



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item: TBD

Review of City Agencies FY 2024 Budgets: San Diego Housing Commission

The IBA has reviewed the San Diego Housing Commission (SDHC) proposed budget which is scheduled to be heard Tuesday May 9, 2023. Our review is attached.

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Amy Li
Fiscal & Policy Analyst

Handwritten signature of Charles Modica in blue ink.

APPROVED: Charles Modica
Independent Budget Analyst

San Diego Housing Commission

The San Diego Housing Commission (SDHC) was created in 1979 in accordance with State law. SDHC is governed by the San Diego City Council, sitting as the Housing Authority. The Housing Authority delegates many actions to the Housing Commission except those that are expressly retained in the San Diego Municipal Code, including the SDHC budget. The Housing Authority has final authority over approval of the SDHC budget.

The SDHC’s mission is to foster “social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.”

The SDHC has a seven-member board of commissioners that oversees the SDHC’s operations, each appointed by the Mayor and confirmed by the City Council. The Proposed Budget is scheduled to be heard at the Budget Review Committee meeting on May 9, 2023. On May 12, 2023, the SDHC Board will review SDHC’s FY 2024 Proposed Budget and make a recommendation on the Proposed Budget to the Housing Authority.

Overview of FY 2024 Budget Proposal

The SDHC FY 2024 Proposed Budget (Proposed Budget) totals \$594.9 million, which is an increase of \$131,000, or 0.02%, from the FY 2023 Adopted Budget.

The SDHC’s major programs include 1) providing low-income households rental assistance; 2) creating and preserving affordable housing; and 3) addressing homelessness.

The following sections detail the major changes in the Proposed Budget from the FY 2023 Adopted Budget that make up the net budget increase of \$131,000, as shown in the table below.

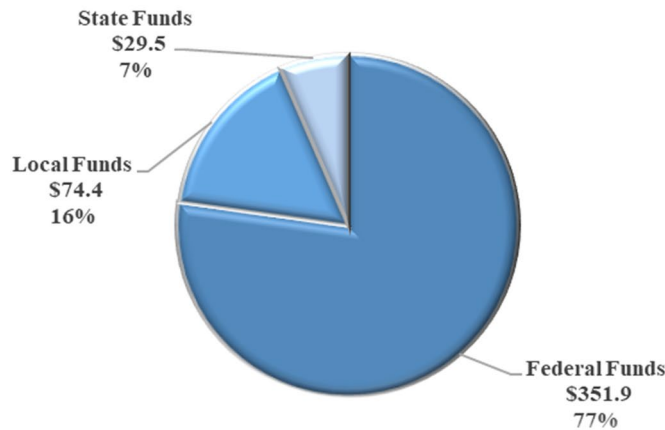
Funding Sources

Of the \$594.9 million in revenue budgeted for FY 2024, \$455.8 million is *new* revenue from various fund sources (excluding any carryover funding from prior years), as reflected in the pie chart on the following page. This reflects a net increase of \$24.1 million, or 5.6%, in new revenue.

| Summary of San Diego Housing Commission Budget Changes | | | |
|--|------------------------|-------------------------|-----------------------|
| | FY 2023 Adopted Budget | FY 2024 Proposed Budget | Change |
| Full-Time Equivalent Positions | 366.00 | 395.00 | 29.00 |
| Personnel Expenses | \$ 47,460,000 | \$ 53,696,000 | \$ 6,236,000 |
| Non-Personnel Expenses | | | |
| Housing Program Expense | 341,932,000 | 353,023,000 | 11,091,000 |
| Property Expense | 13,373,000 | 15,806,000 | 2,433,000 |
| Professional Services, Supplies and Other | 18,475,000 | 17,609,000 | (866,000) |
| Debt Payments | 34,377,000 | 9,348,000 | (25,029,000) |
| Capital Expenditures | 23,506,000 | 21,291,000 | (2,215,000) |
| Reserves | 115,632,000 | 124,113,000 | 8,481,000 |
| Non-Personnel Expenses Total | \$ 547,295,000 | \$ 541,190,000 | \$ (6,105,000) |
| Total | \$ 594,755,000 | \$ 594,886,000 | \$ 131,000 |

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FY 2024 SDHC Proposed Budget - New Revenue *\$ in millions*



In addition, there is \$139.0 million in fund balance carried over from prior years, for combined resources totaling \$594.9 million. Notably, over half of the \$139.0 million in the beginning fund balance is made up of funds that are committed to affordable housing projects that have not yet received disbursements. Additionally, the SDHC's reserves make up a portion of the beginning fund balance.

