

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF
SAN FRANCISCO, CALIFORNIA**

Annual Financial and
Compliance Report

For the Year Ended September 30, 2024

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
For the Year Ended September 30, 2024

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Independent Auditor's Report

Members of the Board of Commissioners of the
Housing Authority of the City and County of San Francisco, California
San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of the City and County of San Francisco, California (Authority), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority, as of September 30, 2024, and the respective 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.

We did not audit the financial statements of SFHA Housing Corporation, a blended component unit of the Authority, which represents 8.4% of assets, 0.0% of net position, and 5.4% of revenues of the business-type activities as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended. We did not audit the Authority's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for those component units, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements of SFHA Housing Corporation, a blended component unit of the Authority, and Plaza East Associates, L.P., a discretely presented component unit of the Authority, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matters

Revenue Concentrations

As discussed in Note 10 to the financial statements, the Authority is dependent on the U.S. Department of Housing and Urban Development (HUD) for 97% of its operating revenues. Our opinion is not modified with respect to this matter.

Going Concern - Plaza East Associates, L.P.

The financial statements of Plaza East Associates, L.P., a discretely presented component unit of the Authority, have been prepared assuming that Plaza East Associates, L.P. will continue as a going concern. As discussed in Note 12 to the financial statements, Plaza East Associates, L.P. has a working capital deficit and incurred losses for the year ended December 31, 2023. Those conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Based on the report of other auditors dated June 13, 2024, the other auditors' opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of proportionate share of the net pension liability and related ratios, schedule of pension contributions, schedule of changes in the total other postemployment benefits liability and related ratios, and schedule of other postemployment benefits contributions, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying discretely presented component units - combining statement of net position and combining statement of revenues, expenses and changes in net position, financial data schedules as required by the U.S. Department of Housing and Urban Development, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the discretely presented component units - combining statement of net position and combining statement of revenues, expenses and changes in net position, the financial data schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025 on our consideration of the Authority'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 the Authority'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 the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
June 27, 2025

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2024

The Housing Authority of the City and County of San Francisco, California (Authority) management's discussion and analysis report is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns. As such, it should be read in conjunction with the Authority's financial statements and related notes, which follow this section.

This financial report is designed to provide an overview of the Authority's total financial picture for the year ended September 30, 2024. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, Housing Authority of the City and County of San Francisco, 1815 Egbert Avenue, San Francisco, California 94124.

Financial Highlights

- The Authority's net position increased by \$38.8 million or 3.8% during the fiscal year.
- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.05 billion and the Authority's unrestricted net position is \$983.2 million.
- The Authority's total revenues increased by \$63.3 million or 14.1% during the fiscal year.
- The Authority's total expenses increased by \$50.4 million or 11.9% during the fiscal year.

Overview of the Financial Statements

The financial section of this report consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include the following:

- The financial statements provide information about the Authority's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.
- Accompanying the basic financial statements are "Notes to Financial Statements" that explain some of the information in the financial statements and provide more detailed data.

The financial statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

The basic financial statements include both blended and discretely presented component units. Complete financial statements of individual component units may be obtained from the Authority's Finance Department.

In addition to the basic financial statements, this report provides required and other supplementary information. Required supplementary information includes the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Changes in Total Other Postemployment Benefits (OPEB) and Related Ratios, and Schedule of OPEB Contributions. Other supplementary information includes the combining financial statements of its discretely presented component units, the

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended September 30, 2024

financial data schedules, the schedule of expenditures of federal awards, and other information as mandated by regulatory bodies that fund the Authority's various programs.

Financial Analysis of the Authority

Statement Net Position - A condensed summary of the statement of net position as of September 30, 2024, and as of September 30, 2023, is shown in the following table (in thousands).

	September 30,		Increase/(Decrease)	
	2024	2023	Amount	%
Assets:				
Current assets	\$ 116,010	\$ 78,886	\$ 37,124	47.1
Noncurrent Assets	1,020,812	1,003,917	16,895	1.7
Capital assets	62,645	64,116	(1,471)	(2.3)
Total assets	<u>1,199,467</u>	<u>1,146,919</u>	<u>52,548</u>	4.6
Deferred outflows of resources	<u>6,801</u>	<u>10,715</u>	<u>(3,914)</u>	(36.5)
Liabilities:				
Current liabilities	19,499	6,846	12,653	184.8
Net pension liability	18,042	19,011	(969)	-
Total OPEB liability	16,632	15,908	724	4.6
Other noncurrent liabilities	100,872	102,896	(2,024)	(2.0)
Total liabilities	<u>155,045</u>	<u>144,661</u>	<u>10,384</u>	7.2
Deferred inflows of resources	<u>5,268</u>	<u>5,774</u>	<u>(506)</u>	(8.8)
Net Position:				
Net investment in capital assets	62,645	64,116	(1,471)	(2.3)
Restricted	149	5,010	(4,861)	(97.0)
Unrestricted	983,161	938,073	45,088	4.8
Total net position	<u>\$ 1,045,955</u>	<u>\$ 1,007,199</u>	<u>\$ 38,756</u>	3.8

The Authority's total assets increased by \$52.5 million to \$1.20 billion. Current assets increased by \$37.1 million to \$116.0 million, and noncurrent assets increased by \$16.9 million to \$1.02 billion. Significant balances with fluctuations compared to the prior year include:

- Unrestricted cash and cash equivalents increased by \$44.5 million primarily due to (1) \$21.2 million increase in cash balance of SFHA Housing Corporation, a blended component unit, due to the collection of account receivables from prior year and net cash inflows from current year operating activities, (2) \$8.0 million increase from the Housing Choice Voucher (HCV) program due to higher vouchers utilization combined with the increased administrative fee rate per unit (3% in 2024) and funding proration factor (1.5% in 2024), and (3) increase in \$6.0 million for Central Office Cost Center (COCC) cash reserves, and (4) \$4.9 million for Public Housing Program reserves obligated to pay off the remaining pension withdrawal liability.
- Restricted cash and cash equivalents decreased by \$5.3 million due to the US Department of Housing and Urban Development's (HUD) cash management and funds control.
- Noncurrent assets increased by \$16.9 million primarily due to increase in interest receivable due from component units and others of \$16.4 million for accrued interest on outstanding notes receivable for properties participating in the Rental Assistance Demonstration program.

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended September 30, 2024

The Authority's increase in total liabilities of \$10.4 million is primarily due to the following:

- Total current liabilities increased by \$12.6 million mainly due to an increase in HAP payment accruals.
- Total other noncurrent liabilities decreased by \$2.0 million mainly due to a reduction in the pension withdrawal liability of \$1.8 million associated with the withdrawal from multiemployer pension plans.

Statement of Revenues, Expenses and Changes in Net Position - This statement shows the sources of the Authority's changes in net position. A summary of the activities for the years ended September 30, 2024, and September 30, 2023, is shown in the following table (in thousands).

	<u>September 30,</u>		<u>Increase/(Decrease)</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
Revenues				
Operating revenues:				
Tenant revenue, net	\$ 2,291	\$ 1,376	\$ 915	66.5
HUD revenue	475,291	416,942	58,349	14.0
Other	14,407	12,302	2,105	17.1
Nonoperating revenues:				
Investment income	20,112	18,501	1,611	8.7
Capital contributions	357	-	357	N/A
Total revenues	<u>512,458</u>	<u>449,121</u>	<u>63,337</u>	14.1
Expenses				
Operating expenses:				
Housing assistance payments	418,927	385,534	33,393	8.7
Depreciation	1,811	457	1,354	296.3
Other operating expenses	52,964	37,272	15,692	42.1
Total expenses	<u>473,702</u>	<u>423,263</u>	<u>50,439</u>	11.9
Income before special items	38,756	25,858	12,898	49.9
Special item	-	(38,458)	38,458	(100.0)
Change in net position	<u>38,756</u>	<u>(12,600)</u>	<u>51,356</u>	(407.6)
Net position, beginning of year	<u>1,007,199</u>	<u>1,019,799</u>	<u>(12,600)</u>	(1.2)
Net position, at end of year	<u>\$ 1,045,955</u>	<u>\$ 1,007,199</u>	<u>\$ 38,756</u>	3.8

Revenues: The Authority's total revenue increased by \$63.3 million with the following explanations:

- SFHA Housing Corporation rental revenue increased by \$0.9 million primarily due to full year of rent collection in calendar year 2023 versus only partial year of rent collection in calendar year 2022 resulting from the phase conversions of the Sunnydale and Potrero public housing projects.

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For the Year Ended September 30, 2024

- HUD revenue increased by \$58.3 million primarily due to the following:
 - The HCV program subsidy increased by \$34.9 million due to an increase in HAP contracts and voucher leased.
 - Operating subsidy for the Emergency Housing Voucher (EHV) program increased by \$19.0 million due to an increase in vouchers leased.
 - Public Housing subsidy increased by \$4.0 million due to additional operating subsidies following the conversion of the Sunnydale and Potrero public housing projects to the HCV program. The Authority will continue to receive Asset Repositioning Fees (ARF) subsidy over a period of three years due to the disposition and demolition of these two housing projects.
- Investment income increased by \$1.6 million primarily due to an increase in mortgage interest income of \$1.4 million.

Expenses: The Authority's total expenses increased by \$50.4 million with the following explanations:

- Housing assistance payments increased by \$33.4 million due to an increase of 419 vouchers leased in the HCV program and an increase of 333 vouchers leased in the EHV program.
- Other operating expenses increased by \$15.7 million primarily due to an increase in utility and maintenance expenses for the SFHA Housing Corporation which included the full 2023 calendar year expenses versus only three months of expenses in 2022 calendar year resulting from the phase transition of the Sunnydale and Potrero public housing projects.

Economic Factors

The Authority serves over 16,000 households through its HCV and EHV programs. Appropriations for these programs are funded through HUD in the form of housing assistance payments and other grants. The Authority receives most of its operating revenue from financial assistance from HUD. The Authority and its operations are significantly affected by the Federal government and Congress's annual appropriations.

The risk of a reduction in funding always looms over the Authority. The economic outlook for HUD HAP funding in the near term is characterized by uncertainty, potential cuts to federal assistance programs, and rising housing costs. The Future of housing affordability depends heavily upon multiple economic factors, including policy choices made at all levels of government. Housing agencies have been urged to manage their programs carefully to mitigate potential shortfalls. Reduction of HUD funding may limit the number of households the Authority can serve and would strain the Authority's ability to meet its mission and programs.

The Authority is committed to staying abreast of all policies and market conditions at the federal, state, and local levels to ensure the Authority operates at the highest standards established by the U.S. Department of Housing and Urban Development. The Authority continues to ensure austere and prudent use of grants and expenses to ensure that the agency remains fiscally sound while investing in the agency's future and delivering services in accordance with its mission.

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended September 30, 2024

Multiemployer Defined Benefit Pension Plans

The Authority contributes to several multiemployer defined benefit pension plans under the terms of various collective bargaining agreements that cover our union-represented employees. Certain events, such as the HUD mandate for the Authority to contract out all essential functions, including the administration of the Housing Choice Voucher and the Low-Income Public Housing Program, to third-party administrators and the accelerated conversion of the Public Housing units at Sunnydale- Velasco, Potrero Terrace and Potrero Annex HOPE SF sites, resulted in withdrawals from multiemployer pension plans. These actions, along with the termination of covered employees and cessation of our obligation to contribute, have resulted in us estimating withdrawal liabilities to the respective plans for our proportionate share of any unfunded vested benefits.

Our multiemployer pension plan withdrawal liability was approximately \$12.2 million as of September 30, 2024. This liability represents the estimate of the obligations related to complete withdrawals that have already occurred. For those plans that have yet to provide us with a demand letter, the actual liability will not be fully known until such plans complete a final assessment of the withdrawal liability and issue a demand to us. Therefore, the estimate of our multiemployer pension plan liability will be adjusted as more information becomes available that allows us to refine our estimates.

Additional liabilities in excess of the amounts we have recorded could have an adverse effect on the Authority's results of operations, financial condition, and cash flows.

Significant Factors that Contributed to the Authority's Stability

In recent years, the Authority shifted its efforts from property management to leased housing through the HUD program called Rental Assistance Demonstration (RAD), which allows for the transfer of public housing unit property management to third-party management companies while the Authority retains land ownership. The conversion to RAD was the largest in the country and shifted the Authority to a predominantly HCV program.

The RAD conversion leveraged over \$1.147 billion in private equity and debt (\$816 million tax credit equity and \$331 million tax-exempt permanent debt) to rehabilitate thirty properties. The Authority will maintain a ground lease on the land for each property to preserve affordability of the housing developments for 99 years. The RAD conversion has transformed the first 4,575 units of public housing into financially sustainable real estate assets while improving the resident experience and ensuring the sustainability of the City's public housing infrastructure. These units are being subsidized through HUD's HCV program, with RAD and project-based vouchers that the Authority will administer with the associated increased administrative fees.

To date, the Authority has repositioned its public housing portfolio, which just several years ago consisted of approximately 6,400 units. The Sunnydale and Potrero HOPE SF sites (approximately 1,300 total units combined) were the last two large public housing sites that converted to private management. These public housing units were converted to Project-Based Vouchers in 2022 as part of the Authority's Accelerated Disposition program. The HOPE SF sites will continue to be redeveloped to newly constructed mixed-income and thriving communities that will be built in phases in a decade-long process.

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**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Statement of Net Position

September 30, 2024

(With Blended and Discretely Presented Component Units as of December 31, 2023)

	<u>Primary Government - Business-Type Activities</u>	<u>Discretely Presented Component Unit Plaza East Associate, L.P.</u>
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	\$ 101,341,457	\$ 372,733
Restricted cash and cash equivalents	978,893	72,993
Due from the U.S. Department of Housing and Urban Development	420,964	-
Due from other governments, net of allowance of \$3,347,207 for primary government	9,120,956	-
Accounts receivable, net:		
Tenants, net of allowance of \$2,628,798 and \$400,105 for primary government and discretely presented component units, respectively	1,064,876	39,883
Others	2,561,488	-
Interest receivable due from component units and others	465,000	-
Prepaid expenses	56,149	209,244
Total current assets	<u>116,009,783</u>	<u>694,853</u>
Noncurrent assets:		
Noncurrent interest receivable due from component units and others, net of allowance of \$16,573,393 for primary government	110,736,292	-
Notes receivable from component units and others	898,955,044	-
Other noncurrent assets	11,120,664	936,220
Capital assets:		
Nondepreciable	11,392,003	5,542,228
Depreciable, net	51,252,982	7,499,385
Total capital assets	<u>62,644,985</u>	<u>13,041,613</u>
Total noncurrent assets	<u>1,083,456,985</u>	<u>13,977,833</u>
Total assets	<u>1,199,466,768</u>	<u>14,672,686</u>
Deferred outflows of resources:		
Pension items	6,072,463	-
OPEB items	728,168	-
Total deferred outflows of resources	<u>6,800,631</u>	<u>-</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Statement of Net Position (Continued)

September 30, 2024

(With Blended and Discretely Presented Component Units as of December 31, 2023)

	<u>Primary Government - Business-Type Activities</u>	<u>Discretely Presented Component Unit Plaza East Associate, L.P.</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 3,614,183	\$ 1,500,712
Accrued salaries and benefits	3,197	9,558
Unearned revenues	285,650	113,743
Other accrued liabilities	12,960,967	-
Tenant security deposits	52,659	72,716
Current portion of pension withdrawal liability	1,491,172	-
Current portion of compensated absences	147,507	-
Current portion of long-term debt due to others	-	2,187,415
Current portion of unearned revenues - leases	608,797	-
Other current liabilities	335,196	637,095
Total current liabilities	<u>19,499,328</u>	<u>4,521,239</u>
Noncurrent liabilities:		
Compensated absences, net of current portion	98,338	-
Long-term interest payable to primary government	-	7,730,931
Long-term debt due to primary government	-	13,464,813
Long-term debt to others, net of current portion	42,565,978	97,934
Pension withdrawal liability, net of current portion	10,752,566	-
Noncurrent unearned revenues - leases	46,782,975	-
Total other postemployment benefits liability	16,631,509	-
Net pension liability	18,041,636	-
Other noncurrent liabilities	672,059	672,033
Total noncurrent liabilities	<u>135,545,061</u>	<u>21,965,711</u>
Total liabilities	<u>155,044,389</u>	<u>26,486,950</u>
Deferred inflows of resources:		
Pension items	5,042,116	-
OPEB items	226,196	-
Total deferred inflows of resources	<u>5,268,312</u>	<u>-</u>
Net position:		
Net investment in capital assets	62,644,985	(10,439,480)
Restricted for:		
Escrow accounts and replacement reserves	-	277
Affordability reserves	115,734	-
Disaster Housing Assistance Program	33,458	-
Unrestricted net position	983,160,521	(1,375,061)
Total net position	<u>\$ 1,045,954,698</u>	<u>\$ (11,814,264)</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2024

(With Blended and Discretely Presented Component Units for the Year Ended December 31, 2023)

	<u>Primary Government - Business-Type Activities</u>	<u>Discretely Presented Component Unit - Plaza East Associate, L.P.</u>
Operating revenues:		
Tenant revenues, net	\$ 2,290,790	\$ 3,346,104
Housing assistance payment revenues	475,290,760	-
Miscellaneous and other revenues	14,406,899	582
Total operating revenues	<u>491,988,449</u>	<u>3,346,686</u>
Operating expenses:		
Housing assistance payments	418,927,305	-
Administrative	29,980,995	619,693
Tenant services	1,572,040	-
Utilities	5,839,895	737,330
Maintenance	8,657,219	929,513
Protective services	217,068	407,338
General	6,695,514	942,322
Depreciation	1,811,494	696,128
Total operating expenses	<u>473,701,530</u>	<u>4,332,324</u>
Operating income (loss)	<u>18,286,919</u>	<u>(985,638)</u>
Nonoperating revenues (expenses):		
Investment income	301,525	-
Interest income from notes and loans receivable	19,810,893	-
Interest expense	-	(632,089)
Total nonoperating revenues (expenses)	<u>20,112,418</u>	<u>(632,089)</u>
Income (loss) before capital contributions	<u>38,399,337</u>	<u>(1,617,727)</u>
Capital contributions	356,708	-
Change in net position	<u>38,756,045</u>	<u>(1,617,727)</u>
Net position, beginning of year	<u>1,007,198,653</u>	<u>(10,196,537)</u>
Net position, end of year	<u>\$ 1,045,954,698</u>	<u>\$ (11,814,264)</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Statement of Cash Flows
For the Year Ended September 30, 2024

	<u>Primary Government - Business-Type Activities</u>
Cash flows from operating activities:	
Receipts from tenants	\$ 1,989,398
Receipts from others	20,642,947
Receipts from housing assistance programs	474,806,035
Payments to suppliers for goods and services	(27,999,057)
Payments to employees for services	(10,499,315)
Housing assistance payments on behalf of tenants	(418,927,305)
Net cash provided by operating activities	<u>40,012,703</u>
Cash flows from noncapital financing activities:	
Intergovernmental revenues	(4,582,039)
Receipt of loan interest payments	3,619,468
Net cash provided by noncapital financing activities	<u>(962,571)</u>
Cash flows from capital and related financing activities:	
Capital contributions received	356,708
Acquisition of capital assets	(340,309)
Net cash used in capital and related financing activities	<u>16,399</u>
Cash flows from investing activities:	
Interest received	130,324
Net change in cash and cash equivalents	39,196,855
Cash and cash equivalents, beginning of year	63,123,495
Cash and cash equivalents, end of year	<u>\$ 102,320,350</u>
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	\$ 101,341,457
Restricted cash and cash equivalents	978,893
Total cash and cash equivalents	<u>\$ 102,320,350</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Statement of Cash Flows (Continued)
For the Year Ended September 30, 2024

	<u>Primary Government - Business-Type Activities</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 18,286,919
Adjustment to reconcile operating income to net cash used in operating activities:	
Depreciation	1,811,494
Changes in assets, liabilities and deferred outflows/inflows of resources:	
Due from the U.S. Department of Housing and Urban Development	(346,429)
Accounts receivables	7,027,624
Prepaid expenses	(26,502)
Other assets	(532,805)
Increase (decrease) in:	
Accounts payable	1,681,011
Due to the U.S. Department of Housing and Urban Development	(138,296)
Accrued salaries and benefits	1,998
Unearned revenues	(953,493)
Other accrued liabilities	12,389,798
Tenant security deposits	2,874
Family self-sufficiency escrow	57,523
Compensated absences	52,432
Total other postemployment benefits liability	723,219
Net pension liability/asset	(969,364)
Pension and other postemployment benefits related deferred outflows/inflows of resources	3,408,875
Pension withdrawal liability	(1,822,865)
Other current and noncurrent liabilities	(641,310)
Net cash provided by operating activities	<u>\$ 40,012,703</u>
Noncash noncapital and capital financing activities:	
Interest accrued on long-term receivables	\$ 21,002,201
Allowance on interest accrued on long-term receivables	(1,020,107)

See accompanying notes to financial statements.

