

# Utility Allowances: Frequently Asked Questions

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2022

## Utility Allowance FAQ

The purpose of this training is to provide answers to frequently asked questions (FAQ) with regards to the Utility Allowance requirements for Department programs.

The Department will cite noncompliance and/or not approve a UA if it is not calculated in accordance with the requirements of 10 TAC §10.614, Treasury Regulation 1.42-10 and Chapter 18 of the 8823 Audit Guide.

Owners are required to comply with the provisions of the above section as well as any existing federal or state program guidance.

## Resources

- Documents, Rules and Regulations:
  - <https://www.tdhca.state.tx.us/pmcomp/utility-allowance.htm>
- Frequently Asked Questions (FAQ):
  - <https://www.tdhca.state.tx.us/pmcomp/compFaqs.htm>
- Training Presentations:
  - <https://www.tdhca.state.tx.us/pmcomp/presentations.htm>
- Compliance Monitoring Rules:
  - <https://www.tdhca.state.tx.us/pmcdocs/SubchapterF.pdf>

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## Definitions and Acronyms

- Utility Allowance (UA)
  - An estimate of the expected monthly cost of any utility for which a resident is financially responsible (other than phone, cable or internet)
- Multifamily Direct Loan (MFDL)
  - Funds provided through the HOME Program (HOME), Neighborhood Stabilization Program (NSP), National Housing Trust Fund (NHTF), Repayments from the Tax Credit Assistance Program (TCAP RF), or other program available through the Department, local political subdivision, or administrating agency for multifamily development that requires a Utility Allowance
- Ratio Utility Billing System (RUBS)
  - This is a utility billing system in which the owner of the building calculated the utility bill based on an allocation method and not based on actual usage of the household

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## Annual Submission Requirement

All submissions must be uploaded to the development's Compliance Monitoring Tracking System (CMTS) account annually, no later than October 1st. When uploading, please be sure to choose "Utility Allowance Documents" in the "Type" dropdown menu. In the description box, please identify the method (e.g., Written Local Estimate, HUD model, etc.) and if it is an initial request or annual review. In the "TDHCA Contact" dropdown menu, please select "Utility Allowance."

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## What is included in the Utility Allowance?

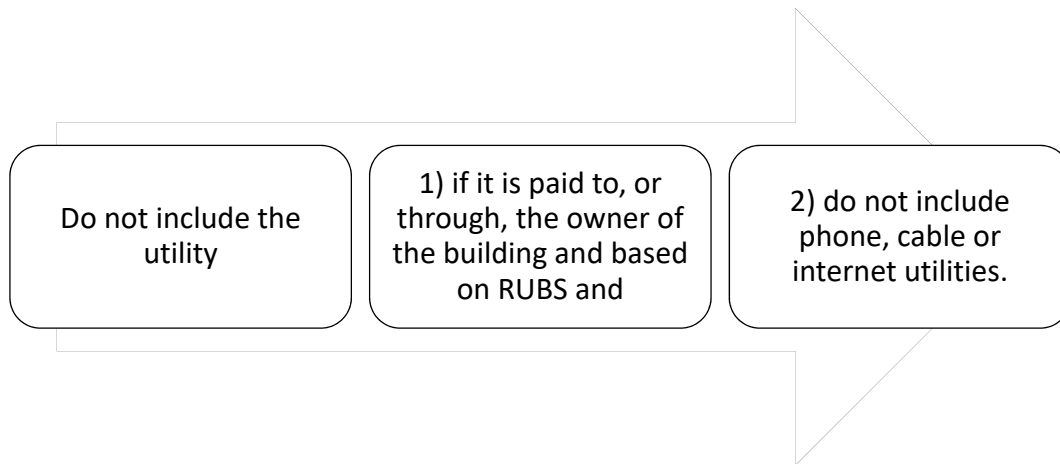
Include the utilities paid by the resident that are

1) paid directly to the provider or through the owners of the building and

2) that the utility billing is based on the actual consumption.

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## What is NOT included in the Utility Allowance?



