

HOW FREQUENTLY DO OWNERS/AGENTS HAVE TO CONDUCT A UTILITY ALLOWANCE STUDY?

HUD Handbook 4350.1 REV 1, Chapter 7, Sec. 7-24 requires Owners/Agents to request an adjustment in their utility allowances when utility rate changes result in a cumulative increase of 10% or more in the cost of utilities included in the latest approved utility allowances. In addition, many Housing Assistance Payments (HAP) contracts and Regulatory Agreements require Owners/Agents to re-evaluate the need for an adjustment at the time of each rent adjustment request.

WAHC recommends that Owners/Agents establish an internal procedure by which utility allowances are reviewed annually or more often if utility rate hikes are approved that may result in a cumulative increase of 10% or more. It makes good business sense to schedule the annual utility allowance analysis to coincide with the project's annual rent adjustment request

HOW DOES AN OWNER/AGENT CONDUCT AN INITIAL UTILITY ALLOWANCE ANALYSIS OR STUDY?

Neither WAHC nor HUD has adopted a mandatory method of conducting utility allowance studies/analyses. However, whatever method an Owner/Agent chooses must utilize a valid statistical sample of recent data from the assisted units at the property in question or from a public housing authority. The results must be mathematically correct and verifiable. While Owners/Agents may choose to use more technical methods, two acceptable methods are outlined below:

1. Actual utility data from the assisted units

- a. Identify the tenant paid utilities in the project, i.e., electricity, gas, heating oil. Do not include any utilities paid by the Owner and included in the tenants' rent (for example, water, sewer, garbage collection, etc.); do not include any Owner-paid resident utilities which are not HUD-approved project expenses (for example, telephone, cable TV); do not include any utility for which the resident is billed separately and which is not approved by HUD for inclusion in the utility allowance (for example, telephone, cable TV).
- b. Decide whether the analysis will include all units or a statistically significant number of each unit type receiving assistance in the project. Prepare a list of the units used in the analysis by unit type, i.e., studio; one bedroom/one bath; two bedroom/one bath; two bedroom /two bath, etc.
- c. Obtain at least 6 month's billing information for each utility used in each unit that is included in the analysis. If available, a full year's billing history is preferable since that will factor in seasonal changes in utility consumption. Billing history can be obtained from the resident or from the utility provider; residents need to sign a release form allowing Owners/Agents to obtain billing information from a utility company. Some utility companies will provide past billing information for vacant units or for recently occupied units. If the project has a Residents' Council, enlist the Council's help in encouraging cooperation in the utility study. Any increase benefits the residents.
- d. If residents pay for more than one utility, add together each month's cost of each utility for each unit included on each unit type list to obtain a total utility cost for that unit for each month used in the analysis.

- e. Calculate the average total monthly cost for each unit included on each unit type list.
 - f. Calculate the average monthly usage amount for all units included on each unit type list.
 - g. Compare the result with the current utility allowance approved for each unit type. If actual usage varies from the current utility allowance by 10% or more, request a utility allowance change from WAHC. (see below)
 - h. After initial data is obtained, it is only necessary to contact the local utility companies to obtain a projected new rate for the period to be analyzed.
- 2. Data compiled by a local public housing authority**
- a. Identify the tenant paid utilities in the project, i.e., electricity, gas, heating oil. Do not include any utilities paid by the Owner and included in the tenants' rent (for example, water, sewer, garbage collection, etc.); do not include any Owner-paid resident utilities which are not HUD-approved project expenses (for example, telephone, cable TV); do not include any utility for which the resident is billed separately and which is not approved by HUD for inclusion in the utility allowance (for example, telephone, cable TV).
 - b. Obtain a copy of a local housing authority's current utility studies for the unit types receiving assistance at the subject property. Take care to compare similar unit types because housing authorities typically provide housing assistance for single family homes, duplexes, etc. in addition to units in multifamily complexes. For example, do not compare the housing authority's utility allowance for a two bedroom single family house with a two bedroom apartment at a multifamily complex; do not compare a one bedroom walk up with a one bedroom unit in a high-rise building with common hallways.
 - c. Add the housing authority's utility allowances for each applicable utility for each unit type to find the total monthly utility allowance provided by the housing authority for each unit type.
 - d. Compare the result with the current utility allowance approved for each unit type. If the housing authority's utility allowance varies from the project's current utility allowance by 10% or more, request a utility allowance change from WAHC. (see below)

Public housing authorities are required to analyze utility rates annually. Owners/Agents must use the utility schedule currently in effect at the public housing authority. If Owners/Agents choose to adopt a public housing authority's utility allowance schedule, WAHC recommends developing an internal policy/procedure which outlines how and when designated staff is to obtain the PHA's annual updates.

HOW DO OWNERS / AGENTS REQUEST A CHANGE IN UTILITY ALLOWANCES?

Owners/Agents should submit a written request to Washoe Affordable Housing Corporation (WAHC) indicating the recommended change for each unit type found necessary by their analysis. Attach copies of the data and calculations used to support each recommended change. WAHC will review the request and provide the Owner/Agent with a written decision and specify the effective date of the change. Owners/Agents must comply with all state and federal tenant notification requirements applicable to the property. If the analysis shows that no change in utility allowances is necessary, the Owner/Agent should briefly advise WAHC in writing of that

fact and retain the analysis documentation on file for the time required for similar business records.

Owners/Agents utilizing the budget-based method for requesting a rent adjustment must also comply with the requirements of HUD Handbook 4350.1 REV 1, Chapter 7, including the requirements relating to utility allowances.