

Utility Allowance Analyses, Baselines and UA Factors

AHMA NCH Annual Conference 2025

California Affordable Housing Initiatives and CGI Federal

We'll start soon...



Housekeeping

- Please feel free to ask questions as we go along, raise your hand!
- Silence your phones
- We'll make a pdf version of this presentation available



The goal of this session is to familiarize owners and agents with UA methodology.

You should come away with an understanding and general expectations how UA processes are handled.



Your CAHI Team

^ CAHI

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[Charles Young – State Contracts Manager](#)

^ Contact Center

[Andrea Pitts-Hampston – Customer Relations Manager](#)

[Kathryn Baranek – Customer Relations Specialist](#)

[Anna Stewart – Customer Relations Supervisor](#)

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California Affordable Housing Initiatives, Inc.

CGI

Who or What is California Affordable Housing Initiatives (CAHI)??



UTILITY ANALYSIS



UA Topics We'll Cover

- ✓ UAs
- ✓ What are they and their intended purpose
- ✓ UA Baselines
- ✓ Samples
- ✓ UA Factors



Utility Analysis

- The Utility Allowance (UA) is intended to reimburse residents for utility expenses (not telephone) for projects receiving subsidy assistance where all or some utilities are paid directly by the tenant.
- The UA is *not* intended to pay all utility costs.



Utility Analysis Methodology

HUD Notice 2015-04

- UA analyses are required with each annual rent adjustment.
- The UA will be adjusted based on the supported analyses which can warrant an increase or a decrease.
- Baseline, an analysis of tenants' bills, based on a minimum sample size, for a given time period, to determine average usage
- Baselines are processed in 3 year cycles

Year 1 – Utility Allowance Baseline

Year 2 – Utility Allowance Factor ([UAF](#))

Year 3 – Utility Allowance Factor (UAF)

- Owner/Agents can submit a Baseline at any time. A new, *full* baseline utility analysis will reset the 3-year cycle.



Completing the UA Baseline

Collect the Appropriate Data

When compiling data for your baseline, please confirm that:

- Determine Sample Size(s)
- 12 months (or at least 10 months) of utility bills have been submitted for each unit and unit type.
- Data is no more than 18 months old (from site's HAP anniversary).
- All data for each unit type is from the same 12 month period.



Completing the UA Baseline

A Baseline Should Not Include...

- Market rate units.
- Units receiving an increased U/A as a reasonable accommodation.
- Units receiving a flat utility rate as part of a low-income rate assistance utility program
- Units that have been vacant for more than 2 months. Units included in the sample must have at least 10 months of occupancy
 - ▶ *If a resident vacates an apartment and another resident moves in, documentation from both residents residing in the unit can be submitted.*