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## Utility Allowance Methodologies

### Types of Utility Allowance (UA) Methodologies

- Not Department Issued
  - Rural Housing Services (RHS or RD)
  - HUD-Issued Utility Allowance
- Department Reviewed and/or Issued
  - Public Housing Authority (PHA)
  - Written Local Estimate (WLE)
  - Energy Consumption Model (ECM)
  - Actual Use Method
  - HUD Utility Schedule Model (HUSM)

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## Utility Allowance Technical Training

The Department has prepared and recorded a Utility Allowance Training which addresses each methodology specifically and the submission requirements. The training is located online at <https://www.tdhca.state.tx.us/pmcomp/presentations.htm> and provides training on the technical aspects of each Utility Allowance method.

This training is intended to answer frequently asked questions that Compliance Monitors receive and to provide a resource for development staff to ask additional questions with regards to Utility Allowances.

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## Frequently Asked Questions: Implementing Utility Allowances

### What should I do to implement the Utility Allowance?

The Utility Allowance is considered implemented when the Unit Status Report (USR) reflects the current tenant rent, Utility Allowance and housing assistance (if applicable) for each household. Units are considered in compliance with this requirement when the Department can determine that all units are properly rent restricted based on the USR.

The USR should be updated once the new Utility Allowance is effective. Implementation deadlines and effective dates can differ depending on the methodology. The effective date of Department-approved allowances will be given in the approval letter. For developments using the PHA method, any changes can be implemented immediately, but must be implemented for rent due 90 days after the change.

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## Frequently Asked Questions: RD and HUD

- **What Utility Allowance do I use if I have both RHS assisted tenants and HUD-regulated buildings?**
  - The Utility Allowance is determined under the method prescribed by the RHS.
- **When should I implement the UA from RHS/USDA or HUD?**
  - The issued allowance will have an effective date on it; this is the date on which all units must be rent restricted with the applicable UA. Additionally, the USR must be updated on this date to reflect the current UA.

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## Frequently Asked Questions: Housing Tax Credit

### **If I have Housing Tax Credits (HTC), can I use any method to calculate my Utility Allowance?**

No. If you have Rural Housing Services (RHS) building(s) or building(s) with RHS assisted tenants, the Utility Allowance is determined under the method prescribed by the RHS. No other utility method can be used by RHS buildings or buildings with RHS assisted tenants. If neither the building nor any tenant in the building receives RHS rental assistance payments, but the rents and the Utility Allowances of the building are reviewed by HUD (HUD-regulated building), the Utility Allowance for all rent restricted Units in the building is the applicable HUD Utility Allowance. No other utility method can be used by HUD-regulated buildings.

As long as you do not have HUD-Regulated and/or RHS assisted building(s), you can choose any of the other methods to calculate the Utility Allowance.

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## Frequently Asked Questions: MFDL Properties

### If I have HOME, or another form of MFDL funding, can I use any method to calculate my Utility Allowance?

No. If you have Rural Housing Services (RHS) building(s) or building(s) with RHS assisted tenants, the Utility Allowance is determined under the method prescribed by the RHS. No other utility method can be used by RHS buildings or buildings with RHS assisted tenants. If the rents and the Utility Allowances of the building are reviewed by HUD or are part of an MFDL program (HOME, NSP, NHTF, TCAP RF), the Utility Allowance for all rent restricted units in the building is the applicable HUD Utility Allowance. No other utility method can be used by HUD-regulated buildings. Buildings which are HUD-regulated because of MFDL funding may not use the PHA method for the purposes of calculating the Utility Allowance.

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## Frequently Asked Questions: MFDL Properties, cont.