The following subsections detail the major changes in revenue available in the Proposed Budget as compared to the FY 2023 Adopted Budget.

Federal Funds – \$15.7 million increase

As shown on the pie chart above, SDHC anticipates receiving 77.2% of its new revenue from the federal government. The Proposed Budget includes a total of \$351.9 million in new federal funding which is a net increase of \$15.7 million as compared to the FY 2023 Adopted Budget. This increase is made up of many changes, but is primarily driven by:

- \$18.0 million increase in Section 8/Moving to Work (MTW) funds from the U.S. Department of Housing and Urban Development (HUD), based on annual HUD adjustment

factors such as regional changes in residential rent and utility costs.

- \$5.8 million increase in HOME Investment Partnerships Program (HOME) funds that are anticipated to be spent in the fiscal year from previously awarded funds.
- \$4.9 million increase attributed to the award of 21 additional Emergency Housing Vouchers, as well as an overall increase in per voucher funding.
- \$2.6 million increase attributed to the award of 25 additional Veterans Affairs Supportive Housing (VASH) Vouchers, as well as an overall increase in per voucher funding.

Since the additional Emergency Housing Vouchers and VASH Vouchers only recently became effective (on March 1, 2023, and May 1, 2023, respectively), SDHC is currently in the process of identifying potential voucher recipients and units.

Offsetting these increases is the following decrease:

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- \$19.3 million decrease in revenue drawn from HUD-held reserves due to the removal of one-time funding from FY 2023 set aside for debt paydown on SDHC-owned properties (see below for more information on HUD-held reserves).

Explanation of “HUD-held Reserves”: HUD disperses Section 8/MTW funds for the Housing Choice Voucher program to SDHC monthly based on prior-month actual costs and any additional funds based on when they are needed. The rest of SDHC’s allocation is held at HUD, otherwise referred to as HUD-held reserves. SDHC plans to use \$43.3 million in HUD-held reserves in FY 2024, which is a decrease of \$19.3 million from FY 2023. Planned expenditures for these funds are discussed further below but include:

- Acquisition of affordable housing properties (\$14.0 million set-aside)
- Increased utilization rate of vouchers (number of households connected to housing) and increased payment standards
- Renovation of SDHC properties
- Homelessness programs

Draw down of HUD-held reserves will be requested from HUD as expenses are incurred.

Additional Context on Emergency Housing Vouchers: Emergency Housing Vouchers became available through the American Rescue Plan Act. The vouchers are intended to assist those who are homeless; at-risk of homelessness; fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; or who were recently homeless or have a high risk of housing instability. For FY 2023, SDHC received \$6.6 million for 480 vouchers, which are currently being utilized. In late 2022, HUD reallocated Emergency

Housing Vouchers that were either voluntarily returned or revoked from other public housing agencies. Reallocations were based on performance and were only made available to agencies with utilization rates of 95% or higher. HUD selected SDHC to receive an additional 21 vouchers through this reallocation process.

Local Funds – \$10.6 million increase

Another significant funding source for SDHC is a category called “local funds” which is anticipated to make up 16.3% of SDHC’s new revenue in FY 2024. SDHC local funds are generated primarily from rental income from SDHC’s affordable housing properties, which is unrestricted revenue. To a lesser extent local funds also include Affordable Housing Funds (derived from fees the City charges on new residential and commercial development to be used for affordable housing) and City General Funds to support homelessness programs. The Proposed Budget includes a total of \$74.4 million in new local fund revenue, which is a net increase of \$10.6 million as compared to the FY 2023 Adopted Budget. This is primarily driven by:

- \$6.1 million increase in City General Funds for homelessness programs (e.g., interim shelters and storage centers). This increase includes existing homelessness programs that were previously funded using one-time State HHAP grants but are funded with City General Fund in the FY 2024 Proposed Budget. (More information on this change can be found in our office’s review of the City’s homelessness budget in the [*Review of the FY 2024 Proposed Budget.*](#))
- \$3.5 million increase in residential rental income.

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- \$1.9 million increase from the San Diego City-County Reinvestment Task Force related to a newly awarded corporate foundation grant focused on expanding homeownership opportunities for people of color. The grant provides a total of \$7.5 million over four years and aims to help 5,000 first-time and first-generation homebuyers of color in the San Diego region by 2026.

