



Conquering LIHTC Utility Allowances

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To date in this series, we have discussed;

- Utility Allowance Basics
- HUD & RD Regulated Buildings
- Public Housing Authority Utility Allowance Schedule
- Utility Company Estimate
- Agency Estimate

This article will discuss the HUD Utility Schedule Model and the Energy Consumption Model.

HUD Utility Schedule Model (HUSM)

HUD created this utility model to provide a consistent basis for determining utility allowances. HUD developed a web-based application to facilitate the use of this method and also provides a spreadsheet that can be used as well.

This model uses the form [HUD-52667](#) to create an estimated utility allowance using data based on the Residential Energy Consumption Survey. This survey collects energy data of housing units, utility usage patterns and household demographics.

In order to use the HUSM, the owner/agent must input a significant amount of data as it relates to:

- Project Location
- Project Type
- Unit Information
- Energy Savings Design (Energy Star Certification, LEED Certification, Significant Green Retrofit)
- Utility Tariffs, Extra Charges and Fees
- Utilities Paid by Tenants

HUD [provides instructions](#) on the use of the method.

Energy Consumption Model

In using this model, the owner/agent determines the utility allowance utilizing an energy and water/sewer consumption and analysis model. This method considers specific factors, including but not limited to:

- Unit Size
- Building Orientation (the positioning of the building as it relates to seasonal variations of the sun's path and prevailing wind patterns)
- Design and Materials
- Mechanical Systems
- Appliances in Units
- Characteristics of Building Location
- Available Historical Data.**

Quailed Professionals

The owner/agent cannot just hire anyone to conduct this analysis. The regulation states that this analysis can only be completed by a licensed engineer or other "qualified professional." While the regulation does not define a "qualified professional," it does state that if the qualified professional is not a licensed engineer, the owner must obtain approval from the State Housing Finance Agency in order to use the qualified professional. It is essential to keep in mind, that if even if the qualified professional is a licensed engineer, the State Housing Finance Agency may still disapprove the energy consumption model, or may require that the owner provide additional information to support the analysis before the owner can utilize the determined Utility Allowance at the project.

*** It should be noted that prior to the publications of the final regulations on March 3, 2016, the regulation previously stipulated that the historical data used must be limited to the building's consumption data for the twelve-month period ending no earlier than 60 days prior to the beginning of the 90-day period. This was changed to "available historical data," as many utility providers do not maintain utility information beyond the most recent 12-month period.*

Related Parties

Furthermore, the qualified professional cannot be related to the building owner as defined in 26 US Code Section 267(b) or 707(b).

Section 267(b)(10) defines as related parties a corporation and a partnership if the same persons own more than 50% in value of the outstanding stock of the corporation and more than 50% of the capital interest, or the profits interest, in the partnership.

Similarly, Section 707(b) defines this as a partnership and a person owning (directly or indirectly) more than 50% of the capital interest, or the profits interest, in such partnership, or two partnerships in which the same persons own (directly or indirectly) more than 50% of the capital interests or profits interests.

Utility Rate Data

The utility rates used in this model cannot be any older than the rates in effect 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of Treasury Regulation 1.42-10.

Paragraph (c)(1) states that when the utility allowance changes, the newly determined utility allowance must be used when determining gross rent due 90 days after the change in utility allowance occurs. We will discuss this timeline in depth in a later article in this series.

The next installment of this series will review Submetering Requirements & Renewable Energy Sources.

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