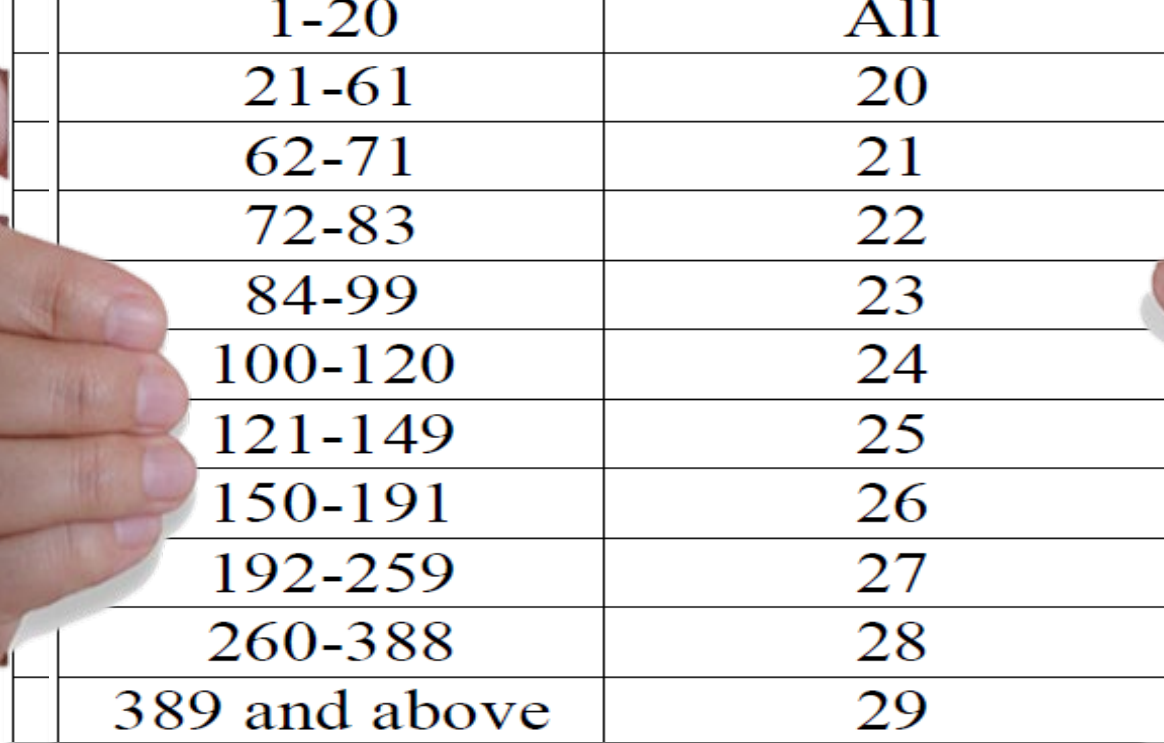


Completing the UA Baseline

- If there are like units with varying sizes, e.g. 1BD Small, 1BR Large, there should be a separate UA calculation for each bedroom size.
- Properties with multiple utility types will have to do a separate comprehensive analysis for each type.
- RHS/USDA Properties must submit a Utility Analysis. It is no longer acceptable to use the UA amounts listed on the USDA budget or letter.
- Third Party Utility Analysis providers are acceptable so long as the analysis meets the requirements of the notice.

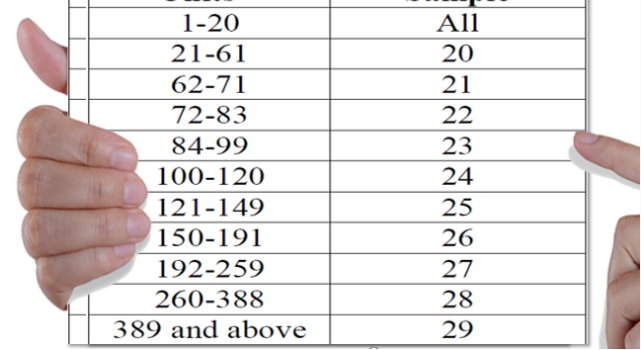


Minimal Sample Size Requirement per Unit Type



Number of Units *	Minimum Sample
1-20	All
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24
121-149	25
150-191	26
192-259	27
260-388	28
389 and above	29





Number of Units *	Minimum Sample
1-20	All
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24
121-149	25
150-191	26
192-259	27
260-388	28
389 and above	29



HUD Sample UA Workbook – Summary Page

	A	B	C	D	E	F	G	I	
2	Property Name:					Date			
3	Contract Number:								
4	Project Number:								
6									
7									
8									
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33									
34									

	Contract Units	Units to be Sampled
0 Bedroom Units		0
1 Bedroom Units		0
2 Bedroom Units		0
3 Bedroom Units		0
4 Bedroom Units		0
5 Bedroom Units		0

	Average as Calculated from Analysis
0 Bedroom Units	N/A
1 Bedroom Units	N/A
2 Bedroom Units	N/A
3 Bedroom Units	N/A
4 Bedroom Units	N/A
5 Bedroom Units	N/A

	Current Utility Allowance	Proposed Utility Allowance
0 Bedroom Units		
1 Bedroom Units		
2 Bedroom Units		
3 Bedroom Units		
4 Bedroom Units		
5 Bedroom Units		

Enter number of units per current rent schedule

Enter UA amounts per current rent schedule

Must be provided



HUD Sample UA Workbook – Analysis Tabs

Enter unit numbers

1 Bedroom Analysis

Use billing date

Unit	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Average
Unit 1													
Unit 2													
Unit 3													
Unit 4													
Unit 5													
Unit 6													
Unit 7													
Unit 8													
Unit 9													
Unit 10													
Unit 11													
Unit 12													
Unit 13													
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Unit 28													
Unit 29													
Unit 30													
Unit 31													
Unit 32													
Unit 33													
Unit 34													
Unit 35													
Unit 36													
Unit 37													