This increase is offset by the following:

- \$1.6 million projected decrease in projected Affordable Housing Fund revenue.

We note that a total of \$5.8 million in Affordable Housing Fund revenue is budgeted for FY 2024, but revenue received in recent years has been well above this amount, though it has been volatile. SDHC staff notes that there is uncertainty regarding prospective revenue collections due to a variety of possible factors. For instance, higher construction costs and interest rates may impact commercial and residential construction activity. Additionally, the Inclusionary Housing Ordinance changes approved in 2019 could reduce incoming revenues. These changes are being phased in over five years, beginning with FY 2021. During the phase-in period, the required proportion of affordable units to be included within new residential development is lower than under the previous rules, while the fee incrementally increases. Therefore, more developers may choose to build units instead of paying the fee which goes into the Affordable Housing Fund.

State Funds – \$2.1 million decrease

The remaining 6.5% of SDHC’s new revenue is anticipated to come from the State. For FY 2024, three grants comprise “State funds” – State Homeless Housing, Assistance and Prevention (HHAP); Local Housing Trust Fund (LHTF);

and CalHome. The City passes through HHAP grant funding to SDHC to administer homelessness programs. The Proposed Budget includes a total of \$29.5 million in State funding, which is a net decrease of \$2.1 million as compared to the FY 2023 Adopted Budget. This is primarily driven by:

- \$1.5 million decrease in the amount of State HHAP grant funds transferred from the City for SDHC administration of homelessness programs. As previously mentioned, part of this decrease is due to the allocation of City General Fund, rather than State HHAP funding, to fund some existing programs in the FY 2024 Proposed Budget.
- \$1.1 million decrease in awarded CalHome grant funds related to an anticipated reduction in loan repayments to the program, relative to FY 2023.

These increases are offset by:

- \$500,000 increase in State LHTF funds, which were awarded to SDHC in FY 2020. This grant is reimbursement-based, and SDHC anticipates committing the remaining \$500,000 in FY 2024.

Fund Balance from Prior Years – \$24.0 million decrease

Often, significant funding is carried forward into the next fiscal year. Earlier in this report, we described what makes up the major components of the fund balance. The total \$139.0 million budgeted in FY 2024 is a net decrease of \$24.0 million as compared to the FY 2023 Adopted Budget. This is primarily driven by:

- \$33.0 million decrease in State funds being carried over from FY 2023 to FY 2024 primarily due to the removal of one-time

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Housing Stability Assistance Program (HSAP) funds that were spent down in the first half of FY 2023. Although HSAP was a federal program, the State allowed local jurisdictions to request State Cash Flow Loans to fund eligible applications received before March 31, 2022. On April 19, 2022, Council approved an item authorizing SDHC to spend up to \$96.3 million in loan funds. As of May 1, 2023, SDHC has spent a total of \$243.0 million through HSAP.

- This is offset by an increase of \$8.0 million in federal HOME grants carried over from FY 2023 to FY 2024. Loan funds awarded to projects will be incrementally spent down as construction milestones are met.

Budget by Funding Use

The Proposed Budget includes \$594.9 million in proposed expenditures which can be broken down between personnel expenses and non-personnel expenses, as shown in the table on the first page of this report. These categories are described in more detail below.

Personnel Expense

The Proposed Budget includes \$53.7 million for personnel expenses, reflecting salaries and benefits for 395.00 Full-Time-Equivalent (FTE) positions. This reflects an increase of \$6.2 million, or 13.1%, and 29.00 FTE positions. The table below shows a breakdown of FTEs by division.

| FY 2024 SDHC Staffing by Division | FTE |
|-----------------------------------|---------------|
| Rental Assistance | 131.00 |
| Real Estate | 105.00 |
| Operations Support | 101.00 |
| Homeless Housing Innovations | 58.00 |
| Total | 395.00 |

The increase in personnel expenses is largely driven by a 4% cost-of-living salary adjustment

and the costs for the additional positions. Additionally, there is a 3% increase in fringe benefits related to health insurance.

