



To: All Owners and Managers
From: Bob Conroy, Director of Asset Management

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- I. HUD Methodology for Completing a Multifamily Housing Utility Analysis**
- II. Revised Budget Form**

I. HUD Methodology for Completing a Multifamily Housing Utility Analysis

HUD recently issued Notice H-2015-04 that implements changes in the Utility Allowance Calculation Methodology for HUD Section 8 and other HUD-assisted properties.

The attached MaineHousing Asset Management Memorandum briefly summarizes the key requirements of the Notice. For further clarification, please carefully review the HUD Notice H-2015-04 also attached.

II. Revised Budget Form

With the budget season coming upon us again, it is important to reiterate what the required budget requirements are. The AM Notice 2014-6 dated September 2, 2014 included the revised Development Annual Budget Report effective for all 2015 budget submissions. The changes were initiated to bring the MaineHousing budget more in line with the HUD budget form. All utility expenses and maintenance items now are grouped together. There is now only one total for maintenance item, not separate totals for different categories. The Misc. line on Addendum A is locked, requiring the user to provide a detailed list below it of what comprises the Misc. charges.

This form must be used for any budgets submitted after 9/1/2014. The budgets must be submitted to FinancialReporting@mainehousing.org. Any submitted budgets that are not in this format will be returned for correction and resubmission. Please see the attached form for reference. If you have any questions please contact Todd Marlowe at 624-4791 or tmarlowe@mainehousing.org.

Attachments:

- **MaineHousing Budget Form**
- **MaineHousing Asset Management Department Memorandum**
- **HUD Notice H-2015-04**

Please note that MaineHousing provides notices as a service to our partners. Notices are not intended to replace ongoing training and do not encompass all compliance and regulatory changes that may occur on the wide arrange of housing programs in which we work. MaineHousing recommends partners establish an ongoing training program for their staff.

MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.





Asset Management Department Memorandum

To: Owner/Managers of Section 8 Assisted Properties
From: Robert Conroy - Director of Asset Management
Date: August 28, 2015
Subject: **HUD Notice H-2015-04**
Methodology for Completing a Multifamily Housing Utility Analysis

HUD recently issued **Notice H-2015-04** (attached) that implements changes in the Utility Allowance Calculation Methodology for HUD Section 8 and other HUD-assisted properties. The following briefly summarizes the key requirements of the Notice. Please review Notice H-2015-04 carefully for further clarification.

Utility Allowance (UA) analysis effective at time of:

1. Annual or special adjustment of Contract Rents, or;
2. Cumulative Utility Rate change of 10% or more from approved utility allowance.
Requests for changes outside of the Contract Rent adjustment cycle require:
 - a. Utility bills from the month prior to the utility rate change and the first month after the utility rate change, or;
 - b. Verification of the rate increase from the utility provider.

Required Methodology:

1. Establish baseline UAs for each bedroom size once every three (3) years.
2. For the 2 years after the baseline is established Owners have the option to perform factor-based utility analysis (State-specific increase or decrease factor compared to paid utilities over past 12 months).

Sample Size (by Bedroom Size)

Number of Units *	Minimum Sample
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 up	29

Implementation:

1. Properties with Contract Anniversary dates within 180 days of June 22, 2015.
Owners may choose to perform the analysis using either existing methodology or the methodology outlined in Notice H-2015-04.
2. Properties with Contract Anniversary dates 180 days after June 22, 2015.
Owners must use the methodology outlined in Notice H-2015-04.

Utility Allowance Decreases:

1. Notice to tenants
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 (referenced below) regarding notice to tenants. Note: Maine law stipulates a 45 day notice requirement.
2. Phase-in of certain decreases
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 Owner 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.

Requirements for Tenant Households:

- A. Tenant Utility Release Form
An Owner may require a tenant to sign a release for utility data in certain circumstances. For example, a utility company may require a tenant release as a condition of providing utility data. If a tenant release is necessary, the Owner will request and the tenant household is required to sign a release under 24 CFR 5.659 and the *HUD Model Lease for Subsidized Projects*. For HUD programs, the release remains applicable for the household's term of tenancy; however, there may be utility providers that require a tenant's signed release form more frequently. .
- B. Households are required to provide utility data and documentation if requested.
In accordance with the regulation at 24 CFR 5.659 and the *HUD Model Lease for Subsidized Projects*, households must provide utility documentation as requested by the Owner and the request does not have to correspond with a household's recertification. Tenants must also disclose if they are paying a flat rate as part of a low-income rate assistance program.
- C. Disclosure of Utility Assistance
Households are required to disclose whether they are receiving utility assistance from sources other than HUD. Owners must ask this question at a tenant's annual recertification of income and family composition, because these assistance payments are a source of income and are included in the determination of annual income and the calculation of total tenant payment. See 24 CFR 5.609(a) and HUD Handbook 4350.3 paragraph 5-6.G.1. Households receiving utility assistance from sources other than HUD continue to receive the baseline HUD utility allowance as determined by the most recent utility analysis. Assistance that must be reported includes cash or other assistance from utility providers or other entities. Failure to disclose this

income will be considered a lease violation in accordance with annual recertification requirements.

