	-	-	-	-	-	-	-	-	-	-	-	(786,060)	-
Mortgages and notes payable, less current portion	-	4,986,832	14,751,664	4,703,958	3,716,643	10,775,312	-	24,496,299	38,775,119	-	8,748,587	-	(8,395,566)	102,558,848
Related party payable, less current portion	4,929,295	316,635	1,036,897	-	-	127,262	-	-	4,715,695	-	-	-	(10,537,785)	587,999
Total noncurrent liabilities	5,715,355	6,309,237	16,016,911	6,208,660	3,716,643	20,324,948	-	24,496,299	44,498,733	-	11,033,863	-	(20,089,985)	118,230,664
Total liabilities	5,950,131	6,368,356	17,701,977	6,354,670	3,909,253	20,480,589	66,209	25,143,109	45,677,498	1,479,931	14,794,651	796,130	(23,719,056)	125,003,448
Net assets														
Without donor restriction, controlling	18,811,392	(1,289,407)	(531,346)	(59)	(10)	(939,434)	135,809	(363)	(14,778,643)	(54,814)	414,946	53,518	(18,027,106)	(16,205,517)
Without donor restriction, noncontrolling	-	-	632,163	1,550,000	600,157	(411,629)	-	8,661,460	(449,820)	-	-	5,800	-	10,588,131
Total net assets	18,811,392	(1,289,407)	100,817	1,549,941	600,147	(1,351,063)	135,809	8,661,097	(15,228,463)	(54,814)	414,946	59,318	(18,027,106)	(5,617,386)
Total liabilities and net assets	\$ 24,761,523	\$ 5,078,949	\$ 17,802,794	\$ 7,904,611	\$ 4,509,400	\$ 19,129,526	\$ 202,018	\$ 33,804,206	\$ 30,449,035	\$ 1,425,117	\$ 15,209,597	\$ 855,448	\$ (41,746,162)	\$ 119,386,062



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - Discretely Presented Component Units
Consolidating Statement of Activities
For the Year Ended December 31, 2018

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kler, LLC	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Revenue and support														
Rental income	-	\$ 206,478	\$ 781,436	\$ 766,242	\$ 962,714	\$ 854,848	\$ 399,187	\$ 2,852,988	\$ 1,751,358	\$ 23,115	\$ 1,299,818	\$ 104,074	\$ -	\$ 10,002,258
Developer fees	2,330,936	-	-	-	-	-	-	-	-	-	-	-	(1,031,453)	1,299,483
Grant income	30,000	970	-	-	-	244,706	-	-	10,000	91,904	-	204,956	(44,545)	537,991
Interest income	422,414	498	57	1,179	1,587	4,083	58	8,052	74	3	184	-	(387,252)	50,918
Note forgiveness	-	23,000	-	-	-	-	-	-	-	-	-	-	-	23,000
Management fees	143,622	-	-	-	-	-	-	-	-	-	-	83,109	(97,163)	129,568
Miscellaneous income	-	-	-	-	12	-	540	-	-	-	-	-	812	90,578
Resident services	21	10,690	-	-	-	-	635	7,269	4,963	65,924	(288)	-	-	74,250
Share of income from partnerships	93,533	-	-	-	-	-	-	-	-	-	-	(446)	(86,559)	6,528
Total revenue and support	3,020,526	241,636	781,493	767,421	1,038,563	1,104,177	399,880	2,868,309	1,766,395	180,946	1,299,714	392,516	(1,647,002)	12,214,574
Expenses														
Program services														
Salaries	-	\$ 24,831	\$ 124,377	\$ 70,730	\$ 79,521	\$ 124,107	\$ 81,233	\$ 151,877	\$ 444,451	\$ 33,151	\$ 44,616	\$ 83,355	\$ -	\$ 1,262,249
Payroll taxes	-	2,694	6,702	3,289	9,729	6,342	3,412	14,685	12,674	913	1,677	5,150	-	67,267
Employee benefits	-	6,164	21,567	14,368	21,795	28,509	19,695	37,657	20,220	6,497	33,115	15,429	-	225,016
Consultants	429,499	-	3,780	-	12,784	-	-	18,613	2,700	186	-	2,441	-	470,003
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office expenses	-	104	-	2,568	-	6,382	1,829	-	7,035	-	4,198	-	-	22,116
Training, travel and parking	-	641	140	1,081	1,937	1,431	1,327	1,327	356	-	-	63	-	6,976
Resident services	-	1,069	17,629	1,326	83,563	1,529	583	53,691	56,889	1,147	68,535	-	-	285,961
Relocation cost	-	-	-	-	-	-	-	-	1,132,477	-	-	-	-	1,132,477
Repairs and maintenance	-	34,166	39,959	52,011	53,272	127,634	64,342	291,020	179,373	95,683	58,413	36,937	-	1,032,810
Supplies	-	12,871	6,083	24,642	18,605	5,752	4,451	16,679	14,546	6,112	731	10,783	-	126,255
Utilities and telephone	-	39,602	94,984	103,115	73,941	95,498	61,029	269,225	242,605	24,164	88,771	53,853	-	1,146,787
Property tax and insurance	-	4,372	32,711	13,412	36,205	24,270	8,207	64,547	141,224	7,607	37,671	19,260	-	389,486
Interest	-	148,142	369,422	291,879	210,990	325,213	1,819	1,090,935	1,748,514	-	386,622	-	(334,617)	4,237,100
Legal and accounting	-	1,985	-	-	-	-	1,819	-	853	-	18	-	-	4,675
Bad debt expense	-	7,808	-	1,573	219	4,895	3,795	1,517	17,476	2,822	1,046	-	-	41,578
Ground lease expense	-	-	627	-	32,272	36,844	17,801	383,461	-	-	57,395	-	-	527,773
Grant expense	30,000	-	-	-	-	240	-	757	2,441	254	-	713	(30,000)	4,987
Advertising and marketing	-	-	582	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous administrative expense	3,668	4,959	8,023	8,539	19,470	18,360	2,290	28,085	7,984	6,224	22,964	-	-	130,566
Depreciation and amortization	-	120,497	258,678	236,556	103,911	621,505	2,164	916,258	566,936	-	-	-	-	2,826,509
Total program services	463,167	409,905	985,264	825,089	758,454	1,428,071	277,650	3,340,334	4,598,754	184,760	805,772	227,984	(364,617)	13,940,587
Management and general														
Consultants	532,269	12,578	11,910	8,188	7,893	11,175	8,033	10,883	46,500	-	167	-	-	649,596
Rent	34,152	-	-	-	-	-	-	-	-	-	-	-	-	34,152
Office expenses	51,227	2,882	13,238	4,882	6,455	2,914	3,799	20,774	14,185	5,568	5,055	23,382	-	154,361
Training, travel and parking	29,893	1,845	484	-	-	-	-	32	-	23	658	-	-	32,935
Property and partnership management	-	10,404	59,532	58,038	77,991	53,421	30,808	123,123	83,880	24,000	65,309	59,294	(97,163)	547,837
Repairs and maintenance	1,122	-	-	-	-	-	-	-	1,293	-	170	-	-	2,585
Utilities and telephone	11,353	2,554	-	3,503	4,874	3,965	4,195	7,850	3,426	7,794	874	7,572	-	49,514
Property tax and insurance	6,673	2,345	-	838	2,457	1,220	807	2,813	1,329	874	7,572	-	-	31,735
Legal and accounting	42,474	8,550	26,046	11,543	12,944	15,494	3,125	66,552	10,975	11,570	5,024	13,891	-	228,188
Advertising and marketing	-	-	-	-	-	-	-	-	-	-	21	-	-	21
Miscellaneous administrative expense	166,720	-	1,370	-	1,973	-	-	2,165	-	393	-	845	-	173,466
Depreciation and amortization	4,330	-	-	-	-	-	-	-	-	-	-	-	-	4,330
Total management and general	880,213	41,158	113,418	88,611	113,250	87,776	52,773	226,682	165,637	46,309	85,072	104,984	(97,163)	1,908,720
Total expenses	1,343,380	451,063	1,098,682	913,700	871,704	1,515,847	330,423	3,567,016	4,764,391	231,069	890,844	332,968	(461,780)	15,849,307
Change in net assets	\$ 1,677,146	\$ (209,427)	\$ (317,189)	\$ (146,279)	\$ 166,859	\$ (411,670)	\$ 69,457	\$ (698,707)	\$ (2,997,996)	\$ (50,123)	\$ 408,870	\$ 59,548	\$ (1,185,222)	\$ (3,634,733)
Change in net assets controlling	\$ 1,677,146	\$ (209,427)	\$ (32)	\$ (15)	\$ 17	\$ (41)	\$ 69,457	\$ (70)	\$ (905,411)	\$ (50,123)	\$ 408,870	\$ 54,116	\$ (1,185,222)	\$ (140,735)
Change in net assets noncontrolling	-	-	(317,157)	(146,264)	166,842	(411,629)	-	(698,637)	(2,092,585)	-	-	5,432	-	(3,493,998)
Change in net assets	\$ 1,677,146	\$ (209,427)	\$ (317,189)	\$ (146,279)	\$ 166,859	\$ (411,670)	\$ 69,457	\$ (698,707)	\$ (2,997,996)	\$ (50,123)	\$ 408,870	\$ 59,548	\$ (1,185,222)	\$ (3,634,733)



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

San Diego Housing Commission - Discretely Presented Component Units
 Consolidating Statement of Changes in Net Assets
 For the Year Ended December 31, 2018

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Controlling interest														
Unrestricted net assets, beginning	\$ 17,134,246	\$ (1,079,980)	\$ (4)	\$ (44)	\$ (16)	\$ (939,393)	\$ 120,915	\$ (293)	\$ (13,873,232)	\$ (4,691)	\$ 6,076	\$ 123,171	\$ (17,551,537)	\$ (16,064,782)
Excess over carryover basis	-	-	(531,310)	-	-	-	-	-	-	-	-	-	531,310	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	79	(79)	-
Distributions	-	-	-	-	(11)	-	(54,563)	-	-	-	-	(123,848)	178,422	-
Change in unrestricted net assets	1,677,146	(209,427)	(32)	(15)	17	(41)	69,457	(70)	(905,411)	(50,123)	408,870	54,116	(1,185,222)	(140,735)
Unrestricted net assets, controlling interest, ending	\$ 18,811,392	\$ (1,289,407)	\$ (531,346)	\$ (59)	\$ (10)	\$ (939,434)	\$ 135,809	\$ (363)	\$ (14,778,643)	\$ (54,814)	\$ 414,946	\$ 53,518	\$ (18,027,106)	\$ (16,205,517)
Noncontrolling interest														
Unrestricted net assets, beginning	\$ -	\$ -	\$ 949,310	\$ 1,696,264	\$ 546,542	\$ -	\$ -	\$ 9,360,097	\$ 1,673,009	\$ -	\$ -	\$ 19,437	\$ -	\$ 14,244,659
Contributions	-	-	10	-	-	-	-	-	-	-	-	-	-	10
Distributions	-	-	-	-	(113,227)	-	-	-	-	-	-	(19,069)	-	(132,296)
Syndication costs	-	-	-	-	-	-	-	-	(30,244)	-	-	-	-	(30,244)
Change in unrestricted net assets	-	-	(317,157)	(146,264)	166,842	(411,629)	-	(698,637)	(2,092,585)	-	-	5,432	-	(3,493,998)
Unrestricted net assets, noncontrolling interest, ending	\$ -	\$ -	\$ 632,163	\$ 1,550,000	\$ 600,157	\$ (411,629)	\$ -	\$ 8,661,460	\$ (449,820)	\$ -	\$ -	\$ 5,800	\$ -	\$ 10,588,131



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 1 - Organization and Nature of Operations:

The accompanying consolidated financial statements include Housing Development Partners of San Diego, a California nonprofit corporation ("HDP"), a component unit of the San Diego Housing Commission ("SDHC") and its Operating Entities, as listed on page 91, and collectively shall be referred to as the "Corporation". While the Corporation has substantially the same governing body as SDHC, the Corporation is managed differently than SDHC and operationally the Corporation has its own procurement practices, its own legal counsel and its own separate accounting system in place. In addition, SDHC is not legally entitled to the Corporation's resources, nor is SDHC legally obligated to financially support the Corporation. The management of SDHC has oversight responsibility for the component unit; therefore, the accounts of HDP have been included within the scope of the basic financial statements of SDHC.

HDP was organized for the purpose to provide low and moderate income persons, elderly persons, and handicapped persons with affordable housing by acquiring or developing publicly financed low and moderate income housing and renting such housing to these persons and facilities and services related to housing.

The Corporation shares staff and Board of Directors with the San Diego Housing Commission ("Commission"). The Corporation's by-laws state that two of the Corporation's board members are also Commission board members and a third Corporation board member is the Chief Executive Officer of the Commission. Therefore, the Commission can exercise considerable influence over the Corporation.

HDP oversees the management of over 1,500 rental units throughout the City of San Diego including Dawson Avenue Senior Apartments, LP, Island Palms Apartments, LP and Studio 15 Housing Partners, LLC.

The Corporation receives significant funding from federal, state and local government subsidies in various forms, including low-income housing tax credits, low-interest rate loans, grants, and rent subsidies for qualifying very-low, low- and moderate-income tenants.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Corporation's management and the board of directors.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies (Continued)

Principles of Consolidation

The accompanying consolidated financial statements of the Corporation include the accounts of HDP, and the Operating Entities listed below. These entities are included in the consolidation in accordance with GAAP, which require consolidation of all such entities which are deemed to be controlled by the Corporation. All material intercompany transactions have been eliminated in consolidation.

