

INTRODUCTION

While intended primarily for projects financed with Housing Tax Credits, The Ohio Housing Finance Agency (OHFA) Utility Allowance Procedures are applicable to any multifamily project assisted by OHFA. On March 3, 2016, the IRS issued a final utility allowance regulation (IRS Regulation §1.42-10). The final regulation provides clarification on the available methods for calculating utility allowances, incorporated IRS Notice 2009-44 relating to sub-metering and provided guidance on energy obtained directly from a renewable source.

SECTION 1

Utility Allowances

Utility Allowances are calculated on a building-by-building basis. As long as the buildings are not Rural Housing Service (RHS) buildings or buildings with RHS assisted tenants and/or HUD regulated buildings, the owner can choose the method to calculate the utility allowance for any utility for which the tenant is financially responsible. For example, a project currently using a PHA allowance could use the HUD Utility Schedule Model for gas and a utility company estimate for electricity.

Utilities Included in Allowance:

- Electric
- Gas
- Air Conditioning
- Water/sewer
- Trash
- Or any item tenant must pay in addition to rent including a range or refrigerator not supplied by the project.

Utilities Excluded from Allowance:

- Telephone
- Cable
- Internet service
- Items not included in the eligible basis
- Or any item that is a property expense paid with operating funds.

1. Utilities paid directly to the utility provider or to/through the owner of the building, where the manner in which the tenant is billed is based on their actual consumption (e.g. sub-metering), are included in the Utility Allowance.
2. For those utilities that are sub-metered, the tenant may be charged a fee for the administration of actual-consumption sub-metering, where that fee is not considered in gross rent. The fee must be computed in the same manner for every unit receiving the same sub-metered utility service. Such fee does not apply to any amount in which the aggregate monthly fee(s) for all the unit's utilities under one or more actual-consumption sub-metering arrangements exceed the greater of:
 - a. \$5 per month;
 - b. An amount designated by publication in the Internal Revenue Bulletin; or,

The lesser of:

- a. The dollar amount specifically prescribed under a State or local law; or,
- b. A maximum amount designated by publication in the Internal Revenue Bulletin.

Utility Allowance Methods

Of the available methods to calculate a utility allowance, OHFA will accept the following utility methods as defined in IRS Regulation §1.42-10.

The following do not require OHFA approval:

1. Public Housing Authority (PHA) Allowance;
2. Utility allowances as required by other federal programs:
 - a. Rural Housing Services (RHS) buildings or buildings with RHS assisted residents: The applicable Utility Allowance for the project will be determined under the method prescribed by the RHS (or successor agency), whether or not the building or its tenants also receive other state or federal assistance, including any units occupied by tenants receiving rental assistance payments from the Department of Housing and Urban Development (HUD). No other utility method can be used by RHS buildings or buildings with RHS assisted residents.
 - b. HUD regulated buildings layered with any program: If neither the building or any resident in the building receives RHS rental assistance payments, and the rents and the Utility Allowances of the building are regulated by HUD (HUD regulated building), the applicable Utility Allowance for all rent restricted units in the building is the applicable HUD Utility Allowance. No other utility method described in this section can be used by HUD regulated buildings.
 - c. Units occupied by tenants who receive a Housing Choice Voucher (HCV): The utility allowance for that unit is the utility allowance published by the Housing Authority that issues the HCV.

The following alternative methods must be reviewed and approved by OHFA:

1. Utility Company Estimate
2. HUD Utility Schedule Model
3. Engineer's Energy Consumption Model
4. Renewable Source

2013 Final HOME Rule

The 2013 Final HOME Rule requires Participating Jurisdictions (PJs) to determine an individual utility allowance for each HOME rental project either (1) by using the HUD Utility Schedule Model or (2) by otherwise determining the allowance based upon the specific utilities used at the project.

After receiving guidance from our local HUD office, OHFA will require owners of projects that received HOME funds on or after August 23, 2013 to request a utility allowance from OHFA. Owners of these projects will no longer be able to use the Public Housing Authority (PHA) allowance for any HOME units in the project. Owners of these projects are required to submit an individual utility allowance by using either the HUD Utility Schedule Model, utility company estimate or engineer's energy consumption model.