24CFR References

§245.405 Applicability of subpart.

The requirements of this subpart apply to any request by a mortgagor, as provided by §245.10, for HUD approval of one or more of the following covered actions:

- (a) Conversion of a project from project-paid utilities to tenant-paid utilities, or a reduction in tenant utility allowances.
- (b) Conversion of residential units in a multifamily housing project to a nonresidential use or to condominiums, or the transfer of the project to a cooperative housing mortgagor corporation or association. Conversion of a project to a cooperative or of a portion of a project to nonresidential use does not constitute a change of use requiring mortgagee approval.
- (c) A partial release of mortgage security. The requirements of this subpart, however, do not apply to any release of property from a mortgage lien with respect to a utility easement or a public taking of such property by condemnation or eminent domain.
- (d) Making major capital additions to the project. For the purposes of this subpart, the term “major capital additions” includes only those capital improvements that represent a substantial addition to the project. Upgrading or replacing existing capital components of the project does not constitute a major capital addition to the project.

§245.410 Notice to tenants.

At least 30 days (**Maine State Law requires 45 days**) before submitting a request to HUD for approval of an action described in §245.405, the mortgagor must serve notice of the proposed covered action on the project tenants, as provided in §245.15. The notice shall state that—

- (a) The mortgagor intends to submit a request to HUD for approval of the covered action or actions specified in the notice;
- (b) The tenants have the right to participate as provided in §245.420, and what those rights are, including the address at which the materials required to be made available for inspection and copying under that section are to be kept;
- (c) Tenant comments on the proposed covered action may be sent to the mortgagor at a specified address or directly to the local HUD office, and comments sent to the mortgagor will be transmitted to HUD, along with the mortgagor's evaluation of them, when the request for HUD's approval is submitted;
- (d) HUD will approve or disapprove the proposed action, based upon its review of the information submitted and all tenant comments received. In the case of a proposed reduction in tenant-paid utilities, the notice must also state that HUD may adjust the proposed reduction upward or downward;
- (e) In the case of a proposed conversion of residential units, partial release of mortgage security, or major capital additions to the project, the proposed action may require the owner to request HUD approval of a rent increase; and
- (f) The mortgagor will notify the tenants of HUD's decision and it will not begin to effect any approved action (in accordance with the terms of existing leases) until at least 30 days from the date of service of the notification.

§5.659 Family information and verification.

(a) *Applicability.* This section states requirements for reexamination of family income and composition in the Section 8 project-based assistance programs, except for the moderate rehabilitation program and the project-based certificate or voucher programs.

(b) *Family obligation to supply information.* (1) The family must supply any information that HUD or the owner determines is necessary in administration of the Section 8 program, including submission of required evidence of citizenship or eligible immigration status (as provided by part 5, subpart E of this title). "Information" includes any requested certification, release or other documentation.

(2) The family must supply any information requested by the owner or HUD for use in a regularly scheduled reexamination or an interim reexamination of family income and composition in accordance with HUD requirements.

(3) For requirements concerning the following, see part 5, subpart B of this title:

(i) Family verification and disclosure of social security numbers;

(ii) Family execution and submission of consent forms for obtaining wage and claim information from State Wage Information Collection Agencies (SWICAs).

(4) Any information supplied by the family must be true and complete.

(c) *Family release and consent.* (1) As a condition of admission to or continued occupancy of a unit with Section 8 assistance, the owner must require the family head, and such other family members as the owner designates, to execute a HUD-approved release and consent form (including any release and consent as required under §5.230 of this title) authorizing any depository or private source of income, or any Federal, State or local agency, to furnish or release to the owner or HUD such information as the owner or HUD determines to be necessary.

(2) The use or disclosure of information obtained from a family or from another source pursuant to this release and consent shall be limited to purposes directly connected with administration of the Section 8 program.