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**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements
For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Housing Authority of the City and County of San Francisco, California (Authority), is a public body organized in 1938 under the laws of the State of California for the purpose of engaging in the development, acquisition, leasing and administration of low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD). The governing body of the Authority is its Board of Commissioners (Board) composed of seven members appointed by the Mayor of the City and County of San Francisco (City). The Mayor of the City has the authority to appoint the Board members, but not to remove them from office. The Authority is not a component unit of the City, as defined by the Governmental Accounting Standards Board (GASB), as the Board independently oversees the Authority's operations.

The governmental reporting entity consists of the Authority (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the Authority are such that exclusion would cause the Authority'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 the Authority'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 the Authority. Financial accountability is also defined as the fiscal dependency of the component units on the Authority and the potential for the component unit to provide a financial benefit to or impose a financial burden on the Authority regardless of the organization of the governing board of the component unit.

Blended component units are, although legally separate entities, in substance part of the Authority's operations and so data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. For financial reporting purposes, the Authority's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Authority's Board.

The basic financial statements include the following blended and discretely presented component units.

Blended Component Units - The Authority's operations include two blended component units, which are included in the basic financial statements and consist of legally separate entities for which the Authority is financially accountable. The following blended component unit's fiscal year ended on December 31, 2023, and their financial activities are reported as of and for the year ended December 31, 2023.

- The Authority organized the SFHA Housing Corporation, a California not-for-profit public benefit corporation, in June 2002 to provide, develop, finance, rehabilitate, own and operate decent, safe and sanitary housing affordable to persons and households of low-income; to assist low-income households by enabling them to secure the basic human need of decent shelter; to combat community blight and deterioration in the City and contribute to their physical improvement; to provide and expand economic opportunities for persons assisted by or eligible for assistance from the Authority; to provide, develop, finance and operate supportive service programs for low-income residents of the Authority and surrounding communities; to assist low-income households to secure education, training and services for self-sufficiency; and to promote healthy and safe communities.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although legally separate from the Authority, the SFHA Housing Corporation is reported as if it were part of the primary government because it is governed by a separate eight-member board of directors appointed by the Authority's Board. Separately issued financial statements for the SFHA Housing Corporation can be obtained by contacting the Authority at 1815 Egbert Avenue, San Francisco, California 94124.

- The Authority organized the Plaza East Housing Corporation, a California not-for-profit public benefit corporation, in 2002 to provide, develop, finance, rehabilitate, own and operate decent, safe and sanitary housing affordable to persons and households of low-income; to assist low-income households by enabling them to secure the basic human need of decent shelter; to combat community blight and deterioration in the City and contribute to their physical improvement; and to provide and expand economic opportunities for persons assisted by or eligible for assistance from the Authority.

Although legally separate from the Authority, the Plaza East Housing Corporation is reported as if it were part of the primary government because it is governed by a separate seven-member board of directors appointed by the Authority's Board. There was no separately issued financial statements for the Plaza East Housing Corporation.

Discretely Presented Component Units – The Authority follows the guidance provided by the GASB on the relationship of housing authorities as general partners of limited tax credit partnerships whereby the limited partners have limited rights regarding the operation of the partnership and the housing authority possesses essentially all authority over day-to-day operations. The Authority's discretely presented component unit is reported as a separate column in the statement of net position and the Authority considers a component unit to be discretely presented if the Authority either 1) has significant influence over the component unit given its significant financial relationships, or 2) the Authority has a majority equity interest in the component unit but the component unit does not provide services entirely to or exclusively benefit the Authority. The following discretely presented component unit's fiscal year ended on December 31, 2023, and their financial activities are reported as of and for the year ended December 31, 2023.

- **Plaza East Associates, L.P.** (Plaza East), a real estate development limited partnership, was formed in April 2000 to develop and operate a 193-unit multi-family apartment complex in San Francisco, California. Plaza East leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority. The agreements extend through the minimum period during which the project units are required by the applicable public housing requirements to be operated as public housing in accordance with the U.S. Housing Act of 1937, or the expiration of 40 years from the date the units become fully available for occupancy.

Before January 1, 2018, third parties unrelated to the Authority were allocated 99.99% of Plaza East's interests and Plaza East Housing Corporation, a developer general partner controlled by the Authority, is allocated 0.01% of Plaza East's interests. As of January 1, 2018, the unrelated third parties sold 99.00% of limited partner interests to Plaza East Housing Corporation for a total of \$30,000. As a result, Plaza East Housing Corporation is allocated 99.01% of Plaza East's interests.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although these discretely presented component units do not follow governmental accounting and financial reporting standards, for presentation purposes, certain transactions may be reported differently in these financial statements than in separately issued financial statements in order to conform to the presentation of the Authority. Separately issued financial statements for Plaza East can be obtained by contacting the Authority at 1815 Egbert Avenue, San Francisco, California 94124.

(b) Basis of Accounting

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating activity generally arises from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants and housing assistance payment (HAP) revenues from HUD, and include, to a lesser extent, certain operating subsidies that offset operating expenses. Operating expenses for the Authority include the cost of administrative, maintenance, tenant services, general, utilities, protective services, depreciation and HAPs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

(c) Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The Authority and its discretely presented component unit utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, the Authority's and discretely presented component unit's activities are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Summary of Programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD and other federal entities at the Authority. A summary of each significant program is provided below.

- **Public Housing Program** includes the asset management projects (AMPs), which collect low rent operating subsidies, and the Public Housing Capital Fund program. The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Public Housing Capital Fund programs. Funding of the program's operations and developments are provided by annual federal contributions or appropriations, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).
- **Business Activities Program** includes land, notes receivable and accrued interest resulting from the disposition of public housing developments to a third party in accordance with HUD's Rental Assistance Demonstration (RAD) program. The properties that are part of this program do not receive additional funding from HUD. HUD reallocates the funding source from the Public Housing Program to the Housing Choice Voucher Program. HUD refers to this type of disposition as Non-Section 18 and considers the proceeds to be unrestricted.
- **Central Office Cost Center (COCC)** is the program mandated by HUD to account for "centralized" services and functions necessary to the Authority's operations. Most of the functions of the COCC are not directly attributable to the public housing or other programs. Funding for the COCC is in the form of fees charged to other Authority programs and activities. HUD regulations generally do not allow for the allocation of costs. The fees include those specified by HUD as management fees, bookkeeping fees, asset management fees, or fees for services. HUD regulates which of these fees may be charged to any given program and how the fee is to be calculated.
- **HAP Programs** utilize existing privately-owned family rental housing units to provide decent and affordable housing to low-income families. HAP programs include Moderate Rehabilitation, Single Room Occupancy, and the Housing Choice Voucher (Voucher) programs. The Moderate Rehabilitation and Single Room Occupancy programs allow for the rehabilitation of housing units, which then must be rented to low-income individuals for a contracted period of time. The program provides owners with sufficient rental income to pay for rehabilitation costs. Developers must obtain their own financing and HUD subsidizes rents once the units are occupied. Funding for the Voucher program, which includes the Veterans Affairs Supportive Housing program, is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenant. In addition, the Authority receives an administrative fee to cover operating expenses.
- **Rental Assistance Demonstration Program** – The Authority recognized that it cannot meet the capital needs of its public housing portfolio estimated at \$270 million, and submitted a portfolio application to HUD to participate in the RAD program in September 2013. Since 2014, HUD approved the Authority's RAD application to convert public housing units to private ownership and management with attached project-based Housing Choice Vouchers.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)
For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all unrestricted and restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Receivables, Net and Accrued Interest, Net

Receivables consist of revenues earned during the year and not yet received. Amounts due from HUD and other governments represent reimbursable expenses or grant subsidies earned that have not been collected as of year-end.

(g) Capital Assets, Net

The Authority's policy is to capitalize assets with a value in excess of \$5,000 and a useful life in excess of one year. The Authority capitalizes the costs of site acquisition and improvement, structures, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and assets contributed after July 1, 2015 are recorded at acquisition value at the date of the donation. Assets contributed prior to this date are valued at fair value on the date of donation.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings	40 years
Building improvements	15 - 20 years
Furniture and equipment	3 - 7 years

The Authority evaluates events or changes in circumstances affecting capital assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and outside normal life cycle of the capital asset, then an impairment loss will be recorded in the Authority's financial statements.

(h) Accrued Compensated Absences

Fringe benefits such as health and welfare, pension, vacation, training and annuity for members of the trade unions (carpenters, electricians, floor layers, glaziers, laborers, painters and plumbers) are determined by the respective agreement between the Authority and the respective employees' labor contract.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following represent the vacation, sick leave, as well as floating holidays and management time off (MTO) (if applicable) accrual rates and caps for the respective collective bargaining agreements, as well as those classifications that are not part of a collective bargaining agreement (Unrepresented and Confidential):

	SEIU Local 1021 Admin Unit and Unrepresented	SEIU Local 1021 Maintenance Generalist I Unit	Municipal Executives' Association and Confidential
Annual Leave Accrual:	1 to 3 years: 100 hours annually 3+ to 8 years: 140 hours annually 8+ to 19 years: 180 hours annually Over 19 years: 220 hours annually	1 to 5 years: 104 hours annually 5+ to 15 years: 144 hours annually Over 15 years: 184 hours annually	1 to 3 years: 100 hours annually 3+ to 8 years: 140 hours annually 8+ to 19 years: 180 hours annually Over 19 years: 220 hours annually
Annual Leave Cap:	400 hours	400 hours	400 hours
Sick Leave Accrual:	1-10 years: 13 days 10 years or more: 15 days	1-10 years: 10 days 10 years or more: 15 days	1-10 years: 13 days 10 years or more: 15 days
Sick Leave Cap:	130 days	No maximum	No maximum
MTO:	n/a	n/a	80 hours are credited October 1st each calendar year
MTO Cap:	n/a	n/a	140 hours
2 Floating Holidays:	Holidays cannot be utilized until after 180 days of employment	n/a	n/a

With respect to the non-trade collective bargaining units: Service Employees' International Union (SEIU) Local 1021 Administrative Unit, SEIU Local 1021 Maintenance Generalist I Unit, Municipal Executives' Association annual vacation hours may be accumulated up to 400 hours for Maintenance Generalist I and administrative personnel represented by the SEIU Local 1021, and management personnel. SEIU Local 1021 Maintenance Generalist I earns vacation rates ranging from 104 hours per year for the first 5 years of service and up to a maximum of 184 hours per year after 15 years of service. SEIU Local 1021 administrative personnel and management personnel earn vacation rates ranging from 100 hours per year for the first 36 months of service and up to a maximum of 220 hours per year after 228 months of service. Employees hired on or before September 30, 1984 earn unused sick leave at the base rate of pay excluding overtime or premium rates. There is no limit in accumulation with cash-out capped at 1,040 hours for SEIU Local 1021 Maintenance Generalist I and maximum accumulation of up to 130 days for SEIU Local 1021 administrative personnel. There is no limit in accumulation of sick leave accrual for management personnel. Employees hired after September 30, 1984 are not eligible for reimbursement of unused sick leave. In addition, the Authority records a liability related to the payroll taxes due until the leave times are used or cashed out. The estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability.

(i) Unearned Revenues - Leases

Noncurrent unearned revenues include rent received in advance for long-term ground leases that is amortized over the term of the agreements.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Eliminations

- **Fee for service** - The Authority's COCC internally charges fees to the AMPs and HAP programs. These charges include management fees, bookkeeping fees, front line service fees, and asset management fees. \$6,689,745 of fee for service charges have been eliminated for the year ended September 30, 2024.
- **Intra-entity balances and transactions** – For the year ended September 30, 2024, inter-entity balances and transactions between SFHA Housing Corporation, a blended component unit, and the primary government, were eliminated for the presentation of the Authority's basic financial statements including the following: notes payable and notes receivable of \$90,506,070; interest payable and interest receivable of \$3,808,228; current operational payable and current operational receivable of \$3,526,654; operating revenue and operating expenses of \$23,757,212; and interest expenses and interest revenue of \$2,545,368.

(k) Net Position

Net position comprises the various net earnings from operating income or loss, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

(l) Tenant Revenues

Tenant revenues are presented in the financial statements net of the bad debt expense for uncollectible amounts. The Authority recorded uncollectible tenant revenues as bad debt expenses of \$1,418,973 for the business-type activities for the year ended September 30, 2024 and \$126,645 for the discretely presented component units for the year ended December 31, 2023.

(m) Leasing Activities

The Authority is the lessor of dwelling units to low-income and market rate residents. The low-income rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year.

The Authority may cancel the leases only for cause. Most of the Authority's capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying financial statements within tenant revenue.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority recognizes revenue on land leases and RAD ground leases when payments are received because payments are dependent on defined available cash flows; payments less than the annual amount are not accrued and are not recorded as a receivable.

(n) Defined Benefit Pension Plans

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

(o) Other Postemployment Benefits (OPEB) Plan

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(p) New Accounting Standards To Be Implemented

During the year ended September 30, 2024, the Authority implemented the following GASB Statements:

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the Authority's year ended September 30, 2024. Implementation of these requirements did not have any significant impact on the Authority's financial statements for the year ended September 30, 2024.
- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No.62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this statement did not have any significant impact on the Authority's financial statements for the year ended September 30, 2024.

The Authority is currently evaluating its accounting practices to determine the potential impact on the financial statements of the remaining requirements for GASB Statements No. 101, *Compensated Absences*, No. 102, *Certain Risk Disclosures*, No. 103, *Financial Reporting Model Improvements*, and No. 104, *Disclosure of Certain Capital Assts*.

(q) Use of Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities, deferred outflows and inflows of resources, revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Actual results may differ from those estimates.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority’s cash and cash equivalents at September 30, 2024 (primary government) and December 31, 2023 (discretely presented component units) are reported as follows:

	Primary Government	Component Units	Total
Unrestricted cash and cash equivalents	\$ 101,341,457	\$ 372,733	\$ 101,714,190
Restricted cash and cash equivalents	978,893	72,993	1,051,886
Total cash and cash equivalents	\$ 102,320,350	\$ 445,726	\$ 102,766,076

The Authority’s policy is to follow the HUD approved investment instruments regarding investments and deposits. At September 30, 2024, unrestricted cash and cash equivalents included \$14,245,522 of money market mutual funds. The investment in money market mutual funds have Standard & Poor’s rating of AAAM, weighted average maturity of less than 3 months, and are reported at amortized cost.

(a) Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Authority’s discretely presented component units maintain cash and cash equivalents with various financial institutions. At times, these balances may exceed federal insurance limits; however, the discretely presented component units have not experienced any losses with respect to their bank balances in excess of government provided insurance.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

(b) Restricted Cash and Cash Equivalents

The Authority's restricted cash and cash equivalents consist of the following:

- **Family Self-Sufficiency (FSS) Escrow** – The FSS Escrow Account is an interest-bearing account reported as part of restricted cash and cash equivalents and established by the Authority for each qualified Section 8 participant enrolled in the Section 8 Housing Choice FSS Program. The participants earn monthly escrow credits during their five-year Contract of Participation and the escrow credit is reported as a liability based on increases in earned income of the family. This escrow is credited to this account by the Authority during the term of the FSS contract. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow account is forfeited. At September 30, 2024, the Authority held \$672,059 of FSS escrow funds, which are included in the accompanying financial statements as restricted cash and comprised of \$671,042 in the Section 8 Housing Choice Voucher Program and \$1,017 in the Emergency Housing Voucher Program. A corresponding noncurrent liability is included in the accompanying financial statements.
- **HAP Reserves** - The Authority received various federal funding with restricted spending requirements. At September 30, 2024, the Authority's HAP reserves totaled \$104,983, which is included in the accompanying financial statements in the Emergency Housing Voucher Program. A corresponding unearned revenue liability of \$104,983 is recorded in the Emergency Housing Voucher Program for unearned advance funding received.
- **Restricted Reserves** – In accordance with the Regulatory and Operating Agreement, the Authority established Affordability Reserves for three of the Public Housing Tax Credit Partnerships. The reserves shall be held in trust and shall be held and applied in accordance with the terms of the Agreement. At September 30, 2024, the Authority's reserves of \$115,644 is held in the Authority's blended component units.
- **Other Restricted Deposits** – At September 30, 2024, the Authority maintains restricted deposits in the amount of \$52,749 in the Authority's blended component units and \$33,458 held for its Disaster Housing Assistance Program.
- **Deposits and Funded Reserves Held With Discretely Presented Component Units** - The discretely presented component units hold restricted cash and cash equivalents for escrow deposits, funded replacement and other reserves, and tenant deposits. At December 31, 2023, the total restricted cash and cash equivalents was \$72,993.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET

The Authority has entered into four limited partnerships under its Hope VI program for the purpose of developing low-income and mixed income housing financed by HUD and private tax credit investors. As part of the project financing structure, the four limited partnerships received HUD Hope VI funds through the Authority or its component units and issued seven promissory notes payable to the Authority. In addition, other related parties entered into long-term leases on the Authority's low-income land sites (see Note 11). All notes receivable are secured by deeds of trust on the respective property.