Operating Entity	Beneficial owner	Ownership %
Casa Colina, LP ("Casa Colina")	HDP	0.01%
HDP Mason Housing Corporation ("HDP Mason")	HDP	N/A
Logan Development Management LLC	HDP	79.00%
Logan Development II, LP ("Logan")	Logan Development Management LLC	0.01%
HDP Parker Kier, LLC	HDP	100.00%
HDP Churchill, LLC	HDP	100.00%
HDP Churchill, LP	HDP	99.99%
HDP Broadway LP ("Broadway")	HDP Broadway Management, LLC	0.01%
HDP Broadway Management, LLC	HDP	79.00%
HDP Island Village, LLC	HDP	100.00%
HDP Town & Country, LLC	HDP	100.00%
HDP Town & Country LP ("Town & Country")	HDP Town & Country, LLC	0.005%
HDP New Palace Management, LLC	HDP	79.00%
HDP New Palace, LP ("New Palace")	HDP New Palace Management, LLC	0.01%
HDP Village North, LLC ("Village North")	HDP	100.00%
HDP Quality Inn, LLC	HDP	100.00%
HDP West Park, LP	HDP	99.99%
HDP West Park Management, LLC	HDP	100.00%



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and the disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates of future operations were made by management in the calculation of the amount of development fee revenue recognized under GAAP.

Fair Value

The carrying amount of The Corporation's cash and cash equivalents, receivables, payables and accrued expenses, approximate fair value due to the short-term nature of these instruments. The fair value of The Corporation's mortgages and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary.

Cash and Cash Equivalents

The Corporation considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Reserves and Deposits

Restricted reserves and deposits primarily consist of operating and replacement reserves and property tax and insurance escrows. Such reserves are required by various financing authorities, lenders or stipulations in the applicable partnership or operating agreements.

Accounts Receivable

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies (Continued)

Notes Receivable

Notes receivable are reported net of an allowance for uncollectible amounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of notes receivable. As of December 31, 2018, there is no allowance for doubtful accounts. All related party notes receivable have been eliminated in consolidation.

Due from Affiliates

The advances due from affiliates are reported net of an allowance for doubtful accounts. As of December 31, 2018, there is no allowance for doubtful accounts. All amounts due from affiliates have been eliminated in consolidation.

Investments in Partnerships

Investments in Partnerships include the equity interest of the Corporation in certain tax credit partnerships which are not controlled by the Corporation. The Corporation accounts for its investments in such limited partnerships ("Investees") in accordance with the equity method of accounting, under which the investment is carried at cost and is adjusted for the Corporation's share of the Investees' results of operations and by cash distributions received. The Corporation regularly assess the carrying value of its investments in partnerships. If the carrying value exceeds the estimated value derived by management, the Corporation would reduce its investments by the amount by which the carrying amounts exceed the assessed value. During the year ended December 31, 2018, the Corporation did not make any such adjustments. The Investees are variable interest entities whose activities are consolidated with the business activities of their controlling owners.

Property, Equipment and Improvements

Property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while major renewals and betterments are capitalized. Costs of properties constructed or rehabilitated include all direct costs of construction, as well as carrying costs during the construction period and indirect costs of construction, supervision and management. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies (Continued)

Property, Equipment and Improvements (Continued)

It is the Corporation's policy to capitalize expenditures for property, equipment and improvements exceeding \$2,000.

Impairment of Long-Lived Assets

The Corporation reviews its property, equipment and improvements for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the year ended December 31, 2018.

Tax Credit Fees

Costs related to obtaining low-income housing tax credits are being amortized using the straight-line method over the mandatory 15-year compliance period.

Estimated annual amortization for each of the next five years subsequent to December 31, 2018 is \$15,748 per year.

Prepaid Ground Leases

The cost of ground leases are amortized over the terms of the agreements using the straight-line method.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies (Continued)

Noncontrolling Interest in Limited Partnerships

The noncontrolling interest in the consolidated statement of financial position represent the aggregate balance of limited partners equity interest in the affiliate limited partnerships that are included in the consolidated financial statements.

Deferred Grant Revenue

Government grants related to the acquisition of assets are recognized initially as deferred grant revenue when there is reasonable assurance that the Corporation will comply with the conditions associated with the grants. Grant revenue is recognized in the consolidated statement of activities on a systematic basis over the useful life of the related asset. Deferred grant revenue totaled \$10,840,710 at December 31, 2018.

Revenue Recognition

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Operating Entities and the tenants of the projects are operating leases.

Portions of the rental income are in the form of subsidy payments from the HUD under Section 8 of the National Housing Act and a Project Rental Assistance Contract. Tenants are subsidized based upon their level of income. Rent increases require HUD approval.

Development fees are earned in connection with the construction and oversight of the development of properties. The total development fees anticipated to be paid from capital sources are recognized as revenue commencing with the closing of a project's construction loan based on the percentage of completion method. The total development fee anticipated to be paid from future cash flow of the property ("deferred development fee") is recorded as an asset with a corresponding offset to deferred revenue. The deferred development fee is eliminated in consolidation and recognized when paid.

Laundry and cable income received in advance are deferred until earned.

Property management fee income is earned monthly based on the management agreement. Fees earned for consolidated entities are eliminated in the consolidation.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Program services include all expenses relating to development, management of properties, and resident services. Supporting services consist of management and general expenses. All expenses are directly attributable to a specific function.

Income Taxes

HDP and HDP Mason have applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. HDP and HDP Mason did not have any unrelated business income for the year ended December 31, 2018. Due to their tax-exempt status, these entities are not subject to income taxes. These entities are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and these entities have no other tax positions which must be considered for disclosure.

The remaining Operating Entities are pass-through entities for income tax purposes and, are not subject to income taxes. All items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The Operating Entities' federal tax status as pass-through entities is based on their legal status as a partnership or LLC. The Operating Entities are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the entities have no other tax positions which must be considered for disclosure. Income tax returns filed by the entities are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2015 remain open.

Advertising

Advertising costs are expensed as incurred.

Syndication Costs

Syndication costs are recorded as a direct reduction to noncontrolling interest when incurred.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively.

HDP Note 3 - Restricted Reserves and Deposits

In accordance with the terms of loan agreements, regulatory agreements and partnership agreements, deposits are made into replacement reserve accounts, operating reserve accounts, tax and insurance escrow accounts and other accounts as required by the applicable agreements. Withdrawals from these accounts may require approval from designated parties.

HDP Note 4 - Investment in Partnerships

HDP consolidates its ownership interest in certain limited partnerships (see Note 1). As of December 31, 2018, the net investment deficit in limited partnership and limited liability companies is \$786,060, which was eliminated in consolidation at December 31, 2018.

The following is condensed financial information as of December 31, 2018 for those entities which are recorded on the equity method included in investment in partnerships in the consolidated financial statements:

<u>Partnership name</u>	<u>interest</u>	<u>assets</u>	<u>liabilities</u>	<u>equity</u>	<u>investment</u>
Dawson Avenue Senior Apartments, LP	0.01%	\$ 15,005,297	\$ 9,415,719	\$ 5,345,651	\$ 52,802
East Village West LP	0.04%	17,352,499	16,989,925	362,574	672
Studio 15 Housing Partners, L.P.	0.01%	27,724,466	31,470,267	(3,745,801)	(1,727)
					<u>\$ 51,747</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 5 - Property, Equipment and Improvements, Net

Property, equipment and improvements consists of the following as of December 31, 2018:

Land	\$ 4,232,087
Buildings and improvements	90,361,648
Furniture and equipment	3,781,180
Furnishings	2,467,075
Construction in progress	9,705,477
Subtotal	<u>110,547,467</u>
Less: Accumulated depreciation	<u>(13,126,608)</u>
Property and Equipment, Net	<u>\$ 97,420,859</u>

Depreciation expense for the year ended December 31, 2018 totaled \$2,807,752.

HDP Note 6 - Ground Leases

Ground leases consist of the following at December 31, 2018:

Entity	Lease commencement	Term	Ground lease expense	Prepaid Ground Lease		Ground lease payable
				Short-term	Long-term	
Casa Colina, LP	2004	65 years	\$ 32,272	\$ 10,798	\$ 529,089	\$ 997
HDP Parker Kier, LLC	2013	10 years	17,801	-	-	17,801
HDP Broadway, LP	2014	65 years	383,461	214,771	2,893,625	3,475
HDP Churchill, LP	2015	65 years	36,844	-	-	36,844
HDP West Park, LP	2017	65 years	-	-	-	-
HDP Village North, LLC	2017	65 years	57,395	-	-	57,395
HDP Quality Inn, LLC	2017	65 years	-	-	-	-
			<u>\$ 527,773</u>	<u>\$ 225,569</u>	<u>\$ 3,422,714</u>	<u>\$ 116,512</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 7- Mortgages and Notes Payable

Type of obligations	Interest Rate	Maturity Date	Balance 1/1/2018	Additions	Payments	Balance 12/31/2018	Due Within One Year
HDP Mason Housing Corporation:							
San Diego Housing Commission	3.00%	2068	\$ 2,365,283	\$ -	\$ -	\$ 2,365,283	\$ -
Civic San Diego	3.00%	2066	1,318,964	-	-	1,318,964	-
California Housing Finance Agency	3.00%	2066	1,180,727	-	-	1,180,727	-
San Diego Housing Commission	3.00%	2057	68,858	-	-	68,858	-
San Diego Housing Commission - Debt Forgiveness	0.00%	2023	115,000	-	23,000	92,000	23,000
Less: Unamortized debt issuance costs			(16,334)	333	-	(16,001)	-
Casa Colina, LP:							
Red Mortgage Capital, Inc.	5.68%	2039	2,807,054	-	70,596	2,736,458	74,712
San Diego Housing Commission	3.00%	2059	1,409,961	-	91,520	1,318,441	-
Less: Unamortized debt issuance costs			(276,612)	13,069	-	(263,543)	-
Logan Development II, LP:							
Housing Authority of the City of San Diego/serviced by JP Morgan Chase, N.A.	5.58%	2032	3,130,423	-	53,877	3,076,546	57,005
San Diego Housing Commission	6.00%	2050	1,400,000	-	-	1,400,000	-
Civic San Diego	3.00%	2050	150,000	-	-	150,000	-
Less: Unamortized debt issuance costs			(132,138)	5,301	-	(126,837)	-
HDP Broadway, LP:							
Housing Authority of the City of San Diego/serviced by Berkadia Commerical Mortgage	4.49%	2044	17,149,926	-	245,961	16,903,965	257,235
Less: Unamortized debt issuance costs			(295,695)	10,952	-	(284,743)	-
HDP Churchill, LP:							
San Diego Housing Commission	3.00%	2071	3,712,612	87,388	-	3,800,000	-
Civic San Diego	3.00%	2070	2,964,250	35,750	-	3,000,000	-
California Housing Finance Agency	3.00%	2070	1,800,000	-	-	1,800,000	-
San Diego Housing Commission	3.00%	2071	2,124,812	107,634	-	2,232,446	-
Less: Unamortized debt issuance costs			(58,221)	1,087	-	(57,134)	-
HDP New Palace, LP:							
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series B-1	4.42%	2050	2,106,750	2,803,250	-	4,910,000	-
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series B-2	Variable	2020	-	5,223,685	-	5,223,685	-
San Diego Housing Commission	4.00%	2073	2,945,000	-	-	2,945,000	-
California Housing Finance Agency	3.00%	2072	2,240,000	-	-	2,240,000	-
Less: Unamortized debt issuance costs			(129,613)	18,291	455,699	(567,021)	-
HDP Town & Country, LP:							
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series E-1	4.54%	2054	11,486,655	4,113,345	-	15,600,000	-
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series E-2	Variable	2020	-	10,560,893	-	10,560,893	-
San Diego Housing Commission	6.80%	2073	13,250,000	-	-	13,250,000	-
Less: Unamortized debt issuance costs			-	20,509	656,283	(635,774)	-
HDP Village North, LLC:							
Red Mortgage Capital, LLC	4.54%	2033	9,100,000	-	94,744	9,005,256	107,246
Less: Unamortized debt issuance costs			-	5,153	154,576	(149,423)	-
			<u>\$ 81,917,662</u>	<u>\$ 23,006,640</u>	<u>\$ 1,846,256</u>	<u>\$ 103,078,046</u>	<u>\$ 519,198</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)**HDP Note 7- Mortgages and Notes Payable (Continued)**

The annual maturities of long term debt for each of the next five years and thereafter subsequent to December 31, 2018 are as follows:

	2019	\$	519,198
	2020		16,468,385
	2021		828,469
	2022		869,627
	2023		889,418
	Thereafter		<u>85,603,425</u>
Total mortgages and notes payable			<u>\$ 105,178,522</u>
Less: unamortized debt issuance costs			<u>(2,100,476)</u>
Total mortgages and notes payable, net			<u>\$ 103,078,046</u>

Interest capitalized into project development costs and property, equipment and improvements totaled \$288,538 for the year ended December 31, 2018.

