



UTILITY ALLOWANCE POLICIES AND PROCEDURES FOR TAX CREDIT AND/OR HOME PROPERTIES

The DC Department of Housing & Community Development (DHCD), per regulation will allow Owners to calculate utility allowances in several different ways. Therefore, DHCD has developed policies and procedures to allow Owners of projects funded through Tax Credit and/or HOME funds more flexibility in determining an acceptable utility allowance to be used.

The four (4) utility allowance options are listed below and will be further explained on the following pages.

1. Applicable Public Housing Authority (PHA) Utility Allowance
2. Local Utility Company Estimate
3. HUD Utility Schedule Model
4. Energy Consumption Model

GENERAL INFORMATION

All utility allowances must be updated and approved annually.

In 2009, project owners were allowed to switch between options from year to year. For example, an Owner could have chosen to use option 2 last year and this year chooses to use option 4.

Owners will also be allowed to mix and match options 1 through 3. For example, an Owner may choose to use option 2 for the electricity and option 3 for everything else. However, all utility allowances must be updated at the same time. For example, if the Owner plans to use option 2 for electricity and option 1 (PHA utility allowance) for everything else, they will need to time their submission of the request to DHCD so that the beginning of the agency review period (see timeline in next section) corresponds with the effective date of the PHA utility allowance. Example two, if the Owner wants to use option 3 for electricity and option 4 for everything else, the Owner must prepare the appropriate information for both options and submit them to DHCD as one request.

The utility rate for garbage is normally a flat rate and not subject to varying consumption charges.

The regulation revisions deal primarily with options for determining utility allowances, which is the focus of this policy. However, it also clarifies that utility payments made directly to the property owner are considered a part of the gross rent and not to be considered in the utility allowance.

For example, if the property manager collects \$15 per month from each apartment to cover the cost of the trash service, the \$15 must be considered part of the rent and must not be figured into the utility allowance.

This document contains general DHCD policy. DHCD reserves the right to make exceptions when circumstances warrant and regulations allow.

If you choose option 1 through 3, you would not normally need to send DHCD a request for approval. **When choosing option 4, all requested information must be sent to:**

Patricia Godwin
Compliance Specialist
DC Department of Housing & Community Development
Portfolio and Asset Management Division (PAMD)
1800 Martin Luther King Jr. Avenue, SE
Washington, DC 20020

Questions may be directed to Patricia Godwin at (202) 442-7246 or by **e-mail** at patricia.godwin@dc.gov.

For any project that does not submit a request to DHCD within the required time frame, DHCD will default the project's utility allowance to the applicable PHA utility allowance. Please be aware that this could cause units to be out of compliance if project management does not recognize the switch and use the appropriate PHA utility allowance when calculating gross rents.

FEES

All requests for approval of option 4 require a flat fee of \$150.00 to be paid to DHCD to cover administrative review.

When combining the above option, the fee is cumulative. For example, if the project is using option 3 for water and sewer and option 4 for everything else then the total fee is \$300.00 to cover administrative review.

1. Applicable PHA Utility Allowance

When using this option, it is the Owner's responsibility to keep track of changes in the applicable PHA utility allowance and to implement them as appropriate. Housing Credit properties are required to implement the new rates within 90 days of their effective dates. Properties utilizing HOME only must implement the new rates at lease renewal. Under this option there is no need to send DHCD a request for approval.

2. Local Utility Company Estimate

To use this option you must receive, in writing, from a local utility company (including combined rate charges from multiple companies), the estimated cost of the utilities for a similar sized unit and construction for the geographic area in which the building containing the unit is located. In cases where the residents of the building can choose between various utility providers, you only need to get rates from one of the providers. For example, if two solid waste companies serve the building and residents could choose either one of them, you only need an estimate from one of them.

Utility estimates must:

- a.** Come from the local utility company.
- b.** Be based on a unit of similar size and construction and not be generic information. For example, the estimate cannot base a one-bedroom apartment allowance for electric on an average residential charge that does not take into account bedroom size or the fact that it is an apartment and not a house.
- c.** Take into account taxes and fees on the utilities that the tenant must pay.
- d.** Not be adjusted after being provided by the utility company. If an unadjusted estimate from the utility company is not usable, then another utility allowance option must be used.

