

## Utility Allowance Requirements and Suggestions

### *Submission Requirements:*

1. Letter requesting an increase or decrease in utility allowances at least two months prior to the first of the month of the HAP anniversary date (e.g. if the HAP effective date is 9/16/1980, the letter should be submitted by July 1<sup>st</sup> each year).
2. Summary of the analysis completed. The summary should include:
  - The type of utilities and units covered by the allowance. The most effective way to present this material is usually a spreadsheet showing, average usage per unit and overall average per bedroom size
  - The summary may also include information regarding utility rate information of rate increases or decreases within the last 12 months or changes expected to be implemented in the next 12 months. In order to include anticipated changes in the analysis, it should be accompanied by verification from the utility company that new rates will in fact be implemented on a particular date.
  - A statement regarding how any energy conservations initiatives have or will impact consumption.
3. If applicable, a copy of the Notice to Tenants and related documentation (24CFR245)

### *Tips and Suggestions:*

1. Although it is not required, submission of the back-up information is helpful, especially if you have recently made changes to your processes or procedures based on IHFA's recommendations. Print outs from the utility company help to expedite the review of your submission.
2. Request utility usage data from the appropriate utility company at least one month prior to desired submission date to IHFA.
3. Do not include units that have experienced unit turnover in the last 12 months.
4. After completion of the average rates for each unit, remove the units with the highest and lowest usage amounts for each bedroom size from your calculations. If the number of units with valid data is small, this step may be omitted.
5. There is no minimum percentage of units that must be analyzed. 33% is a good target to shoot for, but fewer units may provides a reasonable analysis in some circumstances.
6. If the analysis shows that the change is more than 10% from current allowances, you must submit a request for an update to the utility allowances.
7. If the utility provider has confirmed a rate increase, the new utility allowance may be based on new rates rather than past consumption, even though historical dollar figure averages are lower. If this method is used, 3<sup>rd</sup> party documentation must support the new rate.

### *References:*

- HUD Handbook 4350.1, REV-1, Chapter 7, Section 7-24 and 7-35
- CFR 880.610 – Adjustment of Utility Allowances
- 24CFR245 Part E - Procedures for Requesting Approval of a Covered Action

## **Annual Adjustment Factor (AAF) Requirements and Tips**

### *Submission Requirement:*

1. Complete submissions must be received two months prior to the contract anniversary date. Late submissions will result in a later effective date of the new rents.
2. If the gross rent for the units is above Fair Market Rent (FMR) for that unit size in the applicable area, a rent comparability study is required.
3. A complete submission when rent is below FMR includes the following:
  - Letter requesting an AAF increase that clearly shows the type of unit and eligibility
  - The number of units in which turnover occurred since the last HAP contract anniversary, for each unit type. (A sample format is located in HUD Notice H 02-10 and will be provided upon request.)
  - A utility allowance analysis summary and recommendation.
  - A copy of the notice that was provided to tenants describing the 30-day comment period as referenced in 24CFR245, Subpart E, as well as the associated supporting documentation, is also required.

### *Tips and Suggestions:*

1. Although not a requirement, you may complete and submit the AAF Worksheet found in HUD Notice H 02-10.
2. Please note that eligibility is based on gross rents, but the increase is calculated using contract rents (without the utility allowance).

### *References:*

- HUD Housing Notice H 02-10. This notice contains several sample forms and instructions.
- HUD Housing Notices 03-14, 00-14, 99-17, 98-3, 97-14, 99-18 and subsequent related extensions.
- Federal Register dated February 1, 2007 entitled Section 8 Housing Assistance Payments Program – Contract Rent Annual Adjustment Factors, Fiscal Year 2007; Notice.