

UTILITY ALLOWANCE POLICY

Date: **November 7, 2013**

To: Owners and Management Agents/Section 8 Program

From: Oregon Housing & Community Services
HUD Contract Administration (HCA) Section
Asset & Property Management Division

Subject: **Utility Allowance (UA) Policy Revision – Applicable Only to Projects with Tenant-Paid Utilities**

Effective Immediately HUD's Region X HUB issued updated guidance regarding Utility Allowance requirements. This update is the minimum requirement for processing utility allowance adjustments.

For those properties that have entered MAHRA, the owner must complete and submit an analysis of the utility allowance in conjunction with their Project Based Section 8 Contract Renewal/Rent Adjustment submission. In addition, owners must request approval of revised utility allowances whenever a utility rate change would cause a cumulative increase of at least 10 percent or more in the most recently approved utility allowances.

HUD has established that owner and agency requirements **would be met** by implementation of the following policy:

HUD requirement for consumption records:

Owners must determine a utility allowance, for each unit size in the project, using actual consumption records obtained from the utility company. *The actual consumption records will be obtained annually for the most recent twelve month period.* Baseline analysis will include:

- ❖ The analysis must include all unit types (****Section 8 units only**).
- ****New minimum/maximum guidelines:**
 - **1-10 units, a minimum of 3 per type** (in Projects where there are not 3 units of a specific type we will have to work with what is available and be reasonable in our conclusions);
 - **11-plus units, 20% with a minimum of 3 and a maximum of 20 per unit type.**
- ❖ The high and low annual usage for each unit type will be removed to determine the average (the removal of high/low should be implemented only when 5 or more units of a unit type are available for calculation purposes).
- ❖ Units that have experienced a vacancy within the 12 month period are to be omitted.
- ❖ Supporting documentation which includes the actual kilowatt usage must accompany the analysis.

Reporting requirements for owners:

- ❖ Provide worksheet(s) showing how average monthly kilowatt usage was calculated for each unit size;
- ❖ Provide worksheet(s) showing how the new monthly UA was calculated for each unit size;
- ❖ Provide recommendation for the utility allowance using the UA Analysis form.
- ❖ Submissions that do not meet the reporting requirements may be returned.

Reviewing Policy:

O/A and CA/HUD Calculation Discrepancies

- ❖ Calculation differences, and any other concerns, will be communicated with the owner/agent in writing.
- ❖ The CA/HUD will set the utility allowance based on the supporting documentation, unless the O/A provides sufficient additional information as to why the amount(s) should be set differently.

Utility Allowance Decrease

- ❖ If the utility allowance analysis results in a decrease in the amount the tenants will receive the O/A is required to comply with the tenant notification procedures outlined in HUD Handbook 4350.1, Chapter 7, Paragraph 7-5.

Alternate Methods

- ❖ There may be circumstances that require the O/A or CA/HUD to use an alternate method to calculate the new utility allowance. In this event the O/A must provide documentation explain the reason for the alternate method used and CA/HUD will document file. For example:
 - Small properties may need to include vacant units by prorating the occupied months;
 - Small properties may need to use all units instead of excluding the highest and lowest.

The above policy fulfills the owner's regulatory requirements as listed in 24 CFR sections 880.101, 881.101, 882.40, 883.101, 884.101, 886.101, 886.301; the HUD Memorandum (June 20, 2011) clarifying UA Regulations and the HUD Region X Tenant Paid Utility Allowance Guidance, effective April 12, 2012 (changes highlighted above). HUD Memorandum and Region X Guidance and sample worksheets attached to this Policy letter.
