

NCHFA Utility Allowance Policy

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The gross rent limit published by NCHFA annually is inclusive of a utility allowance for all tenant-paid utilities, including electricity, water, sewer, gas, garbage or any amount paid in addition to rent. Telephone, cable and internet are specifically excluded by statute. Fees charged to the resident for utilities the owner is responsible for paying to the utility company are considered rent, unless the units are sub-metered to account for specific consumption by the household.

Summary of Allowable Methodologies

There are seven methodologies owners can use to calculate a utility allowance:

1. Rural Development (RD)
2. Housing and Urban Development (HUD)
3. Public Housing Authority (PHA)
4. Written local estimate
5. Agency estimate
6. HUD utility schedule model or
7. Energy consumption model

Option 1 - RD Methodology:

Developments financed by or receiving rental assistance from Rural Development (formerly FmHA) must utilize the RD-approved utility allowance methodology for all units. Copies of the RD approved utility allowance must be provided to the Agency during monitoring reviews or when copies of files are submitted for review.

Option 2 - HUD regulated buildings:

Developments with project-based rental assistance where the rents and utility allowance are reviewed by HUD each year must use the applicable HUD utility allowance for all units in the building. Copies of the HUD-approved utility allowance must be provided to the Agency during monitoring reviews or when copies of files are submitted for review.

If the building is RD or HUD regulated, option 1 or 2 must be used to calculate the utility allowance. Properties without RD or HUD regulation will determine the utility allowance under one of the following methods:

Option 3 - PHA Methodology:

The Public Housing Authority (PHA) methodology may be obtained and utilized for the building. Copies of the PHA utility allowance worksheet must be provided to the Agency during monitoring reviews or when copies of files are submitted for review.

The PHA utility allowance must be used for units occupied by tenants utilizing a Section 8 voucher regardless of the utility allowance used for the remainder of the units in the building.

Option 4 - Utility company estimate:

The **estimate** is obtained in writing from a local utility provider. An “average” is not the same as an “estimate”; average utility costs are covered under Option 5. To be considered under Option 4, the wording from the utility company must say estimate.

The utility company provides the estimated cost of that utility for units of similar size and construction for the geographic area in which the building is located. The regulation requires that the written local estimate includes all “component deregulated charges” for providing the utility service. In deregulated areas, an estimate from one utility company is allowed even if several companies can provide the same utility service to the unit. However, the estimate must come from a provider that offers services to the building. A copy of the utility company estimate must be provided and retained by the owner of the building, a copy provided to the Agency and also made available to the tenants of the building.

Option 5 - Agency Estimate

State housing agencies are allowed to establish a utility allowance for each tax credit development using a software model or actual utility company consumption data.

Owners wishing to request utility allowances based on actual consumption must follow the guidelines set forth in this policy. Owners will be required to submit information from the utility provider showing actual usage and rates. The sample must include twelve months of utility invoices for a representative number of units defined below. The data input spreadsheets are available on the NCHFA web site.

Current data must be used for this method. The required excel spreadsheet listing all units in the property with the name of the resident, number of bedrooms and the move-in and move-out date (if applicable) and the billing history by month for each unit included in the sample.

- Twelve months of billing data provided by the utility company for the required sample of units. Billing information for each type of utility the tenant is responsible for paying must be provided.
- The local utility provider may provide actual consumption records; however; the print out must include the name of the provider. It may be necessary to obtain the resident’s permission when requesting consumption or billing records.
- Utility billings received by tenants are acceptable. When actual utility bills are used, the provider’s name, unit number and resident’s name must be visible on the billing statement.
- Significant sampling includes a twelve month history of continuously occupied units of each bedroom size. Months will not be considered when occupancy for the month is less than 15 days.

- Actual utility consumption data must be provided for at least 25% of each unit type (bedroom size) or a minimum of 5 units of each unit type, whichever is greater. For example, a 49 unit property with 20 one bedrooms and 29 two bedroom units is required at a minimum to submit consumption information for 5 one bedroom units and 8 two bedrooms. For properties with 5 or less units, data from all units is required.
- The sample units must be geographically dispersed across the property.
- The spreadsheet will calculate the utility allowance for each bedroom size by averaging the utility costs. For example, all 2 bedroom units contribute to the estimate regardless of the square footage or amenities. The allowance will be rounded to the nearest whole dollar.

