

December 27, 2017

To: All Owner/Agents with Tax Credit and HOME Units

From: IHFA Compliance Department

RE: New procedures for Utility Allowance (UA) determination for HOME units

## **BACKGROUND**

The 2013 HOME Final Rule established a revised utility allowance (UA) requirement for the HOME program. The implementation of this new process was suspended until HUD completed updates to their HUD Utility Schedule Model (HUSM), which is one of the methods approved by HUD to calculate utilities.

In August 2016, HUD issued the final guidance for implementing the new HOME utility allowances. Any units with committed HOME funds on or after August 23, 2013 may no longer use the Public Housing Authority's (PHA) utility schedules. Any units funded prior to that date may continue to use the PHA utility schedule. This new process does not affect LIHTC units but most HOME units are in LIHTC properties.

Please refer to the *HOMEfires* – Vol. 13 No. 2, May 2016 published by HUD for more information.

<https://www.hudexchange.info/resource/5034/homefires-vol-13-no-2-guidance-on-how-to-establish-utility-allowances-for-home-assisted-rental-units/>

## **NEW PROCESS**

All owners/agents with HOME units that were funded on or after August 23, 2013 will have to submit a UA to the compliance department for review and approval at lease renewal or as soon it is possible. Properties that received HOME fund prior to August 23, 2013 may continue to use the PHA UA. The new UAs will have to be reviewed annually.

HUD has authorized five (5) approved methods for calculating the utilities, but has left it up to the Participating Jurisdiction (PJ) to determine which methods will be used. IHFA has determined the following methods may be utilized by the owners/agents:

1. The HUD Utility Schedule Model (HUSM)
2. Utility Company Model (based on actual usage at the property)
3. Energy Consumption Model (engineer model)

**The HUSM** allows users to calculate UAs by housing type after entering the utility rate information. HUSM uses data 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 and user instructions are available at:

<https://www.huduser.gov/portal/resources/utilallowance.html>

The report is available as either an excel spreadsheet or a web based model on HUD User at:

<https://www.huduser.gov/portal/datasets/husm/uam.html>

**The Utility Company Model** is a collection of actual utility data for the usage at the property. The owner/agent will gather the information and calculate an average usage amount to determine the utility allowance. This method will generally give you the most accurate utility amount. Owner / Agents will be required to get a release from the household granting the agent permission to collect the information from the utility company. Every person 18 years or older should sign the release. Agents will take this information and enter it into the spreadsheet provided by IHFA (attached and on the IHFA website) and submit for approval. The required spreadsheet is available on our website under Housing Compliance and HOME required documents. Submissions that do not include a completed IHFA spreadsheet will be rejected and you will have to re-submit the information on the correct form. The spreadsheet will need to come with copies of the bills you used to complete the spreadsheet. This method needs to be applied to each bedroom size. If the property consists of multiple buildings that are not identical, then the sampling must be performed for each bedroom size for each building.

The sample size is dependent on the number of units at the property. Please use the following guide when determining how many units to sample:

<b>Units</b>	<b>Minimum Sample</b>
1 – 20	ALL
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24
121-149	25
150-191	26
192-259	27
260-388	28
389 and up	29

Each unit will need a minimum of 10 months utility information, but they do not have to be consecutive. Owner / Agents will need to identify the 12 month period being used for the analysis (for example, February 2018 – January 2019). No utility bills should be submitted outside of the 12 month period identified.

**The Energy Consumption Model** (Engineer Model) is an energy model prepared by a properly licensed engineer or qualified professional. The person conducting the analysis must be independent from the owner/agent. The report and all the supporting documentation will need to be submitted to IHFA for review and approval. This method will need to be used for the first year of a new property with HOME units.

Requests to utilize a different model will require a waiver from IHFA. Requests for waivers need to be submitted to Katie Kilgrow at [katiek@ihfa.org](mailto:katiek@ihfa.org). Waiver requests should include all supporting documentation for approval.

### **TAX CREDIT and HOME UNIT MIX**

Most HOME units are mixed in with a Tax Credit property. The IRS has continued to allow the use of the PHA UA. In the properties that have a mix, we do not want to see two different utility schedules. If you have HOME units, please apply the HOME utility schedule to your Tax Credit units as well.

### **100% TAX CREDIT PROPERTIES**

You may continue to use the PHA UA if your property is 100% Tax Credit with no HOME units. But you may want to reconsider that approach if you are seeing low operating margins. The PHA UA is an average of usage and may include properties that are not as energy efficient resulting in a higher UA. The higher the UA, the lower amount of rent you collect. If you are having issues with cash flow, you may want to move away from the PHA UA and use one of the models listed above.

If you decide to use the Utility Company Model, please utilize the IHFA spread sheet and submit for approval. There is a \$250.00 fee that must be paid prior to IHFA providing review and approval.

### **OTHER BLENDED OCCUPANCY**

If HOME is layered on Rural Development (RD), you may use the approved RD UA. Be sure to have your documentation available for review during an audit. This is also true for the Project Based Section 8 UA.

If you have any questions or need clarification on the new process, please contact one of the Tax Credit auditors for guidance.

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