



U.S. Department of Housing and Urban Development
Los Angeles Field Office, Region IX
611 W. 6th Street, Suite 800
Los Angeles, CA 90017

July 8, 2011

MEMORANDUM FOR: All HUD Los Angeles Multifamily Asset Management Staff, Owners and Agents of Project Based Section 8 Properties, Contract Administrators

FROM: Valli Sears-Jones, Director of Asset Management

SUBJECT: Revision of Tenant Paid Utility Allowance Analysis Criteria for Project Based Section 8 Properties - HUD Los Angeles Policy

The revisions made to the HUD Los Angeles Utility Allowance Policy herein this memo are effective immediately. On June 20, 2011, HUD Headquarters issued a memo signed by Carol J. Galante, Deputy Assistant Secretary for Multifamily Housing Programs providing clarification on the federal regulations governing the necessity for an annual utility allowance analysis. For properties that have entered MAHRA, the owner must submit their cost analysis each year with their Project Based Section 8 Contract Renewal/Rent Adjustment submission.

In accordance with HUD Handbook 4350.1, REV-1, Chapter 7, Paragraph 7-24, owners of properties receiving Project Based Section 8 assistance must make recommendations regarding the average monthly utility cost that an energy conscious resident will incur for the year. An analysis to support the recommended utility allowance must be included with the owner's submission for a rent increase. If the utility allowance analysis is not included with the owner's submission, the rent increase will not be approved until the analysis is received.

The HUD Occupancy Handbook, 4350.3, REV-1, CHG-3, Chapter 7, Paragraph 7-18.C. states, "Owners must implement approved changes in utility allowances within 75 days of approval by HUD or the Contract Administrator." The HUD/CA approval date is the date of the decision letter that is sent to the owner/agent; the letter provides the new rent and utility allowance amounts and their effective date.

Annual Cost Analysis Requirements:

- ✓ The analysis must include supporting documentation (billing statements, data from the utility provider, etc);
- ✓ The analysis must be based on cost;
- ✓ The analysis must be conducted each year;
- ✓ The analysis must be property specific;
- ✓ The analysis must include each unit type receiving Section 8 subsidy;
- ✓ The analysis must be received with the owner's renewal/rent adjustment packet;

- ✓ The analysis must include 100% of all unit types that have 1 - 10 units – minimum of 3 units per unit type;
- ✓ The analysis must include 20% of all unit types that have 11 or more units – maximum of 20 units per unit types;
- ✓ The data included in the analysis must not end more than 12 months prior to the contract anniversary date (i.e. contract expiration 7/31/11 – acceptable analysis 8/1/09 thru 7/31/10; contract anniversary date 7/31/11 – analysis cannot be 7/1/09 – 6/30/10);
- ✓ The analysis' data must be collected for the same time frame for each unit;
- ✓ The analysis must exclude units that have experienced a vacancy within the analysis' 12 month period.

Example:

Property	Contract Expiration	# of One Bedroom Units	# of Two Bedroom Units	# of Three Bedroom Units
Point Apts.	7-31-11	10	50	160

Number of Units to be included in the **8-1-09 thru 7-31-10** Analysis:

Property	Contract Expiration	# of One Bedroom Units	20% of Two Bedroom Units	20% of Three Bedroom Units
Point Apts.	7-31-11	10	10	20 (maximum # required)

Increase or Decrease:

When the cost analysis indicates the utility allowance for any unit type should be raised or lowered by any dollar amount, the owner must adjust the allowance accordingly.

Pursuant to 24 CFR 245.405(a) and 245.410, the owner is required to serve notice to the tenants of a proposed decrease in utility allowance(s). This notice must be made at least 30 days prior to submitting the request for a utility allowance decrease to HUD for approval and must provide the tenants with the right to participate in and comment on the proposed decrease. This posting is required for every type of rent adjustment method when the analysis indicates the tenant paid utility allowance(s) will decrease.

Discrepancies between the owner's recommendation and the HUD/CA calculations:

Calculation differences, and any other concerns, will be communicated with the owner in writing. The HUD/CA will set the utility allowance based on the supporting documentation, unless the owner provides sufficient additional information as to why the amount(s) should be set differently.

Utility Rate Increase:

Mid-term adjustments to a project's tenant paid Utility Allowance(s) must be requested and applied when a utility provider's residential rates increase by 10 percent (10%) or more. The owner must send their request to increase the property's utility allowances and include supporting documentation (approved rate chart).