(d) *Owner responsibility for verification.* The owner must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

(1) Reported family annual income;

(2) The value of assets;

(3) Expenses related to deductions from annual income; and

(4) Other factors that affect the determination of adjusted income.

§5.609 Annual income.

(a) *Annual income* means all amounts, monetary or not, which:

(1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or

(2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and

(3) Which are not specifically excluded in paragraph (c) of this section.

(4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

(b) Annual income includes, but is not limited to:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);

(6) *Welfare assistance payments.* (i) Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments:

(A) Qualify as assistance under the TANF program definition at 45 CFR 260.31; and

(B) Are not otherwise excluded under paragraph (c) of this section.

(ii) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(B) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

(8) All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).

(9) For section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph, "financial assistance" does not include loan proceeds for the purpose of determining income.

(c) Annual income does not include the following:

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(5) Income of a live-in aide, as defined in §5.403;

(6) Subject to paragraph (b)(9) of this section, the full amount of student financial assistance paid directly to the student or to the educational institution;

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(8)(i) Amounts received under training programs funded by HUD;

(ii) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;

(v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(9) Temporary, nonrecurring or sporadic income (including gifts);

(10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(11) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of \$480 per adopted child;

(13) [Reserved]

(14) Deferred periodic amounts from supplemental security income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

(15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(16) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the FEDERAL REGISTER and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

(d) *Annualization of income.* If it is not feasible to anticipate a level of income over a 12-month period (*e.g.*, seasonal or cyclic income), or the PHA believes that past income is the best available indicator of expected future income, the PHA may annualize the income anticipated for a shorter period, subject to a redetermination at the end of the shorter period.

[61 FR 54498, Oct. 18, 1996, as amended at 65 FR 16716, Mar. 29, 2000; 67 FR 47432, July 18, 2002; 70 FR 77743, Dec. 30, 2005; 79 FR 36164, June 25, 2014]

REPORT INFORMATION * Submit in Excel format to financialreporting@mainehousing.org

DEVELOPMENT	Name			Period Covered By This Budget
	Location			Starting:
	Number			Ending:
	# of Units			
OWNER ENTITY	Name			
	Address			
MANAGEMENT AGENT	Firm			Contact
	Address			Title
				Telephone

SCHEDULE A DEVELOPMENT ANNUAL BUDGET

	Annual Budget This Year(ty)	PROJECTED Actual This Year	Proposed Budget Next Year(ny)	% diff ty/ny	MAINEHOUSING USE		
					Adjusted		% adj. diff
					Total	PUPM	
BUDGETED							
DEVELOPMENT EXPENSES							
Administrative Expenses							
01 Management Fees				0.00%		#DIV/0!	#DIV/0!
02 Management Charges (addendum A)	\$0	\$0	\$0	0.00%		#DIV/0!	#DIV/0!
03 Total Management Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
04 Marketing Expenses				0.00%		#DIV/0!	#DIV/0!
05 Legal Expenses				0.00%		#DIV/0!	#DIV/0!
06 Auditing Expenses				0.00%		#DIV/0!	#DIV/0!
07 Total Administrative Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
Utility Expenses							
08 Heating Fuel				0.00%		#DIV/0!	#DIV/0!
09 Electricity				0.00%		#DIV/0!	#DIV/0!
10 Water and Sewer				0.00%		#DIV/0!	#DIV/0!
11 Other Utility Expenses				0.00%		#DIV/0!	#DIV/0!
12 Total Utility Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
Maintenance Expenses							
13 Janitorial Payroll				0.00%		#DIV/0!	#DIV/0!
14 Janitorial Supplies and Equipment				0.00%		#DIV/0!	#DIV/0!
15 Janitorial Contractual Services				0.00%		#DIV/0!	#DIV/0!
16 Garbage and Trash Removal				0.00%		#DIV/0!	#DIV/0!
17 Vehicle and Equipment Expenses				0.00%		#DIV/0!	#DIV/0!
18 Grounds Maintenance Payroll				0.00%		#DIV/0!	#DIV/0!
19 Grounds Tools and Supplies				0.00%		#DIV/0!	#DIV/0!
20 Grounds Contractual Services				0.00%		#DIV/0!	#DIV/0!
21 Miscellaneous Ground Maintenance				0.00%		#DIV/0!	#DIV/0!
22 Building Maintenance Payroll				0.00%		#DIV/0!	#DIV/0!
23 Building Tools and Supplies				0.00%		#DIV/0!	#DIV/0!
24 Building Contractual Services				0.00%		#DIV/0!	#DIV/0!
25 Building Systems Maintenance				0.00%		#DIV/0!	#DIV/0!
26 Miscellaneous Building Maintenance				0.00%		#DIV/0!	#DIV/0!
27 Tenant Damage Charges				0.00%		#DIV/0!	#DIV/0!
28 Total Maintenance Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
General Expenses							
29 Property Taxes				0.00%		#DIV/0!	#DIV/0!
30 Property and Liability Insurance				0.00%		#DIV/0!	#DIV/0!
31 Interest on MaineHousing Mortgage Note				0.00%		#DIV/0!	#DIV/0!
32 Interest on Other Notes Payable				0.00%		#DIV/0!	#DIV/0!
33 Other Financial Expenses				0.00%		#DIV/0!	#DIV/0!
34 Service Expenses (Addendum B)	\$0	\$0	\$0	0.00%		#DIV/0!	#DIV/0!
35 Total General Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
36 Total Housing Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
Commercial Expenses							
37 Administrative Expenses				0.00%		#DIV/0!	#DIV/0!
38 Operating Expenses				0.00%		#DIV/0!	#DIV/0!
39 Maintenance Expenses				0.00%		#DIV/0!	#DIV/0!
40 General Expenses				0.00%		#DIV/0!	#DIV/0!
41 Total Commercial Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
42 Total Budgeted Expenses	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!