Summary | 0 Bedroom Analysis | **1 Bedroom Analysis** | 2 Bedroom Analysis | 3 Bedroom Analysis | 4 Bedroom Analysis | 5 Bedroom Analysis | +

Unit size must be clearly marked on each tab



Completing the UA Baseline

- Owner must determine average utility cost without removing ANY units from the analysis... ***DO NOT remove highest and lowest household to determine the average.***
- O/A must submit the completed analysis to the CA for review and approval and recommend the UA amount to CA.
- O/A must submit data in a format that uses HUD's formulas for averaging UA costs. HUD has provided an Excel Workbook with built-in formulas for calculating UA increases/decreases. O/A do not have to use this particular form, but [must use HUD's formulas.](#)
- The utility bills DO NOT need to be submitted with the UA analysis, but must be retained for the period of tenancy plus 3 years, and made available for a review, if requested.



HUD TRIVIA





Who is the current Secretary of Housing and Urban Development?

1. Linda McMahon
2. Scott Turner
3. Jerome Powell

Answer:

2. Scott Turner

Solar HUD 2023-09

- If credit *is* tied to **consumption**, then include it in determining the UA Baseline



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

ASSISTANT SECRETARY FOR HOUSING —
FEDERAL HOUSING COMMISSIONER

Special Attention of:

Notice H 2023-09

Multifamily Asset Management Division

Issued: 8/3/2023

Directors

Multifamily Contract Administrators

Expires: This Notice remains in effect until amended, superseded, or rescinded.

Multifamily Project Owners and Management

Agents

Multifam

Subject:
from Pa

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cal

A.

B.

A. Is the credit a third-party payment (e.g., not from the electricity provider) on behalf of the tenant rather than a reduction in the cost of utilities?

If “yes,” then the credit is not considered to reduce the cost of energy consumption as the cost for the utility provider to provide the consumed energy does not change. The owner is **not** required to submit a new utility allowance baseline analysis (see example bills with solar credits not tied to consumption in the appendix).

If “no,” then the credit may be tied to the cost of consumption. Proceed to question B below.

B. Does the credit amount fluctuate every month based on consumption (i.e., not based on solar output) and/or does the electric bill show a lowered utility rate per kilowatt-hour?

If “yes,” then the credit is tied to the cost of utility consumption. The owner is required to submit a new utility allowance baseline analysis.

If “no,” then the credit is not tied to the cost of utility consumption. The owner is *not* required to submit a new utility allowance baseline analysis.

means of distributing the financial benefits.

Solar VNEM

- Credits as a result of SOMAH
 - Not included as household income
 - No connection to utility consumption, disregard credit when conducting UAB



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

JUL - 8 2019

MEMORANDUM FOR: Multifamily West Regional Center Director, Asset Management
Division Directors, and Operations Officer
All Contract Administrators for California properties
All Owner/Agents of Multifamily assisted housing properties

VNEM Credits are Excluded from Annual Income

FROM:

Office of Multifamily Housing, with the assistance of the HUD Office of General Counsel, has determined that VNEM credits allocated to tenants under the SOMAH program are an incidental benefit and **must not be included as annual income to the household**. While these credits appear on individual tenants' utility bills¹, VNEM credits do not meet the definition of tenant income as they result from the property owners' participation in the SOMAH program and have no relationship to tenants' electricity consumption. Moreover, these benefits stay with the unit and do not follow specific tenants when they terminate their residence in a participating property.

SUBJECT:

Purpose

The purpose of this memorandum is to inform owners and management agents of the VNEM credits that may be received by tenants participating in California's Solar Homeowner Incentive Program.

Background

In 2015, the California Solar Homeowner Incentive Program made it possible for tenants to receive solar energy system incentives in the form of VNEM credits.

Applicability

VNEM Credits are Excluded when Calculating Utility Allowances

VNEM credits are issued by the electric utility company to participating properties according to the amount and time of day of the electricity generated by the solar system and exported to the grid. Credits are then allocated in a two-step process: 1) between owner paid utilities, i.e. common areas, and tenant paid utilities, i.e. units; and 2) tenant credits are then distributed between tenant units. Allocations are made in accordance with a formula proposed by the solar system owner (i.e. the property owner) and approved by the utility company. For the purpose of this memorandum, "units" refer to all the physical spaces for which tenants pay electricity bills as contrasted with common areas, for which the owner is responsible for electric bills.

Because there is no connection between the tenant's actual electricity consumption and these credits, owners and management agents must disregard the solar credit when calculating utility allowances.

Owners and management agents should address all property-specific questions to the assigned contract administrator or Multifamily Account Executive. General policy questions may be sent to Annecia Durr, Subsidy Oversight Branch Chief at Annecia.durr@hud.gov.

Tenant Notification & Certification

- Per HUD Notice 2015-04, whenever an adjustment to the utility allowance results in a decrease, the owner must provide notice to tenants.
- If a UA decrease has been calculated, please post a 30-Day Tenant Notice.
- The Certification of Compliance with Tenant Comment Procedures must be submitted once the Tenant Notice has been posted for a full 30 days. Owners must ensure that tenants have the right to the entire 30 day comment period. Certifications must be signed on the 31st day!
- Both the 30-Day Tenant Notice and The Certification of Compliance with Tenant Comment Procedures are a part of the Complete Package requirement.



Completing the UA Baseline

Note: UA MUST be increased whenever changes in utility rates result in a cumulative increase of 10% or more.

Special Provisions

- Special submission guidelines have been provided in the notice for properties undergoing New Construction or Substantial Rehab.
- With HUD approval, properties undergoing NC or SR can establish baseline based on analysis completed at underwriting through an energy consumption model.
- This option instead of the regular methodology can only be used in the first year of occupancy post-construction.



UAF Process

- If the property is eligible, the UAF document is sent with the 6 month reminder letter from CAHI, during the rent adjustment/contract renewal process. The purpose of this notification is to show how we calculated the UAF.
- When you receive your reminder letter, please confirm if you are in fact eligible (you are in year 2 or 3 of your baseline cycle) for a UAF adjustment and that the proposed UA amounts meet the needs of your tenants.
- If you agree, please sign and return the notice to your CA.



UA Recap

- Utility Allowance Baselines are often labor intensive and take several weeks (sometimes months) to complete
- We send 6 month letters out, get started on Baselines ASAP!
- Proper sample sizes, proper timeframes for data
- If tenants are not cooperative, it can be a lease violation

