

SDHC RESIDUAL RECEIPTS COMPUTATION DEFINITIONS

San Diego Housing Commission (SDHC) loans with residual receipts payment shall provide the Commission a Residual Receipts calculation and Residual Receipts payment if any, on an annual basis commencing on the first payment year stated in the Promissory Note.

Residual Receipts are defined as Gross Income less Operating Expenses. Operating Expenses comprise of Operating & Maintenance Expenses, Debt Service & Misc. Expenses, and Partnership & Related Party Fees as stated in the SDHC Loan Documents.

Income is defined as the total effective income to include the following:

- a. *Gross Potential Rent*: Potential Gross rent at 100% occupancy. If the project has rental assistance, the gross potential rent would be the tenant portion only.
- b. *Rental Assistance*: Rental assistance including HUD Section 8, HAP, continuum of care, etc.
- c. *Commercial Rent*: Potential gross rental income at 100% occupancy.
- d. *Grant Income*: Grants received to subsidize the operation & maintenance of the project.
- e. *Other Income*: Tenant charges, security deposit forfeit, laundry income, etc. Interest earned from reserve accounts should not be included in the Other Income.
- f. *Vacancy*: Rent lost due to vacancy.
- g. *Concession/Lost Revenue*: Any concessions made and/or lost rent. Do not include free rent provided for on-site staff.

Operating & Maintenance Expenses is defined as the total expenses required for operation and maintenance of the property.

- a. *Administrative*: Office supplies, convention & meetings, telephone, computer supplies and expense, legal and auditing expenses, bad debt, on-site staff rent free unit, office salary, and bookkeeping/accounting fees. Includes advertising and marketing expenses.
- b. *Personnel Salary & Benefits*: Manager's salary, payroll taxes, workmen's compensation, insurance, and benefits.
- c. *Property Management Fee*: Fee paid to third party to manage the property. The residual receipts calculation will only allow up to the limit stated in the SDHC loan document.
- d. *Utilities*: Electricity, gas, water & sewage paid by the project.
- e. *Maintenance and Contract Services*: Maintenance staff salary and supplies and any third party contract such as security, gardening, HVAC maintenance, fire monitoring, elevator maintenance, exterminating, and repair contracts, etc.
- f. *Property Taxes & Insurance*: Property & liability insurance and property taxes.
- g. *Other*: Please specify each item on separate lines.

Debt Service & Misc. Expenses is defined as payment that must be made.

- a. *Debt Service*: Principal and interest paid. Do not include residual receipts loan payments.
- b. *SDHC Monitoring Fee*.
- c. *Net Replacement Reserve Deposit*: Amount deposited minus the amount withdrawn. Interest earned is **not** included. Fill in the Replacement Reserve Account Balance tracking section (Page 2) of the Residual Receipts Computation Form.

- d. *Net Operating Reserve Deposit:* Amount deposited minus the amount withdrawn. Interest earned is **not** included. If the Operating Reserve is withdrawn for a specific purpose, please provide explanation and documentations. Fill in the Operating Reserve Account Balance tracking section (Page 2) of the Residual Receipts Computation Form.
- e. *Purchase of Fixed Assets/Capital Improvements:* Amount withdrawn from Replacement Reserve spent on capital improvement projects and capital improvement projects paid by the operating account that is **not** included in the operating and maintenance expense.
- f. *Other: Choose from the drop down.*
 - HCD annual loan servicing fee or minimum interest payment (.42% of principal)
 - Bond fees.
 - Trustee Fees
 - “Please Specify Other w/Write in” – for any other item not in the drop down, type in the item to be included.

Partnership & Related Party Fees is defined as payments to partners or related parties from available cash flow. The fees are based on the SDHC loan agreement and if the SDHC loan agreements does not specify, refer to the Limited Partnership Agreement. Please track payments on page 2, on the bottom of the Residual Receipts Computation Form.

- a. *Deferred Developer Fee:* The actual amount **paid** for the year shall be allowed.
- b. *Limited Partner (LP) Asset Management Fee:* The amount **earned** by the Limited Partner per SDHC agreement. When SDHC loan does not specify the amount, defer to the Limited Partnership Agreement (LPA) and the cash flow distribution priority list.
- c. *General Partner(s) Partnership Management Fee:* Partnership Management fee **earned** by General Partners per SDHC loan agreement. When SDHC loan does not specify the amount, defer to the Limited Partnership Agreement (LPA) and the cash flow distribution priority list.
- d. *Resident Services Fee:* Per SDHC loan agreement or the original proforma. If the resident services fee is allowed as an operating expense, please include in the “Operating & Maintenance Expenses” section as “Other” and type in “Resident Services Fee”.
- e. *Other: Ground rent:* Ground rent that is payable from available cash flow. If the ground rent is payable as an operating expense, please include in the “Operating & Maintenance Expenses” section as “Other” and type in “Ground Rent”.
- f. *Other:* Any other related party fees can be written in by choosing the drop down menu “Please Specify Other w/Write in” and simply type in.