### Developments with Multi-Family Direct Loan (MFDL) funds issued by the Department

- May use any methodology except PHA
- May not combine methodologies
- Must use the Department issued/approved UA for all units, even voucher holders
- HTC buildings in which there are units under MFDL programs are considered HUD-Regulated buildings and the MFDL Utility Allowance will be the allowance for all units in the building, regardless of the resident being on the MFDL program

### Developments with Multi-Family Direct Loan (MFDL) funds NOT issued by the Department

- Must use the issued/approved UA for all units, even voucher holders
- HTC buildings in which there are units under MFDL programs are considered HUD-Regulated buildings and the MFDL Utility Allowance will be the allowance for all units in the building, regardless of the resident being on the MFDL program

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## Frequently Asked Questions: Public Housing Authority

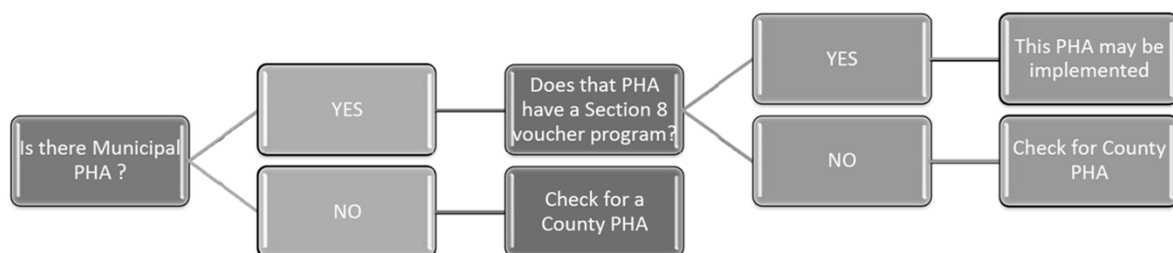
**I want to use the Public Housing Authority (PHA) method to calculate the Utility Allowance. How do I figure out which PHA is most applicable to the property and how do I get the correct schedule from the PHA?**

The Department defers to Chapter 392 of the Texas Local Government Code in making this determination. Please see the flow charts on the following slides for guidance.

A listing of Public Housing Authorities in Texas is available online at [https://www.hud.gov/sites/dfiles/PIH/documents/PHA\\_Contact\\_Report\\_TX.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/PHA_Contact_Report_TX.pdf). Please visit the Utility Allowance page (link on slide 3) for additional information.

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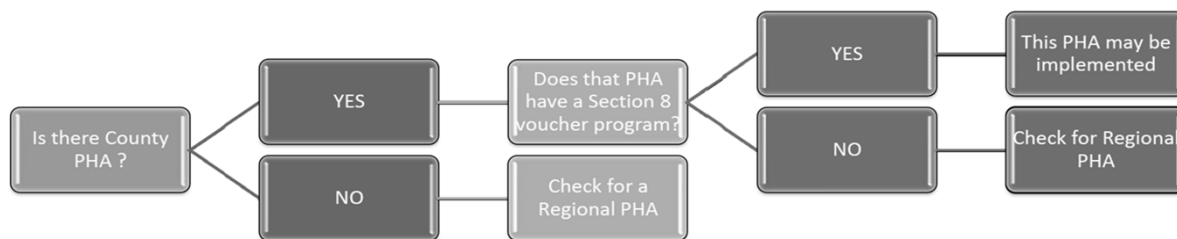
## Frequently Asked Questions: PHA Flow Charts, Municipal PHA



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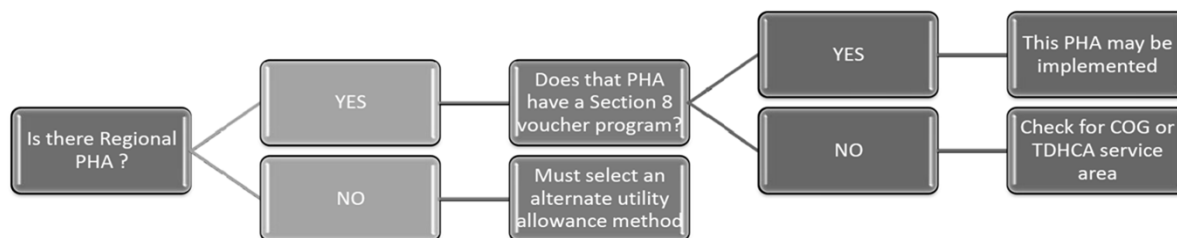