SCHEDULE A (CONTINUED)

ANTICIPATED INCOME	Annual Budget This Year	PROJECTED Actual This Year	Proposed Budget Next Year	% diff ty/ny	MAINEHOUSING USE		
					Adjusted		% Inc.
					Total	PUPM	
Rental Income (Addendum C)							
43 Tenant Share Rent			\$0	0.00%		#DIV/0!	#DIV/0!
44 Subsidy Income			\$0	0.00%		#DIV/0!	#DIV/0!
45 Less: Vacancy			\$0	0.00%		#DIV/0!	#DIV/0!
46 Total Net Rental Income	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
Service Income							
47 Tenant Services				0.00%		#DIV/0!	#DIV/0!
48 Resident Service Income (Addendum B)	\$0	\$0	\$0	0.00%		#DIV/0!	#DIV/0!
49 Other Project Services				0.00%		#DIV/0!	#DIV/0!
50 Total Service Income	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
Financial and Other Income							
51 Interest Income - Rest. Reserves			\$0	0.00%		#DIV/0!	#DIV/0!
52 Interest Income - Other				0.00%		#DIV/0!	#DIV/0!
53 Other Income				0.00%		#DIV/0!	#DIV/0!
54 Total Financial and Other Income	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
55 Total Housing Income	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
Commercial Income							
56 Rental Income				0.00%		#DIV/0!	#DIV/0!
57 Service Income				0.00%		#DIV/0!	#DIV/0!
58 Financial and Other Income				0.00%		#DIV/0!	#DIV/0!
59 Total Commercial Income	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
60 Total Anticipated Income	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!

ESTIMATED PROFIT OR (LOSS)

Development Operating Profit (Loss)							
61 Housing Operations	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
62 Commercial Operations	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!
63 Total Operating Profit (Loss)	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!

OTHER TRANSACTIONS - INCR. OR (DECR.)

64 Mort. Principal Payments							
65 Replacement Reserve Deposits (from Rental Operations)			\$0				
66 Interest Income/Restricted Reserves			\$0				
67 Restricted Res. Withdrawals (for Operating Expenses)			\$0				
68 Fixed Asset Transactions (Net)			\$0				
69 Oper. Bal. After Other Transactions	\$0	\$0	\$0	0.00%	\$0	#DIV/0!	#DIV/0!

SCHEDULE B PLANNED FIXED ASSET TRANSACTIONS

Expenditures For Purchases							
01 Item:							
02 Item:							
03 Item:							
04 Item:							
05 Item:							
06 Item:							
07 Total Expenditures	\$0	\$0	\$0				

SCHEDULE C SCHEDULED FUND TRANSACTIONS

TYPE AND NAME OF FUND	Estimated Balance End of This Year	BUDGET ESTIMATED ACTIVITY DURING NEXT YEAR					
		Deposits	Interest		With-drawals	Bal. End of Next Year	
Restricted Accounts							
01 Tax and Insurance Reserve		\$0			\$0	\$0	
02 Replacement Reserve						\$0	
03 Capital Improvement Escrow						\$0	
04 Vacancy Reserve						\$0	
05 Restricted Operating Reserve						\$0	
06 Other Restricted Reserves						\$0	
07 Other						\$0	
Total Restricted Accounts	\$0	\$0	\$0		\$0	\$0	
Unrestricted Accounts							
09 Decorating Reserve & Others							
10 Unrestricted Operating Reserve							
11 Development Operating A/C							
12 Total Unrestricted Accounts	\$0	\$0	\$0		\$0	\$0	
13 Total Funds	\$0	\$0	\$0		\$0	\$0	