When using this option you must submit to DHCD:

- a.** A check for \$150 to cover the administrative review.
- b.** A cover letter that identifies the project, project number and states that option 2 is being chosen for the appropriate utilities.
- c.** List of the types of units (apartment, townhome, etc.), bedroom sizes (1br, 2br, etc.), square footages of the units and what the calculated rates are for those units.
- d.** A copy of all estimates provided by the local utility companies and any supporting documentation they provided. Some sort of documentation must be provided indicating that the estimates were based upon the required information as described above.
- e.** A list of all utilities the tenant is responsible for paying and the utility allowance option that is being chosen for each one. This list should be broken out in the following categories:
 - i.** Electric
 - ii.** Gas
 - iii.** Water
 - iv.** Sewer
 - v.** Trash collection
 - vi.** Refrigerator (if the tenant must supply the appliance)
 - vii.** Range (if the tenant must supply the appliance)

3. HUD Utility Schedule Model

A building owner may calculate a utility estimate using the HUD Utility Schedule Model that can be found at <http://www.huduser.org/resources/utimodel.html>. All calculations must be made available to the tenants in the building.

In order to use this method you must submit to DHCD:

- a. A check for \$150 to cover the administrative review.
- b. A cover letter that identifies the project, project number, proposed notification date and states the option choice of 3 for the appropriate utilities.
- c. List of the types of units (apartment, townhome, etc.), bedroom sizes (1br, 2br, etc.), square footages of the units and what the calculated rates are for those units.
- d. An electronic copy of the completed HUD Utility Schedule Model for the project. It should be e-mailed to patricia.godwin@dc.gov. Hard copies of all supporting documentation such as letters from the utility companies stating the rates, taxes and fees.
- f. A list of all utilities the tenant is responsible for paying and the utility allowance option that is being chosen for each one. This list should be broken out in the following categories:
 - i. Electric
 - ii. Gas
 - iii. Water
 - iv. Sewer
 - v. Trash collection
 - vi. Refrigerator (if the tenant must supply the appliance)
 - vii. Range (if the tenant must supply the appliance)

4. Energy Consumption Model

A building owner may calculate utility estimates using an energy, water and sewage consumption and analysis model (energy consumption model). The energy consumption 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 utility consumption estimates must be calculated by either a properly licensed engineer or architect. The building owner and the engineer/architect must not be related within the meanings of Section 267(b) or 707(b) of the appropriate IRS regulations.

The first year a particular energy consumption model is used on a building, the accuracy of the model must be verified using actual consumption information from the building. This information should, at a minimum, be equivalent to the information collected for the DHCD provided utility allowance under option 2. The engineer/architect must show that the results of their energy consumption model are within 10 percent of the amount determined by using the method described in option 2. If the variance is more than this and the engineer/architect feels that his/her model is actually more representative of a typical year, a detailed explanation of such reasoning must be included. An example of such would be a case where the engineer/architect could show that the winter months contained in the actual consumption data were significantly colder than the average, while the summer months were not significantly hotter than the average over the past ten years.

Once every ten years the energy consumption model must be re-verified/calibrated with actual consumption information as described in the paragraph above. However, the Owner must submit the updated utility allowance information every 12 months as described in the timeline section.

In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the engineer/architect may use consumption data for the 12 month period of units of similar size and construction in the geographic area (general region of the state) in which the building containing the units is located. However, at the next utility update when 12 months of data for the specific building are available, the energy consumption model must be verified as described above using the consumption data for that specific building. For example, a building that is being placed in service on July 1, 2015, would have a utility allowance notification date of April 1, 2015 (90 days before the implementation date). On April 1, 2016, the Owner will need to submit a new utility allowance packet to DHCD (for the rates to be implemented on July 1, 2016). However the project will still not have 12 full months of consumption data for the specific building. Therefore, the energy consumption model will not be verified with the actual buildings consumption data until the Owner submits a utility allowance packet on April 1, 2016. Every 12 months thereafter the project will need to complete the process of requesting an updated utility allowance but verification/calibration with actual consumption data will not be required again until 2021.