The following is a breakdown of the proposed additional 29.00 FTEs:

Homeless Housing Innovations Division – 19.00 FTEs

The proposed new positions would address increased SDHC workload over the past few years and support newer programs SDHC has recently received funding to administer. Specifically, this will include the following programs:

- *8.00 Housing Specialists – Housing Instability Prevention Program (HIPP).* SDHC first received \$3.6 million (City General Fund) to administer this program in FY 2023. The Proposed Budget includes \$2.5 million to continue HIPP for a second year, to be discussed later. According to SDHC, the proposed eight housing specialists are needed to meet program outcome goals. Positions would be funded through a combination of City General Fund and SDHC local funds.
- *5.00 Housing Specialists – Prevention and Diversion Programs.* According to staff, the removal of pandemic-related eviction protections has led to a nearly 40% increase in referrals and inquiries into SDHC’s homelessness prevention and diversion programs between the first half and second half of the 2022 calendar year. Between July and November 2022, SDHC received 160 referrals for services each month. The proposed five housing specialists would help expand prevention and diversion services to address the recent increased demand.

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- *4.00 Housing Specialists – Moving Home.* The proposed positions would support SDHC’s Moving Home rapid rehousing services associated with a newly awarded regional grant, to be detailed later.
- *2.00 Other Positions.* This includes one position for maintenance at the Homelessness Response Center and one position for a Health Ambassador associated with a specific grant.

Rental Assistance Division – 4.00 FTEs

The proposed new positions include the following:

- *2.00 Office Specialists – Housing Vouchers.* Two office specialist positions would respond to an increase in Housing Choice Voucher caseload as well as new Special Program vouchers that have been added since 2019, including Emergency Housing Vouchers. The positions would be assigned to the Landlord Services Unit and the Special Programs Unit.
- *2.00 Office Specialists – Enhanced Customer Service Experience Initiatives.* Two positions would support SDHC’s customer service experience, as members of the public are once again able to access the SDHC offices in East Village in-person, following the lifting of pandemic-related restrictions. We note that SDHC implemented a two-year pilot program starting November 2022 to allow some staff to work remotely. The two proposed positions would support an on-site customer service desk at the SDHC offices.

Real Estate – 3.00 FTEs

This includes two asset managers to support the growing real estate portfolio that currently includes three hotel properties acquired in recent years (Kearny Vista, Valley Vista, and Hillcrest Inn) and potential future acquisitions through the State Homekey program, as well as one contract administrator in the Portfolio Management department.

Operations Support– 3.00 FTEs

This includes one additional position to support each of the following: communications (1.00 Social Media/Multimedia Designer), financial services (1.0 Principal Financial Analyst), and procurement (1.00 Procurement and Contracts Analyst).

Non-Personnel Expense

The Proposed Budget includes \$541.2 million in non-personnel expenditures. This is a \$6.1 million decrease, or 1.1%, from the FY 2023 Adopted Budget. We address components driving this by major expense category.

Housing Program Expense – \$11.1 million increase

Housing Program Expenses is a large category that includes grant expenses for rental assistance payments, planned affordable housing loans, homelessness programs, and other housing programs. We include a breakdown of FY 2024 Housing Program Expenses below.

As shown on the table, federal Housing Choice Voucher rental assistance is SDHC’s largest program. There are also Special Voucher programs that support unique populations such as veterans, families, and adults with disabilities, as well as Emergency Housing Vouchers. Based on data from January 31, 2023 (most recently available), SDHC rental housing voucher programs serve

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over 17,000 households, with over 137,000 households on the wait list, waiting an average of 12 years before receiving a voucher.

| FY 2024 Housing Program Expense Breakdown | |
|---|-----------------------|
| Sec 8 / Moving to Work, Housing Choice Voucher | \$ 236,896,000 |
| Homelessness ¹ | 57,741,000 |
| Special Voucher Programs ² | 33,992,000 |
| Loans to be Issued for Affordable Housing | 15,338,000 |
| First Time Homebuyer Program Loans | 4,533,000 |
| Homeownership Opportunities for People of Color | 2,012,000 |
| ADU Loan Program | 2,000,000 |
| Other Housing Programs | 511,000 |
| Total | \$ 353,023,000 |

Note: Table excludes administrative and other support costs for each program.

¹ Costs for vouchers supporting those who are formerly homeless are included in voucher program lines.