Date _____

budget
8/22/2014



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:	Notice:	H-2015-04
Multifamily Regional Center/Hub Directors	Issued:	June 22, 2015
Multifamily Satellite/Program Center Directors	Expires:	This notice remains in effect until amended, revoked, or superseded
Rural Services (RHS) Directors		
Supervisory Housing Project Managers		
Housing Project Managers		
Contract Administrators		
Multifamily Owners and Management Agents		

Subject: Methodology for Completing a Multifamily Housing Utility Analysis

I. PURPOSE

This notice provides instruction to owners and management agents (O/As) for completing the utility analysis required at the time of the annual or special adjustment of contract rents and when a utility rate change results in a cumulative increase of 10 percent or more from the most recently approved utility allowance. As discussed below in Part III, the notice builds upon the June 2011 memorandum titled *Clarification Utility Allowance Regulations* issued by former Deputy Assistant Secretary for Multifamily Housing Programs, Carol J. Galante.

II. APPLICABILITY

This notice is applicable for the following programs:

- A. Project-based Section 8
 - 1. New Construction
 - 2. State Agency Financed
 - 3. Substantial Rehabilitation
 - 4. Section 202/8
 - 5. Rural Housing Services (RHS) Section 515/8
 - 6. Loan Management Set-Aside (LMSA)
 - 7. Property Disposition Set-Aside (PDSA)
- B. Section 101 Rent Supplement
- C. Section 202/162 Project Assistance Contract (PAC)
- D. Section 202 Project Rental Assistance Contract (PRAC)
- E. Section 202 Senior Preservation Rental Assistance Contracts (SPRAC)

- F. Section 811 PRAC; Project Rental Assistance (PRA)¹
- G. Section 236
- H. Section 236 Rental Assistance Payments (RAP)
- I. Section 221(d)(3) Below Market Interest Rate (BMIR)

III. BACKGROUND

The Department of Housing and Urban Development's (HUD) Office of Multifamily Housing has been working towards streamlining the methodology for utility analyses as part of a larger effort to make energy and water conservation a priority at all HUD Multifamily properties. Currently, HUD's annual outlay for utilities is more than six billion dollars a year. HUD is exploring how to make the Multifamily portfolio more energy and water efficient, to reduce O/As' operating costs and reduce HUD outlays for utilities.

The Department is a partner in the President's Better Buildings Challenge (BBC), a voluntary leadership initiative that asks building owners, developers, and managers to make a public commitment to energy efficiency. Many BBC Multifamily partners own HUD-affiliated properties and Multifamily Housing is providing incentives to help O/As meet the BBC goal to reduce energy consumption by 20 percent over ten years across their entire portfolio. Accurate utility data collection and analysis are integral to success in the reduction of energy and water consumption. This notice is a key step in streamlining the methodology for determining utility allowances. Additionally, it is expected that the data-centered approach will offer an opportunity for O/As to reevaluate property energy usage and make efforts to conserve where feasible.

In June 2011, then Deputy Assistant Secretary for Multifamily Housing Programs, Carol J. Galante issued a memorandum to Multifamily Hub and Program Center Directors and Contract Administrators providing clarifications to existing statutes, regulations, and policies regarding utility allowances in Multifamily Housing properties, but did not identify a methodology to be used to complete a utility analysis and determine utility allowances. The memorandum clarified the following:

- Owners of multifamily housing properties that receive subsidy assistance, and for which HUD provides a utility allowance, are required to adjust their properties' utility allowances every year at the time of the annual and special adjustments of contract rents.
- Utility adjustments must be supported by a utility analysis.

¹ A Project Rental Assistance (PRA) property with a Rental Assistance Contract (RAC) that specifies use of the HUD Multifamily Housing policy for developing utility allowances will use the methodology outlined in this notice to develop utility allowances for that property.

