



Wellington Community Housing
Managed by HOUSING CATALYST

Wellington Housing Authority &
Wellington Community Housing

BUDGET REPORT | FY2024

PREPARED AND PRESENTED BY:



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Overview

The Wellington Housing Authority (WHA) through Wellington Community Housing (WCH) provides homes with affordable rents for eligible low-income individuals and families. Both entities are overseen by separate 5-member boards which are independently appointed by the City of Wellington.

In 2021, Wellington Housing Authority went through a Section 18 disposition and converted 42 units of public housing to tenant-based voucher rental assistance. All 42 units transitioned to Wellington Community Housing, a non-profit corporation. Wellington Housing Authority remains active despite transferring its owned real estate to Wellington Community Housing. However, due to its lack of holdings and lack of anticipated operating activities, no budget has been prepared. Actuals will be presented if they occur as a part of regular quarterly reporting.

Presented is the Wellington Community Housing budget for the 2024 financial year. The properties owned by WCH do not require management of specific debt service coverage ratios or investor tax-loss requirements. Instead, the properties are managed to perform within the confines of federal voucher subsidy amounts and budgeted operating expenses. All vouchers are Project Based Vouchers and attached to the apartments. WCH contracts with Housing Catalyst to manage the 28 family units and 14 senior units located in Wellington. Housing Catalyst also manages all agency and non-profit board activities and reporting along with managing agency and non-profit filings.

Economic Conditions and Outlook

Wellington has an estimated population of 11,978 (United States Census Bureau, 2022) and a median household income of \$94,586. The median family income for Larimer County is \$80,664. The median monthly rent for Wellington is \$2,104.

Demand for affordable housing remains strong in the Larimer County market. The rental market has tightened considerably in recent years and rents continue to increase. According to zumper.com, apartment rents in Wellington have remained stable in the past year and 14% of households are renter occupied.

Long-Term Planning | Major Commitments | Initiatives

Housing Catalyst supports the development and preservation of affordable housing throughout Northern Colorado, with funding from the City, County, Colorado Division of Housing, Colorado Housing and Finance Authority, equity investors, and lenders. Along with its partners, Housing Catalyst combines intentional design with sustainable development principles and sound planning to develop and maintain a vibrant, diverse affordable housing portfolio. Housing Catalyst employs many strategies to create and preserve its stock of affordable housing and extends this expertise to Wellington Community Housing. These strategies include new construction, acquisition, rehabilitation, and preservation of existing housing to create and maintain high-quality, sustainable homes.

Organizational Structure

Wellington Community Housing was formed in 2019 and received all of its assets in the form of a contribution from Wellington Housing Authority in 2021. It was awarded IRS 501(c)(3) non-profit status effective October 17, 2019. This designation enables the entity to receive tax deductible bequests, devises, transfers, and gifts. The Wellington Community Housing nonprofit entity was further designated by the IRS as a public charity and will be required to file annual 990 tax forms. Accordingly, no provision for income taxes has been reflected in the 2024 budget.

Wellington Community Housing Budget

Exhibit 1 contains the FY2024 budget for Wellington Community Housing. The Wellington real estate portfolio is budgeted to generate \$95,175 in net operating income.

OPERATING INCOME

Gross potential rent is a financial metric used to evaluate the amount of income that a property could potentially produce. Gross potential rent is calculated assuming all units were rented at market rates and all tenants paid their rent on time each month.

The GPR and other tenant income for 2024 across the portfolio is projected to be \$790,524 assuming a budgeted increase of 5%. GPR is reduced by expected losses to lease budgeted in the amount of \$50,813. Vacancies are budgeted at 3%, totaling \$23,716 in 2024, reflecting a continued strong occupancy trend. Write-offs are budgeted at \$4,136. Additional other tenant income is budgeted at \$11,059.

Therefore, the effective gross income (EGI) for the 2024 budget is expected to be \$722,687. EGI is the true amount of income that a rental property is expected to generate. It is the total income expected from all operations of the rental property after an allowance is made for the revenue that is lost as a result of lease negotiations, vacancy, or unpaid rents.

Below in Figure 1 is a historical summary of EGI for the portfolio. After the conversion of the portfolio from public housing, there was a dramatic increase in the effective gross income as depicted in figure 1.