² Veterans Affairs Supportive Housing, Mainstream, Family Unification Program, Emergency Housing Vouchers

The Proposed Budget includes \$353.0 million for Housing Program Expenses, which is an increase of \$11.1 million, or 3.2%, as compared to the FY 2023 Adopted Budget. This is primarily driven by the following:

- \$33.6 million increase in Section 8/MTW Housing Choice Voucher program is due to increased utilization of project-based housing vouchers (PBVs), with more than 400 new PBV units anticipated to be completed in FY 2024, resulting in more housing assistance payments, as well as an increase in payment standards. Payment standards are the maximum subsidy payment that a voucher will pay for a rental housing unit.
- \$5.7 million increase in VASH, Emergency Housing Vouchers, vouchers for families with children in or at-risk of being placed in foster care due to inadequate housing (also known as the Family Unification Program), and vouchers for non-elderly persons with disabilities (also known as Mainstream Vouchers).
- \$2.9 million increase in various homelessness services, including a \$4.2 million

increase for the operation of interim shelters and a \$1.0 million increase for SDHC's Housing First – San Diego programs, which include landlord engagement, prevention, and diversion programs.

These increases are offset by the following decreases:

- \$30.0 million decrease in expenditures for HSAP as compared to FY 2023, with the previously mentioned wind down of the HSAP program.
- \$2.2 million decrease in anticipated loans to be made for affordable housing projects as compared to FY 2023.

Capital Expenses – \$2.2 million decrease

The Proposed Budget includes \$21.3 million in capital expenses for FY 2024. This is a decrease of \$2.2 million as compared to the FY 2023 Adopted Budget, largely due to a reduction in anticipated acquisitions of properties (\$1.0 million decrease) and rehabilitation of SDHC-owned properties (\$1.8 million decrease) planned for FY 2024 as compared to FY 2023.

Property Expense, Professional Services, Supplies, Debt Payments, and Other – \$23.5 million decrease

The Proposed Budget includes a total of \$42.8 million in Property Expense, Professional Services, Supplies, Debt Payments, and Other expenses in FY 2024, a decrease of \$23.5 million from the FY 2023 Adopted Budget. This decrease is driven primarily by:

- \$25.0 million decrease in payments towards debt on SDHC-owned affordable housing properties. In FY 2023, SDHC drew down previously discussed HUD-held reserves to pay down debt on SDHC-owned properties,

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which resulted in a one-year increase for SDHC debt payments in FY 2023.

Reserves – \$8.5 million increase

SDHC has three reserve categories: Program Restricted Reserves (unspent funds restricted to programs), Property Reserves (to maintain SDHC properties), and Contingency Reserves (for unforeseen costs), which in the FY 2024 Proposed Budget total \$124.1 million. This is a net increase of \$8.5 million from FY 2023.

The increase is primarily driven by:

- \$5.6 million increase in Program Restricted Reserves due to the amount of loans committed for affordable housing projects that will not be allocated to developers in FY 2024 and will be carried forward to future years. SDHC holds funds in reserve for affordable housing developments until all the financing components are secured and then disperses loan proceeds throughout construction as milestones are achieved. This process can take multiple years.
- \$4.6 million increase in Program Restricted Reserves due to Moving to Work and other federal reserve requirements.

These increases are offset by a \$4.5 million decrease in Property Reserves.

Notable Inclusions in the Budget:

Rental Assistance

Housing Instability Prevention Program (HIPP)
- \$2.5 million

In addition to administering voucher programs which serve over 17,000 households, SDHC anticipates receiving \$2.5 million (\$2.3 million City General Fund and \$298,000 SDHC local funds) to fund the second year of the previously

mentioned HIPP program. The program provides monthly subsidies for up to two years to households with low income and unstable housing conditions. SDHC recently implemented a tiered subsidy approach to better tailor the level of financial assistance to household circumstances and needs, as reported in the April SDHC Executive Director Report presentation. Instead of providing a fixed amount of \$500 monthly, households may receive a monthly subsidy of \$250, \$500, or \$750. Payments can be used to assist with rent and other housing-related expenses. Proposed funding for the program is \$1.0 million lower than what was included in the FY 2023 Adopted Budget, but our understanding is that SDHC is in conversation with the City's Homelessness Strategies and Solutions Department (HSSD) to use HIPP carryover funding (approximately \$1.5 million) from FY 2023 to make up the difference. SDHC anticipates serving 300 low-income households through HIPP over two years (FY 2023 and FY 2024). As of late April 2023, the program has 108 households enrolled.

Creation of Affordable Housing

Acquisitions - \$14.0 million

The Proposed Budget includes a \$14.0 million set-aside for acquisitions of affordable housing properties using Section 8/MTW funds (HUD-held reserves). These funds are largely carried over from funding set aside for acquisition in the FY 2023 Adopted Budget, but which SDHC does not anticipate expending in the current fiscal year.