The liability of the Corporation under the mortgages and notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

HDP Note 8 - Related Party Transactions

Related party transactions consist of staff charges payable to the Commission, amounts due to an affiliate related to the Town & Country construction contract and Partner's fees for Casa Colina, Logan, Broadway, Town & Country and Village North. Related party transactions are non-interest bearing and due upon demand. As of December 31, 2018, related party payables totaled \$791,871.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 9 - Net Assets

The Corporation's net assets totaled \$8,640,533 as of December, 31 2018, of which \$3,451,007 is for reserve commitments and consist of required deposits to replacement and operating reserves pursuant to regulatory and loan agreements. Of the total amount, \$1,986,848 is held by the Corporation and \$1,464,159 is in lender held accounts. The regulatory and loan agreements dictate timing and use of the reserves. In addition, the Board of Directors has committed funds in the amount of \$1,364,450 related to the predevelopment of the Quality Inn and West Park projects.

Although these funds are defined as without donor restrictions under the applicable accounting standards, these funds are Board committed to Quality Inn and West Park projects and not available for discretionary use.

HDP Note 10 - Guaranties

In its role as general partner of the various Partnerships, HDP is liable for recourse liabilities. These Partnerships have been allocated low income housing tax credits pursuant to Internal Revenue Code Section 42. In connection with their general partnership interests, certain guarantees have been made to the partnerships, including the following:

Development Deficit and Repurchase Guarantees

The Corporation is obligated to pay any development cost deficits or, at the option of the investor limited partner, to purchase the interest of the investor limited partner if the project is not completed or if permanent financing has not been obtained by specific dates. This obligation typically terminates upon funding of permanent project financing. As of December 31, 2018, no amounts were due under this guaranty.

Construction Loan Repayment and Completion Guarantees

The Corporation has provided repayment guarantees for construction loans as well as unlimited construction completion guarantees in favor of certain lenders for the development and lease up of the project, should the project not receive expected permanent financing, or should the cost of the development exceed permanent financing received. There are no significant delays or cost overruns in current development projects. As of December 31, 2018, no amounts were due under this guaranty.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 10 - Guaranties (Continued)

Operating Deficit Guaranty

The Corporation is obligated to make non-interest bearing loans to cover operating cash shortfalls which are repayable through available cash flow. The guarantees are for various lengths of time, as defined in the limited partnership agreements. As of December 31, 2018, no amounts were due under this guaranty.

Recapture Guaranty

In the event of a recapture of tax credits previously received by the investor limited partners/members, the Corporation shall be obligated to reimburse the investor limited partner or investment member for any recaptured credits plus any associated penalties, interest or additional taxes due. The Corporation shall not be liable for a recapture event caused by a change in law or actions of the investor or special limited partner. As of December 31, 2018, no amounts were due under this guaranty.

HDP Note 11 - Concentration of Credit Risk

The Corporation maintains cash with various financial institutions. All reserves are held in the Corporations' name. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2018.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)**HDP Note 12 - Availability and Liquidity**

The following represents the Corporation's financial assets at December 31, 2018:

Cash and cash equivalents	\$ 8,619,371
Receivables	677,420
Reserves	73,801
Other current assets	<u>855,282</u>
 Total current financial assets	 10,225,874
 Less amounts not available to be used within one year	
Current liabilities	6,772,784
Committed reserves	73,801
Other Board commitments	<u>1,364,450</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u><u>\$ 2,014,839</u></u>

The Corporation's financial assets are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. As part of its liquidity plan, excess cash is invested in short term investments, including money market accounts and certificates of deposit, or used as part of income generating programs.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 13 - Commitments and Contingencies Rental Assistance Contracts

Eight of the properties owned by the Corporation have entered into rental assistance contracts with HUD or the Commission. The contracts have various terms and require the affiliate projects to operate as a low income housing property and to obtain approval of all rent increases from HUD or the Commission.

Low-Income Housing Tax Credits

The low income housing tax credits received by the Corporation are contingent on their ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partner.

Litigation

The Corporation is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of the Corporation.

Economic Concentrations

The Corporation owns, operates and invests in rental property located in San Diego, California whose operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low income housing subsidies or the demand for such housing.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019

Note 19 - Discretely Presented Component Units (Continued)

HDP Note 14 - Subsequent Events

Events that occur after the statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated all activity of the Corporation through July 16, 2019, the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to consolidated financial statements, except as noted below:

- On April 17, 2019, HDP sold West Park Inn located at 1830 4th Avenue, San Diego to HDP West Park, LP for \$5,220,000, financed by a seller carry back note.
- On May 21, 2019 the construction loan for HDP Town and Country, LP rehabilitation with Citibank was paid down to \$15,600,000 and converted to permanent financing

Note 20 - Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of SDHC through November 7, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



SAN DIEGO
HOUSING
COMMISSION

Supplementary Information



We're About People

SDHC is the lead organizer for Project Homeless Connect, a one-day resource fair for homeless San Diegans.

On January 30, 2019, more than 140 volunteers and 100 service provider booths offered services to 905 homeless individuals and families.

Services included flu shots; haircuts; dental and health exams; employment and housing assistance; and identification cards from the California Department of Motor Vehicles. In addition, child care and veterinary care were available, and attendees also received donated hygiene kits, blankets, clothing, and shoes.





San Diego Housing Commission
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS
 June 30, 2019
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 18,318	\$ -	\$ -	\$ -	\$ 18,318
Restricted cash and cash equivalents	3,208	506	-	-	3,714
Short-term investments	25,682	25,440	293	-	51,415
Accounts receivable - tenants, net	56	396	-	-	452
Accounts receivable - funding sources	10,140	4,470	34	(677)	13,967
Accounts receivable - other	1,610	341	-	-	1,951
Notes and mortgages receivable, current portion	929	84	-	-	1,013
Accrued interest receivable - investments	333	98	2	-	433
Prepaid items and other assets	2,852	151	-	-	3,003
Total current assets	63,128	31,486	329	(677)	94,266
Noncurrent assets					
Long-term investments	68,380	20,112	439	-	88,931
Accrued interest receivable - notes and mortgages receivable	22,215	26,453	1,532	-	50,200
Notes and mortgages receivable, net of allowance for loan losses	137,680	187,019	9,597	-	334,296
Other assets	93	-	-	-	93
Capital assets not being depreciated	74,128	3,280	-	-	77,408
Capital assets, net of accumulated depreciation	117,280	20,946	-	-	138,226
Total noncurrent assets	419,776	257,810	11,568	-	689,154
Total assets	<u>\$ 482,904</u>	<u>\$ 289,296</u>	<u>\$ 11,897</u>	<u>\$ (677)</u>	<u>\$ 783,420</u>
Deferred outflows of resources	-	-	-	-	-



San Diego Housing Commission
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
 June 30, 2019
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 8,879	\$ 1,384	\$ 13	\$ (677)	\$ 9,599
Accounts payable - funding sources	(611)	787	-	-	176
Accrued payroll and benefits	1,042	412	-	-	1,454
Accrued compensated absences	2,443	-	-	-	2,443
Accrued interest payable	390	19	-	-	409
Notes payable, current portion	2,872	-	-	-	2,872
Deposits payable	1,798	89	-	-	1,887
Unearned revenue	810	13,424	-	-	14,234
Other current liabilities	25	-	-	-	25
Total current liabilities	17,648	16,115	13	(677)	33,099
Noncurrent liabilities					
Accrued interest payable - noncurrent	481	702	-	-	1,183
Notes payable noncurrent, net	92,627	4,555	-	-	97,182
Other liabilities	-	479	-	-	479
Total noncurrent liabilities	93,108	5,736	-	-	98,844
Total liabilities	110,756	21,851	13	(677)	131,943
Deferred inflows of resources	-	-	-	-	-
<u>Net Position</u>					
Net investment in capital assets	94,859	19,673	-	-	114,532
Restricted					
HOME notes receivable reserve	-	176,465	-	-	176,465
NSP notes receivable reserve	-	6,719	-	-	6,719
CDBG notes receivable reserve	-	9,912	-	-	9,912
Replacement reserves	2,468	1,074	-	-	3,542
VASH, FUP and Mainstream housing assistance reserves	-	3,907	-	-	3,907
Unrestricted	274,821	49,695	11,884	-	336,400
Total net position	372,148	267,445	11,884	-	651,477
Total liabilities and net position	\$ 482,904	\$ 289,296	\$ 11,897	\$ (677)	\$ 783,420



San Diego Housing Commission
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
 Year Ended June 30, 2019
 (Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Operating revenues					
Dwelling rental income	\$ 30,456	\$ 1,079	\$ -	\$ (15)	\$ 31,520
Land lease and other rental income	2,890	79	-	-	2,969
Fee revenue	4,154	1	1	(992)	3,164
Other revenue	3,628	2,939	39	(35)	6,571
	<u>41,128</u>	<u>4,098</u>	<u>40</u>	<u>(1,042)</u>	<u>44,224</u>
Total operating revenues					
Operating expenses					
Administrative expenses	20,899	19,982	58	(1,034)	39,905
Tenant services	985	1,629	-	-	2,614
Asset management	15,777	1,152	-	-	16,929
General expenses	2,007	(748)	5	-	1,264
Grant expense	19,794	5,057	178	(8)	25,021
Housing assistance	2,071	153,079	-	-	155,150
Depreciation	6,600	1,518	-	-	8,118
	<u>68,133</u>	<u>181,669</u>	<u>241</u>	<u>(1,042)</u>	<u>249,001</u>
Total operating expenses					
Net operating loss	<u>(27,005)</u>	<u>(177,571)</u>	<u>(201)</u>	<u>-</u>	<u>(204,777)</u>



San Diego Housing Commission
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED
 Year Ended June 30, 2019
 (Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Nonoperating revenues (expenses)					
Grant revenue	20,881	193,802	112	-	214,795
Interest income on investments and notes receivable	8,669	6,788	227	-	15,684
Interest expense	(5,049)	(137)	-	-	(5,186)
Gain on sale of capital assets	(21)	-	-	-	(21)
Total nonoperating revenues (expenses)	<u>24,480</u>	<u>200,453</u>	<u>339</u>	<u>-</u>	<u>225,272</u>
Change in net position before capital transactions	(2,525)	22,882	138	-	20,495
Net income before operating transfers	<u>(2,525)</u>	<u>22,882</u>	<u>138</u>	<u>-</u>	<u>20,495</u>
Operating transfers in	8,528	185,342	-	-	193,870
Operating transfers out	(1,441)	(192,369)	(60)	-	(193,870)
Change in net position	4,562	15,855	78	-	20,495
Net position - beginning of year	<u>367,586</u>	<u>251,590</u>	<u>11,806</u>	<u>-</u>	<u>630,982</u>
Net position - end of year	<u>\$ 372,148</u>	<u>\$ 267,445</u>	<u>\$ 11,884</u>	<u>\$ -</u>	<u>\$ 651,477</u>



San Diego Housing Commission
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS
 Year Ended June 30, 2019
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Primary Government</u>
Cash flows from operating activities				
Cash received from tenants	\$ 42,409	\$ 3,856	\$ 40	\$ 46,305
Cash payments to suppliers for operations	(35,910)	(163,227)	(165)	(199,302)
Cash payments for general and administrative expenses	<u>(24,845)</u>	<u>(7,715)</u>	<u>38</u>	<u>(32,522)</u>
Net cash used for operating activities	<u>(18,346)</u>	<u>(167,086)</u>	<u>(87)</u>	<u>(185,519)</u>
Cash flows from capital and related financing activities				
Principal paid on notes payable	(3,395)	-	-	(3,395)
Acquisition and construction of capital assets	(3,169)	(2,004)	-	(5,173)
Interest payments	<u>(4,778)</u>	<u>(19)</u>	<u>-</u>	<u>(4,797)</u>
Net cash used for capital and related financing activities	<u>(11,342)</u>	<u>(2,023)</u>	<u>-</u>	<u>(13,365)</u>
Cash flows from noncapital financing activities				
Cash received from grants	20,978	187,916	78	208,972
Transfers in (out)	<u>60</u>	<u>-</u>	<u>(60)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>21,038</u>	<u>187,916</u>	<u>18</u>	<u>208,972</u>



San Diego Housing Commission
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
 Year Ended June 30, 2019
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Primary Government</u>
Cash flows from investing activities				
Interest on investments and notes receivable	6,510	3,850	140	10,500
Collection of notes receivable	1,612	9,623	460	11,695
Cash loaned on notes receivable	(7,523)	(8,516)	(218)	(16,257)
Purchases of investments	(13,376)	(53,406)	(706)	(67,488)
Proceeds from sale of investments	7,468	29,816	394	37,678
	<u>(5,309)</u>	<u>(18,633)</u>	<u>70</u>	<u>(23,872)</u>
Net cash provided by (used for) investing activities				
Net increase (decrease) in cash and cash equivalents	(13,959)	175	-	(13,784)
Cash and cash equivalents				
Beginning of year	35,485	331	-	35,816
End of year	<u>\$ 21,526</u>	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 22,032</u>
Financial statement presentation				
Cash and cash equivalents				\$ 18,318
Restricted cash and cash equivalents				<u>3,714</u>
Total cash and cash equivalents				<u>\$ 22,032</u>