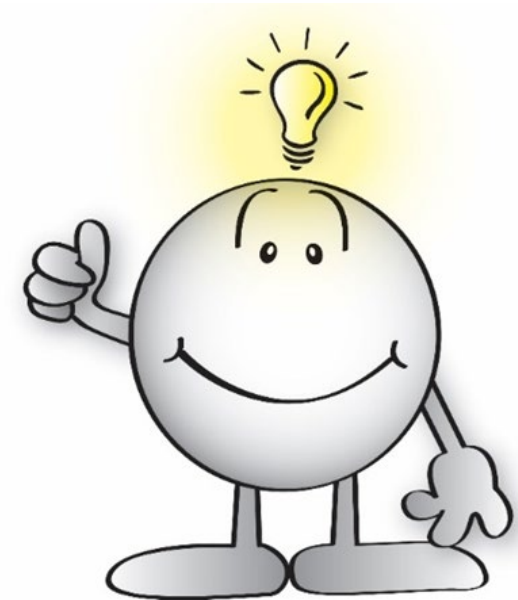
Resources and References

HUD 2015-04

HUD 2023-09

UA FAQ Feb 2022

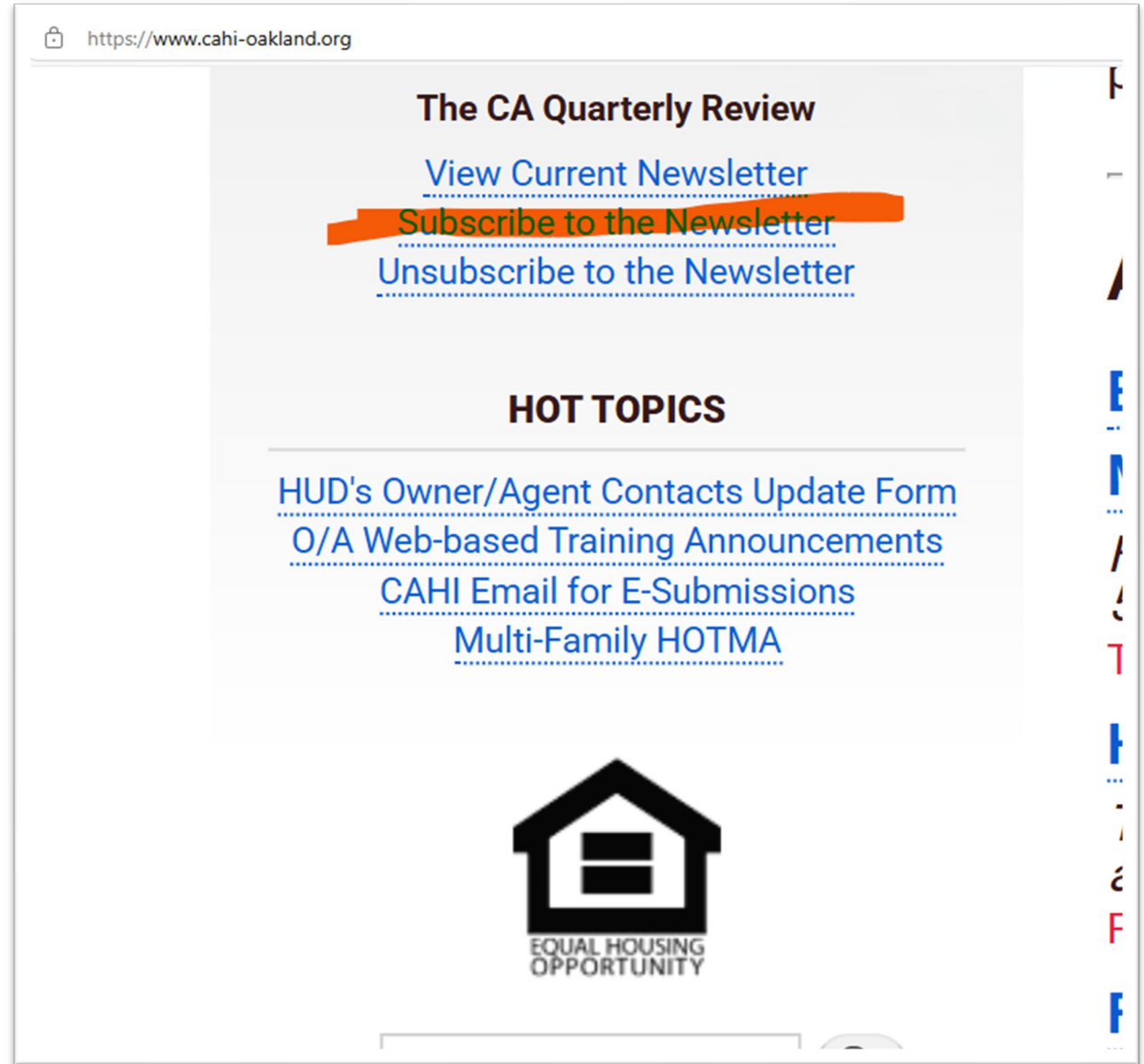
HUD SOMAH VNEM Memo



QUESTIONS?



Do you want to receive announcements for trainings like this in the future (and other relevant info)?



Thank you so much for attending!



Appendix



TTP, TR and UA

$$\text{TTP} = \text{TR} + \text{UA}$$

Example 1:

$$500 (\text{TTP}) = 450 (\text{TR}) + 50 (\text{UA})$$

Example 2: UA Decrease:

$$500 (\text{TTP}) = 475 (\text{TR}) + 25 (\text{UA})$$



Recap

UAs

What are they and their intended purpose

UA Baselines

Samples

UA Factors

$TTP = TR + UA$

