

# CALCULATING UTILITY ALLOWANCES FOR PBRA

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# GOALS OF THIS CLASS

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- Understand where and how to find the resources/forms to learn about calculating PBRA Utility Allowances.
- Discuss PBRA utility allowances in the context of annual renewals/adjustment of contract rents.
- Discuss the overall process of calculating PBRA Utility allowances.
- Discuss the process of how to calculate utility allowances in the context of a weighted average based on different unit types within a project.







# TVRHA HISTORICAL BACKGROUND

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- Regional PHA located in Northeast Mississippi managing 1245 units over a large 10 county geographical area.
- Projects are grouped by location. However, individual project groupings may have different types of rental units and different utilities within a project grouping.
- Approximately 88% of TVRHA's housing units were built in 1972/1973 as single-family brick homes under the Turnkey 3 Homeownership program.
- Operated in PBRA since 2014. So, we have re-baselined utility allowances three times since conversion.

# UTILITY ALLOWANCE RESOURCES

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- **Housing Notice 2015-04**  15-04HSGN.pdf
- **Utility Allowance FAQ**  UA\_FAQs\_February\_2022.pdf
- **Baseline U/A Worksheet** 
- **Factor based UAF worksheet** 
- **24 CFR 245.410**  24 CFR 245.410 (up to date as of 11-01-2024).pdf
- **24 CFR 245.15**  24 CFR 245.15 (up to date as of 11-01-2024).pdf

# UTILITY ALLOWANCE CALCULATIONS ARE DONE IN CONCERT WITH THE ANNUAL RENEWAL OF GROSS RENTS

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- Utility allowances are calculated on a three-year rolling basis in concert with the annual renewal of contract rents. The baseline is year 1, the utility allowances are then inflated by a Utility Allowance Factor (UAF) in years 2 & 3.
- Utility allowances are calculated using the average actual amount of utility consumption over a 12-month period. This means that the utility allowances are calculated based on the average actual utility costs of a sample of units based on the size of the project grouping.

# BASELINE UTILITY ANALYSIS

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- Request actual utility data from either the utility provider or the tenant for at least the number of units required by the sample.
- You must exclude units from the sample that:
  - Are receiving an increased utility allowance low-income reasonable accommodation
  - Have been vacant more than two months. Units included in the sample should have at least 10 units of occupancy.
  - Are receiving a flat utility rate as part of a low-income rate assistance utility program.
- Determine the average utility allowance by bedroom size. Do not exclude any units from the sample, other than the units excluded above.
- Do not remove the highest or lowest utility cost household when determining the average for each bedroom size.

# UTILITY ALLOWANCE UNIT SAMPLE SIZE

<b>Number of units*</b>	<b>Minimum number of units in 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 above	29

\*Per bedroom size. If the property consists of multiple non-identical buildings (the buildings are not substantially similar), then the sampling must be performed for each bedroom size for each building on the site.

# UTILITY ALLOWANCE DECREASES

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- Whenever an adjustment to the utility allowance results in a decrease, an owner must follow the requirements of 24 CFR Part 245.405(a) and 245.410 regarding notice to tenants. This step must be completed prior to the implementation of the new utility allowances.
- If the utility allowance decrease that results from the initial application of this methodology would exceed 15 percent of the most recent utility allowance, and that decrease is equal to or greater than \$10, the decrease must be phased-in. This means the O/A will implement a 15 percent decrease from the most recent utility allowance for that year, and then implement the remainder of the calculated decrease the following year, so that no decrease in any one year is greater than 15 percent. SEE UTILITY ALLOWANCE FAQ!!!
- The UAF will be applied in the second and third years of the triennial cycle after subtracting out any phased reduction.



# OTHER UTILITY ALLOWANCE CONSIDERATIONS

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- Properties undergoing new construction or substantial rehabilitation may establish initial utility allowances for new or rehabilitated units based on an analysis completed at underwriting through an energy consumption model. This energy consumption model must take into account specific factors including unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location.
- The study must be conducted by 1) a properly licensed engineer or 2) a qualified professional approved by HUD. Also, the owner must furnish copies to HUD, CA and make copies available for review by the tenants. The owner must incur all costs associated with the study.




# TENANT HOUSEHOLD REQUIRED PARTICIPATION

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- Tenants must sign a release for utility data. O/A's may require this as an essential function of the tenancy. This release remains applicable for the household's term of tenancy.
- Tenant households are required to provide utility data and documentation if requested by the O/A and this request does not have to correspond with the household's annual re-examination.
- Tenants must also disclose if they are paying a flat rate as part of a low-income rate assistance program.
- Tenants must also disclose if they are receiving utility assistance from sources other than HUD. ***Tenants receiving utility assistance from sources other than HUD continue to receive the baseline HUD utility allowance as determined by the most recent utility allowance analysis.***

# UTILITY ALLOWANCES IN YEARS 2 & 3

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- Utility allowances calculated in year 1 (Baseline) may be inflated by a state specific UAF as published by HUD in years 2 & 3.  
- The UAF will be applied in the second and third years of the triennial cycle after subtracting out any phased reduction.
- For project groupings with scattered properties having different types of utilities, you may need to do a weighted average after applying the UAF. 

# APPROVAL PROCESS FOR UTILITY ALLOWANCES

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- Once you have your utility allowances calculated, whether a baseline or UAF, you simply include the back up documentation (*excel spreadsheet documenting how the U/A was calculated to start*) in your annual renewal submission.
- If you have multiple projects, then you can have multiple account executives approving your annual renewals, which includes the utility allowances.
- Each account executive has their own idiosyncrasies when it comes to approval of utility allowances. Some are very easy to deal with, others can be somewhat difficult.
- If you run into trouble getting your utility allowances approved, don't hesitate to go to the branch chief, the division director or even the regional center director. That's what they are there for. Also, remember you are the owner of the property.

# APPROVAL PROCESS FOR UTILITY ALLOWANCES

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- Sample utility allowance calculation



# QUESTIONS/DISCUSSION

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