

**Tenant Paid Utility Allowance Analysis Criteria
Project Based Section 8 Properties**

**HUD Los Angeles Policy
Effective March 1, 2011**

According to HUD Handbook 4350.1 REV-1, Chapter 7, Section 4, 7-24, the owner of properties receiving Project Based Section 8 assistance, need to conduct a property specific analysis and make a recommendation regarding the “average” annual amount energy-conscious tenants pay for utilities. For properties that have entered MAHRA, the owner must submit their recommendation each year 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.

The HUD Occupancy Handbook, 4350.3, REV-1, CHG 3, 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. Upon receipt of the approval letter, the owner/agent must post applicable tenant notifications, since the rent adjustments are to be transmitted to TRACS within 75 days.

Analysis:

- ✓ The analysis must include the supporting back-up documentation (billing statements, data from the utility provider, etc);
- ✓ The analysis must be conducted at least every three years;
- ✓ The analysis must be property specific;
- ✓ The analysis must include each unit type receiving Section 8 subsidy;
- ✓ The analysis must be based on cost;
- ✓ 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 type;
- ✓ The analysis must exclude units that have experienced a vacancy within the analysis’ 12 month period;
- ✓ The analysis must be for a continuous 12 month period;
- ✓ The analysis’ data 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.

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: When the analysis indicates the utility allowance for any unit type should be raised by *10% or more*, the owner must adjust the allowance upward. The owner/agent may request the allowances be raised when the cumulative increase is less than 10% as long as the request is accompanied with supporting documentation.

Decrease: When the analysis indicates the utility allowance for any unit type should be reduced by *10% or more*, the owner must adjust the allowance downward. The owner/agent may request the allowances be lowered when the request is accompanied with supporting documentation. The decrease will be capped at no more than 20% per year.

Interim year adjustments: At the end of years one and two, the owner/agent will submit their recommendation addressing the amount(s) of utility allowances per unit size at the property.

- ✓ Supporting documentation is not required when the recommendation is to leave the allowance(s) at current level(s);
- ✓ When the owner/agent recommends a change (increase or decrease) to the U/A, an analysis must accompany the request.

Example: December 1, 2010 – Analysis with supporting documentation required

December 1, 2011 – Recommendation to retain current amount is acceptable
Analysis required if a change to current amount is requested

December 1, 2012 – Recommendation to retain current amount is acceptable
Analysis required if a change to current amount is requested

December 1, 2013 – Analysis with supporting documentation required

Discrepancies between the owner/agent recommendation and the HUD/CA calculations: When a 10% or higher cumulative increase or 10% or greater decrease of the unit type's U/A is demonstrated, yet the owner/agent's recommendation does not coincide with documented 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 HUD/CA 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.

Disclaimer: It is possible that an analysis will be required more often than every three years in cases of extreme cost fluctuations, natural disaster, etc.