- Adjustments to the utility allowance must be made regardless of whether the utility analysis shows an increase or a decrease.
- Rent adjustments must be held until the owner submits the utility analysis and all other required submissions. Once submitted, the rent adjustment will be retroactively implemented.
- Owner certifications in lieu of a utility analysis are not permitted.
- As required by 24 CFR 245.405(a) and 245.410, a minimum of 30-days notice must be provided to tenants for any utility allowance decrease.
- Tenants have the right to participate in and comment on a proposed decrease in the utility allowance.
- A decrease in a tenant's utility allowance does not constitute a change in total tenant payment.
- Multiple utility allowance adjustments are permitted throughout the contract year.
- A utility allowance must be increased mid-year when changes in utility rates result in an increase of 10 percent or more to the utility allowance from the most recently approved utility allowance.

Since the June 2011 memorandum was issued, industry partners have requested that Multifamily Housing leadership provide a national standard for an acceptable analysis, which will also provide an appropriate utility allowance to their tenants. To accomplish these goals, industry leaders asked Multifamily Housing to provide helpful tools to assist them in conducting a reliable analysis. These tools, which have been included in this notice or as an attachment to this notice, include a sample tenant consent form, a directive requiring tenants to provide utility data upon request, and an Excel spreadsheet to aid in the allowance calculation.

The regulation at 24 CFR Part 5.603 defines Utility Allowance as the estimate of the “monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances.” The utility analysis methodology described below is premised on calculating average utility consumption based on actual tenant consumption by unit size, which Multifamily Housing in consultation with HUD’s Office of Policy Development and Research proposes as an estimate of reasonable consumption by an energy-conservative household of modest circumstances. This has been and continues to be the basis for utility analyses in the programs covered by this notice.

IV. UTILITY ANALYSIS METHODOLOGY

Multifamily property owners must establish baseline utility allowances for each of their bedroom sizes once every third year, which are determined by using the baseline utility analysis outlined in Section A below. For the two years after the baseline is established, O/As have the option to perform a factor-based utility analysis, as described in Section B below.

A. Baseline Utility Analysis

A baseline utility analysis makes use of the sample size methodology detailed in Part VI below. To perform a baseline analysis, the O/A must perform the following steps:

1. Request utility data from either the utility company or the tenant household for at least the number of units determined by the sample size methodology detailed below. This must be done for each bedroom size at the property. If the property consists of multiple identical buildings (or buildings that are substantially similar), then the sampling may be performed at the property level (encompassing all buildings on a site) for each bedroom size. If the buildings are not identical, the sampling must be done for each bedroom size for each building.

A unit should be excluded from the sample if it:

- a) Is receiving an increased utility allowance as a reasonable accommodation;
- b) Has been vacant for 2 or more months. Units included in the sample should have at least 10 months of occupancy; or
- c) Is receiving a flat utility rate as part of a low-income rate assistance utility program.

Note: A baseline utility analysis can use a sampling greater than the HUD approved sample size.

2. Determine the average utility cost for each bedroom size without removing any units from the analysis beyond those excluded from the sample size as indicated in (1) above.

Do not remove the highest or lowest utility cost household when determining the average.

3. Recommend this amount to the contract administrator (CA) for approval.

A sample format for utility allowance submissions, which includes built-in formulas to average utility costs for each unit size, can be found as Attachment A to this notice.

Multifamily Housing recognizes the difficulties associated with obtaining utility data from utility companies and tenant households. To assist in obtaining the

required sample size, a sample tenant release form is attached to the notice (Attachment B). Designating a workstation in the management office for tenants to access their utility accounts and print utility information has proven to be an effective way to obtain data.

1. Implementation - Properties with Contract Anniversary Dates Within 180 Days of Publication of this Notice

Properties that fall into this category can choose to perform their upcoming annual utility analysis using either the existing methodology or the methodology outlined in this notice. If the existing methodology is used, a baseline analysis as described above must be used at the next contract anniversary date to establish baseline utility allowances.

2. Properties with Contract Anniversary Dates 180 Days after Publication of this Notice

Properties that fall into this category must perform their upcoming utility analysis using the methodology outlined in this notice.

B. Factor-Based Utility Analysis

For the two years after a baseline utility analysis is completed, the utility allowance amounts for each bedroom size and each utility at the property can be adjusted by a state-specific increase factor, the Utility Allowance Factor (UAF), provided by HUD, in lieu of a baseline utility analysis. The UAF, which can be found on the HUDUser website, is determined by considering the state-specific average retail price of electricity, natural gas, water, and oil/propane for residential customers that is published by the U.S. Energy Information Administration.

After completing the property's utility analysis under the factor-based utility analysis method, O/As should compare the adjusted utility analysis to their paid utilities over the previous twelve months. If, in the O/A's determination, the results indicate a significant disparity between the two, the O/A should complete a baseline analysis to help ensure the allowance(s) provided are accurate.

C. Utility Allowance Changes Outside of the Contract Rent Adjustment Schedule

Owners are required to submit documentation and a request for an increase in utility allowances when changes in utility rates result in a cumulative increase in utility allowances of 10 percent or more from the most recently approved utility allowance. When the owner requests an increase in utility allowances, the owner must submit either of the following as evidence of the rate change:

1. Utility bills from the month prior to the utility rate change and the first month after the utility rate change; or
2. Verification of the increase from the utility provider.

Note that a 10 percent or greater increase in any one utility component may not necessarily result in a corresponding 10 percent or greater increase in the utility allowance. Only when a utility rate change results in a cumulative utility allowance increase of 10 percent or more must the owner request the increase.

If required under the triennial cycle, the owner must still complete a baseline utility analysis at the next contract rent adjustment. If the owner performed a baseline utility analysis in the previous year and can use a factor-based utility analysis at the time of contract rent adjustment, the utility for which the rate was raised will not be adjusted by the UAF for that utility; however, all other utilities will be adjusted by the UAF.

V. UTILITY ALLOWANCE DECREASES

A. Notice to tenants

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.

B. Phase-in of certain decreases

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.

For example, if a tenant's previous utility allowance was \$120 and the analysis indicates a total adjustment that decreases it to \$96 (a 20 percent decrease), the utility allowance has exceeded the 15 percent decrease (and the decrease is at least \$10); the O/A will submit an adjustment to \$102 (a 15 percent decrease from \$120) in the first year and then a further adjustment the following year to \$96 (multiplied by the applicable UAF), such that the full adjustment is phased-in over two years. The UAF will be applied in the second and third years of the triennial cycle after subtracting out any phased reduction. To continue with the example above, \$96 would be multiplied by the UAF to establish the second-year utility allowance. (If the decrease is less than \$10, the owner will implement the full decrease without any phase-in.)

VI. UTILITY ANALYSIS SAMPLE SIZE

The O/A must use an appropriate sample size to perform a statistically accurate utility analysis. Multifamily Housing requested assistance from HUD's Office of Policy Development and Research (PD&R) to determine the appropriate sample size. To support this study, utility analyses were obtained from properties in California, Florida, Indiana, Massachusetts, New York, North Carolina, Ohio, and Washington, DC. PD&R's research, which used a 12 percent margin of error and a 95 percent confidence interval, resulted in the sample size rule and formula below.

This formula has been built into the utility allowance submission template mentioned earlier and Figure 1 below shows how it translates based on the number of units per bedroom size.

Figure 1	
Number of Units *	Minimum Sample
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.

Figure 2 below illustrates how many units would be sampled using a random representation of contract units of multiple bedroom sizes within a property.

Figure 2		
Bedroom Size	Number of Contract Units	Sampling for Utility analysis
0 Bedroom	15	15
1 Bedroom	113	24
2 Bedroom	74	22
3 Bedroom	50	20
4 Bedroom	7	7
Total Units	259	88

Rule:

- If $N < 20$, sample all units
- If $21 \leq N \leq 61$, sample 20 units
- If $N > 61$, sample n_0 using the formula below.

Formula:

$$n_0 = (z^2) * (CV^2) / (e^2 + (z^2) * (CV^2)/N)$$

N is the number of Section 8 units of a particular bedroom size
 z is the value corresponding to a 95% confidence interval = 1.96
 CV is the coefficient of variation of utilities, which is set at 0.34
 e is the acceptable percent margin of error, which is set at 0.1

VII. ALLOWANCES FOR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION

Properties undergoing new construction or substantial rehabilitation may establish initial utility allowances for new or rehabilitated units based on analysis completed at underwriting through an energy consumption model, including an HFA-approved utility allowance calculator. This option is based on guidance established by the Internal Revenue Service under Section 42 Utility Allowance Regulations Update. 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. Second, the utility estimates must be calculated by either (1) a properly licensed engineer or (2) a qualified professional approved by HUD. Third, the owner must furnish a copy of the estimates derived from the energy consumption model to HUD or the CA and make copies of the estimates available to all tenants in the building. Finally, the building owner must pay for all costs incurred in obtaining the utility estimates from the qualified professional and providing

the estimates to HUD and tenants. The O/A may use the utility allowance model instead of the methodology outlined in this notice to establish utility allowances only in the first year of occupancy post-construction.