LIHTC/HOME Units with HCV Assistance Established after 8/23/13

The HOME program does not allow the PHA utility allowance to be utilized when determining gross rent. When the household also resides a housing choice voucher (HCV) tenant, the owner must use an OHFA approved UA for HOME and the PHA utility allowance for LIHTC. This means gross rent for a HCV unit that is also a LIHTC unit layered with HOME funds established after August 23, 2013, needs to be calculated two different ways. For LIHTC rent compliance, owners will use the PHA UA, tenant paid rent, and any non-optional charges to determine the gross rent. For the HOME program, owners will use the OHFA approved UA, tenant paid rent AND the Housing Choice Voucher Assistance Amount to determine Gross Rent. Owners must be in compliance with both programs max rent if they decide to make a HCV tenant a HOME unit. Example on the next page.

Owners must demonstrate the unit is in compliance with the LIHTC and HOME rent requirements. The OHFA TIC will reflect the LIHTC rent compliance. Owners are required to add the specific [LIHTC/HOME with HCV unit Clarification Record](#) to the file that will illustrate HOME rent compliance. This clarification record should be filed behind page 2 of the TIC.

LIHTC/ HOME unit with HCV **IN COMPLIANCE**

Max Rent Info		LIHTC Rent Compliance		HOME Rent Compliance	
LIHTC Max Rent	\$1,000	TPR amount	\$300	TPR	\$300
HOME Max Rent	\$900	HCV Excluded		HCV amount	\$450
		PHA UA	\$120	OHFA Approved UA	\$100
Utility Allowance Info		LIHTC Gross Rent	\$420	Gross Rent	\$850
PHA UA	\$120	LIHTC Max Rent	\$1,000	Max Rent	\$900
OHFA Approved UA	\$100	In Compliance		In Compliance	

Tenant Paid Rent (TPR) Amount	\$300
Housing Choice Voucher (HCV) Amount	\$450

LIHTC/ HOME unit with HCV **OUT OF COMPLIANCE**

Max Rent Info		LIHTC Rent Compliance		HOME Rent Compliance	
LIHTC Max Rent	\$700	TPR amount	\$300	TPR	\$300
HOME Max Rent	\$650	HCV Excluded		HCV amount	\$350
		PHA UA	\$120	OHFA Approved UA	\$100
Utility Allowance Info		LIHTC Gross Rent	\$420	Gross Rent	\$750
PHA UA	\$120	LIHTC Max Rent	\$700	Max Rent	\$650
OHFA Approved UA	\$100	In Compliance		OUT OF Compliance!!	

Tenant Paid Rent (TPR) Amount	\$300
Housing Choice Voucher (HCV) Amount	\$350

Owners of projects that received **OHFA HOME funds prior to August 23, 2013** are not impacted by the utility allowance requirement in the 2013 Final HOME Rule and may continue to use any utility allowance method described in this policy, including PHA estimates.

Changes to Utility Allowance

1. Implementation
 - a. PHA - Any time the PHA makes a new utility allowance schedule available, the updated allowance can be implemented immediately but must be implemented for rent due at least 90 days after the change is made available.
 - b. For RHS buildings or buildings with RHS assisted residents and HUD regulated buildings, changes to utility allowances are expected to comply with the associated program rules.
 - c. Alternative Methods - The approved allowance cannot be implemented prior to the end of the 90-day review period (discussed in Section 2), even if the owner receives an approval letter from OHFA before that time.
2. DevCo: It is mandatory for the following updates to be made in DevCo
 - a. Updated allowances
 - b. Current verification and/or effective date
 - c. Updated rents
 - For more information regarding these changes, click [here](#).

SECTION 2: ALTERNATIVE METHODS

Dates

1. Alternative Methods should be made effective on the 91st day to be sure to allow for the 90 day waiting period.
 - a. Day one of the 90 day period begins on the date that OHFA receives the UA request.
2. Alternative Methods expire one year from their effective date.
3. Renewal requests must be submitted 90 days prior to the expiration of the current utility allowance in effect.