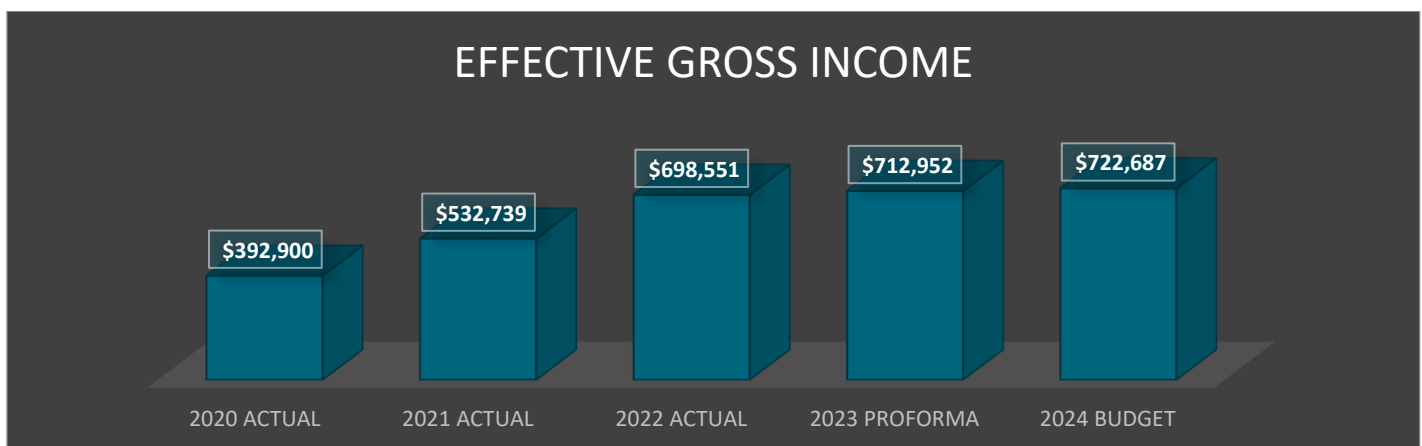


Figure 1 – 5 Year Historical Operating Income

OPERATING EXPENSES

Combined operating expenses are budgeted to be \$627,512 in 2024. This represents a 3% increase over the 2023 proforma forecast. The operating expenses are made up of several categories as depicted in Figure 2.

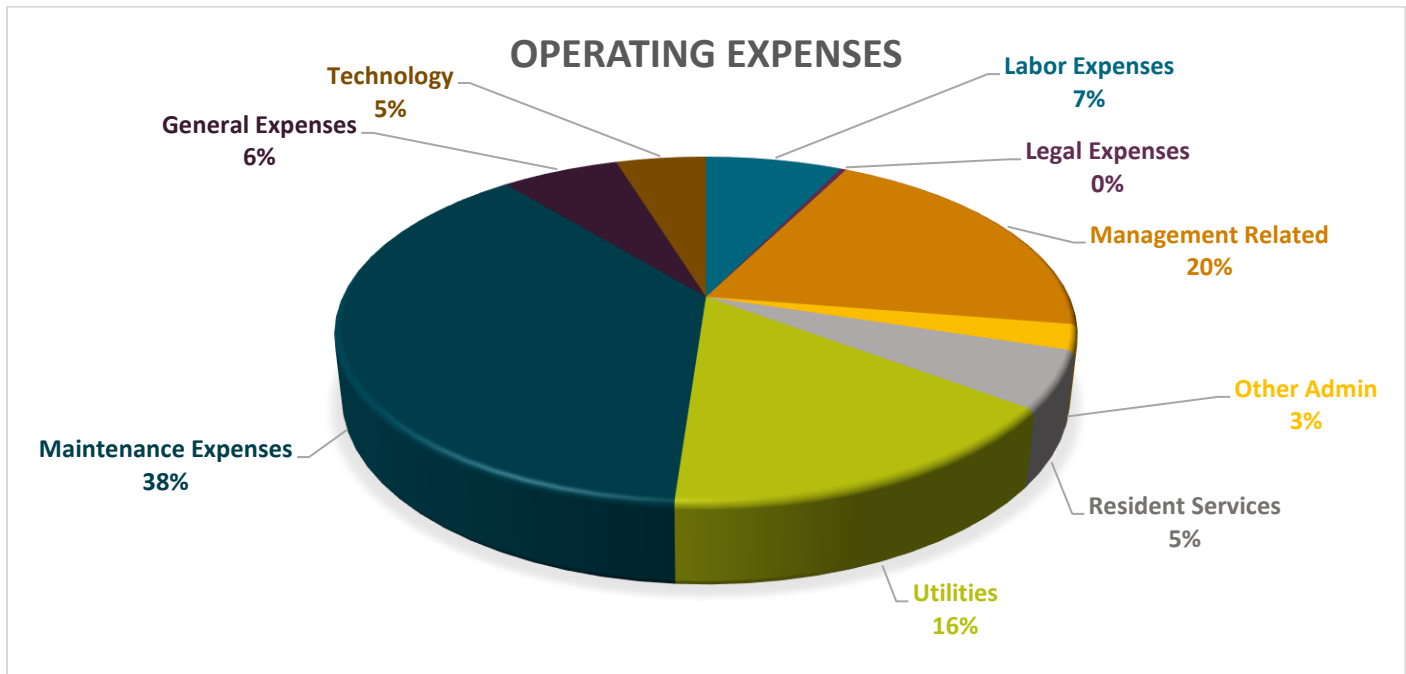


Figure 2 - Operating Expenses by Category

Labor Expenses

Labor costs are reimbursed at cost to Housing Catalyst and do not include any markups. Labor is expected to decrease by \$6,541 from 2023 proforma due to reduced allocation of resources needed to manage the property after the public housing disposition.