In order to use this method you must submit to DHCD:

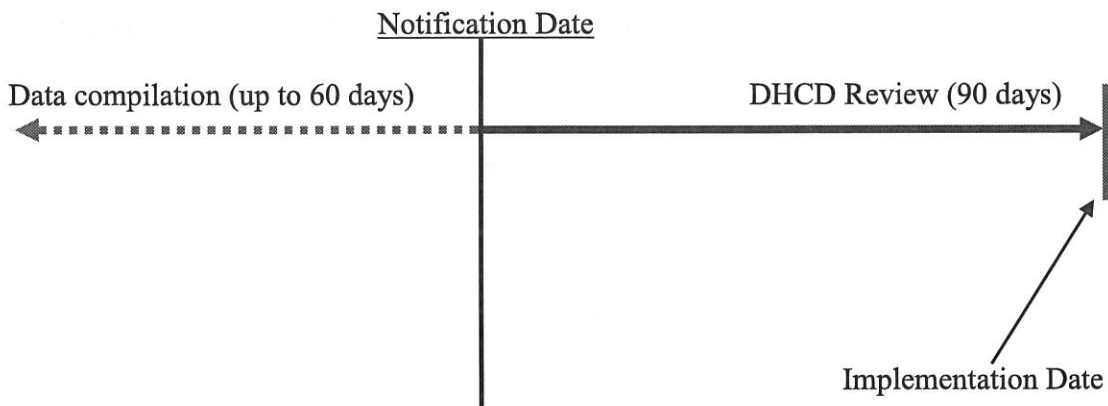
- b) A check for \$150 to cover the administrative review.
- c) A cover letter that identifies the project, project number, proposed notification date and states the option choice of 4 for the appropriate utilities.
- d) List of the types of units (apartment, townhome, etc.), bedroom sizes (1br, 2br, etc.), square footages of the units and what the calculated rates are for those units.

- e) Letter from the engineer/architect stating that they are not related to the owner within the meanings of Section 267(b) or 707(b) of the appropriate IRS regulations.
- f) A complete copy of the energy consumption model projection. This should show the steps of the process, the projected consumptions, as well as the dollar amounts including taxes and fees.
- g) Hard copies of all supporting documentation such as letters from the utility companies stating the rates, taxes and fees.
- h) If this is the first year, or the first year of verification with actual building consumption or a re-evaluation year, please include all information associated with the verification process as described above.
- i) A list of all utilities the tenant is responsible for paying and the utility allowance option that is being chosen for each one. This list should be broken out in the following categories:
 - i. Electric
 - ii. Gas
 - iii. Water
 - iv. Sewer
 - v. Trash collection
 - vi. Refrigerator (if the tenant must supply the appliance)
 - vii. Range (if the tenant must supply the appliance)

TIMELINE REQUIRMENTS FOR OPTION 4

Option 4 must be renewed at least once every 12 months and must be timed so that the implementation date (see explanation below) of the proposed utility allowance is 12 months or less since the implementation of the previous year’s utility allowance.

In general, an owner will need to start the utility allowance request process 150 days prior to the proposed implementation date. Please see the following for further detail:



Data Compilation Phase

The project owner must compile data and calculate the utility allowance within the 60 day time frame before the notification date (date of submitting the information to DHCD and notifying the tenants). The critical issue to keep in mind during this phase is that the most recent data used must be no older than 60 days prior to the notification date. This means that any utility rates used must have been collected and have an effective date during the 60 day period. For consumption information, the data must be for a 12 month period ending no earlier than 60 days prior to the notification date.

Notification Date

On the notification date, the project owner must have delivered (not just postmarked) the proposed utility allowance and all supporting documentation to the Department of Housing & Community Development. Since the Owner may not be certain of exactly what date DHCD will receive the materials, the cover letter from the Owner must identify the proposed notification date, which must be on or after the date the information is received by DHCD. It is strongly recommended that the materials be sent by a method that will provide the Owner with confirmation of the date of delivery to DHCD. The Owner must also make the estimates available to all tenants on the notification date.