The following is a summary of the transactions of the notes receivable:

	Balance October 1, 2023	Additions	Reductions	Balance September 30, 2024	Current Portion
<i>Notes receivable:</i>					
From component units:					
Plaza East	\$ 13,464,813	\$ -	\$ -	\$ 13,464,813	\$ -
SFHA Housing Corporation *	90,506,070	-	-	90,506,070	-
From others:					
Hunters View	8,087,723	-	-	8,087,723	-
North Beach	13,848,535	-	-	13,848,535	-
Valencia Gardens	15,502,322	-	-	15,502,322	-
Related to RAD Phase I	266,801,477	-	-	266,801,477	-
Related to RAD Phase II	455,768,646	-	-	455,768,646	-
Related to RAD 2020 Conversion	75,809,266	-	-	75,809,266	-
Related to RAD 2021 Conversion	27,672,262	-	-	27,672,262	-
Related to RAD 2022 Conversion	22,000,000	-	-	22,000,000	-
	<u>989,461,114</u>	<u>-</u>	<u>-</u>	<u>989,461,114</u>	<u>-</u>
Total notes receivable before elimination	989,461,114	-	-	989,461,114	-
Less: Intra-entity elimination *	(90,506,070)	-	-	(90,506,070)	-
Total notes receivable	<u>\$ 898,955,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 898,955,044</u>	<u>\$ -</u>
<i>Accrued interest receivable:</i>					
From component units:					
Plaza East	\$ 7,185,584	\$ 603,266	\$ -	\$ 7,788,850	\$ -
SFHA Housing Corporation *	3,117,225	2,659,284	-	5,776,509	-
From others:					
Hunters View	170,118	20,219	(18,834)	171,503	-
North Beach	8,197,584	415,456	-	8,613,040	-
Related to RAD Phase I	38,489,801	7,311,490	(1,602,579)	44,198,712	210,000
Related to RAD Phase II	46,481,653	9,710,102	(1,998,055)	54,193,700	210,000
Related to RAD 2020 Conversion	5,706,466	1,755,435	-	7,461,901	45,000
Related to RAD 2021 Conversion	1,596,806	636,292	-	2,233,098	-
Related to RAD 2022 Conversion	709,576	436,024	-	1,145,600	-
	<u>111,654,813</u>	<u>23,547,568</u>	<u>(3,619,468)</u>	<u>131,582,913</u>	<u>465,000</u>
Subtotal	111,654,813	23,547,568	(3,619,468)	131,582,913	465,000
Less allowance	(15,553,286)	(1,038,941)	18,834	(16,573,393)	-
	<u>96,101,527</u>	<u>22,508,627</u>	<u>(3,600,634)</u>	<u>115,009,520</u>	<u>465,000</u>
Total accrued interest, net, before elimination	96,101,527	22,508,627	(3,600,634)	115,009,520	465,000
Less: Intra-entity elimination *	(1,262,861)	(2,545,367)	-	(3,808,228)	-
Total accrued interest, net	<u>\$ 94,838,666</u>	<u>\$ 19,963,260</u>	<u>\$ (3,600,634)</u>	<u>\$ 111,201,292</u>	<u>\$ 465,000</u>

* For the year ended September 30, 2024, the notes receivable and related interest receivable as of December 31, 2023, as well as the notes payable and related interest payable as of December 31, 2023, were eliminated.

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Terms and descriptions of the notes receivable are as follows:

Plaza East – Plaza East Housing Corporation, a blended component unit, issued a 65-year, \$2,700,000 Applicable Federal Rate (AFR) promissory note dated September 18, 2000 and maturing on September 17, 2065 to Plaza East. Based on the note’s simple interest rate of 10% per annum through December 31, 2001 and compound interest rate of 6.09% per annum thereafter. The principal and interest is payable only from net available cash flows, net proceeds or condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest of \$7,408,620 as of December 31, 2023.

The Authority, through the SFHA Housing Corporation, provided construction and permanent financing under a loan commitment of \$10,764,813. The nonrecourse loan is secured by a second leasehold deed of trust on the property and matures in September 2065. Interest accrued on the loan at an annual rate of 10% through December 31, 2001, which amounted to \$380,230. No interest shall accrue on the loan thereafter. Interest and principal are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds as defined in the loan agreement. The Authority fully allowed for the accrued interest of \$380,230 as of December 31, 2023.

SFHA Housing Corporation – During the year ended September 30, 2022, the Authority converted 2 public housing sites with 952 public housing units to SFHA Housing Corporation (Accelerated Conversion). In connection with the conversion, the Authority entered into the following seller-financed notes:

<u>Borrower</u>	<u>Project</u>	<u>AMP #</u>	<u>Seller- Financed Note</u>
SFHA Housing Corporation	1095 Connecticut Street	AMP 967/971	\$ 45,945,800
SFHA Housing Corporation	175 Brookdale Ave	AMP 968	44,560,270
	Total		<u>\$ 90,506,070</u>

Seller-Financed Notes – The Authority and SFHA Housing Corporation have entered into seller take-back notes of \$90,506,070, comprised of 4 notes for each project. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 1.82% to 3.60% compounded annually. The term of the note commences on the date of the note and expires the earlier of (i) five year after the closing of the permanent financing, but in no event later than the stated date defined in the promissory note between March 31, 2027 to February 28, 2028; (ii) the full repayment of the loan; or (iii) the date of a default, subject to all applicable notice and cure periods. SFHA Housing Corporation shall make an annual payment to the Authority in the amount of \$15,000 (the “Annual Payment”). In addition to the Annual Payment, SFHA Housing Corporation shall also make an additional payment in the amount equal to the Authority’s share of its Residual Receipts as defined in the promissory note from the preceding year (the “Additional Payment”). Any unpaid principal and interest amounts due under the note shall accrue and be due in subsequent year(s) to the extent of the lender’s share of Residual Receipts. As of September 30, 2024, the outstanding seller-financed notes totaled \$90,506,070 and related accrued interest is \$5,776,509 before intra-entity elimination.

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Notes to Financial Statements (Continued)
For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Hunters View - The Authority issued a 55-year, \$8,087,723 promissory note dated July 1, 2011 and maturing on April 1, 2068 to Hunters View to provide financing to Hunters View to assist in financing certain predevelopment and construction activities related to the Hunters View Rental Housing Development. Based on the note's compound interest rate of 0.25% per annum, the Authority has accrued interest of \$171,503 as of September 30, 2024. The principal and accrued interest is payable from "Residual Receipts" as defined in the Loan Agreement. Such annual payments are due and payable in arrears no later than July 15th of each year, commencing on earlier of (i) July 15th of the first year after the issuance of a Certificate of Occupancy for the Improvements, or (ii) December 15, 2012 and shall be accompanied by the Hunters View's report of Residual Receipts. The Authority fully allowed for the accrued interest as of September 30, 2024.

North Beach - The Authority issued a 55-year, \$13,848,535 promissory note dated December 1, 2002 and maturing on November 30, 2057 to North Beach Development Associates, LLC (North Beach). This note was an amendment of the residential promissory note for \$4,911,097 and the commercial loan of \$313,001, both dated November 28, 2001 to finance the development of the North Beach affordable rental property pursuant to the Hope VI construction/permanent loan agreement. Based on the note's simple interest rate of 3% per annum, the Authority has calculated a cumulative accrued interest amount of \$8,613,040 as of September 30, 2024. The principal and accrued interest is payable only from net available project cash flows, net project proceeds or project condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest as of September 30, 2024.

Valencia Gardens - The Authority established a partnering agreement with Mission Housing Development Corporation (MHDC), a California not-for-profit public benefit corporation, which gives MHDC the exclusive right to develop and revitalize the Valencia Gardens development funded by the Hope VI grant agreement between the Authority and HUD. The Authority issued a 55-year, \$15,716,275 permanent loan to finance the construction and development of the Valencia Gardens development, dated September 1, 2004 and maturing on August 31, 2059. This permanent loan does not provide for the payment of interest; however, if a default occurs, interest at 10% on the principal balance shall accrue. The principal and accrued interest, if any, is payable only from the net available project cash flows, net project proceeds or project condemnation proceeds, as defined in the promissory note. The principal balance for the year ended September 30, 2024 is \$15,502,322.

RAD Phase I – In November 2015, the Authority converted 14 public housing sites to private developer teams to begin work on significant project rehabilitations through the RAD program. The RAD program permits the developer teams to leverage public and private debt and equity in order to reinvest in the public housing stock. Under the RAD program, all of the public housing units become permanently affordable units under the Section 8 platform with a long-term contract that must be renewed by law. The conversion to the RAD program is providing approximately \$220 million in long-deferred property repairs needed to renovate a substantial number of the public housing units in San Francisco.

In order to ensure the long-term preservation of the properties disposed by the Authority under either the RAD program or Section 18 of the U.S. Housing Act of 1937, the Authority converted the form of federal funding that supports its properties from public housing subsidies provided to the Authority to Section 8 Project-Based Vouchers for the properties owned by private entities. The conversion of the public housing units under the RAD and Section 18 programs involves a transfer of ownership from the Authority to private ownership through a leasehold interest in each property and a fee interest in the improvements located hereon (see Note 11). Upon such transfer, each developer of such transferred property will be rehabilitating and recapitalizing the applicable property. The private financing for the undertaking was provided by Bank

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Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

of America as the construction lender and equity investor for all of the projects, in partnership with Freddie Mac as the permanent lender, as well as significant financing from the San Francisco Mayor’s Office of Housing and Community Development (MOHCD) and the Authority. Phase I and Phase II of the RAD conversion include the rehabilitation of more than 2,800 units at a hard construction cost of \$790 million. Construction of the Phase I properties was completed between June 2017 and January 2018.

In connection with RAD Phase I, the Authority entered into the following seller-financed and permanent notes:

Borrower	Project	AMP #	Seller- Financed Notes	Permanent Notes
Holly Courts Housing Associates, L.P.	100 Appleton Street	AMP 966	\$ 27,457,957	\$ 2,500,000
Bay Street, L.P.	227 Bay Street	AMP 972	8,175,000	400,000
Pacific Avenue, L.P.	990 Pacific Street	AMP 976	17,940,000	-
1880 Pine, L.P.	1880 Pine Street	AMP 977	13,796,519	-
255 Woodside Housing Associates, L.P.	255 Woodside	AMP 979	20,100,000	4,900,000
666 Ellis, L.P.	666 Ellis Street	AMP 981	14,375,000	600,000
25 Sanchez Housing Associates, L.P.	25 Sanchez Street	AMP 986	16,000,000	5,000,000
462 Duboce Housing Associates, L.P.	462 Duboce Avenue	AMP 986	6,734,587	-
345 Arguello, L.P.	345 Arguello Street	AMP 986	10,780,000	800,000
491 31st Ave, L.P.	491 31st Avenue	AMP 986	10,026,095	-
939 & 951 Eddy Associates, L.P.	939-951 Eddy Street	AMP 987	7,400,000	500,000
430 Turk Associates, L.P.	430 Turk Street	AMP 987	12,925,000	2,500,000
Robert Pitts Housing Partners, L.P.	1150 Scott Street/1825 Eddy Street	AMP 988	32,054,517	-
Hunters Point East West LP	1065 Oakdale Ave. & 798 Jerrold Ave.	AMP 973	47,300,000	5,700,000
	Total		\$ 245,064,675	\$ 22,900,000

Seller-Financed Notes - In November 2015, the Authority, and each of the partnerships listed above have entered into seller take-back notes totaling \$245,064,675. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 2.57% compounded annually. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2075; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, each borrower shall make an annual payment to the Authority in the amount of \$15,000 (the “Annual Payment”). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make an additional payment in the amount equal to the Authority’s share of its Residual Receipts as defined in each promissory note from the preceding year (the “Additional Payment”). Any unpaid principal and interest amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender’s share of Residual Receipts. As of September 30, 2024, the outstanding seller-financed notes totaled \$245,064,675 and related accrued interest is \$44,198,712.

Permanent Notes - In November 2015, the Authority and each of the partnerships listed above have entered into permanent notes totaling \$22,900,000. Each of these notes are secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property and does not bear interest. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years

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Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

after the date of disbursement of the loan funds to borrower, but in no event later than December 31, 2075; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make a payment in the amount equal to the Authority’s share of its Residual Receipts as defined in each promissory note from the preceding year. Any unpaid principal amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender’s share of Residual Receipts. As of September 30, 2024, the outstanding permanent notes totaled \$21,736,802.

RAD Phase II - In October 2016, the Authority converted another 14 public housing sites with over 2,000 public housing units to private ownership through HUD’s RAD program. In connection with RAD Phase II, the Authority entered into the following seller-financed and permanent notes:

<u>Borrower</u>	<u>Project</u>	<u>AMP #</u>	<u>Seller- Financed Notes</u>	<u>Permanent Notes</u>
Alemany Housing Associates, L.P.	938 Ellsworth Street	AMP 966	\$ 51,008,000	\$ -
Westside Courts Housing Partners, L.P.	2501 Sutter Street	AMP 969	26,920,000	-
Westbrook Housing Partners, L.P.	40 Harbor Road	AMP 970	46,380,000	-
Ping Yuen, L.P.	655, 711-795 and 895 Pacific Avenue	AMP 972	67,240,000	920,000
North Ping Yuen, L.P.	838 Pacific Street	AMP 976	61,870,000	-
1760 Bush, L.P.	1760 Bush Street	AMP 977	18,783,707	875,000
RP Associates, L.P.	1251 Turk Street	AMP 978	32,404,142	-
Mission Dolores Housing Associates, L.P.	1855 15th Street	AMP 980	19,655,011	-
Ellis 350 Associates, L.P.	350 Ellis Street	AMP 981	17,475,000	-
3850 18th Street Housing Associates, L.P.	3840 & 3850 18th Street	AMP 982	21,145,473	1,400,000
Clementina Towers Associates, L.P.	320 & 330 Clementina Street	AMP 983	36,071,853	-
JFK Tower, L.P.	2451 Sacramento Street	AMP 984	21,129,147	-
2698 California, L.P.	2698 California Street	AMP 984	11,180,000	-
1750 McAllister, L.P.	1750 McAllister Street	AMP 985	21,661,312	1,000,000
	Total		\$ 452,923,645	\$ 4,195,000

Seller-Financed Notes - In October 2016, the Authority and each of the partnerships listed above have entered into seller take-back notes totaling \$452,923,645. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 1.95% compounded annually. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2076; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, each borrower shall make an annual payment to the Authority in the amount of \$15,000 (the “Annual Payment”). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make an additional payment in the amount equal to the Authority’s share of its Residual Receipts as defined in each promissory note from the preceding year (the “Additional Payment”). Any unpaid principal and interest amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender’s share of Residual Receipts. As of September 30, 2024, the outstanding seller-financed notes totaled \$452,073,646 and related accrued interest is \$54,193,700.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Permanent Notes - In October 2016, the Authority and each of the partnerships listed above have entered into permanent notes totaling \$4,195,000. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property and does not bear interest. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the date of disbursement of the loan funds to borrower, but in no event later than December 31, 2076; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make a payment in the amount equal to the Authority’s share of its Residual Receipts as defined in each promissory note from the preceding year. Any unpaid principal amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender’s share of Residual Receipts. In fiscal year 2019, the Authority received a payment in the amount of \$500,000 which reduced the amount of these notes. As of September 30, 2024, the outstanding permanent notes totaled \$3,695,000.

RAD 2020 Conversion - During the year ended September 30, 2020, the Authority converted another 2 public housing sites with 270 public housing units to private ownership through HUD’s RAD program. In connection with RAD 2020 Conversion, the Authority entered into the following seller-financed and permanent notes:

<u>Borrower</u>	<u>Project</u>	<u>AMP #</u>	<u>Seller- Financed Notes</u>	<u>Permanent Note</u>
Hayes Valley IV, L.P.	401 Rose Street	AMP 961	\$ 32,010,154	\$ -
Bernal Homes, L.P.	3138 Kamille Court	AMP 962	42,364,364	1,434,748
	Total		\$ 74,374,518	\$ 1,434,748

Seller-Financed Notes - During the year ended September 30, 2020, the Authority and each of the partnerships listed above have entered into seller take-back notes totaling \$74,374,518. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 2.09% compounded annually. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2075 for Hayes Valley IV, L.P. note and December 31, 2074 for Bernal Homes, L.P. note; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, each borrower shall make an annual payment to the Authority in the amount of \$15,000 (the “Annual Payment”). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make an additional payment in the amount equal to the Authority’s share of its Residual Receipts as defined in each promissory note from the preceding year (the “Additional Payment”). Any unpaid principal and interest amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender’s share of Residual Receipts. As of September 30, 2024, the outstanding seller-financed notes totaled \$74,374,518 and related accrued interest is \$7,461,901.

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Permanent Note - In December 2019, the Authority and Bernal Homes, L.P. have entered into permanent notes totaling \$1,434,748. The note is secured by a leasehold deed of trust and does not bear interest. The term of each note commences on the date of each note and expires the earlier of (i) December 31, 2074; (ii) the transfer of the project other than a transfer permitted or approved by the Authority; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning July 15, 2021 and continuing each July 15th thereafter during the term of the note, the borrower shall also make a payment in the amount equal to the Authority’s share of its Residual Receipts as defined in the promissory note from the preceding year. Any unpaid principal amounts due under each note shall accrue and be due in subsequent year(s) to the extent of the lender’s share of Residual Receipts. As of September 30, 2024, the outstanding permanent note totaled \$1,434,748.

RAD 2021 Conversion – In January 2021, the Authority converted another public housing site with 84 public housing units to private ownership through HUD’s RAD program. In connection with RAD 2021 Conversion, the Authority entered into the following seller-financed notes:

Borrower	Project	AMP #	Seller- Financed Note
Hayes Valley III, L.P.	650 Linden Street	AMP 960	\$ 27,672,262

Seller-Financed Note – In January 2021, the Authority and the partnership listed above have entered into seller take-back note of \$27,672,262. The note is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 2.09% compounded annually. The term of the note commences on the date of the note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2075; (ii) the full repayment of the loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, the borrower shall make an annual payment to the Authority in the amount of \$15,000 (the “Annual Payment”). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of the note, the borrower shall also make an additional payment in the amount equal to the Authority’s share of its Residual Receipts as defined in the promissory note from the preceding year (the “Additional Payment”). Any unpaid principal and interest amounts due under the note shall accrue and be due in subsequent year(s) to the extent of the lender’s share of Residual Receipts. As of September 30, 2024, the outstanding seller-financed notes totaled \$27,672,262 and related accrued interest is \$2,233,098.