The Utility Allowance Certification is completed using the average utility costs for each bedroom size. The Certification must be signed by the management agent. The effective date of the Certification may be no older than 60 days beyond the end of the twelve month period used to calculate the utility allowance. For example, if billing records are collected from January through December, the effective date of the Certification must be March 1 or earlier. The Certification is valid for one year from the effective date.

NCHFA will complete their evaluation and approve the utility allowance within 30 days of receipt of the information. The request for utility allowance may be submitted to the Agency at any time during the year. However it is necessary to provide a copy of the current Certification for desk reviews, or when requesting rent increase approvals. NO increases in rents will be approved without proper utility allowance.

The utility allowance certification must be updated annually; therefore it is necessary to annually collect actual consumption records and conduct the analysis to determine the utility allowance. Owners not able to obtain adequate consumption history from the utility company will be directed to utilize an alternative methodology to calculate the utility allowance.

Past years certification and analysis may be requested by the asset manager when conducting file reviews. Failure to provide the utility allowance certification or analysis will result in a violation of non-compliance.

If the utility provider will supply the “average” utility cost per unit, this may be substituted for the 12 month billing history, provided the utility provider will supply the average for the required sample size; a smaller sample size will not be accepted.

Option 6 - HUD Utility Schedule Model

An owner may calculate a utility allowance using the HUD Utility Schedule Model which is found on the HUD web site at www.huduser.org/datasets/lihtc.html. This model is currently available for use to calculate utility estimates. It is necessary to identify a weather station in close proximity of the development to successfully calculate a utility estimate. The use of this model requires the owner to collect local utility rate data.

Option 7 - Energy Consumption Model

Owners may calculate utility allowances using an energy consumption model. The utility consumption estimates must be calculated by either a properly licensed engineer or a qualified professional approved by the agency. The qualified professional or engineer and the owner cannot be related within the meaning of section 267(b) or 707(b).

The model must at a minimum, take into account specific factors including but not limited to: unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. The model must use current data when calculating the utility estimate, therefore the model must use data no older than 60 days of the end of the twelve month period or no earlier than 60 days prior to the beginning of the 90 day notification period.

NCHFAs must approve the licensed engineer or qualified professional prior to obtaining the utility estimate. The owner must provide copies of the estimate to the Agency and made available to the residents.

If the company hired by the owner employs a licensed engineer, no backup documentation will be required other than the utility allowance calculated by the company, which includes the date calculated. If there is no licensed engineer on staff, backup documentation must be submitted to demonstrate how the company calculated the allowance. The Agency may reject the average from the qualified professional if it is based on limited data.

Annual review

All utility allowances must be updated and approved annually which means an owner must review and update the utility allowance at least once during each calendar year. Any changes such as energy conservation measures affecting the energy consumption of the building and changes in utility rates must be taken into account with the annual update.

General information and Notification requirements

Proper notification is required to utilize the allowances mentioned above. Owners are required to make the estimates available to the residents and the Agency under these options. Owners must provide notification to the Agency and residents at the beginning of a 90 day period. During the 90 day period, NCHFAs review the utility allowance request and asks for additional information if necessary. An approval/acknowledgement letter will be issued by NCHFAs prior to the proposed effective date of the allowance. The owner must pay all costs incurred in obtaining utility estimates and providing notification to the Agency and residents.

Owners may combine any methodology described in this memo for each utility type (electric, water, gas, etc). For example the owner may utilize the allowance from the PHA for water and sewer but an allowance based on actual use method for electricity. The owner shall maintain and make available for inspection by residents, the data used to calculate the utility allowance. A 90 day notification to residents is required when increasing the utility allowances. Increases in rents due to changes in the utility allowance are not allowed without the 90 day notification. Updated utility allowances must be implemented within 90 days of the effective date of the Certification.

Fees

All requests for approval of utility allowance under the utility company estimate (option 4), the Agency estimate (option 5), the HUD utility schedule model (option 6) or an energy consumption model (option 7) require a fee of \$150.00 per request. Fee must be submitted at the time of the request.