



## Conquering LIHTC Utility Allowances

by Amanda Lee Gross, VP of Training and Compliance Policy

In this series, we have discussed Utility Allowance Basics, Department of Housing and Urban Development (HUD) and Department of Agriculture's Rural Development (RD) Regulated Buildings, and the Public Housing Authority Utility Allowance Schedule. In the fourth article of this series, we will review using a Utility Company Estimate and an Agency Estimate.

### Utility Company Estimate

The Utility Company Estimate method involves collecting information from a local utility company. The data gathered need to demonstrate the estimated cost of the utility for units of similar size and build in the same geographic area where the Low-Income Housing Tax Credit (LIHTC) building is located.

### Deregulated Utilities

In some areas, utility services may be deregulated, meaning more than one company supplies the utility. Thankfully, in these areas, only an estimate from a single provider is required, even if multiple providers are providing the same service to the building. However, the utility provider selected to provide the estimate must actually provide the utility to the building.

For deregulated utilities, the estimate should include all *component deregulated charges* for providing the utility service, such as transmission and distribution fees.

### Interested Party

The regulation states that this estimate may be obtained by any "interested party" at any time during the building's extended use period.

Who is considered an interested party? An "interested party" clearly includes the building owner and the state Housing Finance Agency (HFA).

What is surprising to some is that the regulation also deems a low-income tenant as an "interested party." That said, if a tenant obtains the estimate, then the tenant is responsible for any cost incurred in collecting the estimate, and he or she must provide a copy of the estimate to the building owner.

Although a copy of the estimate does not need to be provided to each low-income tenant in the building, the estimate must be made available to these tenants.

## Ask Your HFA

Before collecting estimate information from a provider, check your state HFA policies regarding the collection and formatting of this utility allowance option.

## Agency Estimate

Under the agency estimate method, the HFA provides the utility allowance to the building owner. How this is determined and provided to building owners can vary from state to state. It is important to note that not all HFAs provide this option. Any costs incurred in obtaining the estimate are the responsibility of the building owner.

## Utility Allowance Based on Estimate

Under this method, the HFA uses the estimated per-unit utility costs for units of similar size and build located in the geographic area in which the LIHTC building is located.

When using this method, the determination of a utility allowance estimate must take into account, at a minimum:

- Property type
- Building materials
- Mechanical systems
- Climate and degree-day variables by region
- Local utility rates
- Taxes and fees on utility charges

## Actual Consumption

Under the agency estimate option, some HFAs may require that the utility allowance be based on actual consumption, meaning that the estimate is determined using actual usage data and utility rates for the building.

If the estimate is based on actual consumption, the data used must meet the following requirements:

- Usage data collected must be for the twelve-month period ending no earlier than 60 days prior to the beginning of the 90-day period\*\*, and;
- Utility rates used must be no older than the rates in place 60 days prior to the beginning of the 90-day period.

*\*\* 90-day period — When applicable utility allowances for LIHTC units change, the new utility allowances must be implemented when determining gross rents of 90 days after the change.*

Of course, if a property is newly constructed or has recently undergone rehab, 12 months of consumption cannot always be obtained. In such cases, the consumption data for the 12-month period of units of similar size and build in the same geographic area may be used.

### **Third-Party Utility Allowance Provider**

Under the agency estimate option, some HFAs stipulate that building owners use an agency-approved, qualified professional to determine the utility allowance for the building.

In the next article in this series, we will discuss the HUD Utility Schedule Model and the Energy Consumption Model.

*Amanda Lee Gross is the Vice President of Training and Compliance Policy at US Housing Consultants. Amanda has become a nationally recognized expert trainer in Fair Housing, LIHTC, HUD, and HOME, has conducted hundreds of trainings nationwide, and regularly provides consulting to State Housing Finance Agencies, Public Housing Authorities, management companies, and developers. She obtained her HCCP designation in 2004. She can be reached by email at [AGross@us-hc.com](mailto:AGross@us-hc.com).*