RAD 2022 Conversion - In February 2022, the Authority also converted 5 scattered public housing sites with 69 public housing units to private ownership through HUD’s RAD program (RAD 2022 Conversion). In connection with the conversion, the Authority entered into the following seller-financed notes:

Borrower	Project	AMP #	Seller- Financed Note
MHDC NEW MAP, L.P.	Scattered Sites - Various	AMP 985	\$ 22,000,000

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Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Seller-Financed Note – In February 2022, the Authority and the partnership listed above have entered into seller take-back note of \$22,000,000. The note is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 1.92% compounded annually. The term of the note commences on the date of the note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2081; (ii) the full repayment of the loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, the borrower shall make an annual payment to the Authority in the amount of \$15,000 (the “Annual Payment”). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of the note, the borrower shall also make an additional payment in the amount equal to the Authority’s share of its Residual Receipts as defined in the promissory note from the preceding year (the “Additional Payment”). Any unpaid principal and interest amounts due under the note shall accrue and be due in subsequent year(s) to the extent of the lender’s share of Residual Receipts. As of September 30, 2024, the outstanding seller-financed notes totaled \$22,000,000 and related accrued interest is \$1,145,600.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the business-type activity for the year ended September 30, 2024 was as follows:

	<u>Balance October 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2024</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 11,392,003	\$ -	\$ -	\$ 11,392,003
<i>Capital assets, being depreciated:</i>				
Building and improvements	53,541,712	253,808	-	53,795,520
Furniture and equipment	7,669,254	86,501	-	7,755,755
Total capital assets, being depreciated	<u>61,210,966</u>	<u>340,309</u>	<u>-</u>	<u>61,551,275</u>
<i>Less accumulated depreciation</i>				
Building and improvements	(943,809)	(1,806,218)	-	(2,750,027)
Furniture and equipment	(7,542,990)	(5,276)	-	(7,548,266)
Less accumulated depreciation	<u>(8,486,799)</u>	<u>(1,811,494)</u>	<u>-</u>	<u>(10,298,293)</u>
Total capital assets, being depreciated, net	<u>52,724,167</u>	<u>(1,471,185)</u>	<u>-</u>	<u>51,252,982</u>
Total capital assets, net	<u>\$ 64,116,170</u>	<u>\$ (1,471,185)</u>	<u>\$ -</u>	<u>\$ 62,644,985</u>

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 4 – CAPITAL ASSETS (Continued)

The Authority's discretely presented component unit's capital assets activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,261,338	\$ -	\$ -	\$ 3,261,338
Construction in progress	1,696,983	583,907	-	2,280,890
Total capital assets, not being depreciated	<u>4,958,321</u>	<u>583,907</u>	<u>-</u>	<u>5,542,228</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	26,243,149	25,277	-	26,268,426
Equipment and vehicles	1,513,651	75,925	-	1,589,576
Total capital assets, being depreciated	27,756,800	101,202	-	27,858,002
<i>Less accumulated depreciation</i>	<u>(19,662,489)</u>	<u>(696,128)</u>	<u>-</u>	<u>(20,358,617)</u>
Total capital assets, being depreciated, net	<u>8,094,311</u>	<u>(594,926)</u>	<u>-</u>	<u>7,499,385</u>
Component units capital assets, net	<u>\$ 13,052,632</u>	<u>\$ (11,019)</u>	<u>\$ -</u>	<u>\$ 13,041,613</u>

NOTE 5 – LONG-TERM OBLIGATIONS

Changes to the business-type activities long-term obligations for the year ended September 30, 2024 are as follows:

	Balance October 1, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One Year
<i>Loans payable:</i>					
Bank of America	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000	\$ -
Payable to the City for HAP disbursements	17,919,068	-	-	17,919,068	-
Other loan payable to the City	4,646,910	-	-	4,646,910	-
Subtotal	<u>42,565,978</u>	<u>-</u>	<u>-</u>	<u>42,565,978</u>	<u>-</u>
<i>Other noncurrent liabilities:</i>					
<i>Unearned revenues - leases:</i>					
Rosa Parks	3,983,863	-	(66,122)	3,917,741	66,122
RAD Phase I	9,413,785	-	(105,881)	9,307,904	103,354
RAD Phase II	22,788,292	-	(247,474)	22,540,818	247,475
RAD 2020 Conversion	8,752,540	-	(142,615)	8,609,925	142,615
RAD 2021 Conversion	3,064,615	-	(49,231)	3,015,384	49,231
Subtotal unearned revenues - leases	<u>48,003,095</u>	<u>-</u>	<u>(611,323)</u>	<u>47,391,772</u>	<u>608,797</u>
Pension withdrawal liability	14,066,603	-	(1,822,865)	12,243,738	1,491,172
Compensated absences	193,413	180,453	(128,021)	245,845	147,507
FSS liability	614,536	57,523	-	672,059	-
Total	<u>\$ 105,443,625</u>	<u>\$ 237,976</u>	<u>\$ (2,562,209)</u>	<u>\$ 103,119,392</u>	<u>\$ 2,247,476</u>

The notes payable of \$90.5 million from the SFHA Housing Corporation, a blended component unit, to the primary government were eliminated and not presented in the table above (see Note 3).

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

Bank of America and Energy Performance Loans Payable – In October 28, 2015, the Authority entered into a loan agreement in the amount of \$20,000,000 with Bank of America, N.A. for the purpose of the Affordable Housing Land Use Restriction agreement and ancillary documents to evidence the loan. The loan is due and payable on October 28, 2033, the final maturity of the promissory note, and bears 0% interest. Notwithstanding anything in the note or the other loan documents to the contrary, provided no event of default has occurred and is continuing, and provided further that the Property (Hunters Point East West) is and has during the entire term of the loan been in compliance with the Affordable Housing Land Use Restriction, the principal amount then unpaid shall be deemed paid in full on the earlier of the maturity date, sale of the Property to a bona fide third party not affiliated with the Authority, or refinance of the Property. The Property was transferred to a third party on November 13, 2015. As stated in the agreement, the Property must be in compliance with the affordable land-use restriction agreement until October 20, 2033, at which time the note will be forgiven and considered paid in full.

Payable to the City for HAP Disbursements – On October 19, 2018, the City’s Citywide Affordable Housing Loan Committee approved a zero interest loan up to \$20.0 million to the Authority to assist in covering projected future financial shortfalls. Under the provisions of the loan, the Authority was also expected to seek additional funding sources outside of the \$20.0 million loan available from the City. This included obtaining permission from HUD to use existing unrestricted cash reserves for obligations under HAP contracts and requesting additional assistance from HUD in the amount of \$10.0 million to cover a portion of the projected shortfalls. During November 2018 and June 2019, the Authority received \$10.0 million and \$6.2 million, respectively, of additional HAP revenue from HUD. In addition, on November 29, 2018, HUD approved the use of \$4,950,000 of the Authority’s reserves to offset the shortfall. The loan may be forgiven if the Authority has no proceeds to repay the loan at the end of the 55-year term (November 26, 2073). At this time, the City has the sole discretion to deem the loan forgiven.

Other Loan Payable to the City – On June 12, 2014, the Authority entered into a loan agreement with the City to borrow a maximum amount of \$5,396,000 for the purpose of paying certain costs related to the modernization and/or repair of its elevators located at nine public housing locations. On November 1, 2015, the Authority and the City entered into an Amendment to Loan Agreement and Promissory Note to allow for forgiveness of the corresponding loan allocation on RAD conversion sites and the repayment of the remaining balance of the loan to the extent “Excess Proceeds” as defined in the loan agreement are received. The loan bears interest at an annual rate of 1%. The balances of principal and interest will be due and payable on the date that is the earlier of: (i) the 55th anniversary of the date of the loan agreement (June 12, 2069); or (ii) the date the Authority transfers ownership in any of the property sites other than in connection with a conversion of such property sites under the RAD Program. Notwithstanding anything to the contrary contained herein, for each site that: (i) converts to the RAD Program; and (ii) completes the rehabilitation work required in connection with the RAD Program conversion, the City shall forgive the corresponding loan allocation amount applicable to such site, along with all accrued and unpaid interest on that amount, upon completion of such work. Notwithstanding the foregoing, in the event that, prior to the date that the entire loan amount has been forgiven, the Authority is required to pay to the City a portion of “Excess Proceeds” as a partial repayment for the loan; but only to the extent such “Excess Proceeds” are received by the Authority. The loan payable balance is reported as a component of the noncurrent portion of long-term debt to others. This loan is payable to the extent that the Authority receives excess proceeds from the RAD properties. Excess Proceeds are defined as the savings from the construction and are due from the developers upon the completion of construction. The Authority will pay 50% of those proceeds to pay down the City loan. When all RAD rehabilitation is completed and all excess proceeds have been received, the balance of the loan will be forgiven by the City.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

Unearned Revenues – Leases – Rosa Parks - The balance consists of a \$4,959,165 prepayment received from a tenant on a long-term ground lease entered into in January 2009 for land adjacent to a public housing property net of accumulated amortization of \$1,041,424 at September 30, 2024. The unearned revenue is amortized over the initial lease ground term of 75 years.

Unearned Revenues – Leases – RAD Phase I - The balance is comprised of RAD Phase I capitalized ground lease in the amount of \$10,232,000 net of accumulated amortization of \$924,096 at September 30, 2024. This unearned revenue is amortized over the initial lease ground term of 99 years (see Note 11).

Unearned Revenues – Leases – RAD Phase II - The balance is comprised of RAD Phase II capitalized ground lease in the amount of \$24,500,000 net of accumulated amortization of \$1,959,182 at September 30, 2024. This unearned revenue is amortized over the initial lease ground term of 99 years (see Note 11).

Unearned Revenues – Leases – RAD 2020 Conversion - The balance is comprised of RAD 2020 Conversion capitalized ground lease in the amount of \$9,270,000 net of accumulated amortization of \$660,075 at September 30, 2024. This unearned revenue is amortized over the initial lease ground term of 65 years (see Note 11).

Unearned Revenues – Leases – RAD 2021 Conversion - The balance is comprised of RAD 2021 Conversion capitalized ground lease in the amount of \$3,200,000 net of accumulated amortization of \$184,616 at September 30, 2024. This unearned revenue is amortized over the initial lease ground term of 65 years (see Note 11).

Pension Withdrawal Liability - The Authority contributes to several multiple-employer defined contribution pension plans under the terms of various collective bargaining agreements that cover the Authority's union-represented employees. Certain events, such as HUD mandates for the Authority to contract out all essential functions, including the administration of the Housing Choice Voucher and the Public Housing programs, to third-party administrators, and the accelerated conversion of its remaining two public housing projects, resulted in withdrawals from these defined contribution pension plans. These actions, along with the termination of covered employees and cessation of the Authority's obligation to contribute, have resulted in the Authority estimating and recording pension withdrawal liability for the Authority's proportionate share of any unfunded vested benefits.

The estimated pension withdrawal liability was approximately \$12.2 million as of September 30, 2024. The final liability for each plan is dependent on the completion of the final assessment of the withdrawal liability as stated in the respective demand letter provided to the Authority. Therefore, the pension withdrawal liability may be adjusted as more information becomes available.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

Conduit Debt – In October 1, 2004, the Authority issued tax-exempt Multifamily Housing Revenue Bonds, Series 2004 in the principal amount of \$40,000,000 to provide funds for the construction of the Valencia Gardens Project. The bonds shall mature on September 1, 2049 and are secured by a deed of trust on the property and a direct-pay letter of credit issued by Citibank, N.A. Proceeds from the sale of the Permanent Bonds were not received by the Authority, but were deposited with a trustee in accordance with a loan agreement (dated October 1, 2004) between the Authority and Valencia Gardens Housing, L.P. The bonds are payable solely from payments made on the related secured loan. These bonds have maturity dates that are due at various dates through April 1, 2037. As of September 30, 2024, the outstanding conduit bonds issued by the Authority have a balance of \$2,760,000.

In the opinion of the Authority’s officials, these bonds are not payable from any revenues or assets of the Authority. Neither the faith and credit nor the taxing power of the Authority or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds.

Changes to the Authority’s discretely presented component unit’s long-term obligations including accrued interest for the year ended December 31, 2023 are as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>	<u>Amounts Due Within One Year</u>
Due to primary government	\$ 20,618,793	\$ 576,951	\$ -	\$ 21,195,744	\$ -
Due to others	1,709,753	575,596	-	2,285,349	2,187,415
Total	<u>\$ 22,328,546</u>	<u>\$ 1,152,547</u>	<u>\$ -</u>	<u>\$ 23,481,093</u>	<u>\$ 2,187,415</u>

See Note 12 for descriptions of the Authority’s discretely presented component unit’s long-term obligations activities.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

(a) General Information

Plan Descriptions – All qualified permanent and probationary members in the San Francisco Municipal Employee’s Association (MEA), SEIU Local 1021, SEIU Local 1877, and other unrepresented personnel hired after March 1, 1961 are eligible to participate in the Authority’s Miscellaneous Plan and the Authority’s former public safety employees were eligible to participate in the Authority’s Safety Plan.

The Miscellaneous and Safety Plans are cost sharing multiple-employer defined benefit pension plans. The pension plans are administrated by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under each Plan are established by State statute and the Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website, <http://calpers.ca.gov>.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2% @ 55	2% @ 62	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 yrs of service	5 yrs of service	5 yrs of service	5 yrs of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	52 - 57
Monthly benefits, as a % of eligible compensation	1.4% - 2.4%	1% - 2.5%	2.4% - 3%	2% - 2.7%
Required employee contribution rates	7.00%	8.00%	0.00%	0.00%
Required employer contribution rates for normal cost (7/1/23 - 6/30/24)	11.74%	9.85%	0.00%	0.00%
Required monthly payment for unfunded liability (7/1/23 - 6/30/24)	\$15,478	\$190	\$4,354	
Required employer contribution rates for normal cost (7/1/24 - 9/30/24)	12.11%	9.53%	0.00%	0.00%
Required monthly payment for unfunded liability (7/1/24 - 9/30/24)	\$47,706	\$950	\$6,193	

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Authority’s contribution rates may change if plan contracts are amended. Payments made by the Authority to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

(b) Net Pension Liability

At September 30, 2024, the Authority’s net pension liability is comprised of the following:

Miscellaneous Plan	\$ 17,449,447
Safety Plan	<u>592,189</u>
Total	<u>\$ 18,041,636</u>

The Authority’s net pension liability for the Miscellaneous Plan and Safety Plan are reported as the Authority’s proportionate share of the CalPERS Public Miscellaneous Risk Pool’s and Safety Risk Pool’s net pension liability, respectively. The Authority’s proportion of the net pension liability was first

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Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

determined at the rate plan level within the risk pools and reflects the sum of the proportions of the rate plans. The Authority’s net pension liability for each plan is measured as of June 30, 2024, using an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures.

A summary of principal assumptions and methods used to determine the net pension liability (asset) is shown below.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Services
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

¹ The mortality table used was developed based on CalPERS’ specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on the table, refer to the 2021 CalPERS experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the 2021 CalPERS Experience Study for the period from 2001 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the 2021 CalPERS Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2024 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expense of 10 basis points.

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Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

The expected real rates of return by asset class are as follows:

Asset Class:	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-Weighted	30.0%	4.54%
Global Equity - Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

¹ An expected inflation of 2.30 percent used for this period.

² Figures are based on the 2021 Asset Liability Management study.

(c) Changes in the Net Pension Liability

The Authority’s proportionate share of the net pension liability for the Miscellaneous Plan was 0.14388% or \$17,449,447 as of the June 30, 2024 measurement date, a decrease of 0.00353% or \$939,851, when compared to the proportionate share as of June 30, 2023 measurement date of 0.14741% or \$18,389,298.

The Authority’s proportionate share of the net pension liability for the Safety Plan was 0.00488% or \$592,189 as of the June 30, 2024 measurement date, a decrease of 0.00010% or \$29,513, when compared to the proportionate share as of June 30, 2023 measurement date of 0.00498% or \$621,702.

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the net pension liability of each plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate		
	-1% (5.90%)	Current (6.90%)	+1% (7.90%)
Miscellaneous Plan	\$ 35,466,241	\$ 17,449,447	\$ 2,618,974
Safety Plan	790,213	592,189	430,232
Net Pension Liability	<u>\$ 36,256,454</u>	<u>\$ 18,041,636</u>	<u>\$ 3,049,206</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

(d) Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2024, pension expense recognized by the Authority for the measurement period ended June 30, 2024 for the Miscellaneous Plan and Safety Plan were \$3,962,593 and \$55,945, respectively.

At September 30, 2024, the Authority's deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 239,009	\$ -
Change in assumptions	463,077	-
Differences between expected and actual experience	1,556,993	60,438
Net differences between projected and actual earnings on plan investments	1,033,167	-
Changes in employer's proportion	2,758,330	113,208
Difference between the employer's contributions and the employer's proportionate share of contributions	21,887	4,868,470
	\$ 6,072,463	\$ 5,042,116

The \$239,009 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as future pension expense as follows.

Measurement Period Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2025	\$ 951,644
2026	849,899
2027	(656,166)
2028	(354,039)
	\$ 791,338

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Notes to Financial Statements (Continued)
For the Year Ended September 30, 2024

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

(a) General Information

Plan Description – The Authority administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). Medical/prescription drug coverage is provided through CalPERS under the Public Employees’ Medical and Hospital Care Act (PEMHCA). Employees may choose from a variety of PPO and HMO options.

Benefits Provided – The Authority offers the same medical plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA.

Employees become eligible to retire and receive Authority-paid healthcare benefits upon attainment of age 50 and 5 years of covered CalPERS service, or by qualifying disability retirement status. Benefits are paid for the lifetime of the retiree with continuation to eligible surviving spouses whose benefits continue under CalPERS.

Employees Covered – At September 30, 2022, the most recent information available, the following employees were covered by the Retiree Health Plan:

Inactive employees or beneficiaries currently receiving benefits	133
Active employees	<u>37</u>
Total	<u><u>170</u></u>

The Authority’s total OPEB liability was measured as of September 30, 2024 using an actuarial valuation as of September 30, 2022 rolled forward to September 30, 2024 using standard actuarial update procedures to project/discount from valuation to measurement date.

Contributions – The Authority currently finances benefits on a pay-as-you-go basis. The Authority's contribution on behalf of all eligible retirees and surviving spouses has been 80% of the premium since January 1, 2005. The Authority also pays a statutory percentage of premium administrative charge for all retirees. Benefit payments occur in the form of direct payments for premiums and taxes (explicit subsidies) and indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies). For the year ended September 30, 2024, the Authority contributed \$1,547,212 which included implicit subsidies of \$261,939.

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

(b) Total OPEB Liability

A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

Valuation Date	September 30, 2022
Measurement Date	September 30, 2024
Measurement Period	October 1, 2023 to September 30, 2024
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	3.81%
Salary Increases	3.00%
Inflation	2.50%
Healthcare Cost Trend Rate	5.50% for 2024 and decreasing to 4.00% by 2070
Mortality	Pre-retirement rates and post-retirement mortality rates for healthy recipients were based on CalPERS Experience Study for the period from 2000 to 2019.

Actuarial assumptions used in the September 30, 2022 valuation were based on a review of plan experience during the period September 30, 2020 to September 30, 2022.

Changes in Assumptions – For the measurement period ended September 30, 2024, the discount rate decreased from 4.63 percent to 3.81 percent, while healthcare cost trend rates were updated.

Discount Rate – GASB Statement No. 75 requires a discount rate that reflects a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale.) The municipal bonds rate was used as the discount rate as the Authority has not established a qualified irrevocable trust for nor pre-funded the Retiree Health Plan. The discount rate used to measure the Authority’s total OPEB liability at September 30, 2024 was 3.81%

(c) Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following table shows the changes in total OPEB liability for the year ended September 30, 2024:

	Total OPEB Liability
Balances reported at October 1, 2023	<u>\$ 15,908,290</u>
Changes for the year:	
Service cost	247,239
Interest on total OPEB liability	712,588
Changes in assumptions	1,310,604
Benefit payments (includes implicit subsidy)	<u>(1,547,212)</u>
Net change	723,219
Balances reported at September 30, 2024	<u><u>\$ 16,631,509</u></u>

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The discount rate used for the year ended September 30, 2024 is 3.81%. The impact of a 1-percentage-point increase or decrease in the discount rate assumption is shown below:

	Discount Rate -1% (2.81%)	Current Discount Rate (3.81%)	Discount Rate +1% (4.81%)
Total OPEB Liability	\$ 18,514,813	\$ 16,631,509	\$ 15,057,290

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Heathcare Trend Rate (less 1%)	Current Trend Rate	Heathcare Trend Rate (plus 1%)
Total OPEB Liability	\$ 14,728,643	\$ 16,631,509	\$ 18,922,530

(d) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2024, OPEB expenses recognized by the Authority was \$930,414. At September 30, 2024, the Authority's deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 226,196
Change in assumptions	728,168	-
	\$ 728,168	\$ 226,196

Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows.

