HUD Region X
Tenant Paid Utility Allowance Guidance
(Updated) Effective March 3, 2014

This guidance applies to all Multifamily projects with project-based Section 8, PACS, or 236 mortgages, where the residents are responsible for paying utilities. This guidance is the minimum requirement for processing utility allowance adjustments

Owners of multifamily housing properties that receive subsidy assistance, and for which HUD provides a utility allowance, are required to adjust their properties' utility allowance every year at the time of the annual and special adjustments of contract rents. Guidance for this requirement can be found in the June 20, 2011, memorandum from Carol Galante and in HUD Handbook 4350.1 REV-1, Chapter 7, Section 4, 7-24. The recommended utility allowance should represent the owner's best estimate of the average monthly utility cost that an energy-conscious resident will incur for the year. The utility allowance is not meant to pay all actual utility costs, but rather it is to reimburse a prudent utility consumer for their utility expense. In addition to the annual adjustment, the owner 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.

For those properties that have entered MAHRA, the owner must submit an annual recommendation with their Project Based Section 8 Contract Renewal/Rent Adjustment submission. Mid-year adjustments are not permitted in accordance with the Section 8 Renewal Policy Guide, Chapter 16, unless approved by the HUD field office.

Analysis required at a minimum every year: A property specific usage or cost analysis will be submitted yearly for Section 8 units with the owner's contract renewal or rent adjustment submission packet. Owner/agents will obtain the actual consumption data and rate information for each unit type for the recent twelve month period. The analysis period will provide the owner adequate time to prepare and post in accordance with 24 CFR 245 (30 day posting/comment period) and submit their renewal/rent adjustment owner packet to the CA/HUD at least 120 days (4 months) prior to the contract expiration and/or anniversary date. Baseline analysis using Section 8 units only:

- ✓ 1-10 units use a minimum of 3 per unit type
  11 plus units use 20% of the unit type with a max of 20 per unit type.
- ✓ The high and low for each unit type will be removed to determine the average.
- ✓ Units that have experienced a vacancy within the 12 month period, are to be omitted from the calculations.
- ✓ Supporting documentation which includes the actual Kilowatt usage (billing statements, data from the utility provider, etc) must accompany the analysis.

Discrepancies between the owner/agent recommendation and the CA/HUD calculations: When a 10% or higher cumulative increase in utility allowance is demonstrated and the owner/agent's recommendation does not coincide with supported calculations, the CA/HUD will inform the owner/agent that an adjustment to the utility allowance is

required. 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 owner/agent provides sufficient additional information as to why the amount(s) should be set differently.

Utility allowance decreases:

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

Miscellaneous:

This document is meant to provide guidance for determining Tenant Paid Utility Allowances. However, there may be circumstances that require the CA/PM to use an alternate method to calculate the new utility allowance, for example; small properties may need to include vacant units by prorating the occupied months and may also need to use all units instead excluding the highest and lowest. In this event, the CA/PM must document the file with the reason the alternate method was used.

Any future more restrictive guidance received from HUD HQ's will supersede this Hub guidance.