Requests and Renewals

Owners are required to submit the following for all requests. OHFA will no longer accept Excel spreadsheets for UA requests. All requests will need to be converted into a PDF format.

1. A signed and dated cover letter outlining the request.
2. The completed [Utility Allowance Request Form \(PC-E30\)](#) must be submitted to: uarequest@ohiohome.org.
3. All documents supporting request. (*See Section 3 for more information*). All data must be no older than 60 days prior to the start of the 90-day period (Section 1.42-10).
4. A copy of a 90-day notice to tenants showing UA amounts being requested.
5. If a utility allowance approval requires additional documentation or corrections, a request for the additional documentation or correction will be made via email and management will have 10 business days to respond.

Approvals

Once the utility allowance is approved the owner is required to maintain OHFA's approval letter and the utility allowance request in hardcopy and/or electronic format.

Non-renewals

If the owner chooses not to renew the utility allowance, [The Utility Allowance Statement of Non-Renewal Form \(PC-E31\)](#) must be submitted prior to the expiration date.

Noncompliance

If the owner fails to conduct an annual review of an alternative method, the noncompliance is corrected by:

1. Reverting to the current PHA utility allowance; AND,
2. Conducting and submitting a new review using current information; OR,
3. Submitting [The Utility Allowance Statement of Non-Renewal Form \(PC-E31\)](#).

Applications for funding

1. New Construction - all requests must be submitted to the Office of Multifamily Housing 10 business days before submission of the final application for 9% competitive, 4% bond, or HDGF programs.
2. Acquisition/Rehab - all requests must be submitted to the Office of Multifamily Housing by the date on which the final tax credit application is due.

SECTION 3: ALTERNATIVE METHOD SUPPORT DOCUMENTATION

Utility Company Estimate

The estimate must be from a local utility company that provides residential service to the buildings of the project and must be on the utility company's letterhead. The estimate must be for units of similar size and construction in the same geographic area of the subject building and must take into account taxes and fees on the utilities that the tenant pays.

HUD Utility Schedule Model

The HUD Utility Schedule Model (HUSM) submitted must be completed in either the Excel-based version (converted to a PDF format) or web version [available here](#). All supporting documentation showing how rates, blocks, and charges were selected for each utility entered into the HUSM must be submitted.

To clear up any confusion about which unit type to apply to the current HUD Utility Schedule Model (HUSM) HUD provides these two tables. The current HUSM only allows for the selection of five unit types. The table below shows how these unit types are related to the unit types and type numbers from the Residential Energy Consumption Survey (RECS).

Current Model Unit Types		
Unit Types	Based on RECS Unit Type	RECS Type Number
Single Family House	SF Det	2
Single Family Attached	SF Att	3
Lowrise Apartment (2 - 4 units)	Apt 2-4	4
Larger Apartment Bldgs. (5+ units)	Apt 5+	5
Manufactured Homes	Mobile	1

The previous HUSM allowed for the selection of 10 unit types and four alternatives. The table below shows how these unit types are related to the five RECS unit types and type numbers. Please use this table to determine the appropriate unit type to use in the current model. For example, a townhouse under the previous HUSM is currently identified as a Single Family Attached unit with a RECS type number of 3, so please choose Single Family Attached for the unit type in the current model.

Previous Model Unit Types		
Unit Types	Based on RECS Unit Type	RECS Type Number
Detached houses	SF Det	2
Duplexes, row or townhouses	SF Att	3
Garden and high rise apartments	Apt 5+	5
Manufactured homes	Mobile	1
Duplex	SF Att	3
Triplex	SF Att	3
Fourplex	SF Att	3
Townhouse - within row	SF Att	3
Townhouse - end of row	SF Att	3
Multifamily	Apt 2-4	4
Highrise	Apt 5+	5
Apartment	Apt 2-4	4
Alternative 1	Apt 2-4	4
Alternative 2	Apt 2-4	4
Alternative 3	Apt 2-4	4
Alternative 4	Apt 2-4	4