Notice of Funding Availability (NOFA) - \$29.0 million

Staff intends to issue a \$29.0 million NOFA for which external affordable housing developers can apply to receive funds to help support the

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creation of affordable housing. SDHC estimates that the proposed funding would create 290 new permanent affordable housing units. The proposed funding draws from federal HOME funds (\$15.7 million) and the Affordable Housing Fund (\$13.3 million) and is a \$16.0 million increase from the FY 2023 NOFA.

Homeownership – \$4.5 million

The Proposed Budget sets aside \$4.5 million for the First-Time Homebuyer Program, which is a \$731,000 reduction compared to FY 2023. The proposed funding would support up to 35 lower income first-time homebuyers. Staff indicate that the \$4.5 million is based on projected expenditures for the program, especially given more challenging market conditions. For instance, due to higher interest rates and local median home prices remaining high in recent months, SDHC does not anticipate fully exhausting the \$5.3 million budgeted for the First-Time Homebuyer Program in FY 2023.

Accessory Dwelling Unit Finance Program - \$2.0 million

The Proposed Budget continues to provide \$2.0 million for low-interest loans and technical assistance to low-income homeowners to build an accessory dwelling unit (ADU) on their property. The proposed funding would fund the creation of up to eight new ADUs. The ADU Finance Program was initially funded in FY 2023. ADUs built through this program are required to remain affordable for seven years.

Homelessness Programs – \$147.9 million

The SDHC Proposed Budget includes \$147.9 million for homelessness program expenditures, which is a \$16.6 million increase from the FY 2023 Adopted Budget. These costs are mostly located within the Housing Program Expense

category. Of the total expenditures, 62.5% is supported by federal sources allocated to SDHC, 34.5% is attributed to funds transferred from the City to administer various programs (including \$26.8 million in State HHAP funds), and 3.0% is supported by unrestricted SDHC local funds.

In addition to the increase in federal voucher funding as mentioned earlier, we note the following major changes from the FY 2023 Adopted Budget (this is not an exhaustive list):

- \$1.5 million increase in SDHC’s homelessness prevention and diversion programs. In response to previously mentioned higher inquiries and referrals, SDHC aims to serve 550 households through their prevention assistance in FY 2024, which is an increase of 250 households relative to FY 2023. Prevention services include financial assistance and case management, among other services. Prevention programs are targeted to households at imminent risk of homelessness (i.e., within 14 days of losing housing). The maximum cap on prevention assistance will also be increased from \$3,000 to \$5,500 in FY 2024 in response to households reporting higher levels of need (e.g., more overdue rent). SDHC is also considering modifications to its diversion efforts, based on outstanding needs.
- \$1.1 million increase for rapid rehousing programs, including a \$742,000 increase from State HHAP funds for the City’s rapid rehousing programs and a newly awarded \$1.8 million grant for SDHC’s Moving Home Rapid Rehousing program from the regional Continuum of Care.

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- \$882,000 increase in youth services and programs. This includes continuing existing shelter and services for transition-aged youth and accommodating the relocation of youth from the Golden Hall bridge shelter. (According to City staff, the Golden Hall shelter was intended to be a temporary shelter due to permitting restrictions, and relocations are currently occurring and set to be completed by October 2023.)
- \$566,000 increase in SDHC's Landlord Engagement & Assistance Program (LEAP). To facilitate rehousing efforts, SDHC offers landlords incentives and benefits to rent to San Diegans experiencing homelessness through LEAP. The proposed increase reflects higher rents and costs for landlords, such as increasing the Landlord Contingency Fund that helps cover repair expenses, past due rent, and legal fees at the end of a tenancy (after the security deposit has been applied to pay for expenses) and higher utilization of funds to cover vacancy losses when units are unoccupied between tenants. SDHC aims to serve 1,000 households in FY 2024, consistent with FY 2023.