Year Ending September 30,	Deferred Outflows/ (Inflows) of Resources
2025	\$ 382,826
2026	119,146
	\$ 501,972

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reductions in insurance coverage from the previous year. The Authority has not settled claims which exceeded the Authority’s insurance coverage in any of the past three years.

(a) General and Other Liabilities

The Authority purchased coverage with the Housing Authority Insurance Group, Inc. for property and commercial liabilities and losses incurred above its deductible limits. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, newly discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), economic and social factors, newly discovered information and changes in the law.

The Authority’s deductibles and maximum coverage follows:

Coverage	Deductible	Coverage
Property coverage	\$ 50,000	Update to limit per policy (per property)
General liability	25,000	\$ 15,000,000 (aggregate)
Public officials liability	25,000	1,000,000 (per occurrence)
		2,000,000 (aggregate)

(b) Workers’ Compensation Liability

The Bay Area Housing Authority Risk Management Agency (BAHARMA) was formed under a joint powers agreement between the Authority and the Housing Authority of the City of Oakland (OHA). BAHARMA does not provide pooling or sharing of risk between its two members. Its purpose is to provide administrative and risk management services to the two housing authorities’ workers’ compensation self-insurance funds. Effective July 1, 2010, BAHARMA maintained excess insurance coverage above the self-insured retention level of \$350,000 up to \$5 million per occurrence.

Claims are paid from contributions received from the Authority and OHA. BAHARMA is considered to be a claims-servicing entity and each member’s net assets are reported as due to members in the BAHARMA’s statement of net position. At September 30, 2024, the Authority’s deposit with BAHARMA is approximately \$11.1 million and is reported as a component of the other noncurrent assets in the Authority’s statement of net position.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 8 – RISK MANAGEMENT (Continued)

Condensed financial information for BAHARMA’s most recently completed audit is presented below as of and for the year ended September 30, 2024:

	Statement of Net Position September 30, 2024		Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2024
Assets:		Operating revenues:	
Cash	\$ 41,054,028	Claims servicing revenues	<u>\$ 1,112,525</u>
Prepaid and other	1,381,449		
Investments	<u>621,547</u>	Total operating revenues	<u>1,112,525</u>
Total assets	<u>43,057,024</u>	Operating expenses:	
Liabilities:		Claims administration	185,560
Claims liability	11,969,082	General and administration	<u>926,965</u>
Due to members	30,872,010	Total operating expenses	<u>1,112,525</u>
Other	<u>215,932</u>	Change in net position	-
Total liabilities	<u>43,057,024</u>	Net position, beginning of year	<u>-</u>
Net position	<u>\$ -</u>	Net position, end of year	<u>\$ -</u>

Complete financial statements of BAHARMA can be obtained from the Treasurer at 1619 Harrison Street, Oakland, California 94612.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grants and Contracts - The Authority participates in various federally and locally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the Authority and as of the date of this no liabilities are reflected in the accompanying basic financial statements.

Payment In Lieu Of Taxes (PILOT) – A cooperative agreement between the Authority and the City dated January 21, 1965 exempts all public housing developments of the Authority from all real and personal property taxes and special assessments collected by the local tax collector. During the period of this exemption, the Authority agrees to make alternate payments to the City. Such payments are referred to as payments in lieu of taxes (PILOT). As specified in the agreement, the Authority’s PILOT equals total rent charged less utilities multiplied by 10%. In November 2013, the Board of Supervisors approved a waiver of the PILOT beginning with the year ended September 30, 1992.

NOTE 10 – CONCENTRATIONS WITH HUD AND DEFAULTS

For the year ended September 30, 2024, approximately 97% of operating revenues reflected in the basic financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 11 – GROUND LEASES WITH OTHERS

North Beach Housing Associates Limited Partnership - The Authority leased the land for 75 years to the North Beach Housing Associates Limited Partnership on which the North Beach Place project, a 341 unit rental apartment complex, was built. The lease will expire in December 2077. The annual rent amount of \$800,000 (base rent) began on January 1, 2005 and is payable in arrears on July 1 of each succeeding year, to the extent of 70% of residual receipts generated from the previous year by the Section 8 Housing Authority Units. Additional base rent is also payable from the remaining 30% of residual receipts if such amount exceeds \$114,500, which is to be increased by 3% annually, and from 57% of the excess development proceeds. Additional base rent is also deemed to be paid upon the funding of the initial operating period reserve, the affordability reserve, and the performance reserve held by the Authority.

Any rent payment is to be applied first toward the base rent, and then as a rent prepayment for the following years. For the year ended September 30, 2024, the Authority received \$1,734,199 in ground lease rent. An option to acquire the North Beach Place project has been provided to the Authority during the period from January 1, 2016 to June 30, 2021 in which the Authority has not exercised the option. The option price is the greater of the project's fair market value, or the assumption of all outstanding debt and taxes. The partnership's managing general partner has the option to acquire the project during the period from July 1, 2021 to December 31, 2024 which has not been exercised as of September 30, 2024.

In addition, the Authority has a ground lease receivable in the amount of \$2,193,857 from North Beach Housing Associates Limited Partnership payable from residual receipts as defined in the Agreement. In accordance with the Authority's policies for recognizing lease revenues (see Note 1(m)), revenues are recognized when payments are received. Thus, the amount is not accrued and is not recorded as a receivable as of September 30, 2024.

Valencia Gardens Housing Limited Partnership - The Authority leased the land for 65 years to the Valencia Gardens Housing Limited Partnership on which the Valencia Gardens project, an apartment complex of 260 units for low-income housing, was built. The annual lease payments consist of annual base rent of \$200,000. The rent is payable in arrears starting on July 1, 2006 and on July 1 of each succeeding year until the termination of the lease to the extent of 33% of residual receipts from the preceding year. Additional base rent is also payable of the lesser of \$100,000 from residual receipts or such amounts as may be permissible under Multifamily Housing Program regulations. Any unpaid base rent shall not accrue. For the year ended September 30, 2024, the Authority did not receive any ground lease rent for this lease.

Hunters View Associates L.P. and HV Partners 1, L.P. (Hunters View) - The Authority entered into three agreements to lease three parcels of land on which the three phases of the Hunters View complex have been built, located in San Francisco, California, for an annual rent amount of \$1 per parcel. The leases commenced during January 2011 and terminate after 88 years for one parcel (Rental Housing) and 5 years for each of the remaining two parcels. The Hunters View complex will replace 267 low-income public housing units and add affordable housing to the community under the HOPE SF program. The rent is payable on February 1, 2011 and on February 1 of each succeeding year until the termination of the lease. In addition, residual rent is payable from surplus cash flow and is determined to be \$4,999 per year. For the year ended September 30, 2024, the Authority did not receive any ground lease rent for this lease.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 11 – GROUND LEASES WITH OTHERS (Continued)

RAD Phase I Lessees - The Authority leased the land related to the project for 99 years to the lessees listed below. In November 2015, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

<u>Lessee</u>	<u>Project</u>	<u>Amount</u>
Holly Courts Housing Associates, L.P.	100 Appleton Street	\$ 250,000
Bay Street, L.P.	227 Bay Street	375,000
Pacific Avenue, L.P.	990 Pacific Street	1,390,000
1880 Pine, L.P.	1880 Pine Street	1,640,000
255 Woodside Housing Associates, L.P.	255 Woodside	150,000
666 Ellis, L.P.	666 Ellis Street	350,000
25 Sanchez Housing Associates, L.P.	25 Sanchez Street	150,000
462 Duboce Housing Associates, L.P.	462 Duboce Avenue	150,000
345 Arguello, L.P.	345 Arguello Street	920,000
491 31st Ave, L.P.	491 31st Avenue	980,000
939 & 951 Eddy Associates, L.P.	939-951 Eddy Street	375,000
430 Turk Associates, L.P.	430 Turk Street	350,000
Robert Pitts Housing Partners, L.P.	1150 Scott Street/1825 Eddy Street	2,652,000
Hunters Point East West LP	1065 Oakdale Ave. & 798 Jerrold Ave.	500,000
	Total capitalized ground lease	10,232,000
	Less accumulated amortization	(924,096)
	Capitalized ground lease, net	\$ 9,307,904

RAD Phase II Lessees - The Authority leased the land related to the project for 99 years to the lessees listed below. In October 2016, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

<u>Lessee</u>	<u>Project</u>	<u>Amount</u>
Aleman Housing Associates, L.P.	938 Ellsworth Street	\$ 1,000,000
Westside Courts Housing Partners, L.P.	2501 Sutter Street	2,150,000
Westbrook Housing Partners, L.P.	40 Harbor Road	3,810,000
Ping Yuen, L.P.	655, 711-795 and 895 Pacific Avenue	5,110,000
North Ping Yuen, L.P.	838 Pacific Street	4,640,000
1760 Bush, L.P.	1760 Bush Street	1,670,000
RP Associates, L.P.	1251 Turk Street	350,000
Mission Dolores Housing Associates, L.P.	1855 15th Street	150,000
Ellis 350 Associates, L.P.	350 Ellis Street	350,000
3850 18th Street Housing Associates, L.P.	3840 & 3850 18th Street	150,000
Clementina Towers Associates, L.P.	320 & 330 Clementina Street	350,000
JFK Tower, L.P.	2451 Sacramento Street	1,930,000
2698 California, L.P.	2698 California Street	860,000
1750 McAllister, L.P.	1750 McAllister Street	1,980,000
	Total capitalized ground lease	24,500,000
	Less accumulated amortization	(1,959,182)
	Capitalized ground lease, net	\$ 22,540,818

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 11 – GROUND LEASES WITH OTHERS (Continued)

RAD 2020 Conversion Lessees - The Authority leased the land related to the project for 65 years to the lessees listed below. During the year ended September 30, 2020, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

<u>Lessee</u>	<u>Project</u>	<u>Amount</u>
Hayes Valley IV, L.P.	401 Rose Street	\$ 3,800,000
Bernal Homes, L.P.	3138 Kamille Court	5,470,000
	Total capitalized ground lease	9,270,000
	Less accumulated amortization	(660,075)
	Capitalized ground lease, net	\$ 8,609,925

RAD 2021 Conversion Lessees - The Authority leased the land related to the project for 65 years to the lessees listed below. In January 2021, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

<u>Lessee</u>	<u>Project</u>	<u>Amount</u>
Hayes Valley III, L.P.	650 Linden Street	\$ 3,200,000
	Less accumulated amortization	(184,616)
	Capitalized ground lease, net	\$ 3,015,384

RAD 2022 Conversion and Accelerated Conversion Lessees - The Authority leased the land related to the Sunnydale-Velasco project and the Potrero Terrance and Potrero Annex project for 15 years to SFHA Housing Corporation with annual rent amount of \$1 for each of the 4 phases of the projects. The Authority also leased the land related to the 5 scattered public housing sites for 99 years with annual rent amount of \$3,000 payable on January 1 of each year commencing on January 1, 2024. For the year ended September 30, 2024, the Authority did not receive any ground lease rent for these leases.

NOTE 12 – DISCRETELY PRESENTED COMPONENT UNITS

Plaza East is considered a discretely presented component unit of the Authority and is reported at its financial year end of December 31, 2023. The following disclosures are those that are material to the Authority and are not meant to be a full representation of the component unit's required disclosures.

(i) Uncertainty – Continuing Operations

Plaza East's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplate continuation of the partnership as a going concern. All of Plaza East's units are public housing units. Plaza East relies heavily on the funding from the Authority. \$439,653 of management fees were payable to the Authority at December 31, 2022. Plaza East has no required principal and interest payments from operations. Payments of principal and interest are only required when there is Net Available Cash Flow, of which there was none in 2023. The first mortgage balance has continued to increase every year by accrued interest. In 2023, the balance increased by accrued interest of \$576,951. In addition, the loan with the City and County of San Francisco in the amount of \$2,187,415 was due during the year ended December 31, 2024.

These financial difficulties raise substantial doubt about Plaza East's ability to continue as a going concern within one year after the date the financial statements are issued. Management has evaluated the performance of its operations and believes these conditions are significant in relation to the entity's ability

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 12 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

to meet its obligations. Management's plans have been ongoing for a while. As of June 13, 2024, the date of the other auditor's report for the year ended December 31, 2023, Plaza East is working on a plan to secure alternate financing. In view of these matters, the continued operations of Plaza East are dependent on the ability to refinance its existing debt. However, there can be no assurance that Plaza East will be successful in achieving its objectives.

Plaza East's financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result should the Plaza East be unable to continue as a going concern.

(ii) Ground Lease

Plaza East has executed a 75-year ground lease agreement with the Authority. The agreement is subject to various use restrictions and operating requirements, as defined in the agreement, including the requirement that all 193 of the units be continuously set aside during the term of the Regulatory and Operating Agreement for occupancy by public housing eligible households. The terms of the agreement provide for rent of \$10 per year throughout the term of the regulatory agreement.

(iii) Long-Term Debt

Plaza East Housing Corporation Note - Construction and permanent financing is being provided by Plaza East Housing Corporation under a loan commitment of \$2,700,000. The nonrecourse loan is secured by a first leasehold deed of trust on the property. Interest accrued on the loan at an annual rate of 10% through December 31, 2001. Thereafter, interest accrues at an annual rate of 6.09%. At initial closing of the construction loan, the Plaza East paid Plaza East Housing Corporation, solely from syndication proceeds, \$270,000 as prepaid interest. All further interest, and all principal, are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds, as defined in the loan agreement. Payments are applied first to accrued interest and then against outstanding principal; unpaid accrued interest compounds annually. Unpaid accrued interest added to principal at December 31, 2023 was \$7,350,701. The loan matures on September 2065. As of December 31, 2023, the outstanding loan balance including unpaid accrued interest was \$10,050,701.

SFHA Housing Corporation Note - Construction and permanent financing is also provided by SFHA Housing Corporation under a loan commitment of \$10,764,813. The nonrecourse loan is secured by a second leasehold deed of trust on the property. Interest accrued on the loan at an annual rate of 10% through December 31, 2001. No interest shall accrue on the loan thereafter. In 2004, Plaza East paid SFHA Housing Corporation, from development sources other than public housing funds, \$443,000 for interest through December 31, 2001. All further interest, and all principal, are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds, as defined in the SFHA Loan Agreement. Payments are applied first to unpaid accrued interest, if any, and then against outstanding principal. Unpaid accrued interest at December 31, 2023 was \$380,230. The loan matures in September 2065. As of December 31, 2023, the outstanding loan balance including unpaid accrued interest was \$11,145,043.

City and County of San Francisco Loan – Funding for emergency life-safety repairs associated with the property is being provided by the City and County of San Francisco up to an amount of \$2,698,000 and is secured by the Pledge of Work Product. The loan bear simple interest at a rate of 3% per annum. The outstanding balance of the note, together with all accrued and unpaid interest, will be due and payable on the earlier of April 30, 2024 or the transfer of the property. Unpaid accrued interest at December 31, 2023 was \$97,934. As of December 31, 2023, the outstanding loan balance including unpaid accrued interest was \$2,285,349.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Financial Statements (Continued)

For the Year Ended September 30, 2024

NOTE 13 – SUMMARIZED FINANCIAL INFORMATION OF THE BLENDED COMPONENT UNITS

Condensed financial information for the blended component units is presented below as of and for the year ended December 31, 2023:

	SFHA Housing Corporation	Plaza East Housing Corporation	Total
Assets:			
Cash and cash equivalents	\$ 22,301,155	\$ 115,644	\$ 22,416,799
Accounts receivable, net	1,064,876	-	1,064,876
Notes receivable	26,267,134	2,700,000	28,967,134
Capital assets, net	50,951,624	-	50,951,624
Total assets	<u>100,584,789</u>	<u>2,815,644</u>	<u>103,400,433</u>
Liabilities:			
Accounts payable and other liabilities	2,998,871	-	2,998,871
Related-party payable	3,526,654	-	3,526,654
Accrued interest	3,808,228	-	3,808,228
Notes payable, net	90,506,070	-	90,506,070
Total liabilities	<u>100,839,823</u>	<u>-</u>	<u>100,839,823</u>
Total net position	<u>\$ (255,034)</u>	<u>\$ 2,815,644</u>	<u>\$ 2,560,610</u>
Operating revenues	\$ 27,523,376	\$ -	\$ 27,523,376
Operating expenses	<u>23,508,853</u>	<u>-</u>	<u>23,508,853</u>
Operating income	<u>4,014,523</u>	<u>-</u>	<u>4,014,523</u>
Change in net position	4,014,523	-	4,014,523
Net position, beginning of year	<u>(4,269,557)</u>	<u>2,815,644</u>	<u>(1,453,913)</u>
Net position, end of year	<u>\$ (255,034)</u>	<u>\$ 2,815,644</u>	<u>\$ 2,560,610</u>
Cash flows from operating activities	\$ 21,343,973	\$ -	\$ 21,343,973
Cash flows from capital and related financing activities	(153,971)	-	(153,971)
Net change in cash and cash equivalents	21,190,002	-	21,190,002
Cash and cash equivalents, beginning of year	<u>1,111,153</u>	<u>115,644</u>	<u>1,226,797</u>
Cash and cash equivalents, end of year	<u>\$ 22,301,155</u>	<u>\$ 115,644</u>	<u>\$ 22,416,799</u>
Noncash noncapital financing activities:			
Write down of long-term receivables	<u>\$ -</u>	<u>\$ 603,266</u>	<u>\$ 603,266</u>

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)
Miscellaneous Plan
Last 10 Years*

Measurement Period	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 584,170	\$ 1,733,503	\$ 1,664,642	\$ 1,879,432	\$ 1,886,495	\$ 1,854,872
Interest on the total pension liability	8,575,052	8,420,829	8,279,655	8,331,076	8,399,765	8,244,228
Changes of assumptions	-	-	(3,134,268)	6,649,955	-	(1,918,301)
Differences between expected and actual experience	(113,615)	(1,373,425)	(890,029)	(3,426,181)	(1,672,545)	(3,948,271)
Benefit payments, including refunds of employee contributions	(7,994,275)	(6,623,925)	(6,637,754)	(6,958,195)	(6,619,492)	(6,198,883)
Net change in total pension liability during measurement period	1,051,332	2,156,982	(717,754)	6,476,087	1,994,223	(1,966,355)
Total pension liability, beginning	123,749,448	121,592,466	122,310,220	115,834,133	113,839,910	115,806,265
Total pension liability, ending	\$ 124,800,780	\$ 123,749,448	\$ 121,592,466	\$ 122,310,220	\$ 115,834,133	\$ 113,839,910
Plan Fiduciary Net Position						
Contributions - employer	\$ 2,077,400	\$ 2,208,380	\$ 1,931,093	\$ 1,575,615	\$ 1,549,425	\$ 1,422,186
Contributions - employees	406,228	695,026	719,348	696,542	771,266	829,354
Net investment income	5,301,814	6,708,752	8,327,107	10,462,029	483,088	2,214,386
Benefit payments, including refunds of employee contributions	(7,994,275)	(6,623,925)	(6,637,754)	(6,958,195)	(6,619,492)	(6,198,883)
Net plan to plan resource movement	-	-	(244)	-	-	-
Administrative expense	(152,030)	(74,879)	(157,456)	(140,866)	(60,510)	(111,804)
Other miscellaneous income (expense)	-	244	(299,011)	-	-	-
Net change in plan fiduciary net position	(360,863)	2,913,598	3,883,083	5,635,125	(3,876,223)	(1,844,761)
Plan fiduciary net position, beginning	107,841,551	104,927,953	101,044,870	95,409,745	99,285,968	101,130,729
Plan fiduciary net position, ending	\$ 107,480,688	\$ 107,841,551	\$ 104,927,953	\$ 101,044,870	\$ 95,409,745	\$ 99,285,968
Plan Net Pension Liability, ending	\$ 17,320,092	\$ 15,907,897	\$ 16,664,513	\$ 21,265,350	\$ 20,424,388	\$ 14,553,942
Plan fiduciary net position as a percentage of the total pension liability	86.12%	87.15%	86.29%	82.61%	82.37%	87.22%
Covered payroll	\$ 3,555,507	\$ 10,530,969	\$ 10,138,508	\$ 11,194,425	\$ 12,351,831	\$ 11,924,600
Plan net pension liability as a percentage of covered payroll	487.13%	151.06%	164.37%	189.96%	165.36%	122.05%

* During the year ended September 30, 2021, the Miscellaneous Plan was converted from an agent multiple-employer defined benefit pension plan to a cost sharing multiple-employer defined benefit pension plan as the number of active employees decreased. Therefore only six years are shown.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes: The figures above do not include any liability impact that may have resulted from the plan changes, which occurred after the June 30, 2019 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Assumptions changes: During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50% to 7.65%. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65% to 7.15%. During measurement period 2018, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no change in assumptions during measurement periods 2019 and 2020.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)
Last 10 Years*

Safety Plan

Measurement period	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan's proportion of the net pension liability	0.00488%	0.00498%	0.00534%	0.00838%	0.00549%	0.00573%	0.00591%	0.00564%	0.00570%	0.00669%
Plan's proportionate share of the net pension liability	\$ 592,189	\$ 621,702	\$ 616,645	\$ 453,238	\$ 597,145	\$ 587,595	\$ 569,435	\$ 559,738	\$ 493,114	\$ 459,172
Plan's covered payroll (the Authority has no active members)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net pension as a percentage of the plan's total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

Miscellaneous Plan

Measurement period	2024	2023	2022	2021
Plan's proportion of the net pension liability (asset)	0.14388%	0.14741%	0.14922%	-0.06378%
Plan's proportionate share of the net pension liability (asset)	\$17,449,447	\$18,389,298	\$17,236,411	\$ (3,449,432)
Plan's covered payroll	\$ 2,162,095	\$ 4,136,568	\$ 3,944,389	\$ 3,555,507
Plan's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	807.06%	444.55%	436.99%	-97.02%
Plan's fiduciary net pension as a percentage of the plan's total pension liability	78.08%	76.21%	76.68%	88.29%

* For the Miscellaneous Plan, during the year ended September 30, 2021, the plan was converted from an agent multiple-employer defined benefit pension plan to a cost sharing multiple-employer defined benefit pension plan as the number of active employees decreased. Therefore only four years are shown.

Notes to Schedule of Proportionate Share of the Net Pension Liability and Related Ratios:

Benefit changes: The figures above do not include any liability impact that may have resulted from the plan changes, which occurred after the June 30, 2023 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Assumptions changes: During measurement period 2015, the discount rate was increased from 7.50% to 7.65%. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65% to 7.15%. During measurement period 2018, the demographic assumptions and inflation rate assumption were changed in accordance to the 2017 CalPERS Experience Study. There were no change in assumptions during measurement periods 2019, 2020, and 2021. During measurement period 2022, the discount rate was reduced from 7.15% to 6.90% and inflation rate was reduced from 2.50% to 2.30%. Demographic assumptions were changed in accordance with the 2021 CalPERS Experience Study. There were no changes in assumptions during the measurement periods 2023 or 2024.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Pension Contributions (Unaudited)
For the Year Ended June 30 - Last 10 Years

Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Miscellaneous Plan										
Actuarially determined contribution / contractually required contribution	\$ 414,153	\$ 1,807,769	\$ 2,160,947	\$ 1,965,905	\$ 2,077,400	\$ 2,208,380	\$ 1,931,093	\$ 1,575,615	\$ 1,549,425	\$ 1,422,186
Contributions in relation to the actuarially determined contribution / contractually required contribution	<u>(414,153)</u>	<u>(1,807,769)</u>	<u>(2,160,947)</u>	<u>(1,965,905)</u>	<u>(2,077,400)</u>	<u>(2,208,380)</u>	<u>(1,931,093)</u>	<u>(1,575,615)</u>	<u>(1,549,425)</u>	<u>(1,422,186)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,162,095	\$ 4,136,568	\$ 3,944,389	\$ 3,555,507	\$ 3,555,507	\$ 10,530,969	\$ 10,138,508	\$ 11,194,425	\$ 12,351,831	\$ 11,924,600
Contributions as a percentage of covered payroll	19.16%	43.70%	54.79%	55.29%	58.43%	20.97%	19.05%	14.07%	12.54%	11.93%
Safety Plan										
Contractually required contribution	\$ 31,670	\$ 33,907	\$ 57,011	\$ 55,183	\$ 34,278	\$ 38,375	\$ 51,896	\$ 18,102	\$ 4,459	\$ 95,116
Contributions in relation to the contractually required contribution	<u>(31,670)</u>	<u>(33,907)</u>	<u>(57,011)</u>	<u>(55,183)</u>	<u>(34,278)</u>	<u>(38,375)</u>	<u>(51,896)</u>	<u>(18,102)</u>	<u>(4,459)</u>	<u>(95,116)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (Authority has no active employees)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

For the Miscellaneous Plan, during the year ended September 30, 2021, the plan was converted from an agent multiple-employer defined benefit pension plan to a cost sharing multiple-employer defined benefit pension plan as the number of active employees decreased.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Changes in the Total Other Postemployment Benefits Liability and Related Ratios (Unaudited)
Last 10 Years*

Measurement Period	2024	2023	2022	2021	2020	2019	2018
Total Other Postemployment Benefit (OPEB) Liability							
Service cost	\$ 247,239	\$ 251,133	\$ 337,576	\$ 312,263	\$ 974,651	\$ 744,076	\$ 750,072
Interest on the total OPEB liability	712,588	716,999	497,374	542,879	664,156	773,662	723,233
Differences between expected and actual experience	-	(1,734,166)	-	(1,382,284)	-	-	-
Changes in assumptions	1,310,604	101,907	(4,462,622)	(636,800)	1,211,664	3,233,839	-
Benefit payments (includes implicit subsidy)	(1,547,212)	(1,478,977)	(1,381,547)	(1,222,978)	(1,151,034)	(910,368)	(891,179)
Net change in total OPEB liability during measurement period	723,219	(2,143,104)	(5,009,219)	(2,386,920)	1,699,437	3,841,209	582,126
Total OPEB liability, beginning	15,908,290	18,051,394	23,060,613	25,447,533	23,748,096	19,906,887	19,324,761
Total OPEB liability, ending	\$ 16,631,509	\$ 15,908,290	\$ 18,051,394	\$ 23,060,613	\$ 25,447,533	\$ 23,748,096	\$ 19,906,887
Covered-employee payroll	\$ 2,404,215	\$ 2,162,095	\$ 4,136,568	\$ 3,944,389	\$ 3,555,507	\$ 10,530,969	\$ 11,620,492
Plan total OPEB liability as a percentage of covered-employee payroll	691.76%	735.78%	436.39%	584.64%	715.72%	225.51%	171.31%

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only seven years are shown

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios

Assumptions changes: During measurement period 2019, the discount rate was decreased from 3.83% to 2.75%. During measurement period 2020, the discount rate was reduced to 2.41%. During measurement 2021, the discount rate was reduced from 2.41% to 2.19%, the inflation rate was decreased from 3.00% to 2.75%, while healthcare cost trend rate and mortality assumptions were updated. During measurement period 2022, the discount rate was increased to 4.40%. During the measurement period 2023, the discount rate was increased from 4.40% to 4.63%, the inflation rate was decreased from 2.75% to 2.50%, while healthcare cost trend rates were updated. During the measurement period 2024, the discount rate was decreased from 4.63% to 3.81% and the healthcare cost trend rate was updated.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Other Postemployment Benefits Contributions (Unaudited)
For the Year Ended September 30 - Last 10 Years*

Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially determined contribution	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Contributions in relation to the actuarially determined contribution	\$ (1,547,212)	\$ (1,478,977)	\$ (1,381,547)	\$ (1,222,978)	\$ (1,151,034)	\$ (910,368)	\$ (891,179)
Contribution deficiency (excess)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Covered payroll	\$ 2,404,215	\$ 2,162,095	\$ 4,136,568	\$ 3,944,389	\$ 3,555,507	\$ 10,530,969	\$ 11,620,492
Contributions as a Percentage of Covered Payroll	64.35%	68.40%	33.40%	31.01%	32.37%	8.64%	7.67%

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only seven years are shown.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Other Postemployment Benefits Contributions (Continued) (Unaudited)
For the Year Ended September 30 - Last 10 Years*

Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
The actuarial methods and assumptions used are as follows							
Valuation dates	<u>September 30, 2022</u>	<u>September 30, 2022</u>	<u>September 30, 2020</u>	<u>September 30, 2020</u>	<u>September 30, 2018</u>	<u>September 30, 2018</u>	<u>September 30, 2018</u>
Actuarial cost method	Entry-age normal cost method						
Amortization method	Level percent of payroll						
Asset valuation method	Not applicable - Actuarial value of assets when applicable						
Inflation	2.50%	2.75%		3.00%			
Payroll growth	3.00%						
Projected salary increases	Varies by Entry Age and Service						
Investment rate of return	3.81%	4.63%	4.40%	2.19%	2.41%	2.75%	3.83%
Healthcare trend	5.50% for 2024 and decreasing to 4.0% by 2070	6.00% for 2023 and decreasing to 4.0% by 2070	5.80% for 2021, 5.60% for 2022, and decreasing to 4.00% by 2070		5.50% for 2019, 5.25% for 2020, and 5.00% for 2021 and later years		
Mortality	Pre-retirement rates and post-retirement mortality rates for healthy recipients were based on CalPERS Experience Study for the period from 2000 to 2019.				Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for males or females, as appropriate, without projection Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for males or females, as appropriate, without projection.		

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only seven years are shown

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Housing Authority of the City and County of San Francisco, California
Entity-Wide Balance Sheet Summary
September 30, 2024 (With Discretely Presented Component Units as of December 31, 2023)

	14.856 Lower Income Housing Assistance		14.249 Section 8 Moderate		97.109 Disaster Housing Assistance		14.879		14.871 Housing Choice Voucher		14.EHV Voucher		Elimination	Total Primary Government	6.1 Component Units - Directly Presented	REAC Total (Primary Government and Component Units)
	Project Total	Business Activities	6.2 Component Unit - Bonded	COCC	Moderate Rehabilitation	Rehabilitation Single Room Occupancy	Housing Assistance	Mainstream 5 Vouchers	Choice Voucher	Emergency Housing Voucher						
111 Cash - Unrestricted	4,154,511	22,172,039	22,248,406	4,305,432	3,346,030	31,258	-	738,457	28,884,926	1,157,852	-	-	-	87,038,911	372,733	87,411,644
113 Cash - Other Restricted	-	-	115,644	-	-	-	-	-	671,042	106,000	-	-	-	926,144	277	926,421
114 Cash - Tenant Security Deposits	-	-	52,749	-	-	-	-	-	-	-	-	-	-	52,749	72,716	125,465
100 Total Cash	4,154,511	22,172,039	22,416,799	4,305,432	3,346,030	31,258	-	738,457	29,555,968	1,263,852	-	-	-	88,017,804	445,726	88,463,530
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	22,488	7,618,741	268,972	-	-	-	7,910,201	-	7,910,201
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-	-	114,654	306,310	-	-	-	420,964	-	420,964
124 Accounts Receivable - Other Government	4,549,582	-	-	8,380	-	-	-	-	-	-	-	-	-	4,557,962	-	4,557,962
125 Accounts Receivable - Miscellaneous	-	-	-	5,964,341	-	-	-	4,977	-	-	118,824	-	(3,526,654)	2,561,488	-	2,561,488
126 Accounts Receivable - Tenants	-	-	3,693,674	-	-	-	-	-	-	-	-	-	-	3,693,674	439,988	4,133,662
126.1 Allowance for Doubtful Accounts - Tenants	-	-	(2,628,798)	-	-	-	-	-	-	-	-	-	-	(2,628,798)	(400,105)	(3,028,903)
126.2 Allowance for Doubtful Accounts - Other	(40)	-	-	(8,474)	-	-	-	-	(3,338,693)	-	-	-	-	(3,347,207)	-	(3,347,207)
127 Notes, Loans, & Mortgages Receivable - Current	120,000	345,000	-	-	-	-	-	-	-	-	-	-	-	465,000	-	465,000
128 Fraud Recovery	-	-	-	-	-	-	-	-	32,268	-	-	-	-	32,268	-	32,268
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-	-	(32,268)	-	-	-	-	(32,268)	-	(32,268)
120 Total Receivables, Net of Allowances for Doubtful Accounts	4,669,542	345,000	1,064,876	5,964,247	-	-	-	27,465	4,394,702	694,106	(3,526,654)	-	(3,526,654)	13,633,284	39,883	13,673,167
131 Investments - Unrestricted	8,618,557	-	-	5,683,989	-	-	-	-	-	-	-	-	-	14,302,546	-	14,302,546
142 Prepaid Expenses and Other Assets	-	-	-	51,325	-	-	-	1,192	1,816	1,816	-	-	(3,462,309)	56,149	209,244	265,393
144 Inter Programs Due From	-	2,243,270	-	1,071,627	-	-	-	147,412	-	-	-	-	-	1,462,309	-	1,462,309
150 Total Current Assets	17,442,610	24,760,309	23,481,675	17,076,620	3,346,030	31,258	33,458	914,526	33,952,486	1,959,774	(6,988,963)	-	(6,988,963)	116,009,783	694,853	116,704,636
161 Land	6,405,615	4,810,801	-	175,587	-	-	-	-	-	-	-	-	-	11,392,003	3,261,338	14,653,341
162 Buildings	-	-	53,076,921	718,599	-	-	-	-	-	-	-	-	-	53,795,520	26,268,426	80,063,946
163 Furniture, Equipment & Machinery - Dwellings	-	-	103,826	-	-	-	-	-	-	-	-	-	-	103,826	1,589,576	1,693,402
164 Furniture, Equipment & Machinery - Administration	-	-	-	7,063,435	-	-	-	-	588,494	-	-	-	-	7,651,929	-	7,651,929
166 Accumulated Depreciation	-	-	(2,229,123)	(7,480,676)	-	-	-	-	(588,494)	-	-	-	-	(10,298,293)	(20,358,617)	(30,656,910)
167 Construction in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	2,280,890	-	2,280,890
160 Total Capital Assets, Net of Accumulated Depreciation	6,405,615	4,810,801	50,951,624	476,945	-	-	-	-	-	-	-	-	-	62,644,985	13,041,613	75,686,598
171 Notes, Loans and Mortgages Receivable - Non-Current	378,303,400	582,190,580	28,967,134	-	-	-	-	-	-	-	-	-	(90,506,070)	898,955,044	-	898,955,044
174 Other Assets	47,290,656	67,253,864	-	11,120,664	-	-	-	-	-	-	-	-	-	(3,808,238)	121,856,956	122,793,176
180 Total Non-Current Assets	431,999,671	654,255,245	79,918,758	11,597,609	-	-	-	-	-	-	-	-	(94,314,298)	1,083,456,985	13,977,833	1,097,434,818
200 Deferred Outflow of Resources	1,360,127	-	-	3,400,316	-	-	-	-	2,040,188	-	-	-	-	6,800,631	-	6,800,631
290 Total Assets and Deferred Outflow of Resources	450,802,408	679,015,554	103,400,433	32,074,545	3,346,030	31,258	33,458	914,526	35,992,674	1,959,774	(101,303,261)	-	(101,303,261)	1,206,267,399	14,672,686	1,220,940,085
312 Accounts Payable <= 90 Days	-	-	2,765,545	769,288	-	-	-	-	79,350	-	-	-	-	3,614,183	1,500,712	5,114,895
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	-	-	-	1,588	1,609	-	-	-	3,197	9,558	12,755
322 Accrued Compensated Absences - Current Portion	-	-	-	146,771	-	-	-	-	736	-	-	-	-	147,507	-	147,507
341 Tenant Security Deposits	-	-	52,659	-	-	-	-	-	-	-	-	-	-	52,659	72,716	125,375
342 Unearned Revenues	-	-	180,667	-	-	-	-	-	-	-	-	-	-	285,650	113,743	399,393
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345 Other Current Liabilities	1,954,912	361,766	3,526,654	118,487	-	-	-	-	-	-	-	-	(3,526,654)	2,435,165	24,085	2,459,250
346 Accrued Liabilities - Other	639	-	-	-	-	-	-	105,843	12,494,774	359,711	-	-	-	12,960,967	613,010	13,573,977
347 Inter Programs - Due To	2,862,347	-	-	-	120,399	-	-	-	479,563	-	-	-	(3,462,309)	479,563	-	479,563
310 Total Current Liabilities	4,817,898	361,766	6,525,525	1,034,546	120,399	-	-	105,843	12,576,448	945,866	(6,988,963)	-	(6,988,963)	19,499,328	4,521,239	24,020,567
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	90,506,070	-	-	-	-	-	-	-	-	-	(90,506,070)	-	21,293,678	21,293,678
352 Long-term Debt, Net of Current - Operating Borrowings	24,646,910	-	-	-	-	-	-	-	17,919,068	-	-	-	-	42,565,978	-	42,565,978
353 Non-current Liabilities - Other	30,896,028	26,639,513	3,808,228	-	-	-	-	-	671,042	1,017	(3,808,228)	-	-	58,207,600	672,033	58,879,633
354 Accrued Compensated Absences - Non Current	-	-	-	97,847	-	-	-	-	491	-	-	-	-	98,338	-	98,338
35700 Accrued Pension Liabilities	3,608,327	-	-	9,020,818	-	-	-	-	5,412,491	-	-	-	-	18,041,636	-	18,041,636
357020 Accrued OPEB Liabilities	3,260,326	-	-	8,150,815	329,879	-	-	-	4,890,489	-	-	-	-	16,631,509	-	16,631,509
350 Total Non-Current Liabilities	62,411,591	26,639,513	94,314,298	17,269,480	329,879	-	-	-	28,893,581	1,017	(94,314,298)	-	(94,314,298)	135,545,061	21,965,711	157,510,772
300 Total Liabilities	67,229,489	27,001,279	100,839,823	18,304,026	450,278	-	-	105,843	41,470,029	946,883	(101,303,261)	-	(101,303,261)	155,044,389	26,486,950	181,531,339
400 Deferred Inflow of Resources	1,053,662	-	-	2,634,156	-	-	-	-	1,580,494	-	-	-	-	5,268,312	-	5,268,312
508.4 Net Investment in Capital Assets	6,405,615	4,810,801	(39,554,446)	476,945	-	-	-	-	-	-	-	-	-	90,506,070	62,644,985	(10,439,480)
511.4 Restricted Net Position	-	-	115,734	-	-	-	-	33,458	-	-	-	-	-	149,192	277	149,469
512.4 Unrestricted Net Position	376,113,642	647,203,474	41,999,322	10,659,418	2,895,752	31,258	-	808,683	(7,057,849)	1,012,891	(90,506,070)	-	(90,506,070)	983,160,521	(1,375,061)	981,785,460
513 Total Equity - Net Assets, Position	382,519,257	652,014,275	2,560,610	11,136,363	2,895,752	31,258	33,458	808,683	(7,057,849)	1,012,891	-	-	-	1,045,954,698	(11,814,264)	1,034,140,434
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	450,802,408	679,015,554	103,400,433	32,074,545	3,346,030	31,258	33,458	914,526	35,992,674	1,959,774	(101,303,261)	-	(101,303,261)	1,206,267,399	14,672,686	1,220,940,085

See accompanying notes to the financial data schedules.

Housing Authority of the City and County of San Francisco, California
 Entity-Wide Revenue and Expense Summary
 For the Year Ended September 30, 2024 (With Blended and Discretely Presented Component Units for the Year Ended December 31, 2023)

	Project Total	Business Activities	6.2 Component Unit - Blended	COCC	14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	97.109 Disaster Housing Assistance Program	14.879 Mainstream 5 Vouchers	14.871 Housing Choice Vouchers	14.EHV Housing Emergency Voucher	Elimination	Total Primary Government	6.1 Component Units - Discretely Presented	REAC Total (Primary and Component Units)
70300 Net Tenant Rental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70500 Total Tenant Revenue	-	-	27,466,975	-	-	-	-	-	-	-	(23,757,212)	3,709,763	3,346,104	7,055,867
70600 HUD PHA Operating Grants	11,288,477	-	-	-	795,148	-	-	6,736,928	422,504,110	33,966,097	-	475,290,760	-	475,290,760
70610 Capital Grants	356,708	-	-	-	-	-	-	-	-	-	-	356,708	-	356,708
70710 Management Fee	-	-	-	5,313,705	-	-	-	-	-	-	(5,313,705)	-	-	-
70730 Book Keeping Fee	-	-	-	1,376,040	-	-	-	-	-	-	(1,376,040)	-	-	-
70700 Total Fee Revenue	-	-	-	6,689,745	-	-	-	-	-	-	(6,689,745)	-	-	-
71100 Investment Income - Unrestricted	171,892	-	90	127,995	940	-	68	-	540	-	-	301,525	-	301,525
71200 Mortgage Interest Income	8,391,661	14,381,441	603,266	-	-	-	-	-	-	-	(2,545,368)	20,831,000	-	20,831,000
71500 Other Revenue	1,613,387	2,544,612	56,311	9,359,292	109,213	-	-	-	717,506	6,578	-	14,406,899	582	14,407,481
70000 Total Revenue	21,822,125	16,926,053	28,126,642	16,177,032	905,301	-	68	6,736,928	423,222,156	33,972,675	(32,992,325)	514,896,655	3,346,686	518,243,341
91100 Administrative Salaries	-	-	752,484	2,024,032	-	-	-	-	130,638	139,459	-	3,046,613	250,479	3,297,092
91200 Auditing Fees	-	-	-	53,993	745	-	-	1,192	131,064	14,190	-	201,184	15,450	216,634
91300 Management Fee	44,984	-	472,291	-	18,273	-	-	59,624	4,894,293	310,030	(5,313,705)	485,790	112,326	598,116
91310 Bookkeeping Fee	-	-	55,615	-	5,767	-	-	17,723	1,276,410	76,140	(1,376,040)	55,615	-	55,615
91400 Advertising and Marketing	-	-	302	13,961	-	-	-	-	5,856	-	-	20,119	5,778	25,897
91500 Employee Benefit contributions - Administrative	755,904	-	220,471	4,576,483	-	-	-	1,191,477	58,410	58,410	-	6,802,745	25,274	6,828,019
91600 Office Expenses	151,140	70,200	100,673	2,374,741	126	-	58,336	807,166	296,830	-	-	3,859,212	33,581	3,892,793
91700 Legal Expense	-	-	12,996	658,520	-	-	-	-	-	-	-	671,516	114,782	786,298
91800 Travel	-	-	-	13,141	-	-	-	-	-	-	-	13,141	-	13,141
91900 Other	-	-	142,749	12,165	-	-	-	-	14,371,629	298,517	-	14,825,060	62,023	14,887,083
91000 Total Operating - Administrative	952,028	70,200	1,757,581	9,727,036	24,911	-	136,875	22,808,533	1,193,576	(6,689,745)	29,980,995	619,693	30,600,688	
92400 Tenant Services - Other	215,437	-	-	-	-	-	-	90,869	1,265,734	-	-	1,572,040	-	1,572,040
92500 Total Tenant Services	215,437	-	-	-	-	-	-	90,869	1,265,734	-	-	1,572,040	-	1,572,040
93100 Water	-	-	3,373,011	8,098	-	-	425	642	642	-	-	3,382,818	255,438	3,638,256
93200 Electricity	-	-	1,050,293	86,678	-	-	8,527	42,664	5,685	-	-	1,193,847	46,276	1,240,123
93300 Gas	-	-	1,040,503	25,338	-	-	-	482	482	-	-	1,066,805	79,483	1,146,288
93600 Sewer	-	-	180,483	13,164	-	-	690	1,044	1,044	-	-	196,425	356,133	552,558
93000 Total Utilities	-	-	5,644,290	133,278	-	-	9,642	44,832	7,853	-	-	5,839,895	737,330	6,577,225
94100 Ordinary Maintenance and Operations - Labor	-	-	2,044,252	-	-	-	-	-	-	-	-	2,044,252	132,679	2,176,931
94200 Ordinary Maintenance and Operations - Materials and Other	-	-	258,979	2,800	-	-	-	-	-	-	-	261,779	89,612	351,391
94300 Ordinary Maintenance and Operations Contracts	10,263	-	6,280,385	53,144	-	-	1,850	2,773	2,773	-	-	6,351,188	707,222	7,058,410
94000 Total Maintenance	10,263	-	8,583,616	55,944	-	-	1,850	2,773	2,773	-	-	8,657,219	929,513	9,586,732
95200 Protective Services - Other Contract Costs	-	-	176,656	-	-	-	-	40,412	-	-	-	217,068	407,338	624,406
95000 Total Protective Services	-	-	176,656	-	-	-	-	40,412	-	-	-	217,068	407,338	624,406
96110 Property Insurance	-	-	1,501,989	40,144	-	-	-	-	-	-	-	1,542,133	655,605	2,197,738
96120 Liability Insurance	-	-	-	515,193	-	-	-	-	-	-	-	515,193	-	515,193
96130 Workmen's Compensation	-	-	78,468	149,103	-	-	-	-	-	-	-	227,571	51,783	279,354
96140 All Other Insurance	-	-	-	104,137	-	-	-	-	-	-	-	149,986	39,698	189,684
96100 Total Insurance Premiums	-	-	1,580,457	808,577	-	-	3,949	29,455	12,445	-	-	2,434,883	747,086	3,181,969
96200 Other General Expenses	3,861,025	-	8	181,079	-	-	-	4,856	-	-	-	4,046,968	13,307	4,060,275
96300 Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	55,284	55,284
96400 Bad debt - Tenant Rents	-	-	1,418,973	-	-	-	-	-	-	-	-	1,418,973	126,645	1,545,618
96500 Bad debt - Mortgages	416,841	-	603,266	-	-	-	-	-	-	-	-	1,020,107	-	1,020,107
96600 Bad debt - Other	-	-	-	8,475	-	-	44,688	146,709	151,565	-	-	199,872	-	199,872
96000 Total Other General Expenses	4,277,866	-	2,022,247	189,554	-	-	44,688	151,565	-	-	-	6,685,920	195,236	6,881,156
96710 Interest of Mortgage (or Bonds) Payable	-	-	2,545,368	-	-	-	-	-	-	-	(2,545,368)	-	632,089	632,089
96730 Amortization of Bond Issue Costs	-	-	13,791	-	-	-	-	-	-	-	-	13,791	-	13,791
96700 Total Interest Expense and Amortization Cost	-	-	2,559,159	-	-	-	-	-	-	-	(2,545,368)	13,791	632,089	645,880
96900 Total Operating Expenses	5,455,594	70,200	22,324,006	10,914,389	24,911	-	197,004	23,168,439	2,482,381	(9,235,113)	55,401,811	4,268,285	59,670,096	
97000 Excess of Operating Revenue over Operating Expenses	16,366,531	16,855,853	5,802,636	5,262,643	880,390	-	68	6,539,924	400,053,717	31,490,294	(23,757,212)	459,494,844	(921,599)	458,573,245
97300 Housing Assistance Payments	-	-	-	-	724,126	-	-	6,377,392	404,960,451	30,564,187	(23,757,212)	418,868,944	-	418,868,944
97350 HAP Portability-In	-	-	-	-	-	-	-	58,361	-	-	-	58,361	-	58,361
97400 Depreciation Expense	-	-	1,788,113	23,381	-	-	-	-	-	-	-	1,811,494	696,128	2,507,622
90000 Total Expenses	5,455,594	70,200	24,112,119	10,937,770	749,037	-	6,574,396	428,187,251	33,046,568	(32,992,325)	476,140,610	4,964,413	481,105,023	
10010 Operating Transfer In	3,865,111	-	-	5,619,647	-	-	-	-	-	-	(9,484,758)	-	-	-
10020 Operating Transfer Out	(9,484,758)	-	-	-	-	-	-	-	-	-	9,484,758	-	-	-
10100 Total Other Financing Sources (Uses)	(5,619,647)	-	-	5,619,647	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	10,746,884	16,855,853	4,014,523	10,858,909	156,264	-	68	162,532	(4,965,095)	926,107	-	38,756,045	(1,617,727)	37,138,318
11030 Beginning Equity	371,772,373	635,158,422	(1,453,913)	277,454	2,739,488	31,258	33,390	646,151	(2,092,754)	86,784	-	1,007,198,653	(10,196,537)	997,002,116
11170 Administrative Fee Equity	-	-	-	-	-	-	-	-	2,781,036	-	-	2,781,036	-	2,781,036
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	(9,838,885)	-	-	(9,838,885)	-	(9,838,885)
11190 Unit Months Available	-	-	11,424	-	1,296	-	-	2,748	188,138	10,764	-	214,370	2,316	216,686
11210 Number of Unit Months Leased	-	-	7,287	-	719	-	-	2,354	174,325	10,358	-	195,043	2,052	197,095
11270 Excess Cash	12,171,205	-	-	-	-	-	-	-	-	-	-	12,171,205	-	12,171,205

See accompanying notes to the financial data schedules.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to the Financial Data Schedules
For the Year Ended September 30, 2024

NOTE 1 – GENERAL

As required by HUD, the Authority prepares its financial data schedules in accordance with HUD requirements in a prescribed format. The schedules' format excludes depreciation expense, HAPs and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, differs in classifications of current and noncurrent assets, and reflects tenant and interest revenue separate from bad debt expense, which differs from the presentation of the Authority's basic financial statements in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The schedules agree to or can be reconciled with the amounts reported in the Authority's basic financial statements.

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Members of the Board of Commissioners of the
Housing Authority of the City and County of San Francisco, California
San Francisco, California

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City and County of San Francisco, California (Authority) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated June 27, 2025.

Our report includes emphasis of matter paragraphs discussing the Authority’s revenue concentration risk with the U.S. Department of Housing and Urban Development and going concern related to the Plaza East Associates, L.P. Our report also includes a reference to other auditors who audited the financial statements of the Authority’s blended component unit, SFHA Housing Corporation, and the Authority’s discretely presented component unit, as described in our report on the Authority’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of SFHA Housing Corporation and Plaza East Associates, L.P. were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini É O'Connell LAP

Walnut Creek, California
June 27, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Board of Commissioners of the
Housing Authority of the City and County of San Francisco, California
San Francisco, California

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Housing Authority of the City and County of San Francisco, California's (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Housing Voucher Cluster (Assistance Listing Numbers 14.871 and 14.879)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Housing Voucher Cluster for the year ended September 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Housing Voucher Cluster (Assistance Listing Numbers 14.871 and 14.879)

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding the following:

Finding Number	Assistance Listing Number	Program (or Cluster) Name	Compliance Requirement
2024-002	14.871, 14.879	Housing Voucher Cluster	Eligibility

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
June 27, 2025

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

<u>Grantor/Program Title</u>	<u>Identifying Number</u>	<u>Listing Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development:			
<i>Direct:</i>			
Public and Indian Housing	n/a	14.850	\$ 8,649,960
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	795,148
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	n/a	14.871	422,504,110
Section 8 Housing Choice Vouchers - COVID-19	n/a	14.871	33,966,097
Subtotal Section 8 Housing Choice Vouchers			<u>456,470,207</u>
Mainstream Vouchers	n/a	14.879	<u>6,736,928</u>
Subtotal Housing Voucher Cluster			<u>463,207,135</u>
Public Housing Capital Fund	n/a	14.872	<u>2,995,225</u>
Total Expenditures of Federal Awards			<u><u>\$ 475,647,468</u></u>

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City and County of San Francisco, California (Authority). The Authority's reporting entity is defined in Note 1 of the Authority's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Federal programs are listed by their Assistance Listing Numbers (ALN).

NOTE 2 – BASIS OF PRESENTATION

In accordance with U.S. Department of Housing and Urban Development (HUD) guidance, HUD considers the net Annual Contributions Contract subsidy for a public housing agency's (PHA) fiscal year under audit to be an expenditure for the purposes of the Schedule. Specifically, the net low rent operating subsidy received and the net Section 8 funds received, net of year-end adjustments, by the PHA would be the federal awards expended for the fiscal period under audit. Therefore, the amount in the Schedule is the total amount received directly from HUD for the Public and Indian Housing Program (ALN 14.850), Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation program (ALN 14.856), and the Housing Voucher Cluster (ALN 14.871 and 14.879).

Expenditures of other federal awards are reported in the Authority's basic financial statements as expenses for non-capital expenditures and as additions to capital assets for capital-related expenditures. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in the basic financial statements.

The Authority did not elect to use the 10% de minimus cost rate as covered in Title 2 CFR §200.414 *Indirect (F&A) costs*.

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs. Expenditures funded from the following acts are denoted by the prefix COVID-19 in the federal program title in the Schedule (as applicable):

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The Schedule agrees to or can be reconciled with the amounts reported in the Authority's basic financial statements.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

- Internal control over financial reporting:
- Material weakness(es) identified? No
 - Significant deficiency(ies) identified? Yes

Noncompliance material to the financial statements noted? No

Federal Awards

- Internal control over major programs:
- Material weakness(es) identified? Yes
 - Significant deficiency(ies) identified? Yes

Type of auditor’s report issued on compliance for major programs:

- Qualified for:
- Housing Voucher Cluster (ALN 14.871 and 14.879) – Eligibility

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

Identification of major programs:

1. Housing Voucher Cluster (ALN 14.871 and 14.879)
2. Public Housing Capital Fund (ALN 14.872)

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee? No

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2024

Section II – Financial Statement Finding

Comment 2024-001 Impact of Accounting System Limitations Over Financial Reporting Processes

Significant Deficiency

Criteria

The Authority has a fiduciary responsibility as a steward of public funds and, as a recipient of federal awards, must comply with the internal control requirements established in the Uniform Guidance. In order to fulfill this responsibility, the Authority has implemented internal controls that serve as the first line of defense in safeguarding assets. Additionally, these controls are designed to ensure: (1) effective and efficient operations, (2) reliable financial reporting and (3) compliance with applicable laws and regulations. The Committee on Sponsoring Organizations of the Treadway Commission (COSO) has established a nationally recognized framework for internal control in its *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring.

Condition

During the audit for the year ended September 30, 2024, multiple versions of updated financial statements are provided throughout the audit, in which significant changes are made to the account balances for each updated version provided. There appear to be significant limitations in the Authority's accounting system, which hinder the Authority's ability to reliably track and reconcile transactions and balances, and thus requiring substantial staffing resources to perform extensive manual and complex reconciliations and potentially leading to increases in error rates.

Effect

A limited and improperly designed and implemented accounting system can pose significant challenges for the Authority's operations. They may limit the ability to collect and analyze financial data, pose compliance risks, result in inefficiencies, and prevent the Authority from completing its annual financial reporting in a timely manner.

Identification of Repeat Finding

This is not a repeat finding in the immediate prior audit period.

Recommendation

A robust accounting system without system limitations can streamline operations, enhance timeliness and accuracy, and improve decision-making. We recommend the Authority to evaluate the Authority's existing accounting system and determine if the system is properly designed and capable to meet the Authority's need for accurate and timely financial information to manage fiscal operations.

View of Responsible Officials and Planned Corrective Action

See separately prepared Corrective Action Plan.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2024

Section III – Federal Award Findings and Questioned Costs

Finding Reference: 2024-002
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Housing Voucher Cluster
Assistance Listing Number: 14.871 and 14.879
Federal Grant Number: Not Applicable
Category of Finding: Eligibility
Classification of Finding: Material Weakness in Internal Control over Compliance
Material Noncompliance

Criteria

Pursuant to 24 CFR 982.516, the Authority must reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payments as necessary using the documentation from third party verification.

As a condition of admission to or continued assistance, the Authority shall require the tenant and other family members to provide necessary information, documentation, and execute a HUD-approved release and consent form authorizing the Authority to verify income eligibility.

For both family and income examinations and reexaminations, the Authority must obtain and document in the tenant file third party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent.

24 CFR 982.516 also requires the Authority to establish procedures that are appropriate and necessary to assure that income data provided by application or participant families is complete and accurate.

Condition

From a total population of 16,907 tenants under the Housing Choice Voucher cluster for the fiscal year ended September 30, 2024, we selected a statistically valid sample of one monthly subsidy payment within the fiscal year ended September 30, 2024 for each of 60 selected tenants. For fifteen of the tenants examined, the Authority was not able to provide documentation demonstrating that a reexamination was completed within the required time frame prior to the tested monthly subsidy payment.

Cause of Condition

The Authority's internal control procedures were not sufficient to ensure that all relevant tenant records and documents are properly completed and filed with within the specified due dates for annual reexamination.

Effect

The Authority is not in compliance with HUD requirements regarding annual re-examination of family income and composition, which may result in inaccurate assistance provided to participants.

Questioned Costs

The Authority was able to provide documentation demonstrating that reexaminations were completed subsequent to the tested subsidy payments. Therefore, there were no questioned costs identified in connection with the tenants examined.

Identification of Repeat Finding

This is not a repeat finding in the immediate prior audit period.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2024

Recommendation

The Authority should ensure that it has procedures in place to track and complete future tenant reexaminations within the required time frames.

View of Responsible Officials and Planned Corrective Action

See separately prepared Corrective Action Plan.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2024

Finding Reference:	2024-003
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program Title:	Housing Voucher Cluster
Assistance Listing Number:	14.871 and 14.879
Federal Grant Number:	Not Applicable
Category of Finding:	Special Tests and Provisions (Housing Quality Standards Inspections)
Classification of Finding:	Significant Deficiency in Internal Control over Compliance Instance of Noncompliance

Criteria

Pursuant to 24 CFR 982.158 and 982.405, the Authority must inspect the units leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and must also conduct quality control re-inspections. The PHA must prepare and maintain a unit inspection report for at least three years.

Condition

From a total population of 16,907 tenants for the fiscal year ended September 30, 2024, we selected a statistically valid sample of one monthly subsidy payment for each of 60 selected tenants and identified five tenants whose HQS inspections were not completed within the required due dates prior to the subsidy payments.

Cause of Condition

The Authority's internal control procedures were not sufficient to ensure that all HQS inspections were completed within the specified due dates and that all related inspection records are properly filed.

Effect

The Authority is not in compliance with the HQS inspection requirements. The Authority may be paying Housing Assistance Payments (HAPs) to property owners whose units have inadequate housing quality.

Questioned Costs

The units were ultimately inspected and determined to be compliant with the Housing Quality Standards. Questioned costs were not identified.

Identification of Repeat Finding

This is a repeat of finding 2023-002 reported for the year ended September 30, 2023.

Recommendation

The Authority should revisit its procedures, systems and controls to ensure the required HQS inspections are completed in a timely manner, and to strengthen its record retention and filing systems.

View of Responsible Officials and Planned Corrective Action

See separately prepared Corrective Action Plan.

**HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2024

Finding Reference:	2024-004
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program Title:	Section 8 Housing Choice Vouchers
Assistance Listing Number:	14.871
Federal Grant Number:	Not Applicable
Category of Finding:	Special Tests and Provisions - HQS Enforcement
Classification of Finding:	Significant Deficiency in Internal Control over Compliance Instance of Noncompliance

Criteria

Pursuant to 24 CFR 982.404(a)(3), the Authority must not make any housing assistance payments (HAP) for a dwelling unit that fails to meet the housing quality standard (HQS), unless the owner corrects the defect within the period specified by the Authority and the Authority verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension). Furthermore, 24 CFR 982.404(b)(2) states that if an HQS breach caused by the family is life threatening, the family must correct the defect within no more than 24 hours. For other family-caused defects, the family must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

Condition

Of the total of 5,989 tenants with failed inspections during the fiscal year, we identified eight cases in a statistically valid sample of 60 failed inspections in which the Authority did not perform follow-up inspections within the required timeframe and was not able to provide evidence showing that a PHA-approved extension was granted.

Cause of Condition

The Authority did not have adequate controls in place to ensure that the HQS are being enforced or completed in a timely manner.

Effect

The Authority is not in compliance with the HQS enforcement requirements, which may result in tenants living in unsafe housing units. In addition, the Authority may be paying HAPs to property owners whose units have inadequate housing quality or may be incorrectly withholding HAPs to landlords who have properly corrected deficiencies within the required timeframes.

Questioned Costs

The Authority was able to provide documentation showing that the units were inspected after the required time frames and ultimately passed inspection. Therefore, questioned costs were not identified in connection with the units examined.

Identification of Repeat Finding

This is a repeat of finding 2023-003 reported for the year ended September 30, 2024.

Recommendation

The Authority should continue to develop procedures and strengthen its internal controls related to HQS enforcement to ensure that follow ups on failed inspections are performed timely.

View of Responsible Officials and Planned Corrective Action

See separately prepared Corrective Action Plan.



SAN FRANCISCO HOUSING AUTHORITY

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Summary Schedule of Prior Year Audit Findings

The following is the current status of findings that were reported in the Authority's Schedule of Findings and Questioned Costs for the year ended September 30, 2023:

Prior Year's Audit Findings – Financial Statements

Reference Number:	2023-001 – Lack of Sufficient Controls Over Financial Reporting Processes Significant Deficiency
Condition:	The following significant errors in the Authority's accounts and balances were noted in our audit of the Authority's financial statements: <ul style="list-style-type: none">• Overstatement of pension expenses of \$2.1 million and misstatements of net pension liability and related deferred outflows/inflows of resources resulting from calculation errors.• Understatement of \$5.4 million of expenses and cash and cash equivalents resulting from calculation errors.
Recommendation:	The Authority should continue to reevaluate the sufficiency of the staffing of its Finance Department and ensure that its personnel are technically proficient and adequately trained to ensure that financial information is accurate and available timely to manage fiscal operations.
Current Status:	Corrective action has been implemented.



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Summary Schedule of Prior Year Audit Findings (Continued)

Prior Year's Audit Findings – Major Federal Award Programs

Reference Number: **2023-002 – Special Tests and Provisions (Housing Quality Standards Inspections)**
Material Weakness in Internal Control over Compliance
Material Noncompliance
Section 8 Housing Choice Vouchers Program
ALN 14.871 and 14.879

Condition: Required inspections were not performed within the required timeframe and HQS inspection reports were not provided for review.

Recommendation: The Authority should correct the deficiencies noted in the sampled participant files and consider the impact of the audit results over the entire population. In addition, the Authority should revisit its procedures, systems and controls to ensure the required HQS inspections are completed in a timely manner, and to strengthen its record retention and filing systems.

Current Status: Corrective action is in progress. See current year finding 2024-003.

Reference Number: **2023-003 – Special Tests and Provisions (Housing Quality Standards Enforcement)**
Significant Deficiency in Internal Control over Compliance
Instance of Noncompliance
Section 8 Housing Choice Vouchers Program
ALN 14.871 and 14.879

Condition: Of the total of 3,515 tenants with failed inspections during the fiscal year, we identified three cases in a statistically valid sample of 60 failed inspections in which the Authority did not perform follow-up inspections within the required timeframe to verify identified defects were corrected and/or did not abate HAPs for defects that were not corrected within the required timeframe.

Recommendation: The Authority should continue to develop procedures and strengthen its internal controls related to HQS enforcement. The Authority should also regularly review the list of failed inspections to verify that units with failed HQS inspections have the housing assistance payments properly withheld and that property owners whose units passed re-inspection are properly paid.

Current Status: Corrective action is in progress. See current year finding 2024-004.



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Summary Schedule of Prior Year Audit Findings (Continued)

Prior Year's Audit Findings – Major Federal Award Programs (Continued)

Reference Number: **2022-004 – Special Tests and Provisions (Housing Quality Standards)**
Significant Deficiency in Internal Control over Compliance
Instance of Noncompliance
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation
ALN 14.856

Condition: During our audit we selected a statistically valid sample of 17 participants out of a total population of 77 active program participants and identified 1 participant for which the Authority did not complete the Housing Quality Standards (HQS) inspections by the due date.

Recommendation: The Authority should correct the deficiencies noted in the sampled participant files and consider the impact of the audit results over the entire population. In addition, the Authority should develop procedures, systems and controls to ensure the required HQS inspections are conducted in a timely manner, and should take measures to improve its internal record retention and filing systems. Furthermore, staff needs to be continually trained and cross-trained on the rules and regulations to properly administer HQS inspections in accordance with HUD requirements.

Current Status: Corrective action has been implemented.

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HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO
1815 Egbert Avenue, San Francisco, CA 94124

June 27, 2025

Macias Gini & O'Connell LLP
2121 N California Blvd #750
Walnut Creek, CA 94596

To the Partners of Macias Gini & O'Connell LLP:

The Housing Authority of the City and County of San Francisco (Authority) thanks the staff of Macias Gini & O'Connell LLP for the completion of the audit of financial statements and single audit for Fiscal Year 2023-24. We appreciate the dedication exhibited by your staff and the level of thoroughness and due professional care exercised in conducting this audit.

Thank you to the entire staff of the Authority for your unwavering commitment to ensuring that it continues its trajectory toward becoming a high-performing, financially viable and fiscally responsible agency. To the Finance team, your dedication, agility, grit, and due diligence over the past six years in operationalizing appropriate financial processes and an effective internal controls system makes it possible for the Authority to achieve its goals. The Authority understands that all audit findings and implementation of recommendations are ultimately its responsibility, and I am certain these findings will be fully mitigated in the near future.

We support the audit's findings and recommendations which will assist the Authority towards its goal of operating with financial excellence and complying with federal statutes and regulations, and the terms and conditions of the federal awards applicable to its HCV and Public Housing programs. To that end, the Authority presents its corrective action plan for each finding, including the contact person responsible and anticipated implementation date in accordance with the standards applicable to financial audits contained in Government Auditing Standards and with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Respectfully,

Tonia Lediju, PhD
Chief Executive Officer

Housing Authority Board of Commissioners

Leroy Lindo

Luenna Kim

Mary Ann Pikes

Tonia Lediju, PhD

Chief Executive Officer

Financial Statement Finding

**Comment 2024-001: Impact of Accounting System Limitations Over Financial Reporting Process
Significant Deficiency**

Authority's Response & Actions Taken

Over the past five years, the Authority's Finance department - guided by the strategic leadership of the Chief Executive Officer and Chief Financial Officer - has made significant advancements in financial governance. Through the implementation of a strong internal control system, all repeat financial findings from previous years have been fully addressed. No misstatements or material impacts were identified in the financial statements—highlighting the department's commitment to transparency, accountability, and sound financial management.

The Authority acknowledges that maintaining an effective internal control environment is an ongoing responsibility requiring continuous assessment and enhancement. While substantial progress has been achieved, the Authority recognizes that its current accounting system does not sufficiently support HUD specific Financial Data Schedule (FDS) reporting. In particular, the lack of automated mapping and validation controls presents potential risks for misclassification and delays in reporting. Upgrading the financial system to address these gaps remains a strategic focus.

The current general ledger system is not fully integrated with HUD's FDS requirements and relies heavily on manual data reconciliation and cross-referencing during the year-end close process. With that said, the Authority has rolled out a robust and streamlined month-end closing process during FY 2024 to mitigate the risk of human errors and ensure the timely completion of all required reconciliations and journal entries, as well as implementing a mid-year soft close process to increase efficiency and prevent the risk of error during year-end processes.

The Authority has prioritized the modernization of its financial management system. A system upgrade is planned, which will include the integration of HUD-specific reporting functionalities, automated control features, and enhanced data validation processes. The project is currently in the planning and vendor selection stage, with implementation expected to begin in the upcoming fiscal year.

The Authority remains committed to transparency and full compliance with HUD financial reporting requirements. We are confident that the implementation of a new software solution as outlined above will ensure our financial system aligns with the industry's best practices and compliance standards and improve the accuracy and reliability of future FDS submissions.

Anticipated Implementation Date

September 30, 2026

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

Mamadou Gning, Chief Financial Officer

Reference Number: 2024-002

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Housing Choice Cluster
Federal Catalog Number: 14.871 and 14.879
Federal Grant Number: Not Applicable
Category of Finding: Eligibility
Classification of Finding: Material Weakness in Internal Control over Compliance
Material Noncompliance

Authority's Response & Actions Taken

The Authority has made considerable progress in addressing the backlog of annual re-examinations that resulted from the transition of a third-party contractor to new third-party contractors to administer its Project-Based and Tenant-Based Voucher Programs. The material weakness was further exasperated by tenants not responding to re-examination notices or failing to provide the required income and household documentation by established deadlines. In an effort to avoid unnecessary subsidy terminations and protect vulnerable tenants, the Authority's administrative plan allows for extended grace periods and repeated follow-ups. While this tenant-centered approach helped mitigate adverse outcomes for families, it also contributed to delays and ultimately resulted in noncompliance with HUD's timeliness requirements.

The Authority recognizes the critical importance of conducting timely and accurate annual reexaminations to maintain program integrity, ensure proper subsidy determination, and remain in compliance with HUD regulations. With that said, the Authority continues to work diligently with its third-party HCV contractors, city department partners, onsite service providers and property management companies to ensure the Authority is timely recertifying all assisted households.

Although the Authority has established procedures to initiate reexaminations 150 days in advance of their due dates, a significant portion of the delays cited in the recent audit were the result of tenant non-responsiveness—specifically, the failure to provide required documentation despite multiple notices and outreach efforts. Importantly, all overdue reexaminations identified during the audit were ultimately completed. Each of the affected households was determined to be eligible under HUD guidelines, and housing assistance payments (HAPs) were accurately processed based on verified household information.

The Authority remains committed to its tenant-centered mission, which prioritizes preventing unnecessary subsidy terminations and supporting household stability. At the same time, the Authority fully recognizes the importance of complying with HUD's reexamination timelines. The corrective actions outlined below are designed to ensure that tenant-related delays are minimized, documented, and managed in a way that prevents the recurrence of this material weakness.

To address this finding and in accordance with the Authority's Administrative Plan and HUD rules and regulations, the Authority has already implemented the following actions starting fiscal year 2023-24:

- Initiating the Annual Re-examination process 150 days before the required anniversary date to give households more time to comply.
- Reviewing the report of outstanding Annual Re-examinations on a weekly basis.
- Scheduling additional partner calls with property management and resident services to assist non-compliant families.
- Enforcing Annual Reexamination compliance through the Intent to Terminate process
- Scheduling and completing on-site visits for senior-disabled sites and non-restricted sites with large numbers of families out of compliance.
- Reviewing discrepancies between the Authority's System of Record and PIH Information Center, the official database of HUD.

Per CFR 24 985.3, Section 8 Management Assessment Program (SEMAP) Indicator 9 for Annual Reexamination, 95% of all households must be recertified within 14 months of their last annual recertification to maintain full compliance, and 90% of all households must be recertified within 14 months to maintain partial compliance with the SEMAP Assessment standards required by HUD. The Authority expects to hit 90% by the end of the SEMAP year September 30, 2025.

Anticipated Implementation Date

September 30, 2025

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

HCV Contractors

Kendra Crawford, Director of Housing Operations

Reference Number: 2024-003

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Housing Choice Cluster
Federal Catalog Number: 14.871 and 14.879
Federal Grant Number: Not Applicable
Category of Finding: Special Tests and Provisions (Housing Quality Standards Inspections)
Classification of Finding: Significant Deficiency in Internal Control over Compliance Instance of Noncompliance

Authority’s Response & Actions Taken

The Authority has made considerable progress in addressing the backlog of annual inspections that resulted from restricted unit access and the temporary implementation of HUD waivers during the COVID-19 national pandemic. These necessary public health measures, while appropriate at the time, contributed to delays in fulfilling Housing Quality Standards (HQS) inspection requirements.

The Authority acknowledges that additional progress is still needed and remains actively engaged with its third-party Housing Choice Voucher (HCV) contractors to ensure timely completion of all outstanding inspections. The Authority is fully committed to ensuring that all units under contract meet and exceed HUD’s standards for safe, decent, and sanitary housing, in accordance with HQS and the Authority’s Administrative Plan. All five annual inspections with exceptions noted during the audit were inspected after the required timeframes and ultimately passed inspection with the units determined to be in full compliance with HUD requirements.

The Authority uses the Emphasys Elite software to check against HUD’s PIH Information Center (PIC) system to identify units with outstanding Housing Quality Standards (HQS) Inspections. The Authority has scheduled HQS Inspections for the units identified to be out of compliance. Key strategies and controls in place are as follows:

Project-Based Program:

For the PBV program, the Authority has already implemented the following procedures to result in timely HQS inspections of all units.

1. Matching data between the Emphasys Elite system of records to ensure the most overdue inspections are scheduled.
2. A bulk inspection process was implemented effective November 1, 2024. Through this process, all units for a particular PBV site are scheduled for their annual inspections in the same month each year. This ensures that all units are inspected annually. The scheduling process includes:
 - a. Posting the bulk inspection schedule on the website. This is an annual schedule which identifies properties, property management, and the month the project will be inspected.
 - b. Providing notice to the applicable site owner/manager of the inspection date and the units to be inspected. The notice will include information on how to prepare for the inspection, a request to have site staff accompany the inspector, and a reminder to notify residents so access can be gained even if no one is home.

- c. Sending individual inspection notices to the owner and participant for each scheduled inspection.

For the PBV portfolio, staff will work directly with property management and developers to ensure access to units is continuously granted. Upcoming bulk inspections are also discussed on calls with owners. This allows for increased planning and respect for noticing timelines.

Tenant-Based Program:

- Review the report of outstanding HQS Inspections on a weekly basis.
- Schedule outstanding HQS Inspections in order of aging date.
- Conduct HQS Inspections prior to the anniversary date of previously completed inspection.
- Running a monthly report of failed inspections and comparing them with future scheduled inspections to ensure that a second inspection has been scheduled.
- Running a monthly report to identify units with two failed inspections to ensure all have been abated correctly.
- Implement weekly monitoring to ensure all units are properly abated and lifted timely when units pass inspections and contracts are properly terminated after being in abatement for 180 days without a cure.

The Authority has worked with Emphasys to identify the best ways to sort aged HQS inspections due and generate/schedule in bulk, as well as maximize the Inspector's workday by routing the tenant-based units in a way that flows in a clear and orderly manner.

Similar to the handling of delinquent annual reexaminations, the Authority is checking the data in PIC with the system of records and processing 50058 corrections where inspections have been completed but rejected in PIC due to out of sequence effective dates and any other fatal errors that require corrective action.

The procedures for the project-based and tenant-based programs are already in effect, and the backlog of inspections has been substantially reduced as illustrated by a reporting rate of 99% for SEMAP Indicator 12 annual HQS inspections as of May 31, 2025. Monthly performance reports are also reviewed by management to ensure inspection timeliness is maintained.

Anticipated Implementation Date

September 30, 2025

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

HCV Contractors

Kendra Crawford, Director of Housing Operations

Reference Number: 2024-004

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Section 8 Housing Choice Vouchers
Federal Catalog Number: 14.871
Federal Grant Number: Not Applicable
Category of Finding: Special Tests and Provisions – HQS Enforcement
Classification of Finding: Significant Deficiency in Internal Control over Compliance Instance of Noncompliance

Authority's Response & Actions Taken

The Authority has made considerable progress in addressing the backlog of annual Housing Quality Standards (HQS) inspections and enforcement since transitioning the programmatic functions of the Housing Choice Voucher (HCV) program to third-party contractors. While significant strides have been made, the Authority acknowledges that further progress is necessary and remains actively engaged with its third-party HCV contractors to ensure that all HCV-assisted units meet and consistently maintain HUD's HQS requirements.

The Authority remains committed to ensuring that all units under contract are not only compliant but provide safe, sanitary, and decent housing in accordance with HQS regulations and the Authority's Administrative Plan. The discrepancies noted in the audit were primarily due to inconsistencies in the application of enforcement timelines and insufficient documentation related to landlord extension requests and their corresponding approvals.

Importantly, all delayed follow-up inspections identified during the audit were successfully completed outside the required timeframes. Each unit passed inspection and was found to be compliant with HUD HQS standards. Housing assistance payments (HAP) were accurately processed for these units, and no abatements were necessary.

The Authority continues to refine its inspection protocols, improve documentation practices, and reinforce contractor accountability to ensure timely and compliant HQS inspections across the entire HCV portfolio. The Authority uses the Emphasys Elite software to schedule, record, and enforce HQS inspections. The Authority also uses its Customer Relations Management (CRM) system to track units that have failed an HQS inspection. To prevent recurrence, the Authority has already implemented the following corrective steps:

- Daily review process of units that have failed and/or no-showed two or more consecutive inspections. The inspection department uses this process to accurately review the letter generation and notification process for HQS deficiencies and notices of abatement. The inspection department manually reviews and generates both letters to their respective parties (landlord/owner and tenant).
- In addition to the daily morning review, at the close of business the HCV contractor will review the failed emergency inspections and will schedule any emergency re-inspections to ensure compliance with HQS enforcement rules and regulations.

The Authority's corrective steps outlined above will significantly strengthen its compliance efforts, reduce risk, and enhance the overall quality and integrity of the HCV program.

Anticipated Implementation Date

September 30, 2025

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

HCV Contractors

Kendra Crawford, Director of Housing Operations