

## **Affordable Housing Connections**

### **Review Process: Utility Allowance Method Change Requests**

It is the responsibility of the building owner to comply with all federal and state regulations. Utility allowances must be considered when owners determine the rent for affordable housing residents (projects receiving HOME funds, Sec. 42 LIHTC, etc.). Affordable Housing Connections (AHC), on behalf of Suballocator and/or HOME Participating Jurisdiction (PJ), will review project utility allowances in effect throughout the Compliance Period, Extended Use Period, or Period of Affordability. The owner must maintain all source information for the established utility allowance during the required period of time and make the information available to AHC upon request.

AHC will receive and review requests for a change in the property's established utility allowance methodology to one of the approved utility allowance methodologies. Changes requested to initial utility allowances should reflect savings from energy efficiency improvements in a manner that is fair to tenants, financially feasible for owners and reduces long-term public subsidy expenditures.

#### **Fee for Review**

The Owner or the project's management company will be invoiced directly by AHC for the cost of review of the UA Change Requests. Payment must have been received prior to AHC's recommendation for acceptance or denial.

#### **Notification Requirements**

Owners who request a change to their project's existing utility allowance or to change a utility payment in leases from owner-paid to tenant-paid or from tenant-paid to owner-paid must make a copy of the notification request and supportive documentation available to residents and to AHC 90-days prior to the proposed effective date for implementation.

AHC will review a proposed utility charge that is changing from owner-paid to tenant-paid to ensure the Utility Allowance accurately reflects the change and that gross rent limits are still being met.

Residents have the right to question the requested change in proposed utility charges from owner-paid to tenant-paid or in utility allowance methodology during this 90-day period. Once the new methodology has been accepted, annual updates to the utility allowance do not require a 90-day notice to the resident. The owner must maintain the documentation for all annual updates for their project and provide it to AHC with their annual Owner compliance report.

#### **How to Submit a Request to Change the Utility Allowance Methodology**

Utility allowance methodology change requests and all supporting documentation must be uploaded to AHC through the project's secure Egnyte folder. Once uploaded, a notification email must be sent that includes the Project D Number and/or IDIS Number, the Project Name, and UA Change in the email subject line:

**Email:** UAChangeRequest@ahcinc.net

**Subject line example:** D#xxxx/IDIS#xxxx ABC Commons UA Change

Please summarize in one sentence the UA method the project currently uses and the proposed new UA method as well as the date Owner has given the 90-day notice to tenants.

For example: *Project Name currently uses the PHA UA method published by \_\_\_\_\_, is proposing to change this method to the HUSM (or ECM or ...) and has given the required 90-day notice to tenants on \_\_\_\_\_.*

## General Submission Requirements

Each request for a change in utility allowance methodology must include:

1. \$500 review fee; and
2. Cover letter with the current utility allowance and proposed utility methodology; and
3. Copy of owner's notice to residents and description of how residents were notified (e.g., copy sent to each unit, posted in common areas & office). If property is not yet occupied at the time the request is made, indicate when property is expected to be occupied in the cover letter; and
4. Completed Utility Allowance Information [CHART UAHTC – UAHOME tab]; and
5. Current Utility Allowance Source Documentation (e.g. local PHA Payment Standard with the project's tenant paid utilities identified; and
6. Completed and signed Utility Allowance Certification form; and
7. Methodology supporting documentation as required (see the approved utility methodology section).

AHC will acknowledge receipt and provide a Completeness Screening Checklist within five (5) business days of the Egnyte upload date. AHC will review the submission documents and provide a written response within 30 business days after receiving complete and accurate information from the owner. AHC's review will be submitted to the Suballocator and/or PJ for final determination. Suballocator and/or PJ also may request additional documentation before making its decision.

## Allowable Utility Allowance Methodologies

The property owner may request to use one or more of the following utility allowance methodologies that meets the HOME and/or Tax Credit regulatory requirements. If the project has multiple funding sources, the rents must comply with the program gross rent limits for each program. If the project also has Section 8 Project Based Assistance, the PBA administrator determines the UA schedule for the unit.

**A. Public Housing Authority (PHA) Utility Method:** The local PHA utility allowance for the voucher program. This is the typical current method of establishing Utility Allowances used by most Section 42 LIHTC projects, and by HOME projects with funding commitments before August 23, 2013. The PJ will either require use of the HUSM or will establish its own UA Schedule for HOME projects with funding commitments after August 23, 2013 unless an alternative Utility Allowance methodology that meets the HOME regulatory requirements is approved through this procedure. Owners may request consideration of a different utility allowance methodology from the following alternatives:

**B. Utility Company Estimate (UCE):** An estimate from a local utility company providing the estimated cost of utilities for a unit of similar size and construction for the project or from the geographic area where the project is located.

### Submission Requirements for UCE:

1. A UA based on monthly estimates obtained from a local utility company that offers services to the project for each of the utilities used in the project, for each bedroom size in the project. Utility company estimates must be written on company letterhead, dated, and signed by an authorized company representative.
2. For properties with less than 12 months of usage, (new construction or substantial rehabilitation with new Placed in Service dates and new move-in households), the estimate also may be based on the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located.