## Frequently Asked Questions: PHA Flow Charts, County PHA



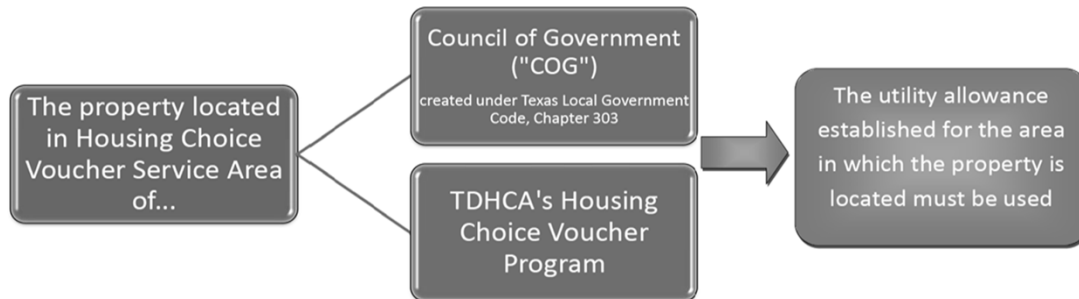
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## Frequently Asked Questions: PHA Flow Charts, Regional PHA



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## Frequently Asked Questions: PHA Flow Charts, COG or TDHCA



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## Frequently Asked Questions: Alternate PHA

**What if the development is in an area that does not have a PHA, but another PHA serves the area?**

In this case, the PHA that serves the area **MUST** issue a Utility Allowance for the specific area in which a development is located in order to use this methodology. For example, the Arlington Housing Authority develops a Utility Allowance that is specific to Irving, so a property in Irving (where there is not a municipal PHA) can use the Arlington PHA, as long as they use the schedule that is specific to Irving.

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## Frequently Asked Questions: PHA Schedules

**My development is located in Anytown, Texas and I need the latest Public Housing Authority Utility Allowance schedule that applies to me. Can you please send it me?**

You need to contact the applicable Public Housing Authority and request a copy of their Utility Allowance schedule for the Section 8 Voucher Program. This information is available to you under the Public Information Act (The Texas Government Code, Title 5, Subtitle A, Chapter 552: Public Information). Contact information for all PHAs can be found on [https://www.hud.gov/sites/dfiles/PIH/documents/PHA\\_Contact\\_Report\\_TX.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/PHA_Contact_Report_TX.pdf).

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## Frequently Asked Questions: PHA Flat-Rate Schedule

**Can a property monitored by TDHCA use a “flat-rate” Utility Allowance published by a Public Housing Authority?**

Certain housing authorities, including "Moving to Work" Housing Authorities, have the option of publishing a flat-rate Utility Allowance instead of publishing an allowance for each utility (electric, gas, water/sewer and/or trash).

The Department is aware that the San Antonio Housing Authority published this type of allowance for their Section 8 voucher program in 2015. Provided that the “flat-rate” Utility Allowance is compliant with HUD requirements, it can be used by a property monitored by the Department.

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## Frequently Asked Questions: PHA Schedule Building Type

**I am using the Public Housing Authority schedule for my Utility Allowance and the applicable PHA publishes 2 different Utility Allowance schedules: 1) Apartments (5 or more units per building); and, 2) Row House/Townhouse & Semi-Detached/Duplex (up to 4 units per building) . At my property, I have buildings with four (4) units, eight (8) units, and twenty (20) units. Can I use the “Apartments (5 or more units per building)” for all of my buildings?**

No. If the Housing Authority publishes different schedules based on building type, the owner is responsible for implementing the correct schedule based on the development's building type(s). In this example, you would use the Utility Allowance schedule for Apartments (5 or more units per building) for the buildings that have 8 units and 20 units. For the buildings with 4 units, you must use the Row House/Townhouse & Semi-Detached/Duplex (up to 4 units per building) schedule. You cannot use the Apartments (5 or more units per building) schedule for buildings that have only 4 units. If there are additional questions on which PHA Schedule to use, please contact the Housing Authority and determine what schedule they use for voucher holders in that building type.

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## Frequently Asked Questions: Section 8 Voucher

**If I have a household that has a Section 8 voucher, what is the Utility Allowance for that unit?**

The correct Utility Allowance for a unit occupied by a household that has a Section 8 voucher is the Utility Allowance schedule from the PHA that issued the voucher. No other Utility Allowance method is allowed when a household has a Section 8 voucher.