Management Related

Housing Catalyst charges a management fee, an accounting fee, and a compliance fee based upon gross rents. These fees for 2024 are \$58,215, \$58,215, and \$9,765 respectively, and represent 8% for management and accounting, 1% for compliance.

Maintenance Expenses

Overall maintenance expenses represent the largest expenditure budgeted. Maintenance expenses in total are budgeted to increase by 2.7% from the 2023 proforma. Maintenance provides a fixed contract for preventative maintenance while non-routine maintenance is billed on an hourly basis of \$75 per hour. Housing Catalyst has benchmarked work order bill rates with other housing authorities in Colorado and found that the range (adjusting for outliers) is \$65-\$85 per hour. Therefore, our rate of \$75 is in the middle of the range.

Housing Catalyst operates an in-house maintenance department and utilizes this department to benefit its managed portfolio of properties. It ensures costs are closely monitored and technicians can build efficiencies as they become familiar with the properties.

NET OPERATING INCOME

The 2024 net operating income (NOI) for WCH is projected to be \$95,175. This represents a \$6,367 decrease from the 2023 proforma. The NOI for 2024 as a percentage of revenues is 13.2%.

NON-OPERATING INCOME (EXPENSES)

The 2024 non-operating income and expenses are made up of income and expense streams that are deemed not to be directly related to operating and are ancillary to operations. By separating out items that are not directly attributed to operations, it allows management to monitor the operations of the portfolio more closely.

Non-operating expenses that are typically reflected in this section are depreciation, amortization, and interest expense. For 2024 WCH has budgeted \$49,604 for depreciation expense.

NET INCOME

The 2024 net income is budgeted to be \$45,771 which is a \$3,467 increase from the 2023 proforma and represents 6.3% of revenue.

Key Definitions

NET INCOME: Net income ("NI"), also called net earnings, is calculated as sales minus cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes, and other expenses. It is a useful number for investors to assess how much revenue exceeds the expenses of an organization. This number appears on a company's income statement and is also an indicator of a company's profitability. (Investopedia, 2021)

NET OPERATING INCOME: Net operating income (NOI) is a calculation used to analyze the profitability of real estate investments and organizations. NOI equals all revenue from the property, minus all reasonably necessary operating expenses.

NOI is a before-tax figure, appearing on a property's income and cash flow statement, that excludes principal and interest payments on loans, capital expenditures, depreciation, and amortization. When this metric is used in other industries, it is referred to as "earnings before interest, taxes, depreciation and amortization" (EBITDA). In our presentations we utilize the NOI term exclusively.

NET CASH FLOW: The net cash flow of an organization represents the sum over a period of time of the total cash received (inflow) from sales and loans less the total amount of money spent (outflow) by the company over the same period. It is an important measure of a company's ability to survive and grow (Bankrate, 2021).

EXHIBIT 1: Operations Budget

WELLINGTON	2024 BUDGET
OPERATING REVENUES	
Net Rental Income	711,628
Total Other Tenant Income	11,059
EFFECTIVE GROSS INCOME	722,687
TOTAL MISCELLANEOUS REVENUE	0
TOTAL OPERATING REVENUES	722,687
OPERATING EXPENSES	
ADMINISTRATIVE EXPENSES	
Total Labor Expenses	44,844
Total Legal Expense	1,877
Total Management Related Expenses	126,195
Total Other Administrative Expenses	14,809
TOTAL ADMINISTRATIVE EXPENSES	187,726
GENERAL EXPENSES	
Total Other General Expenses	38,757
Total Resident Services	33,600
Total Utility Expense	99,501
Total Maintenance Expense	238,303
Total Facility Costs	0
Total Vehicle Expenses	0
Total Technology Expense	29,625
Total Replacement Reserves	0
TOTAL GENERAL EXPENSES	439,786
TOTAL OPERATING EXPENSES	627,512
NET OPERATING INCOME	95,175
NET NON OPERATING INCOME (EXPENSES)	(49,404)
NET INCOME (LOSS)	45,771

EXHIBIT 2: Capital Expenditure Budget

2024 CAPITAL BUDGET SUMMARY	
Wellington Community Housing	
Replacement Reserve as of May 2023	-
Common Area - Security Equipment	32,500
TOTAL CAPITAL EXPENDITURES	32,500
Reserve Surplus (Shortage) Pending Approval of Total Requested Expenditures	(32,500)