Engineer's Energy Consumption Model

The Engineer's Energy Consumption Model submitted must, at minimum, take into account specific factors including (but not limited to) unit size, building orientation (e.g. townhouse versus garden unit), design and materials, mechanical systems, appliances, characteristics of building location and available historical data. The energy professional or firm conducting the allowance calculations must submit an energy consumption model projection and meet all of the following conditions:

1. A complete copy of the energy consumption model projection. The projection should show the steps of the process, the projected consumptions and dollar amounts including taxes and fee.
2. Documentation demonstrating that staff supervising the calculation of utility allowances maintains certifications and licenses relevant to the development and implementation of an energy consumption model (e.g. Professional Engineer license, Professional Architect license, Certified Energy Manager or similar designation).
3. Verification of a minimum of one year's experience implementing energy consumption models.
4. Description of the firm or energy professional's experience implementing energy consumption models.
5. Submission of resumes for those completing/overseeing the utility allowance calculations.
6. Submission of a letter from an engineer or architect indicating that the firm or professional conducting the energy audit is not related to the owner. The firm or professional conducting the energy audit must not be related to the owner within the meanings of Internal Revenue Code Section 267(b) or 707(b).

Renewable Source

To be determined.

SECTION 4: SUBMISSION OF ALTERNATIVE METHOD REQUESTS

OHFA will accept submissions via email with all required documentation to uarequest@ohiohome.org.

OHFA will only accept requests in PDF format. Excel files will be rejected.

Projects Initially Placing in Service - The owner is not required to review the utility allowances, or implement new utility allowances until the building has achieved 90% occupancy for 90 consecutive days or the end of the first year of the credit period, whichever is earlier.

By the end of the 90-day period discussed in Section 2, OHFA will send a letter of approval or denial to the owner after the review has been completed.

SECTION 5: ALTERNATIVE METHOD DENIALS AND APPEALS

Denials

OHFA reserves the right to deny a request for the following reasons (but not limited to):

- Insufficient or incomplete submission;
- Outstanding non-compliance issues, e.g. Uncorrected 8823s; until such time the non-compliance is cured and approved by the Compliance Operations Manager;
- Calculation errors.

Appeals

If the utility allowance request is denied, an appeal may be submitted to OHFA with the following requirements:

1. Must be within 10 business days from the date of denial;
2. Must be in writing on company letterhead and signed by the owner or owner agent;
3. Must specifically describe why the appeal should be granted.
4. Must include a copy of the denial letter.

All appeals should be submitted to UAREquests@ohiohome.org.

SECTION 6: PROJECTS IN EXTENDED USE

During the Extended Use period, the owner is not required to submit requests for approval of any utility allowance; however, the utility allowance must be updated on an annual basis and consistent with the current utility allowance policy. Any change in utility allowances must also be completed in DevCo on an annual basis. Documentation for the utility methodology selected must be updated annually. OHFA reserves the right to request documentation demonstrating the utility allowance meets OHFA's policy.

SECTION 7: UTILITY RESOURCES

This list is NOT all inclusive.

Electric

<p>American Electric Power Columbus Southern Power: (800) 277-2177 Ohio Power: (800) 672-2231 http://www.aepohio.com</p>	<p>Duke Energy Ohio (513) 421-9500 (800) 544-6900 http://www.duke-energy.com</p>
<p>Dayton Power & Light (937) 331-3900 (800) 433-8500 http://www.waytogo.com</p>	<p>First Energy (800) 589-3101 (CEI Division) (800) 633-4766 (OE Division) (800) 447-3333 (TE Division) http://www.firstenergycorp.com</p>

Natural Gas

<p>Columbia Gas (800) 344-4077 http://www.columbiagasohio.com</p>	<p>Duke Energy Ohio (800) 544-6900 http://www.duke-energy.com/ohres</p>
<p>Dominion East Ohio (800) 362-7557 http://www.dom.com</p>	<p>Vectren (800) 227-1376 http://www.vectrenenergy.com</p>

Water

<p>Aqua Ohio Water (877) 987-2782 http://www.aquaamerica.com</p>	<p>Ohio American Water (800) 673-5999 http://www.amwater.com</p>
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