Recipients of San Diego Housing Commission (SDHC) residual receipts loans must provide SDHC with an annual Residual Receipts calculation and a Residual Receipts payment, if any is due, beginning on the first payment date stated in the Promissory Note. The Residual Receipts Computation Form can be found on SDHC’s website – CLICK HERE.

Residual Receipts are defined as Gross Income minus Operating Expenses:

**Gross Income** is the total effective income, which includes:

- **Gross Potential Rent** – Potential Gross rent at 100 percent occupancy. If the development includes rental assistance, the gross potential rent would be the tenant portion only.
- **Rental Assistance** – Rental assistance, including Federal Section 8 Housing Choice Voucher Program rental assistance, Housing Assistance Payments (HAP), Continuum of Care funding, etc.
- **Commercial Rent** – Potential gross rental income at 100 percent occupancy.
- **Grant Income** – Grants received to subsidize the operation and maintenance of the development.
- **Other Income** – Tenant charges, security deposit forfeit, laundry income, etc. Do not include interest earned from reserve accounts.
- **Vacancy** – Rent lost due to vacancy.
- **Concession/Lost Revenue** – Any concessions made and/or lost rent. Do not include free rent provided for on-site staff.

**Operating Expenses** are composed of:

1. **Operating & Maintenance Expenses**;
2. **Debt Service & Miscellaneous Expenses**; and
3. **Partnership & Related Party Fees, as stated in the SDHC Loan Documents**.

**1. Operating & Maintenance Expenses** are the total expenses required for operation and maintenance of the property, including:

- **Administrative Expenses** – Such as the cost of office supplies, conventions and meetings, telephone, computer supplies and expenses, legal and auditing expenses, bad debt, on-site staff rent-free unit, office salaries, and bookkeeping/accounting fees.
- **Marketing & Leasing Expenses** – Advertising and marketing costs.
- **Personnel Salary & Benefits Expenses** – Manager’s salary, payroll taxes, workmen’s compensation, insurance, and benefits.
- **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.
- **Utilities** – Electricity, gas, water & sewage paid by the project.
- **Contract Services** – Any third party contract such as security, gardening, HVAC maintenance, fire monitoring, elevator maintenance, exterminating, and repair contracts, etc.
- **Maintenance** – Maintenance staff salary and supplies only.
- **Property Taxes & Insurance** – Property & liability insurance and property taxes.
- **Other** – Please specify each item on separate lines.
2. Debt Service & Miscellaneous Expenses are required payments, including:

- **Debt Service** – Principal and interest paid. Do not include residual receipts loan payments.
- **SDHC Monitoring Fee**
- **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.
- **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.
- **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.
- **Other** – Choose one of the options from the drop-down menu:
  - California Department of Housing and Community Development (HCD) annual loan or minimum interest payment (0.42 percent of principal)
  - Bond fees.
  - Trustee Fees
  - “Please Specify Other w/Write in” – Type in any items not included in the drop-down menu

3. Partnership & Related Party Fees are payments to partners or related parties from available cash flow. The fees are based on the SDHC loan agreement. These payments should be tracked on Page 2 of the Residual Receipts Computation Form.

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