San Diego Housing Commission
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
 Year Ended June 30, 2019
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Primary Government</u>
Reconciliation of operating loss to net cash used for operating activities				
Operating loss	\$ (27,005)	\$ (177,571)	\$ (201)	\$ (204,777)
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation	6,600	1,518	-	8,118
Amortization	133	-	-	133
Allowance for Accounts Recievable	(222)	(18)	-	(240)
Provision for loan losses	152	(1,019)	5	(862)
Allowance for forgiveable loans	465	1,513	95	2,073
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	265	(186)	-	79
Decrease (increase) in other receivables	69	(1,858)	-	(1,789)
Decrease (increase) in prepaid items and other assets	28	(148)	-	(120)
Increase (decrease) in accounts payable	1,431	(1,865)	13	(421)
Increase (decrease) in accrued payroll and benefits	101	51	-	152
Increase (decrease) in deposits payable	117	-	-	117
Increase (decrease) in unearned revenues	(480)	12,350	-	11,870
Increase (decrease) in other liabilities	-	148	-	148
Net cash used for operating activities	<u>\$ (18,346)</u>	<u>\$ (167,085)</u>	<u>\$ (88)</u>	<u>\$ (185,519)</u>
Supplemental Disclosure of Cash Flow Information				
Noncash Capital and Related Financing Activities				
Increases in capital assets included in grant revenue	\$ 6,787	\$ -	\$ -	\$ 6,787
Increases in capital assets included in accounts payable	1,352	-	-	1,352
Total Noncash Capital and Related Financing Activities	<u>\$ 8,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,139</u>

FINANCIAL DATA SCHEDULE

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2019

Submission Type: Audited/Single Audit

	Project Total	14.879 Mainstream Vouchers	14.881 Moving to Work Demonstration Program	Business Activities	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program
111 Cash - Unrestricted	\$0			\$13,120,341							
112 Cash - Restricted - Modernization and Development	\$0										
113 Cash - Other Restricted	\$0		\$486,010	\$273,436					\$19,568		
114 Cash - Tenant Security Deposits	\$0										
115 Cash - Restricted for Payment of Current Liabilities	\$0										
100 Total Cash	\$0	\$0	\$486,010	\$13,393,777	\$0	\$0	\$0	\$0	\$19,568	\$0	\$0
121 Accounts Receivable - PHA Projects	\$0		\$249,292								
122 Accounts Receivable - HUD Other Projects	\$0		\$2,822,476					\$0			
124 Accounts Receivable - Other Government	\$315,484		\$34,311	\$9,462,827	\$816,497					\$299,397	
125 Accounts Receivable - Miscellaneous	\$30,859		\$61,873	\$2,203,915				\$0			
126 Accounts Receivable - Tenants	\$12,599		\$372,242	\$34,702					\$15,127		
126.1 Allowance for Doubtful Accounts -Tenants	(\$4,523)		\$0	(\$3,889)					\$0		
126.2 Allowance for Doubtful Accounts - Other	\$0		(\$1,047)	(\$15,783)	\$0			\$0		\$0	
127 Notes, Loans, & Mortgages Receivable - Current	\$0			\$928,824							
128 Fraud Recovery	\$0		\$172,881								
128.1 Allowance for Doubtful Accounts - Fraud	\$0		(\$172,881)								
129 Accrued Interest Receivable	\$26,375		\$26,856	\$22,548,046					\$788		
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$380,794	\$0	\$3,566,003	\$35,158,642	\$816,497	\$0	\$0	\$0	\$15,915	\$299,397	\$0
131 Investments - Unrestricted	\$9,316,445	\$656,840	\$8,447,491	\$94,061,048					\$277,913		
132 Investments - Restricted	\$0										
135 Investments - Restricted for Payment of Current Liability	\$0										
142 Prepaid Expenses and Other Assets	\$0		\$5,588	\$2,568,784							
143 Inventories	\$0										
143.1 Allowance for Obsolete Inventories	\$0										
144 Inter Program Due From											
145 Assets Held for Sale											
150 Total Current Assets	\$9,697,239	\$656,840	\$12,505,092	\$145,182,251	\$816,497	\$0	\$0	\$0	\$313,396	\$299,397	\$0
161 Land	\$3,279,592			\$53,911,674							
162 Buildings	\$22,374,627		\$5,250,178	\$115,507,087							
163 Furniture, Equipment & Machinery - Dwellings				\$417,575							
164 Furniture, Equipment & Machinery - Administration				\$3,722,202							
165 Leasehold Improvements											
166 Accumulated Depreciation	(\$6,299,778)		(\$379,180)	(\$35,654,748)							
167 Construction in Progress				\$532,391							
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$19,354,441	\$0	\$4,870,998	\$138,436,181	\$0	\$0	\$0	\$0	\$0	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current				\$137,680,217							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets				\$93,224							
176 Investments in Joint Ventures				\$12,006,506							
180 Total Non-Current Assets	\$19,354,441	\$0	\$4,870,998	\$288,216,128	\$0	\$0	\$0	\$0	\$0	\$0	\$0
200 Deferred Outflow of Resources											
290 Total Assets and Deferred Outflow of Resources	\$29,051,680	\$656,840	\$17,376,090	\$433,398,379	\$816,497	\$0	\$0	\$0	\$313,396	\$299,397	\$0
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$447,197	\$878	\$231,574	\$7,424,518	\$436,837				\$235	\$89,472	
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$13,959		\$389,497	\$979,114					\$804		
322 Accrued Compensated Absences - Current Portion				\$2,442,795							
324 Accrued Contingency Liability											
325 Accrued Interest Payable	\$720,930			\$517,454							
331 Accounts Payable - HUD PHA Programs			\$120,733								
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$15,929			\$2,059	\$379,660					\$209,925	
341 Tenant Security Deposits	\$89,429			\$430,574							
342 Unearned Revenue	\$9,535		\$174	\$563,067				\$0			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$1,026,202							
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities			\$44	\$35,811							

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2019

Submission Type: Audited/Single Audit

	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	2 State/Local	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted			\$8,619,371	\$5,198,087				\$0	\$26,937,799		\$26,937,799
112 Cash - Restricted - Modernization and Development								\$0	\$0		\$0
113 Cash - Other Restricted			\$3,431,283	\$2,194,101				\$0	\$6,404,398		\$6,404,398
114 Cash - Tenant Security Deposits			\$427,808	\$740,941				\$0	\$1,168,749		\$1,168,749
115 Cash - Restricted for Payment of Current Liabilities								\$0	\$0		\$0
100 Total Cash	\$0	\$0	\$12,478,462	\$8,133,129	\$0	\$0	\$0	\$0	\$34,510,946	\$0	\$34,510,946
121 Accounts Receivable - PHA Projects								\$0	\$249,292		\$249,292
122 Accounts Receivable - HUD Other Projects			\$85,276					\$0	\$2,907,752		\$2,907,752
124 Accounts Receivable - Other Government	\$6,204	\$9,826	\$469,217		\$161,227		\$33,987	\$4,977	\$11,613,954		\$11,613,954
125 Accounts Receivable - Miscellaneous			\$92,908	\$102,079	\$20			\$283	\$2,491,937	(\$677,469)	\$1,814,468
126 Accounts Receivable - Tenants			\$30,020	\$29,269				\$0	\$493,959		\$493,959
126.1 Allowance for Doubtful Accounts - Tenants			\$0	(\$7,357)				\$0	(\$15,769)		(\$15,769)
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0			\$0	(\$16,830)		(\$16,830)
127 Notes, Loans, & Mortgages Receivable - Current	\$73,995				\$10,000			\$0	\$1,012,819		\$1,012,819
128 Fraud Recovery								\$0	\$172,881		\$172,881
128.1 Allowance for Doubtful Accounts - Fraud								\$0	(\$172,881)		(\$172,881)
129 Accrued Interest Receivable	\$1,444,009				\$25,051,836		\$1,534,068	\$650	\$50,632,628		\$50,632,628
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,524,208	\$9,826	\$677,421	\$123,991	\$25,223,083	\$0	\$1,568,055	\$5,910	\$69,369,742	(\$677,469)	\$68,692,273
131 Investments - Unrestricted	\$15,351,097		\$51,746		\$11,256,807	\$21,625	\$732,377	\$224,737	\$140,398,126		\$140,398,126
132 Investments - Restricted								\$0	\$0		\$0
135 Investments - Restricted for Payment of Current Liability								\$0	\$0		\$0
142 Prepaid Expenses and Other Assets	\$145,836		\$357,692	\$283,143				\$0	\$3,361,043		\$3,361,043
143 Inventories								\$0	\$0		\$0
143.1 Allowance for Obsolete Inventories								\$0	\$0		\$0
144 Inter Program Due From								\$0			\$0
145 Assets Held for Sale								\$0			\$0
150 Total Current Assets	\$17,021,141	\$9,826	\$13,565,321	\$8,540,263	\$36,479,890	\$21,625	\$2,300,432	\$230,647	\$247,639,857	(\$677,469)	\$246,962,388
161 Land			\$4,232,087	\$19,684,285				\$0	\$81,107,638		\$81,107,638
162 Buildings			\$94,131,963	\$47,708,414				\$0	\$284,972,269		\$284,972,269
163 Furniture, Equipment & Machinery - Dwellings			\$2,467,075	\$102,652				\$0	\$2,987,302		\$2,987,302
164 Furniture, Equipment & Machinery - Administration								\$0	\$3,722,202		\$3,722,202
165 Leasehold Improvements			\$10,863					\$0	\$10,863		\$10,863
166 Accumulated Depreciation			(\$13,126,608)	(\$14,522,713)				\$0	(\$69,983,027)		(\$69,983,027)
167 Construction in Progress			\$9,705,477					\$0	\$10,237,868		\$10,237,868
168 Infrastructure								\$0			\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$97,420,857	\$52,972,638	\$0	\$0	\$0	\$0	\$313,055,115	\$0	\$313,055,115
171 Notes, Loans and Mortgages Receivable - Non-Current	\$16,008,367				\$171,010,189			\$0	\$334,295,839		\$334,295,839
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								\$0			\$0
173 Grants Receivable - Non Current								\$0			\$0
174 Other Assets			\$8,399,882					\$0	\$8,493,106		\$8,493,106
176 Investments in Joint Ventures								\$0	\$12,006,506	(\$12,006,506)	\$0
180 Total Non-Current Assets	\$16,008,367	\$0	\$105,820,739	\$52,972,638	\$171,010,189	\$0	\$9,597,066	\$0	\$667,850,566	(\$12,006,506)	\$655,844,060
200 Deferred Outflow of Resources								\$0			\$0
290 Total Assets and Deferred Outflow of Resources	\$33,029,508	\$9,826	\$119,386,060	\$61,512,901	\$207,490,079	\$21,625	\$11,897,498	\$230,647	\$915,490,423	(\$12,683,975)	\$902,806,448
311 Bank Overdraft								\$0			\$0
312 Accounts Payable <= 90 Days	\$178,226	\$47	\$5,278,353	\$1,454,320	\$82		\$13,447	\$0	\$15,555,186	(\$677,469)	\$14,877,717
313 Accounts Payable >90 Days Past Due								\$0			\$0
321 Accrued Wage/Payroll Taxes Payable			\$38,292	\$63,385	\$6,511		\$57	\$472	\$1,492,091		\$1,492,091
322 Accrued Compensated Absences - Current Portion								\$0	\$2,442,795		\$2,442,795
324 Accrued Contingency Liability								\$0			\$0
325 Accrued Interest Payable			\$4,499,131	\$353,450				\$0	\$6,090,965		\$6,090,965
331 Accounts Payable - HUD PHA Programs								\$51,221	\$171,954		\$171,954
332 Account Payable - PHA Projects								\$0			\$0
333 Accounts Payable - Other Government		\$9,779	\$2,265	\$1,735				\$0	\$621,352		\$621,352
341 Tenant Security Deposits			\$412,224	\$740,926				\$0	\$1,673,153		\$1,673,153
342 Unearned Revenue	\$13,414,876		\$266,416	\$246,563	\$0			\$0	\$14,500,631		\$14,500,631
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$519,198	\$1,845,454				\$0	\$3,390,854		\$3,390,854
344 Current Portion of Long-term Debt - Operating Borrowings								\$0			\$0
345 Other Current Liabilities								\$0	\$35,855		\$35,855

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2019

Submission Type: Audited/Single Audit

	Project Total	14.879 Mainstream Vouchers	14.881 Moving to Work Demonstration Program	Business Activities	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program
346 Accrued Liabilities - Other											
347 Inter Program - Due To											
348 Loan Liability - Current											
310 Total Current Liabilities	\$1,296,979	\$878	\$742,022	\$13,421,594	\$816,497	\$0	\$0	\$0	\$1,039	\$299,397	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$4,554,849			\$13,512,998							
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other			\$459,150						\$19,566		
354 Accrued Compensated Absences - Non Current											
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities											
350 Total Non-Current Liabilities	\$4,554,849	\$0	\$459,150	\$13,512,998	\$0	\$0	\$0	\$0	\$19,566	\$0	\$0
300 Total Liabilities	\$5,851,828	\$878	\$1,201,172	\$26,934,592	\$816,497	\$0	\$0	\$0	\$20,605	\$299,397	\$0
400 Deferred Inflow of Resources											
508.3 Nonspendable Fund Balance											
508.4 Net Investment in Capital Assets	\$14,799,592		\$4,870,998	\$145,218,023							
509.3 Restricted Fund Balance											
510.3 Committed Fund Balance											
511.3 Assigned Fund Balance											
511.4 Restricted Net Position	\$1,074,304	\$634,371	\$3,251,410	\$273,436					\$21,067		
512.3 Unassigned Fund Balance											
512.4 Unrestricted Net Position	\$7,325,956	\$21,591	\$8,052,510	\$260,972,328	\$0	\$0	\$0	\$0	\$271,724	\$0	\$0
513 Total Equity - Net Assets / Position	\$23,199,852	\$655,962	\$16,174,918	\$406,463,787	\$0	\$0	\$0	\$0	\$292,791	\$0	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$29,051,680	\$656,840	\$17,376,090	\$433,398,379	\$816,497	\$0	\$0	\$0	\$313,396	\$299,397	\$0

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2019

Submission Type: Audited/Single Audit

	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	2 State/Local	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
346 Accrued Liabilities - Other								\$0			
347 Inter Program - Due To								\$0			
348 Loan Liability - Current								\$0			
310 Total Current Liabilities	\$13,593,102	\$9,826	\$11,015,879	\$4,705,833	\$6,593	\$0	\$13,504	\$51,693	\$45,974,836	(\$677,469)	\$45,297,367
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$102,558,850	\$79,114,923				\$0	\$199,741,620		\$199,741,620
352 Long-term Debt, Net of Current - Operating Borrowings								\$0			
353 Non-current Liabilities - Other			\$11,428,710					\$0	\$11,907,426		\$11,907,426
354 Accrued Compensated Absences - Non Current								\$0			
355 Loan Liability - Non Current								\$0			
356 FASB 5 Liabilities								\$0			
357 Accrued Pension and OPEB Liabilities								\$0			
350 Total Non-Current Liabilities	\$0	\$0	\$113,987,560	\$79,114,923	\$0	\$0	\$0	\$0	\$211,649,046	\$0	\$211,649,046
300 Total Liabilities	\$13,593,102	\$9,826	\$125,003,439	\$83,820,756	\$6,593	\$0	\$13,504	\$51,693	\$257,623,882	(\$677,469)	\$256,946,413
400 Deferred Inflow of Resources								\$0			
508.3 Nonspendable Fund Balance								\$0			
508.4 Net Investment in Capital Assets				(\$29,035,559)				\$0	\$135,853,054	(\$21,321,527)	\$114,531,527
509.3 Restricted Fund Balance								\$0			
510.3 Committed Fund Balance								\$0			
511.3 Assigned Fund Balance								\$0			
511.4 Restricted Net Position	\$16,631,994		\$12,095,176	\$2,194,101	\$176,464,805			\$0	\$212,640,664		\$212,640,664
512.3 Unassigned Fund Balance								\$0			
512.4 Unrestricted Net Position	\$2,804,412	\$0	(\$17,712,555)	\$4,533,603	\$31,018,681	\$21,625	\$11,883,994	\$178,954	\$309,372,823	\$9,315,021	\$318,687,844
513 Total Equity - Net Assets / Position	\$19,436,406	\$0	(\$5,617,379)	(\$22,307,855)	\$207,483,486	\$21,625	\$11,883,994	\$178,954	\$657,866,541	(\$12,006,506)	\$645,860,035
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$33,029,508	\$9,826	\$119,386,060	\$61,512,901	\$207,490,079	\$21,625	\$11,897,498	\$230,647	\$915,490,423	(\$12,683,975)	\$902,806,448

San Diego Housing Commission (CA063)
San Diego, California
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2019

Submission Type: Audited/Single Audit

	Project Total	14.879 Mainstream Vouchers	14.881 Moving to Work Demonstration Program	1 Business Activities	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program
70300 Net Tenant Rental Revenue	\$1,070,134			\$10,985,426							
70400 Tenant Revenue - Other	\$8,566		\$25	\$385,882							
70500 Total Tenant Revenue	\$1,078,700	\$0	\$25	\$11,371,308	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants		\$656,840			\$4,835,907	\$376,560	\$2,582,361	\$174,656,651	\$1,316,271	\$974,763	
70610 Capital Grants											
70710 Management Fee											
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees				\$4,153,597							
70700 Total Fee Revenue											
70800 Other Government Grants	\$468,006			\$20,880,966							
71100 Investment Income - Unrestricted	\$267,980	\$0	\$344,101	\$3,414,075					\$8,106		\$0
71200 Mortgage Interest Income				\$5,250,050							
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery			\$88,925	\$3,550							
71500 Other Revenue	\$21,658		\$2,401,591	\$5,204,090							
71600 Gain or Loss on Sale of Capital Assets				(\$21,936)							
72000 Investment Income - Restricted	\$4,635			\$11							
70000 Total Revenue	\$1,840,979	\$656,840	\$2,834,642	\$50,255,711	\$4,835,907	\$376,560	\$2,582,361	\$174,656,651	\$1,324,377	\$974,763	\$0
91100 Administrative Salaries	\$194,129		\$6,098,677	\$15,062,853	\$207,261				\$30,043	\$42,994	
91200 Auditing Fees	\$49,000			\$113,100							
91300 Management Fee											
91310 Book-keeping Fee											
91400 Advertising and Marketing			\$593	\$7,430							
91500 Employee Benefit contributions - Administrative	\$62,758		\$2,157,607	\$4,635,475	\$71,799				\$4,800	\$15,234	
91600 Office Expenses	\$45,586		\$245,373	\$3,763,156	\$405				\$0		
91700 Legal Expense	\$14,853		\$95,927	\$1,081,773							
91800 Travel	\$169		\$18,790	\$114,509							
91810 Allocated Overhead	\$337,538		\$7,777,126	(\$8,720,404)					\$31,971		
91900 Other	\$50,939		\$634,969	\$2,186,584	\$29,127				\$289		
91000 Total Operating - Administrative	\$754,972	\$0	\$17,029,062	\$18,244,476	\$308,592	\$0	\$0	\$0	\$67,103	\$58,228	\$0
92000 Asset Management Fee											
92100 Tenant Services - Salaries			\$1,070,823	\$81,329							
92200 Relocation Costs	\$110,267			\$740,769							
92300 Employee Benefit Contributions - Tenant Services			\$324,393	\$32,690							
92400 Tenant Services - Other	(\$340)		\$28,516	\$53,038							
92500 Total Tenant Services	\$109,927	\$0	\$1,423,732	\$907,826	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$115,684			\$372,533							
93200 Electricity	\$29,002			\$700,280							
93300 Gas	\$23,072			\$108,562							
93400 Fuel											
93500 Labor											
93600 Sewer	\$105,377			\$265,814							
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense				\$38,030							
93000 Total Utilities	\$273,135	\$0	\$0	\$1,485,219	\$0	\$0	\$0	\$0	\$0	\$0	\$0

San Diego Housing Commission (CA063)
San Diego, California
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2019

Submission Type: Audited/Single Audit

	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	2 State/Local	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$9,808,586	\$19,346,588				\$0	\$41,210,734	(\$15,228)	\$41,195,506
70400 Tenant Revenue - Other			\$42,079	\$72,409				\$0	\$508,961		\$508,961
70500 Total Tenant Revenue	\$0	\$0	\$9,850,665	\$19,418,997	\$0	\$0	\$0	\$0	\$41,719,695	(\$15,228)	\$41,704,467
70600 HUD PHA Operating Grants	\$3,838,845	\$72,027	\$612,240		\$3,532,949			\$490,846	\$193,946,260		\$193,946,260
70610 Capital Grants								\$0			
70710 Management Fee								\$0			
70720 Asset Management Fee								\$0			
70730 Book Keeping Fee								\$0			
70740 Front Line Service Fee								\$0			
70750 Other Fees								\$0	\$4,153,597	(\$992,217)	\$3,161,380
70700 Total Fee Revenue								\$0			
70800 Other Government Grants							\$111,561	\$0	\$21,460,533		\$21,460,533
71100 Investment Income - Unrestricted	\$206,650		\$37,963	\$1,725	\$171	\$0	\$21,909	\$6,184	\$4,308,864		\$4,308,864
71200 Mortgage Interest Income	\$361,333		\$241		\$5,588,595		\$205,280	\$0	\$11,405,499		\$11,405,499
71300 Proceeds from Disposition of Assets Held for Sale								\$0			
71310 Cost of Sale of Assets								\$0			
71400 Fraud Recovery								\$281	\$92,756		\$92,756
71500 Other Revenue	\$870		\$1,700,751	\$977,721	\$506,119		\$40,499	\$0	\$10,853,299	(\$35,313)	\$10,817,986
71600 Gain or Loss on Sale of Capital Assets								\$0	(\$21,936)		(\$21,936)
72000 Investment Income - Restricted			\$12,718	\$3,182				\$0	\$20,546		\$20,546
70000 Total Revenue	\$4,407,698	\$72,027	\$12,214,578	\$20,401,625	\$9,627,834	\$0	\$379,249	\$497,311	\$287,939,113	(\$1,042,758)	\$286,896,355
91100 Administrative Salaries	\$136,460		\$662,312	\$545,182	\$590,829		\$25,221	\$12,535	\$23,608,496		\$23,608,496
91200 Auditing Fees			\$128,112	\$49,500				\$0	\$339,712		\$339,712
91300 Management Fee								\$0			
91310 Book-keeping Fee			\$21,416					\$0	\$21,416		\$21,416
91400 Advertising and Marketing			\$4,987		\$1,000			\$0	\$14,010		\$14,010
91500 Employee Benefit contributions - Administrative	\$43,030		\$151,714	\$205,340	\$158,014		\$7,312	\$2,061	\$7,515,144		\$7,515,144
91600 Office Expenses	\$46		\$317,205	\$135,893	\$4,878		\$77	\$0	\$4,512,619	(\$15,228)	\$4,497,391
91700 Legal Expense	\$1,644		\$83,334	\$71,030	\$15,213		\$1,083	\$0	\$1,364,857		\$1,364,857
91800 Travel			\$12,311	\$27				\$0	\$145,806		\$145,806
91810 Allocated Overhead	\$30,576			\$979,827	\$506,830		\$22,308	\$13,935	\$979,707	(\$979,709)	(\$2)
91900 Other	\$790		\$1,917,670	\$143,552	\$25,845		\$181	\$206	\$4,990,152	(\$39,431)	\$4,950,721
91000 Total Operating - Administrative	\$212,546	\$0	\$3,299,061	\$2,130,351	\$1,302,609	\$0	\$56,182	\$28,737	\$43,491,919	(\$1,034,368)	\$42,457,551
92000 Asset Management Fee								\$0			
92100 Tenant Services - Salaries		\$46,484	\$71,455					\$0	\$1,270,091		\$1,270,091
92200 Relocation Costs			\$1,132,478	\$1,101				\$0	\$1,984,615		\$1,984,615
92300 Employee Benefit Contributions - Tenant Services		\$15,419						\$0	\$372,502		\$372,502
92400 Tenant Services - Other			\$200,582	\$62,497				\$0	\$344,293		\$344,293
92500 Total Tenant Services	\$0	\$61,903	\$1,404,515	\$63,598	\$0	\$0	\$0	\$0	\$3,971,501	\$0	\$3,971,501
93100 Water			\$278,593	\$749,124				\$0	\$1,515,934		\$1,515,934
93200 Electricity			\$430,634	\$112,142				\$0	\$1,272,058		\$1,272,058
93300 Gas			\$87,919	\$123,877				\$0	\$343,430		\$343,430
93400 Fuel								\$0			
93500 Labor								\$0			
93600 Sewer			\$182,544	\$502,282				\$0	\$1,056,017		\$1,056,017
93700 Employee Benefit Contributions - Utilities								\$0			
93800 Other Utilities Expense			\$4,788					\$0	\$42,818		\$42,818
93000 Total Utilities	\$0	\$0	\$984,478	\$1,487,425	\$0	\$0	\$0	\$0	\$4,230,257	\$0	\$4,230,257

San Diego Housing Commission (CA063)
San Diego, California
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2019

Submission Type: Audited/Single Audit

	Project Total	14.879 Mainstream Vouchers	14.881 Moving to Work Demonstration Program	1 Business Activities	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program
94100 Ordinary Maintenance and Operations - Labor	\$102,286			\$643,756							
94200 Ordinary Maintenance and Operations - Materials and Other	\$37,469			\$186,544							
94300 Ordinary Maintenance and Operations Contracts	\$618,021			\$7,233,413							
94500 Employee Benefit Contributions - Ordinary Maintenance	\$37,891			\$269,671							
94000 Total Maintenance	\$795,667	\$0	\$0	\$8,333,384	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs	\$66,500			\$471,406							
95300 Protective Services - Other				\$1,428							
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	\$66,500	\$0	\$0	\$472,834	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$9,107			\$102,992							
96120 Liability Insurance	\$9,582		\$85,628	\$117,969					\$405		
96130 Workmen's Compensation	\$11,773		\$98,444	\$234,911	\$3,686				\$372	\$716	
96140 All Other Insurance	\$20,716		\$551	\$252,381					\$2		
96100 Total insurance Premiums	\$51,178	\$0	\$184,623	\$708,253	\$3,686	\$0	\$0	\$0	\$779	\$716	\$0
96200 Other General Expenses	\$309		\$836,930	\$20,640,558	\$592,522				\$1,598	\$915,819	
96210 Compensated Absences	\$6,440		\$99,274	\$417,111					\$3,518		
96300 Payments in Lieu of Taxes	\$114			\$7,601							
96400 Bad debt - Tenant Rents	\$26,302		\$25	\$35,249							
96500 Bad debt - Mortgages				\$295,189							
96600 Bad debt - Other	\$9,143		\$18,555	\$46,523							
96800 Severance Expense											
96000 Total Other General Expenses	\$42,308	\$0	\$954,784	\$21,442,231	\$592,522	\$0	\$0	\$0	\$5,116	\$915,819	\$0
96710 Interest of Mortgage (or Bonds) Payable	\$136,635			\$538,922							
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$136,635	\$0	\$0	\$538,922	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$2,230,322	\$0	\$19,592,201	\$52,133,145	\$904,800	\$0	\$0	\$0	\$72,998	\$974,763	\$0
97000 Excess of Operating Revenue over Operating Expenses	(\$389,343)	\$656,840	(\$16,757,559)	(\$1,877,434)	\$3,931,107	\$376,560	\$2,582,361	\$174,656,651	\$1,251,379	\$0	\$0
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments		\$878	\$145,296,443	\$2,070,765	\$3,931,107				\$1,275,812		
97350 HAP Portability-In			\$2,133,382								
97400 Depreciation Expense	\$1,167,987		\$350,012	\$4,179,840							
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$3,398,309	\$878	\$167,372,038	\$58,383,750	\$4,835,907	\$0	\$0	\$0	\$1,348,810	\$974,763	\$0