Issues for Council Consideration

Community Action Plan Update

Our understanding is that SDHC is in the process of updating the Community Action Plan on Homelessness (Action Plan) with a planned release expected in the coming weeks. The Action Plan was initially approved by the City Council

in October 2019 to guide the City's priorities and approach to addressing homelessness. With the widespread impacts of the COVID-19 pandemic, an updated Action Plan could better inform the outstanding need and associated costs for additional shelter beds, permanent housing options, and diversion resources. **The City Council may wish to ask SDHC how the anticipated Community Action Plan update could inform the development of the FY 2024 Adopted Budget and, to SDHC's understanding, how the FY 2024 Proposed Budget aligns with the Action Plan update.**

As noted in our review of the HSSD Proposed Budget, for homelessness to be rare, brief, and non-recurring, as is the regional goal established by the Regional Task Force on Homelessness, the overall balance of the City's homelessness response system should be considered, including the availability of both emergency response shelter beds and permanent housing resources. A balanced system would help ensure flow-through in the system such that individuals experiencing homelessness can quickly find shelter and be connected to permanent housing. Last year, SDHC released data dashboards that provide some insight into system balance and program outcomes, as well as tracking progress on achieving the goals of the Action Plan. In the 2022 calendar year, there were 3,446 exits from shelters. Of these, 13% exited to permanent housing, 7% to other longer-term housing, 20% to the streets, and 55% to an unknown destination. The average length of stay in shelter for households exiting to permanent housing was 126 days. As data continue to be tracked, year-over-year comparisons of progress can be made. **The City Council may wish to ask SDHC for their assessment of how balanced the City's homelessness response system is, whether there are indicators of system balance that SDHC monitors, and how such data can be**

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used to inform discussions regarding the allocation of resources to address homelessness and improve the City's ability to quickly re-house individuals.

Shift to Prevention and Diversion

As previously mentioned, the SDHC Proposed Budget increases funding for prevention and diversion efforts. This shift in priorities is driven by the expiration of pandemic-related eviction protections, the resumption of eviction court cases, and resulting increases in referrals and inquiries into SDHC's prevention and diversion programs. **The City Council may wish to better understand how prevention and diversion services are targeted such that these interventions most efficiently prevent and divert households from homelessness.**

Additionally, our review of the Housing Instability Prevention Program (HIPP) showed that only \$930,000, or 36.5%, out of the \$2.5 million budgeted for FY 2024 would be provided as direct financial assistance to households participating in HIPP. The remaining \$1.6 million supports case management services, operations, and other overhead costs. In other words, the amount of HIPP funding ultimately included in the FY 2024 Adopted Budget will not result in dollar-for-dollar direct financial assistance to eligible households. According to staff, case managers help households develop long-term housing plans since HIPP assistance is only available for at most two years. Although we think case management services could improve long-term outcomes for participants, **the City Council may wish to discuss appropriate funding levels for HIPP, given these additional personnel program costs. For instance, Council may want to give additional consideration to the amount of funds available for direct financial assistance or base funding on a goal for families to**

be served in FY 2024. Council may also wish to learn more about the case management and housing specialist services SDHC provides through the HIPP program.

Other Issues

In addition to the previously mentioned issues for Council consideration, we want to provide three additional updates relevant to the SDHC FY 2024 Proposed Budget:

- ***Residential Tenant Protection Ordinance.*** On April 25, 2023, Council approved the Residential Tenant Protection Ordinance. The Ordinance includes additional responsibilities for SDHC, including developing an online submission portal to receive at-fault and no-fault just cause eviction notices from landlords and sharing this data with the City. The preliminary cost estimate for SDHC to implement the submission portal is \$200,000, as well as an additional 2.00 FTE positions to administer and provide oversight over the termination noticing process. Our understanding is that SDHC staff are currently developing an implementation plan and should have more details in the coming weeks. **The City Council may wish to request from SDHC an updated cost estimate and timeline for the implementation of the submission portal to consider as part of the FY 2024 Adopted Budget.**
- ***Narrative Budget Document.*** In response to an issue discussed in our FY 2023 review of the SDHC Proposed Budget, this year, SDHC anticipates releasing a more robust budget document that includes an executive summary and some brief program details to

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accompany SDHC's budget presentation to the Housing Authority in June. We believe this is a positive step to better inform the Council of the items included in the SDHC budget.

- ***Increased SDHC-HSSD Coordination.*** As the City's main homelessness response activities are shared between HSSD (e.g., shelter programs and outreach) and SDHC (e.g., shelter programs and housing), we note that coordination between HSSD and SDHC appears to have improved for the development of the FY 2024 Proposed Budget. Given how the success of the City's overall homelessness response efforts largely relies on coordination between HSSD and SDHC, we think such improved coordination is a step in the right direction.