For example, a property newly constructed or rehabilitated under the Rental Assistance Demonstration (RAD) program and converting to project-based rental assistance may establish initial utility allowances using such a calculator. However, when the property is occupied and the owner can obtain 12 months of consumption data, the owner must then follow the methodology in this notice and establish a baseline analysis. A newly constructed or rehabilitated property with a Section 8 HAP contract added to it through an 8 (bb) transfer of budget authority, or an existing Section 8 property undergoing rehabilitation in conjunction with a contract renewal under Chapter 15 of the Section 8 Renewal Guide would also be examples of properties that may *initially* utilize an energy consumption model calculator to estimate utility allowances, but thereafter follow the methodology in this notice.

VIII. ADMINISTRATIVE PROCEDURES

Upon completion of the utility analysis, the O/A must submit the analysis to the CA for review and approval. Calculations may be made using a software tool of the owner's choice (e.g. they may use the Excel spreadsheet offered by HUD or other tabulation software) as long as the inputs reflect the methodology detailed in this Notice. HUD will serve as a resource to O/As by providing training and technical assistance where possible.

IX. REQUIREMENTS FOR TENANT HOUSEHOLDS

A. Tenant Utility Release Form

An Owner may require a tenant to sign a release for utility data in certain circumstances. For example, a utility company may require a tenant release as a condition of providing utility data. If a tenant release is necessary, the O/A will request and the tenant household is required to sign a release under 24 CFR 5.659 and the *HUD Model Lease for Subsidized Projects*. For HUD programs, the release remains applicable for the household's term of tenancy; however, there may be utility providers that require a tenant's signed release form more frequently. A sample tenant utility release form is included here as Attachment B.

B. Households are required to provide utility data and documentation if requested.

In accordance with the regulation at 24 CFR 5.659 and the *HUD Model Lease for Subsidized Projects*, households must provide utility documentation as requested by the O/A and the request does not have to correspond with a household's recertification. Tenants must also disclose if they are paying a flat rate as part of a

low-income rate assistance program.

C. Disclosure of Utility Assistance

Households are required to disclose whether they are receiving utility assistance from sources other than HUD. O/As must ask this question at a tenant's annual recertification of income and family composition, because these assistance payments are a source of income and are included in the determination of annual income and the calculation of total tenant payment. See 24 CFR 5.609(a) and HUD Handbook 4350.3 paragraph 5-6.G.1. Households receiving utility assistance from sources other than HUD continue to receive the baseline HUD utility allowance as determined by the most recent utility analysis. Assistance that must be reported includes cash or other assistance from utility providers or other entities. Failure to disclose this income will be considered a lease violation in accordance with annual recertification requirements.

X. PENALTIES FOR TENANT NONCOMPLIANCE WITH PART IX

Failure to comply with the requirements in Part IX above is a lease violation and may result in termination of tenancy. If an owner pursues termination of tenancy, the termination must be carried out in accordance with Chapter 8 of HUD Handbook 4350.3, REV-1.

XI. VOLUNTARY USE OF EPA'S ENERGY STAR PORTFOLIO MANAGER

O/As of Multifamily Housing properties that both receive project-based rental assistance, and for which HUD provides a utility allowance, are encouraged to use ENERGY STAR Portfolio Manager, or an equivalent online tool, to track whole-building utility data (cost and consumption). If O/As cannot achieve whole-building data, they can utilize Portfolio Manager and follow the sampling protocol identified in this notice. ENERGY STAR Portfolio Manager is a no-cost, secure online resource that enables O/As to benchmark, track, and manage energy and water consumption at the property and portfolio level. O/As can use EPA's ENERGY STAR Portfolio Manager to identify under-performing buildings, set investment priorities, monitor and verify efficiency improvements, receive EPA recognition for superior energy performance, and report out on building and portfolio performance.

For more information on the use of the EPA Portfolio Manager, please contact Michael Zatz at zatz.michael@epa.gov or go to <http://www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/use-portfolio-manager>.

XII. INFORMATION COLLECTION

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0352. In

accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

XIII. CONTACT

For more information on the utility analysis methodology outlined in this notice, please contact Kate Brennan in the Office of Asset Management and Portfolio Oversight at Catherine.M.Brennan@hud.gov.

Edward L. Golding
Principal Deputy Assistant Secretary for Housing

Attachments

- A – [Sample Utility Analysis Submission Workbook](#)
- B – [Sample Release of Tenant Utility Information](#)