San Diego Housing Commission (CA063)
San Diego, California
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2019

Submission Type: Audited/Single Audit

	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	2 State/Local	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor			\$665,856	\$541,716				\$0	\$1,953,614		\$1,953,614
94200 Ordinary Maintenance and Operations - Materials and Other			\$93,864	\$266,312				\$0	\$584,189		\$584,189
94300 Ordinary Maintenance and Operations Contracts			\$659,117	\$2,495,409				\$0	\$11,005,960		\$11,005,960
94500 Employee Benefit Contributions - Ordinary Maintenance				\$190,780				\$0	\$498,342		\$498,342
94000 Total Maintenance	\$0	\$0	\$1,418,837	\$3,494,217	\$0	\$0	\$0	\$0	\$14,042,105	\$0	\$14,042,105
95100 Protective Services - Labor								\$0			
95200 Protective Services - Other Contract Costs			\$418,486	\$161,651				\$0	\$1,118,043		\$1,118,043
95300 Protective Services - Other			\$21,446					\$0	\$22,874		\$22,874
95500 Employee Benefit Contributions - Protective Services								\$0			
95000 Total Protective Services	\$0	\$0	\$439,932	\$161,651	\$0	\$0	\$0	\$0	\$1,140,917	\$0	\$1,140,917
96110 Property Insurance				\$79,548				\$0	\$191,647		\$191,647
96120 Liability Insurance			\$357,075	\$61,036	\$8			\$178	\$631,881		\$631,881
96130 Workmen's Compensation	\$2,363	\$329	\$94,993	\$56,336	\$7,086		\$236	\$183	\$511,428		\$511,428
96140 All Other Insurance			\$11,499	\$86,298				\$1	\$371,448		\$371,448
96100 Total insurance Premiums	\$2,363	\$329	\$463,567	\$283,218	\$7,094	\$0	\$236	\$362	\$1,706,404	\$0	\$1,706,404
96200 Other General Expenses	\$1,465,716	\$9,795	\$695,301	\$81,465	\$1,385,574		\$178,904	\$0	\$26,804,491	(\$8,390)	\$26,796,101
96210 Compensated Absences	\$1,339			\$6,827	\$32,969		\$1,463	\$2,232	\$571,173		\$571,173
96300 Payments in Lieu of Taxes			\$15,754	\$48,416				\$0	\$71,885		\$71,885
96400 Bad debt - Tenant Rents			\$31,802	\$57,778				\$0	\$151,156		\$151,156
96500 Bad debt - Mortgages	\$36,400				(\$1,116,549)		\$4,999	\$0	(\$779,961)		(\$779,961)
96600 Bad debt - Other			\$9,776	\$52,918				\$0	\$136,915		\$136,915
96800 Severance Expense								\$0			
96000 Total Other General Expenses	\$1,503,455	\$9,795	\$752,633	\$247,404	\$301,994	\$0	\$185,366	\$2,232	\$26,955,659	(\$8,390)	\$26,947,269
96710 Interest of Mortgage (or Bonds) Payable			\$4,173,514	\$4,509,309				\$0	\$9,358,380		\$9,358,380
96720 Interest on Notes Payable (Short and Long Term)								\$0			
96730 Amortization of Bond Issue Costs								\$0			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$4,173,514	\$4,509,309	\$0	\$0	\$0	\$0	\$9,358,380	\$0	\$9,358,380
96900 Total Operating Expenses	\$1,718,364	\$72,027	\$12,936,537	\$12,377,173	\$1,611,697	\$0	\$241,784	\$31,331	\$104,897,142	(\$1,042,758)	\$103,854,384
97000 Excess of Operating Revenue over Operating Expenses	\$2,689,334	\$0	(\$721,959)	\$8,024,452	\$8,016,137	\$0	\$137,465	\$465,980	\$183,041,971	\$0	\$183,041,971
97100 Extraordinary Maintenance			\$100,559					\$0	\$100,559		\$100,559
97200 Casualty Losses - Non-capitalized								\$0			
97300 Housing Assistance Payments								\$441,858	\$153,016,863		\$153,016,863
97350 HAP Portability-In								\$0	\$2,133,382		\$2,133,382
97400 Depreciation Expense			\$2,812,209	\$2,420,529				\$0	\$10,930,577		\$10,930,577
97500 Fraud Losses								\$0			
97600 Capital Outlays - Governmental Funds								\$0			
97700 Debt Principal Payment - Governmental Funds								\$0			
97800 Dwelling Units Rent Expense								\$0			
90000 Total Expenses	\$1,718,364	\$72,027	\$15,849,305	\$14,797,702	\$1,611,697	\$0	\$241,784	\$473,189	\$271,078,523	(\$1,042,758)	\$270,035,765

San Diego Housing Commission (CA063)
San Diego, California
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2019

Submission Type: Audited/Single Audit

	Project Total	14.879 Mainstream Vouchers	14.881 Moving to Work Demonstration Program	1 Business Activities	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program
10010 Operating Transfer In	\$7,583,722		\$177,615,572	\$8,525,387							
10020 Operating transfer Out	(\$4,399,386)		(\$10,353,772)	(\$1,440,731)		(\$376,560)	(\$2,582,361)	(\$174,656,651)			
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	\$3,184,336	\$0	\$167,261,800	\$7,084,656	\$0	(\$376,560)	(\$2,582,361)	(\$174,656,651)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,627,006	\$655,962	\$2,724,404	(\$1,043,383)	\$0	\$0	\$0	\$0	(\$24,433)	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$943,897	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$21,572,846	\$0	\$13,450,514	\$407,507,170	\$0	\$0	\$0	\$0	\$317,224	\$0	\$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0										
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity											
11180 Housing Assistance Payments Equity											
11190 Unit Months Available	1918	664	183426	9012					1200		
11210 Number of Unit Months Leased	1891	1	170947	8804					1161		
11270 Excess Cash	\$8,264,670										
11610 Land Purchases	\$0										
11620 Building Purchases	\$0										
11630 Furniture & Equipment - Dwelling Purchases	\$0										
11640 Furniture & Equipment - Administrative Purchases	\$0										
11650 Leasehold Improvements Purchases	\$0										
11660 Infrastructure Purchases	\$0										
13510 CFFP Debt Service Payments	\$0										
13901 Replacement Housing Factor Funds	\$0										

San Diego Housing Commission (CA063)
San Diego, California
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2019

Submission Type: Audited/Single Audit

	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.239 HOME Investment Partnerships Program	9 Other Federal Program 2	2 State/Local	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
10010 Operating Transfer In	\$82,180			\$2,600	\$60,247			\$0	\$193,869,708	(\$193,869,708)	\$0
10020 Operating transfer Out							(\$60,247)	\$0	(\$193,869,708)	\$193,869,708	\$0
10030 Operating Transfers from/to Primary Government								\$0			
10040 Operating Transfers from/to Component Unit								\$0			
10050 Proceeds from Notes, Loans and Bonds								\$0			
10060 Proceeds from Property Sales								\$0			
10070 Extraordinary Items, Net Gain/Loss								\$0			
10080 Special Items (Net Gain/Loss)			(\$163,356)	(\$4,031,479)				\$0	(\$4,194,835)	\$4,031,479	(\$163,356)
10091 Inter Project Excess Cash Transfer In								\$0			
10092 Inter Project Excess Cash Transfer Out								\$0			
10093 Transfers between Program and Project - In								\$0			
10094 Transfers between Project and Program - Out								\$0			
10100 Total Other financing Sources (Uses)	\$82,180	\$0	(\$163,356)	(\$4,028,879)	\$60,247	\$0	(\$60,247)	\$0	(\$4,194,835)	\$4,031,479	(\$163,356)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$2,771,514	\$0	(\$3,798,083)	\$1,575,044	\$8,076,384	\$0	\$77,218	\$24,122	\$12,665,755	\$4,031,479	\$16,697,234
11020 Required Annual Debt Principal Payments	\$0	\$0	\$465,178	\$1,754,144	\$0	\$0	\$0	\$0	\$3,163,219		\$3,163,219
11030 Beginning Equity	\$16,664,892	\$0	(\$1,819,296)	(\$23,882,899)	\$199,407,102	\$21,625	\$11,806,776	\$154,832	\$645,200,786	(\$16,037,985)	\$629,162,801
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								\$0	\$0		\$0
11050 Changes in Compensated Absence Balance								\$0			
11060 Changes in Contingent Liability Balance								\$0			
11070 Changes in Unrecognized Pension Transition Liability								\$0			
11080 Changes in Special Term/Severance Benefits Liability								\$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								\$0			
11100 Changes in Allowance for Doubtful Accounts - Other								\$0			
11170 Administrative Fee Equity								\$0			
11180 Housing Assistance Payments Equity								\$0			
11190 Unit Months Available			10584	15060				480	222344		222344
11210 Number of Unit Months Leased			8777	14858				449	206888		206888
11270 Excess Cash								\$0	\$8,264,670		\$8,264,670
11610 Land Purchases								\$0	\$0		\$0
11620 Building Purchases								\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases								\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases								\$0	\$0		\$0
11650 Leasehold Improvements Purchases								\$0	\$0		\$0
11660 Infrastructure Purchases								\$0	\$0		\$0
13510 CFFP Debt Service Payments								\$0	\$0		\$0
13901 Replacement Housing Factor Funds								\$0	\$0		\$0



SAN DIEGO
HOUSING
COMMISSION

Statistical Section (Unaudited)



We're About People

The San Diego Housing Commission's (SDHC) Achievement Academy is a learning and resource center and computer lab located at SDHC's headquarters. Its programs—including Family Self-Sufficiency—emphasize career planning, job skills, and personal financial education to help individuals and families become more financially self-reliant. Current Bridges to Careers Opportunities participants are pictured above.





San Diego Housing Commission

Statistical Section (Unaudited)

This part of the Comprehensive Annual Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about SDHC's overall financial health. These schedules are for the Primary Government only and do not include activity of the discretely presented component units of HDP. The following are the categories of the schedules that are included in this Section:

Financial Trends

These schedules contain trend information to help the reader understand how SDHC's financial performance and well-being have changed over time. These schedules can be viewed on pages 128 to 130.

Revenue Capacity

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 132.

Debt Capacity

This schedule presents information to help the reader assess the affordability of SDHC's current level of outstanding debt. This schedule can be viewed on page 134.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which SDHC's financial activities take place. These schedules can be viewed on pages 136 to 140.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in SDHC's financial report relates to the services SDHC provides and the activities it performs. These schedules can be viewed on pages 142 to 149.

FINANCIAL TRENDS



San Diego Housing Commission
 Net Position by Component (Unaudited)
 Ten Years Ending June 30, 2019

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2010	39,788,284	129,062,731	213,986,961	382,837,976
2011	43,092,084	137,161,661	224,260,898	404,514,643
2012	54,768,792	142,430,835	225,494,849	422,694,476
2013	55,992,979	151,444,156	237,319,083	444,756,218
2014	54,862,209	160,498,486	241,567,614	456,928,309
2015	68,871,666	170,194,739	244,645,686	483,712,091
2016	73,122,616	176,980,821	268,461,293	518,564,730
2017	95,953,834	182,546,323	288,586,654	567,086,811
2018	107,299,446	199,381,101	324,301,550	630,982,097
2019	114,531,527	200,545,488	336,400,398	651,477,413

Source: Annual Financial Statements



San Diego Housing Commission
Revenues, Expenses and Changes in Net Position (Unaudited)
Last Ten Years Ending June 30, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues										
Dwelling rental income	\$ 31,520,369	\$ 31,061,313	\$ 30,079,966	\$ 28,090,296	\$ 26,450,075	\$ 25,750,939	\$ 25,669,589	\$ 25,082,830	\$ 24,309,910	\$ 21,193,199
Land lease and other rental income	2,969,373	2,601,204	2,492,779	2,668,438	2,245,059	2,119,188	2,023,344	1,892,027	1,970,080	1,233,941
Fee revenue	3,163,802	4,213,854	4,511,918	3,866,857	2,947,588	2,145,715	2,030,042	1,886,252	2,867,606	1,813,413
Shared equity income	-	-	-	-	-	-	-	171,422	158,270	181,535
Other revenue	6,571,628	6,276,590	4,407,790	3,777,214	2,767,714	3,222,683	1,927,430	1,120,603	2,076,205	3,365,390
Total operating revenues	44,225,172	44,152,961	41,492,453	38,402,805	34,410,436	33,238,525	31,650,405	30,153,134	31,382,071	27,787,478
Operating expenses										
Administrative expenses	39,905,313	37,026,223	34,542,960	31,826,310	29,500,978	28,839,617	28,713,564	26,870,807	24,686,591	23,208,287
Tenant services	2,613,917	2,544,030	1,988,632	1,626,314	1,541,169	1,370,247	1,919,200	2,207,747	2,450,010	1,862,540
Asset management	16,929,473	20,288,174	14,170,505	8,895,547	9,505,111	8,885,279	7,790,710	7,470,695	10,130,088	7,074,276
General expenses	1,263,618	3,059,488	1,435,332	2,072,713	985,363	2,266,935	1,201,718	2,615,886	3,840,050	4,587,653
Grant expense	25,020,659	20,432,499	11,752,995	15,753,280	11,103,144	17,115,718	6,650,674	5,879,572	4,698,932	5,065,696
Housing assistance	155,150,246	149,691,267	144,557,990	146,570,467	145,836,071	147,311,387	150,905,154	147,823,240	145,876,110	144,790,881
Depreciation	8,118,368	7,214,950	5,764,403	5,130,888	4,916,809	4,800,693	4,113,552	3,920,321	4,047,879	2,595,635
Total operating expenses	249,001,594	240,256,631	214,212,817	211,875,519	203,388,645	210,589,876	201,294,572	196,788,268	195,729,660	189,184,968
Operating loss	(204,776,422)	(196,103,670)	(172,720,364)	(173,472,714)	(168,978,209)	(177,351,351)	(169,644,167)	(166,635,134)	(164,347,589)	(161,397,490)
Nonoperating revenues (expenses):										
Grant revenue	214,794,552	240,541,580	217,487,187	200,005,483	191,703,603	186,987,313	188,240,947	182,353,583	184,749,521	189,101,021
Investment income	15,683,989	10,968,696	9,099,264	9,988,417	9,742,843	9,118,073	8,637,551	8,774,498	6,974,862	7,312,333
Gain/loss on sale of capital assets	(21,936)	2,376	-	3,844,578	-	-	38,220	(49,695)	(683)	-
Gain on fair market value of interest swap	-	-	-	-	-	-	-	-	859,125	459,836
Interest expense	(5,184,867)	(5,195,160)	(5,344,008)	(5,513,125)	(5,684,425)	(5,879,510)	(5,913,243)	(6,263,417)	(6,558,569)	(3,001,349)
Net nonoperating revenues	225,271,738	246,317,492	221,242,443	208,325,353	195,762,021	190,225,876	191,003,475	184,814,969	186,024,256	193,871,841
Change in net position before capital transaction	20,495,316	50,213,822	48,522,079	34,852,639	26,783,812	12,874,525	21,359,308	18,179,835	21,676,667	32,474,351
Gain on sale of property to component unit	-	13,681,464	-	-	-	-	-	-	-	-
Total revenues and expenses	20,495,316	63,895,286	48,522,079	34,852,639	26,783,812	12,874,525	21,359,308	18,179,835	21,676,667	32,474,351
Change in net position	\$ 20,495,316	\$ 63,895,286	\$ 48,522,079	\$ 34,852,639	\$ 26,783,812	\$ 12,874,525	\$ 21,359,308	\$ 18,179,835	\$ 21,676,667	\$ 32,474,351



San Diego Housing Commission
 Capital Assets by Category (Unaudited)
 Last Ten Years Ending June 30, 2019

CATEGORY	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Land	\$ 76,875,550	\$ 70,080,168	\$ 69,340,679	\$ 68,081,575	\$ 68,369,250	\$ 63,186,873	\$ 63,036,133	\$ 60,563,275	\$ 60,440,951	\$ 39,022,937
Construction in progress	532,390	879,290	2,772,651	8,296,759	2,267,262	751,305	1,854,210	9,831,387	465,800	4,319,426
Buildings	111,991,212	111,991,212	107,701,541	98,468,109	98,468,109	88,811,413	88,811,413	84,722,349	84,722,349	60,954,269
Building improvements	78,849,095	73,450,053	57,589,992	36,008,102	33,581,403	33,581,403	30,811,213	17,719,475	17,719,475	12,227,363
Furniture and equipment	4,242,430	4,749,007	4,821,310	4,495,410	4,347,152	4,105,103	3,781,552	3,494,073	3,213,224	2,930,854
Total capital assets	272,490,677	261,149,730	242,226,173	215,349,955	207,033,176	190,436,097	188,294,521	176,330,559	166,561,799	119,454,849
Less accumulated depreciation										
Buildings	28,970,736	26,128,333	23,542,214	20,922,471	18,418,147	16,115,003	13,852,095	11,620,965	9,464,032	8,059,821
Building improvements	24,313,071	19,304,745	15,194,653	12,332,422	10,056,086	7,816,863	5,678,975	4,087,090	2,774,997	2,233,130
Furniture and equipment	3,572,613	3,910,710	4,119,438	3,960,054	3,741,342	3,366,900	2,967,003	2,731,187	2,309,871	1,904,844
Total accumulated depreciation	56,856,420	49,343,788	42,856,305	37,214,947	32,215,575	27,298,766	22,498,073	18,439,242	14,548,900	12,197,795
Net capital assets	215,634,257	211,805,942	199,369,868	178,135,008	174,817,601	163,137,331	165,796,448	157,891,317	152,012,899	107,257,054
Related debt	101,102,730	104,506,496	103,416,034	105,012,392	105,945,935	108,275,122	110,505,903	103,122,525	108,920,815	67,468,770
Net investment in capital assets	\$ 114,531,527	\$ 107,299,446	\$ 95,953,834	\$ 73,122,616	\$ 68,871,666	\$ 54,862,209	\$ 55,290,545	\$ 54,768,792	\$ 43,092,084	\$ 39,788,284

REVENUE CAPACITY



San Diego Housing Commission
 Revenue on a Gross Basis (Unaudited)
 Last Ten Years Ending June 30, 2019

DESCRIPTION	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues (gross):										
Operating revenues	\$ 44,225,172	\$ 44,152,961	\$ 41,492,453	\$ 38,402,805	\$ 34,410,406	\$ 33,238,525	\$ 31,650,405	\$ 30,153,134	\$ 31,382,071	\$ 27,787,478
Subsidies and grants	214,794,552	240,541,580	217,487,187	200,005,483	191,703,603	186,987,313	188,240,947	182,353,583	184,749,521	189,101,021
Investment income	15,683,988	10,968,696	9,099,264	9,988,417	9,742,843	9,118,073	8,637,551	8,774,498	6,974,862	7,312,333
Gain/loss on sale of capital assets	(21,936)	2,376	-	3,844,578	-	-	38,220	(49,695)	(683)	-
Gain on sale of property to component unit	-	13,681,464	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	859,125	459,836
Total revenues	\$274,681,776	\$309,347,077	\$268,078,904	\$252,241,283	\$235,856,852	\$229,343,911	\$228,567,123	\$221,231,520	\$223,964,896	\$224,660,668

DEBT CAPACITY



San Diego Housing Commission

Outstanding Debt Related to Capital Assets (Unaudited)

Last Ten Years Ending June 30, 2019

<u>Fiscal year</u>	<u>Notes Payable</u>		Capital Assets Less Accumulated Depreciation	Ratio of total debt to capital assets*
2010	67,468,770		107,257,057	62.90%
2011	125,321,940	**	152,012,899	82.44%
2012	117,326,102	***	157,891,317	74.31%
2013	115,500,409	****	165,796,448	69.66%
2014	112,993,522	*****	163,137,331	69.26%
2015	109,913,912	*****	174,814,601	62.87%
2016	106,884,501	*****	178,135,008	60.00%
2017	103,813,347	*****	199,369,868	52.07%
2018	103,369,851	*****	211,805,942	48.80%
2019	100,054,425	*****	215,634,258	46.40%

Source: Annual Financial Statements

* Percentage of personal income is not available

** The total notes payable of \$125 million includes \$16 million of unspent loan proceeds.

*** The total notes payable of \$117 million includes \$14 million of unspent loan proceeds.

**** The total notes payable of \$115 million includes \$5 million of unspent loan proceeds.

***** The total notes payable of \$113 million includes \$5 million of unspent loan proceeds.

***** The total notes payable of \$110 million includes \$4 million of unspent loan proceeds.

***** The total notes payable of \$107 million includes \$2 million of unspent loan proceeds.

***** The total notes payable of \$103 million includes \$398,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs

***** The total notes payable of \$103 million includes \$400,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs

***** The total notes payable of \$100 million includes \$407,000 of unspent loan proceeds, and \$1.5 million of unamortized debt issuance costs

DEMOGRAPHIC AND ECONOMIC INFORMATION



**San Diego Housing Commission
Demographic Statistics - Ten Year Trend**

Population

<u>Year</u>	<u>United States</u>	<u>Change from Prior Period</u>	<u>City of San Diego</u>	<u>Change from Prior Period</u>
2009-10	308,745,538	0.57%	1,359,132	1.91%
2010-11	311,591,917	0.92%	1,311,882	-3.48%
2011-12	312,780,968	0.38%	1,321,315	0.72%
2012-13	316,122,143	1.07%	1,326,238	0.37%
2013-14	318,853,648	0.86%	1,345,895	1.48%
2014-15	321,188,034	0.73%	1,368,061	1.65%
2015-16	323,882,704	0.84%	1,391,676	1.73%
2016-17	325,337,675	0.45%	1,406,318	1.05%
2017-18	328,026,343	0.83%	1,419,845	0.96%
2018-19	329,152,485	0.34%	1,420,572	0.05%

Source: U.S. Department of Commerce, Bureau of Economic Analysis
MuniServices, LLC, and Comprehensive Annual Financial Reports



**San Diego Housing Commission
Demographic and Economic Statistics for the City of San Diego
Ten Years Ended June 30, 2019**

Population and Personal Income - City of San Diego

Year	Population¹	Personal Income² (1,000s)	Per Capita Personal Income	Unemployment Rate³(%)
2009-10	1,376,173	43,522,125	31,625	9.7
2010-11	1,311,882	40,336,435	30,747	10.2
2011-12	1,321,315	42,754,529	32,358	9.5
2012-13	1,326,238	43,540,765	32,830	8.9
2013-14	1,345,895	45,869,487	34,081	7.5
2014-15	1,368,061	46,297,920	33,842	4.6
2015-16	1,391,676	47,718,552	34,289	4.9
2016-17	1,406,318	50,542,056	35,939	4.4
2017-18	1,419,845	54,274,285	38,226	3.1
2018-19	1,420,572	57,277,776	40,320	3.2

Footnotes:

¹Population projections are provided by the California Department of Financial Projections

²Income data is provided by the U.S. Census Bureau, 2010 American Community Survey

³Unemployment data is provided by the EDD's Bureau of Labor Statistics Department

Sources: MuniServices, LLC / *an Avenu Insights & Analytics Company*

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark



**City of San Diego
Principal Employers (Unaudited)
Current Year and Nine Years Ago**

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
<u>For the Fiscal Year Ended June 30, 2019</u>		
Naval Base San Diego(1)	41,607	5.82%
University of California San Diego (2)	38,749	5.42%
Sharp Health Care (3)	18,736	2.62%
County of San Diego	18,606	2.60%
San Diego Unified School District	12,996	1.82%
Scripps Health (5)	12,348	1.73%
City of San Diego	11,544	1.61%
Qualcomm Inc (4)	10,300	1.44%
San Diego Community College District (7)	6,246	0.87%
Kaiser Permanente (6)	5,349	0.75%
Total Top Employers	176,481	24.68%
Total City Employment (8)	715,200	
<u>For the Fiscal Year Ended June 30, 2010</u>		
Naval Base San Diego(1)	54,415	7.83%
University of California San Diego (2)	20,408	2.94%
San Diego Unified School District	17,024	2.45%
County of San Diego	15,164	2.18%
Sharp Health Care (3)	14,700	2.11%
City of San Diego	10,499	1.51%
Kaiser Permanente (6)	7,028	1.01%
Qualcomm Inc (4)	6,000	0.86%
UC San Diego Medial Center	5,549	0.80%
San Diego Gas & Electric Co.	5,075	0.73%
Total Top Employers	155,862	22.42%
Total City Employment (8)	695,200	

Source: MuniServices, LLC / *an Avenu Insights & Analytics Company*

Source: 2009-10 data from previously published CAFR

Results based on direct correspondence with city's local businesses.

(1) Includes Active Duty Navy and Marine, and Civil Services employees.