DHCD Review Phase

The notification date is Day 1 of this 90 day phase. During this time frame, DHCD will review the proposed utility allowance and the supporting documentation. DHCD may ask for additional information or require that the utility allowance be recalculated in order to address shortcomings. This review does not provide the Owner an assurance that the calculations were done appropriately. If deficiencies are identified, they must be resolved before implementation. Once DHCD has completed a satisfactory review, it will send the Owner's contact a letter informing them that DHCD did not identify any significant deficiencies with the proposed utility allowance and that they may proceed with implementation at the appropriate time.

Implementation Date

This is the first day after the end of the 90 day agency review phase (day 91) at which time the new utility allowance must be used to compute gross rents. The utility allowance cannot be implemented prior to the end of the 90 day period even if the Owner receives a satisfactory review letter from DHCD before that time. The proposed utility allowance cannot be implemented if a satisfactory review letter is not received from DHCD.

If there are issues that prevent DHCD from issuing a satisfactory review letter prior to the implementation date, the utility allowance will default to the appropriate PHA utility allowance. The PHA utility allowance would need to be used to compute gross rent until issues is resolved and DHCD is able to issue a satisfactory review letter. One exception to this would be a case where a request was made earlier than necessary so that at the end of the DHCD review period it is still less than 12 months since the implementation of the previous year's approved utility allowance. In that case, the previous year's utility allowance may continue to be used until it expires (12 months from implementation).

If the implementation date falls in between rent due dates, the new utility allowance must be used to calculate gross rent for the next due date for current residents. For example, if the implementation date is February 15, 2015, but rent is due on the first of the month, then the new utility allowance will not be used to calculate gross rents for current residents until March 1, 2015. However, households that are new renters as of or after the implementation date should have their gross rent calculated using the new utility allowance even if the lease signing occurs in the middle of the month. For example, if the implementation date is February 15th and on that date you have a new household rent an apartment, the gross rent should be calculated using the new utility allowance even though it will not be used for current residents until March 1st.

Proposed Utility Allowance Request Examples

1. On June 15, 2015, the Owner obtains information from the appropriate utilities to calculate the utility allowance. The rates are effective as of the collection date (June 15). The consumption data is for the 12 months from May 16, 2014, to May 15, 2015. The utility allowance is calculated and information is submitted to DHCD and made available to the tenants on July 31, 2015. This would be unacceptable because the consumption data ended prior to 60 days before the notification date.
2. On June 15, 2015, the Owner obtains information from the appropriate utilities to calculate the utility allowance. The rates are effective as of the collection date (June 15). The consumption data is for the 12 months from June 6, 2014, to June 5, 2015. The utility allowance is calculated and information is submitted to DHCD and made available to the tenants on July 31, 2015. During the review, DHCD identifies significant issues or has questions that are not addressed in time for DHCD to issue an acceptable review letter prior to October 31, 2015 (implementation date). The proposed utility allowance is unacceptable and the appropriate PHA utility allowance (UA) must be implemented on October 31, 2015 (unless last year's UA is still unexpired).
3. During 2015, a project had an approved utility allowance with an implementation date of October 31, 2015. The project failed to submit a request for a new utility allowance within an appropriate time frame to get a new utility allowance implementation date on or before October 31,

2015. The project's applicable utility allowance, as of October 31, 2015, will be the appropriate PHA utility allowance until the project is able to receive an approved utility allowance through one of the other options.

4. An example of an acceptable utility allowance process - On June 15, 2015, the Owner obtains information from the appropriate utilities to calculate the utility allowance. The rates are effective as of the collection date (June 15). The consumption data is for the 12 months from June 6, 2014, to June 5, 2015. The utility allowance is calculated and information is submitted to DHCD and made available to the tenants on July 31, 2015. DHCD does not identify any significant issues or questions about the utility allowance. DHCD sends a notification letter to the Owner/Manager of the acceptable review. The Owner implements the new utility allowance on October 31, 2015 (first day after the 90 day DHCD review period). On November 1, 2015, the new utility allowance is used to calculate gross rent for the current residents.