**C. Average of Actual Consumption (AOAC):** An Average of Actual Consumption using the methodology described in the [HUD published Multifamily Notice H-2015-4](#). This Notice provides instructions to owners and management agents (O/A) of section 8 and other HUD assisted properties for completing the required utility analysis. This analysis is also used for the USDA Rural Housing Service program and allowed for HTC projects per IRS regulations at 26 CFR 1.42-10(b)(3). Owners may use the methodology from the notice, including the required baseline utility analysis; the optional factor-based utility analysis; and, the utility analysis sample size.

Note: A baseline utility analysis can use a sampling greater than the HUD approved sample size.

Additional guidance can be found in the [Frequently Asked Questions \(Revised July 2016\) Methodology for Completing a Multifamily Housing Utility Analysis H 2015-04 \(June 22, 2015\)](#).

**Submission Requirements for AOAC:**

1. Baseline utility analysis. Calculations may be made using a software tool of the owner's choice (e.g. they may use the [excel spreadsheet offered by HUD](#), [excel spreadsheet offer by Minnesota Housing](#) or other tabulation software) as long as the inputs reflect the methodology detailed in this the above Notice.
2. Phase-in plan, when applicable.
3. PDF copies of the utility data backup information. Some examples of backup information include:
  - a. Copies of the tenant data received from utility providers, this is typically in summary format; or
  - b. Copies of the actual monthly utility bills from the tenant or utility provider.

**D. HUD Utility Schedule Model (HUSM):** An estimate calculated via HUD's online Utility Schedule Model, using recent utility rates. The HUSM enables users to calculate utility schedules using a project specific methodology by entering the property housing type, and utility rate information (tariffs) for the property location. This model is based on climate and survey information from the U. S. Energy Information Administration of the Department of Energy and it incorporates energy efficiency and Energy Star data.

The HUSM (web based and Excel format) and use instructions can be accessed on the HUD Exchange website User at: <https://www.hudexchange.info/trainings/courses/hud-utility-schedule-model-calculating-utility-allowances-for-home-webinar1/>

**Submission Requirements for HUSM:**

1. Completed HUSM excel file.
2. Supporting documentation using rates no older than 60 days from notice to residents and AHC (for Suballocator or PJ). Include all applicable rates, riders, franchise fees (if applicable), and other charges. It will help speed up review if the data from the supporting documentation is highlighted and referenced to the corresponding HUSM cell number. For example, the standard monthly charge for electric goes into cell F18 on the Tariff's tab.
3. Copy of recent utility bill from each source. Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period. Owners may need to require utility release authorization forms to obtain a copy of utility bills. Printout of state and local tax rates used: <http://www.sale-tax.com/Minnesota> or <https://www.revenue.state.mn.us/businesses/sut/Pages/SalesTaxCalculator.aspx>
4. Other documents required to calculate the applicable utility allowance for the property, including but not limited to proof of LEED, Energy Star Certification or Significant Green Retrofit eligibility (if applicable), etc.

**E. Energy Consumption or Engineered Model (ECM):** An estimate from a properly licensed engineer, or qualified professional, using an energy consumption model that takes into account the unit size, building orientation, design and materials, mechanical systems, appliances and characteristics of the building location. If the ECM report is completed by a qualified professional that is not a properly licensed engineer, the request must include additional information to support the qualifications and experience of the qualified professional in providing energy consumption utility allowance reports. ***The engineer or qualified professional must be licensed in Minnesota.***

**Submission Requirements for ECM Prepared by Properly Licensed Engineer:**

1. The projected consumption for each applicable utility, as well as the dollar amounts including taxes and fees per unit size (number of bedrooms, generally) per month.
2. The ECM report showing the steps of the process for this determination.
3. Letter from the engineer or architect certifying that they are not related to the owner within the meanings of Section 267(b) or 707(b) of the IRS regulations.
4. Certification that the model complies with the minimum requirements for the project type, unit sample, and consumption data.
5. Supporting documentation, if applicable (i.e., utility rates, taxes, and fees, including monthly administrative fees charged to residents).

**Additional Submission Requirements for Unlicensed Engineer or Other Qualified Professional:**

- A. Description of the firm's or energy professional's experience compiling energy consumption models for use in residential multifamily properties for a minimum of 2 years.
- B. Resumes of staff responsible for completing the utility report.
- C. Certifications and licenses relevant to the development and implementation of an energy consumption model (e.g. Professional Architect license, Certified Energy Manager or similar designation).

The above procedures are subject to change without notice, and additional documentation and steps may be required on a case-by-case basis.

**Ratio Utility Billing (RUB):** Any form of RUBs is ineligible for determining utility consumption and is not an acceptable billing method for Sec. 42 LIHTC or HOME projects. If RUBs are in place at the property, any amount paid by a tenant for utilities must be included in gross rent. The total gross rent will be limited by the appropriate rent restriction.