(2) Includes full and part time, academic and support, and UCSD Medical Center, School of Medic

(3) Employee count is countywide

(4) Excludes temps and interns

(5) Scripps Health employees within city limits, not including Mercy hospital in Chula Vista

(6) Count includes physicians

(7) Not including out of state military instructors

(8) Total City Labor Force provided by EDD Labor Force Data



**San Diego Housing Commission
Resident Household Information - Unaudited
Housing Choice Voucher Program**

<u>Resident Members Per Household</u>			<u>Number Bedrooms Per Household</u>		
<u>Categories</u>	<u>Households</u>	<u>Percent</u>	<u>Categories</u>	<u>Households</u>	<u>Percent</u>
1 Member	7,090	44.6%	Studio	1,801	11.3%
2 Members	3,601	22.7%	1 Bedroom	4,300	27.1%
3 Members	1,841	11.6%	2 Bedrooms	5,361	33.9%
4 Members	1,479	9.3%	3 Bedrooms	3,213	20.2%
5 Members	937	5.9%	4 Bedrooms	1,004	6.3%
6 Member	471	3.0%	5 Bedrooms	181	1.1%
7 Members	217	1.4%	6 Bedrooms	17	0.1%
8 Members	110	0.7%	7 Bedrooms	-	0.0%
9 Member	65	0.4%	8 Bedrooms	-	0.0%
10 + Members	67	0.4%	9 Bedrooms	1	0.0%
Total	15,878	100.0%	Total	15,878	100.0%

**San Diego Housing Commission
Resident Income Information - Unaudited
Housing Choice Voucher Programs**

Income Ranges (All Sources)

<u>Annual Income Ranges</u>	<u>No. of Households</u>	<u>Percentage</u>
\$ 0-.99	538	3.4%
\$ 1-9,999	1,588	10.0%
\$ 10,000-19,999	8,284	52.2%
\$ 20,000-29,999	2,716	17.1%
\$ 30,000-39,999	1,515	9.5%
\$ 40,000-49,999	742	4.7%
\$ 50,000 +	495	3.1%
Total	15,878	100.0%

Source: San Diego Housing Commission Statistics



**San Diego Housing Commission
Years in Housing Choice Voucher Program**

Length of Residency - Current

<u>Years in Housing</u>	<u>Households</u>	<u>Quantity</u>
<1	799	5.0%
1	1,060	6.7%
2	1,152	7.3%
3	767	4.8%
4	1,076	6.8%
5	846	5.3%
6	209	1.3%
7	680	4.3%
8	662	4.2%
9	298	1.9%
10	433	2.7%
11	344	2.2%
12	1,659	10.3%
13	336	2.1%
14	809	5.1%
15	411	2.6%
16	264	1.7%
17	613	3.9%
18	1,209	7.6%
19	329	2.1%
20+	1,922	12.1%
Total	<u>15,878</u>	<u>100.0%</u>

Source: San Diego Housing Commission Statistics

OPERATING INFORMATION



**San Diego Housing Commission
Operating Information
Property Characteristic and Dwelling Units**

San Diego Housing Commission Owned

Address	No. Units	Year Built
4720 - 4722 34th Street	3	1982
4756 - 4758 35th Street	4	1982
3010 #A - B 39th Street	2	1975
3617 - 3619 42nd Street	4	1984
2716 - 2718 44th Street	4	1983
2734 - 2736 44th Street	4	1983
4078 #A - D 47th Street	4	1964
4286 - 4292 48th Street	4	1960
3280 A Street	2	1982
4207 - 4209 Altadena Avenue	2	1984
4123 Arey Drive	1	1970
4080 Arizona Street	4	1987
2766 Cardinal Road	2	1982
7410-7412 Cuvier Street	8	1977
4314 Darwin way	1	1970
2326 - 2332 East Jewett Street	4	1944
4334 Ebersole Drive	1	1970
4181 Enero Street	1	1970
2477 - 2477 1/2 Fairmount Avenue	4	1967
2479 - 2481		
3081 - 3083 Hawthorn Street	4	1983
1170 Ilexey Avenue	1	1970
1366 Ilexey Avenue	1	1970
4230 Kimsue Way	1	1970
1255 Kostner Drive	1	1970
4259 Layla Court	1	1970
4276 Layla Court	1	1970
4256 Layla Way	1	1970
4269 Layla Way	1	1970
4274 Layla Way	1	1970
4339 Marcia Court	1	1970
4074 Marcwade Drive	1	1970
4150 Marcwade Drive	1	1970



San Diego Housing Commission Owned - Continued

Address	No. Units	Year Built	
4186	Marcwade Drive	1	1970
4293	Marcwade Drive	1	1970
4239	Marge Way	1	1971
4331	Marge Way	1	1970
4334	Marge Way	1	1970
4890	Naples Street	4	1982
1152	Nevin Street	1	1970
8505	Noeline Avenue	1	1975
4050 - 4056	Oakcrest Drive	4	1960
5974	Old Memory Lane	1	1941
4034	Peterlynn Court	1	1970
1232	Peterlynn Drive	1	1970
1327	Peterlynn Drive	1	1970
1405	Peterlynn Drive	1	1970
1506	Peterlynn Drive	1	1970
1530	Peterlynn Drive	1	1970
4024	Peterlynn Way	1	1970
2325	Rachel Avenue	3	1982
1128	Ransom Street	1	1970
1145	Ransom Street	1	1970
1169	Ransom Street	1	1970
5955 #1 - 4	Streamview Drive	4	1963
4233	Stu Court	1	1970
3755 - 3757	Swift Avenue	4	1997
6511 - 6517	Tait Street	4	1952
1041	Twining Avenue	1	1970
1144	Twining Avenue	1	1970
1250	Twining Avenue	1	1970
1317	Twining Avenue	1	1970
3630 - 3632	Van Dyke Avenue	4	1982
10101 - 10191	Maya Linda Road	132	1978
2052 - 2098	Via Las Cumbres	84	1984
4262-4268	44th Street	4	2009
4395	El Cajon Boulevard	33	2009
6847	Potomac Street	172	1989
1301	Fifth Avenue	130	1914
1830	Fourth Avenue*	92	1990
1840	Fourth Avenue*	47	1989
5330	Orange Avenue	71	1985
7720-7780	Belden Street*	120	1986
2170-2172	Front Street*	34	1913
827	C Street*	73	1910
1055	9th Ave*	156	1980
	Total SDHC Owned	1273	

*Operated by HDP



Central SDHC FNMA, LLC

Address	No. Units	Year Built
2932 30th street	5	1986
3012 30th street	5	1986
3030 30th street	5	1988
3217 30th street	5	1986
4729 32nd street	5	1985
4541 #1 - 8 33rd street	8	1965
4632 33rd street	5	1986
4751 33rd street	8	1968
4254 36th street	5	1988
4164 #1 - 8 37th street	8	1962
4343 38th street	5	1989
4575 - 4579 38th street	8	1985
3755 - 3761 Alabama Street	8	1985
3974 - 3984 Bancroft Street	14	1988
3850 Cherokee Avenue	5	1986
4054 - 4060 1/2 Cherokee Avenue	8	1961
4360 Cherokee Avenue	5	1986
4081 - 4087 1/2 Florida Street	8	1960
4450 - 4456 1/2 Georgia Street	8	1966
7891 - 7899 Golfcrest Drive	9	1997
3350 - 3356 1/2 Grim Avenue	8	1959
4637 - 4643 1/2 Hamilton Street	8	1956
3125 Ivy Street	5	1988
4381 - 4387 Louisiana Street	8	1968
2727 - 2729 Meade Avenue	6	1964
2739 - 2745 Oregon Street	8	1960
4352 #1 - 8 Wilson Avenue	5	1986
Total Central SDHC FNMA, LLC	185	



Belden SDHC FNMA, LLC

Address	No. Units	Year Built
7705 - 7795 Belden Street	243	1983
Total Belden SDHC FNMA, LLC	243	

Northern SDHC FNMA, LLC

Address	No. Units	Year Built
3501 1st Avenue	22	1976
7105 - 7120 Eastman Street	36	1989
7085 - 7095 Levant Street	14	1989
7526 - 7580 Fulton Street	31	1996
2615 - 2665 Genesee Avenue	11	1983
4131 Maryland Street	24	1982
Total Northern SDHC FNMA, LLC	138	

Northern SDHC FHA, LLC

Address	No. Units	Year Built
12643 - 12687 El Camino Real	45	1995
2701 - 2711 Figueroa Boulevard	6	1966
8637 - 8643 Glenhaven Street	4	1971
8649 - 8655 Glenhaven Street	4	1962
8661 - 8667 Glenhaven Street	4	1962
8701 - 8707 Glenhaven Street	4	1962
2045 - 2049 Grand Avenue	6	1990
2644 Hornblend Street	5	1989
8714 - 8720 Hurlbut Street	4	1962
8726 - 8732 Hurlbut Street	4	1971
8792 Mira Mesa Boulevard	5	1978
8816 Mira Mesa Boulevard	5	1978
5071 - 5077 1/2 Muir Avenue	8	1960
4055 - 4083 Pulitzer Place	50	1985
Total Northern SDHC FHA, LLC	154	

Southern SDHC FHA, LLC

Address	No. Units	Year Built
2005 - 2065 Alaquinas Drive	66	1983
121-125 Averil Road	14	1993
178 - 190 Calle Primera	71	1984
2381 - 2389 Grove Avenue	41	1985
1351 - 1359 Hollister Street	20	1983
402 - 412 Sycamore Road (East)	24	1985
281 - 289 Sycamore Road (North)	24	1985
391 - 417 Sycamore Road (West)	41	1985
Total Southern SDHC FHA, LLC	301	



Central SDHC FHA, LLC

Address		No. Units	Year Built
2628 - 2630	44th street	8	1983
4225	44th street	6	1990
4261	45th street	6	1989
4566	51st street	5	1988
3051	54th street	7	1989
4164	Altadena Avenue	6	1961
4479 - 4481	Altadena Avenue	8	1989
4560	Altadena Avenue	8	1960
2883	Boston Avenue	5	1993
2955	Boston Avenue	5	1993
4147 - 4157	Chamoune Avenue	6	1983
4416 #1 - 8	Highland Avenue	8	1980
4205 - 4215	Juniper Street	20	1983
4273 - 4283	Juniper Street	24	1982
4390	Maple Street	6	1983
4451 - 4459	Market Street	20	1989
5316	Meade Avenue	30	1981
4180 - 4182	Poplar Street	9	1985
5326 - 5328	Rex Avenue	4	1984
5330 - 5332 1/2	Rex Avenue	4	1967
5359 - 5389	Santa Margarita	32	1983
7281 - 7289	Saranac Street	7	1996
Total Central SDHC FHA, LLC		234	



Public Housing Units

Address		No. Units	Year Built
2420 #A - H	44th Street	8	1982
3222 - 24	Camulos Street	12	1982
3919 #1 - 8	Mason Street	8	1982
5385 - 5389	Trojan Avenue	3	1982
4095 #A - D	Valeta Street	4	1982
605 - 695	Picador Boulevard	78	1984
325-415	South 33rd Street	40	1999
2055 - 2095	Via Las Cumbres	36	1984
Total Public Housing		189	

Total SDHC, LLC and Public Housing Units **2,717**

Other Program Housing Units - Partnerships*

Address		No. Units	Development/Partner
4914-98	Logan Avenue	112	Arbor Village/LINC Housing
4321	52nd Street	88	Dawson Avenue/Chelsea/HDP
5207	52nd Place	75	Casa Colina/HDP
1194	Hollister St	50	Riverwalk Apts/Affirmed Housing Group
5391 & 5411-25	Santa Margarita St	49	Vista Grande/Wakeland
1985	National Ave	92	Estrella del Mercado/Chelsea
1815-1874	Hancock Street	85	Mission Apts/AMCAL Multi Housing Inc.
13481-13483	Silver Ivy Lane	21	Park Terramar/Chelsea
4066	Messina Drive	145	Town & Country
Total Partnership Units		717	

Combined total units **3,434**

* SDHC owns the land and has the option to purchase the building at the end of the tax credit compliance period



**San Diego Housing Commission
Employee Demographics - Unaudited
As of June 30, 2019**

Seniority of Employees			Racial Composition		
Categories	Number	Percent	Categories	Number	Percent
Less than 3 years	113	34.98%	American Indian or Alaska Native, White	2	0.62%
3 to 5 years	73	22.60%	Asian	14	4.33%
6 to 9 years	43	13.31%	Black or African American	34	10.53%
10 to 19 years	54	16.72%	Hispanic or Latino	125	38.70%
20 to 29 years	29	8.98%	Native Hawaiian or Other Pacific Islander	17	5.26%
30 years and over	<u>11</u>	3.41%	Two or More Races	6	1.86%
Grand Total	<u><u>323</u></u>		White	106	32.82%
			Other	<u>19</u>	5.88%
			Grand Total	<u><u>323</u></u>	

Source: Information provided by San Diego Housing Commission HR Department includes Direct hires



**San Diego Housing Commission
Number of Employees by Department**

Department:	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Board & Executive Functions	9	8	9	7	6	8	5	4	17	16
Business Services	38	37	40	44	41	37	35	26	23	23
Community Relations & Communications	7	7	7	8	6	7	5	7	4	4
External Affairs	0	0	0	0	0	12	12	11	0	0
Financial Services	25	26	26	22	24	25	24	25	21	20
Housing Finance	16	16	16	12	0	0	0	0	0	0
Housing Innovations	32	25	20	12	6	0	0	0	0	0
Housing Development Partners	8	5	5	4	3	3	3	3	0	0
Policy & Public Affairs	0	0	0	0	0	0	0	5	0	0
Real Estate Development	74	77	77	70	75	75	80	77	92	90
Rental Assistance Program	114	114	106	115	105	107	109	110	105	106
	323	315	306	294	266	274	273	268	262	259

Source: Information provided by San Diego Housing Commission Payroll Department