Unless the building contains units which are funded under an Multifamily Direct Loan (MFDL) program, which makes the building HUD-Regulated and requires that the Utility Allowance used for the MFDL program is the only allowance for any unit in the building.

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## Frequently Asked Questions: Public Housing Units

**If I have one (1) or more Public Housing Units in a building (note, this is not referencing households that have a Section 8 voucher), what is my Utility Allowance to maintain compliance with Department administered programs?**

If a building has, one (1) or more Public Housing Units, the building is HUD-Regulated. For HUD-Regulated buildings (as long as neither the building nor any tenant in the building receives RHS rental assistance payments) the Utility Allowance for all rent restricted Units in the building is the applicable HUD Utility Allowance for the Public Housing program at your property. No other utility method described in this section can be used by HUD-regulated buildings.

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## Frequently Asked Questions: Multiple HUD Programs

**What if I have multiple HUD programs in one building?**

- If the building is covered by Multifamily Notice H-2015-4 (PBS8) or receives assistance from RHS, the applicable UA for every rent restricted unit is the UA issued by that program.
- If the building has Department MFDL funds, the applicable UA for every rent restricted unit is the UA approved by the Department (per 10 TAC). This is true even if the building also has Project Based Vouchers/Public Housing.
- If the building has multiple HUD programs that are not covered by 2015-4 (Public Housing/Project Based Vouchers) AND the building does not have Department MFDL funds, the Department recommends getting with the issuer of the funds to determine which UA is appropriate for each unit.
- Tenants with Housing Choice Vouchers in a HUD-regulated building will not use the PHA UA. They will always use the UA approved by the HUD program.

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## Frequently Asked Questions: Annual Approval

**I received approval from the Department last year to use a Written Local Estimate, the HUD Utility Schedule Model, the Energy Consumption Model or the Agency Estimate. However, the amounts for this year have not changed. Do I need to submit an approval again for this year?**

Yes. If you are using a Written Local Estimate, the HUD Utility Schedule Model, the Energy Consumption Model or the Actual Use Method you must update the allowance once a calendar year and submit a request for approval to the Department. As a reminder, for a Written Local Estimate, HUD Utility Schedule Model or Energy Consumption Model to be considered in compliance, the Notice to the Residents and Department must occur no later than October 1st. For the Actual Use Method, since the notification cannot occur until the Department calculates and approves the allowance, the annual review request must be submitted no later than August 1st to allow for the 45 day review period.

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## Frequently Asked Questions: Utility Allowance Submission

**I need to submit a Utility Allowance request, what do I need to submit and how do I submit the request?**

A request to calculate your Utility Allowance using an alternate method or an annual review request must include the Utility Allowance Questionnaire, a copy of the Notice to the Residents, the proposed Utility Allowance, and all back up data used for the allowance. Please visit the Utility Allowance page (link provided on slide 3) for the Utility Allowance Questionnaire and a template for the Notice to Residents. All requests should be uploaded to the property's CMTS account to the attention of Utility Allowance, not a specific monitor.

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## Frequently Asked Questions: Written Local Estimate

**I want to use the Written Local Estimate methodology but I am unsure what the written estimate letter from the utility provider needs to include.**

The Written Local Estimate is a letter that you obtain from the applicable residential utility provider that gives an estimated cost of a utility from that provider for units of similar size and construction in the same geographic area as your property. The letter must be dated, signed by the utility provider representative, and specifically include all "component charges" for providing the utility service. The letter must include all utilities for which the tenant is responsible; i.e. if the letter does not include air conditioning but the tenants are responsible for air conditioning in their electric bill, this would be a noncompliant allowance.

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## Frequently Asked Questions: HUD Utility Model Schedule

**I have 3 properties that are all located in different cities and I am trying to figure out how to calculate the taxes for the HUD Utility Model Schedule. Why do I include the local tax for some cities but not for others? And why don't I include the county tax?**

Taxes for the electric utility are regulated by the Texas Comptroller of Public Accounts (<https://comptroller.texas.gov/taxes/sales/utility/>). The electric tax is comprised of three (3) factors:

- 1) Miscellaneous Gross Receipts Tax- this tax varies based on the City's population,
- 2) Public Utility Gross Receipts Assessment Tax- Currently, this rate is set at 0.1667% and is included for all properties,
- 3) Local Sales Tax- Residential use is exempt unless your city is included in the list at <https://comptroller.texas.gov/taxes/sales/utility/cities.php>. If the city in which your property is located is included on that list, you must also include the Local Sales Tax for your city.

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## Frequently Asked Questions: Combining Methodologies

**The residents at my development are responsible for electric and gas utilities. Can I use different Utility Allowance methods for each utility? For example, can I use the PHA method for electric and the Written Local Estimate method for gas?**

Yes. You can use different Utility Allowance methods for different utilities, as long as you do not have HUD-regulated building(s), including those made HUD-regulated by MFDL funding, and/or RHS assisted buildings/tenants. Remember, each method has different requirements and you must comply with both.

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## Frequently Asked Questions: Start/Stop Charging a Utility

**I want to start or stop charging residents a utility (gas, water/sewer, trash, etc.). Do I need approval to do so? And when can I start/stop charging them the utility?**

Yes. You must request approval from the Department to start or stop charging for any utility. In the event you want to start charging for a utility, after you receive approval from the Department, you must charge residents for the utility in accordance with the lease terms. If the household is within a current lease contract that specifies that a specific party pay for a utility, the tenant cannot be required to start paying for that utility until a new lease is in effect.

At that time, the utility must be considered in the Utility Allowance and included in the gross rent calculation. The utility can be charged to new move-ins, as long as the utility is included in the Utility Allowance.

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## Frequently Asked Questions: Lease-Up Utility Allowance

### **What Utility Allowance should I use when I begin leasing at the development?**

If owners want to change to a UA other than what was used for underwriting the owner MUST submit documentation for Department approval, at minimum, 90 days prior to the commencement of leasing activities.

The Owner is not required to review the Utility Allowances, or implement new allowances, until the building has achieved 90% occupancy for a period of 90 consecutive days, or the end of the first year of the Credit Period (if applicable), whichever is earlier.

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## Frequently Asked Questions: Section 811 PRA Program

### **What Utility Allowance should I use if I have units in the Department's Section 811 program?**

For Owners participating in the Department's Section 811 Project Rental Assistance (PRA) Program the owner may choose the methodology they wish to use. The rules for the chosen method must be followed. On an annual basis, the Development will submit a Utility Allowance update to the 811 Division. The 811 Division will issue an approved Rent Schedule once the submission is reviewed. The allowance listed on the rent schedule only applies to 811 PRA units, not the entire building, and is the only allowance approved for use on 811 PRA units.

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## Utility Allowance FAQ: How can we help?

The Utility Allowance Team is available to answer questions. Feel free to email any member of the Team, or any compliance monitor.

Cara Pollei, [cara.pollei@tdhca.state.tx.us](mailto:cara.pollei@tdhca.state.tx.us)

Carolyn Metzger, [carolyn.metzger@tdhca.state.tx.us](mailto:carolyn.metzger@tdhca.state.tx.us)

Nicole Martinez, [nicole.martinez@tdhca.state.tx.us](mailto:nicole.martinez@tdhca.state.tx.us)

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## Thank you!

For more information on Utility Allowances, visit the website:

[HTTPS://WWW.TDHCA.STATE.TX.US/PMCOMP/COMPFAQS.HTM](https://www.tdhca.state.tx.us/pmcomp/compfaqs.htm)

[HTTPS://WWW.TDHCA.STATE.TX.US/PMCOMP/UTILITY-ALLOWANCE.HTM](https://www.tdhca.state.tx.us/pmcomp/utility-allowance.htm)

OR CONTACT A MEMBER OF THE COMPLIANCE DIVISION.

**ANNUAL SUBMISSION IS DUE BY OCTOBER 1<sup>ST</sup>!**



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS