

Utility Allowance Compliance Essentials



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Treasury Regulation §1.42-10

Reg § 1.42-10. Utility allowances.

(a) Inclusion of utility allowances in gross rent. If the **cost of any utility** (other than telephone, cable television, or Internet) **for a residential rental unit** is paid directly by the tenant(s), and not by or through the owner of the **building**, the **gross rent for that unit includes the applicable utility allowance** determined under this section. For purposes of the preceding sentence, if the cost of a particular utility for a residential unit is paid pursuant to an actual-consumption submetering arrangement within the meaning of paragraph (e)(1) of this section, then that cost is treated as being paid directly by the tenant(s) and not by or through the owner of the building. This section only applies for purposes of determining gross rent under section 42(g)(2)(B)(ii) as to rent-restricted units.

applicable HUD utility allowance.

(4) Other buildings. If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable utility allowance for rent-restricted units in the building is determined under the following methods.

- (i) Tenants receiving HUD rental assistance. The applicable utility allowance for any rent-restricted units occupied by tenants receiving HUD rental assistance payments

Then the appropriate utility allowance is:

IF:

Buildings assisted by Rural Housing Service (RHS)

1. RHS Utility Allowance

Buildings with RHS assisted tenants

Buildings regulated by HUD (and no RHS assis.)

2. Applicable HUD Utility Allowance

All other buildings (b)(4)

3. PHA Utility Allowance*
4. Local Utility Company Estimate
5. State Agency Estimate
6. HUD Utility Schedule Model
7. Energy Consumption Model
(performed by engineer or other professional approved by state agency)

Alternative

to the building (where the initiating party is not the Agency). The owner of the building must make available copies of the utility company estimate to the tenants in the building.

(C) Agency estimate. A building owner may obtain a utility estimate for each unit in the building from the Agency that has jurisdiction over the building provided the Agency agrees to provide the estimate. The estimate is obtained when the building owner receives, in writing, information from the Agency providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building containing the units is located. The Agency estimate may be obtained by a building owner at any time during the building's extended use period (see section 42(b)(6)(D)). Costs incurred in obtaining the estimate are borne by the building owner. In establishing an accurate utility allowance estimate for a particular building, an Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) must take into account, among other things, local utility rates, property type, climate and degree-day variables by region in the State, taxes and fees on utility charges, building materials, and mechanical systems. If the Agency uses an agent or other private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.huduser.org/datasets/hlhc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Treas. Reg. § 1.42-10

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

Regulated Buildings

- With the exception of RHS buildings and HUD regulated buildings, owners may combine methodologies
- Be careful... different methods have different annual review requirements and effective dates!

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
	2.	
	3.	
	4.	
	5.	
	6.	
	7.	

Reg § 1.42-10. Utility allowances.

Effective: March 3, 2016. For dates of applicability, see §§1.42-12(a)(5) and 1.42-10T(f)-(g).

(a) Inclusion of utility allowances in gross rent. If the cost of any utility (other than telephone, cable television, or Internet) for a residential rental unit is paid directly by the tenant(s), and not by or through the owner of the building, the gross rent for that unit includes the applicable utility allowance determined under this section. For purposes of the preceding sentence, if the cost of a particular utility for a residential unit is paid pursuant to an actual-consumption submetering arrangement within the meaning of paragraph (e)(1) of this section, then that cost is treated as being paid directly by the tenant(s) and not by or through the owner of the building. This section

(b) Applicable utility allowances.

(1) Buildings assisted by the Rural Housing Service. If a building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable utility allowance for all rent-restricted units in the building is the utility allowance determined under the method prescribed by the Rural Housing Service (RHS) for the building (whether or not the building or its tenants also receive other state or federal assistance).

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
	2.	
	3.	
	4.	
	5.	
	6.	
	7.	

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(1) Buildings assisted by the Rural Housing Service. If a building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable utility allowance for all rent-restricted units in the building is the utility allowance determined under the method prescribed by the Rural Housing Service (RHS) for the building (whether or not the building or its tenants also receive other state or federal assistance).

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)

2.

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7.

Reg § 1.42-10. Utility allowances.

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(a) Inclusion of utility allowances in gross rent. If the cost of any utility (other than telephone, cable television, or Internet) for a residential rental unit is paid directly by the tenant(s), and not by or through the owner of the building, the gross rent for that unit includes the applicable utility allowance determined under this section. For purposes of the preceding sentence, if the cost of a particular utility for a residential unit is paid pursuant to an actual-consumption submetering arrangement within the meaning of paragraph (e)(1) of this section, then that cost is treated as

(2) Buildings with Rural Housing Service assisted tenants. If any tenant in a building receives RHS rental assistance payments (RHS tenant assistance), the applicable utility allowance for all rent-restricted units in the building (including any units occupied by tenants receiving rental assistance payments from the Department of Housing and Urban Development (HUD)) is the applicable RHS utility allowance.

building, and no tenant in the building receives RHS tenant assistance, the applicable utility allowance for rent-restricted units in the building is determined under the following methods.

(i) Tenants receiving HUD rental assistance. The applicable utility allowance for any rent-restricted units occupied by tenants receiving HUD rental assistance payments

Treas. Reg. § 1.42-10

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)

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- 4.
- 5.
- 6.
- 7.

HOME? Other?

Reg § 1.42-10. Utility allowances.
 Effective: March 3, 2016. For dates of applicability, see §§1.42-12(a)(5) and 1.42-10T(f)-(g).
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(b) Applicable utility allowances.

(3) Buildings regulated by the Department of Housing and Urban Development. If neither a building nor any tenant in the building receives RHS housing assistance, and the rents and utility allowances of the building are reviewed by HUD on an annual basis (HUD-regulated building), the applicable utility allowance for all rent-restricted units in the building is the applicable HUD utility allowance.

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3.	
	4.	
	5.	
	6.	
	7.	

Reg § 1.42-10. Utility allowances.

Effective: March 3, 2016. For dates of applicability, see §§1.42-12(a)(5) and 1.42-10T(f)-(g).

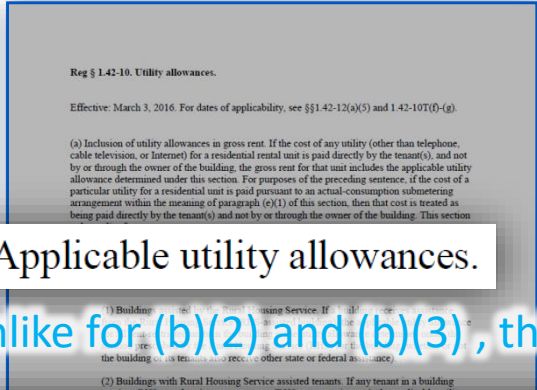
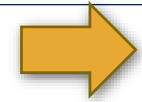
(a) Inclusion of utility allowances in gross rent. If the cost of any utility (other than telephone, cable television, or Internet) for a residential rental unit is paid directly by the tenant(s), and not by or through the owner of the building, the gross rent for that unit includes the applicable utility allowance determined under this section. For purposes of the preceding sentence, if the cost of a particular utility for a residential unit is paid pursuant to an actual-consumption submetering arrangement within the meaning of paragraph (e)(1) of this section, then that cost is treated as being paid directly by the tenant(s) and not by or through the owner of the building. This section

(1) Buildings assisted by the Rural Housing Service. If a building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable utility allowance for all rent-restricted units in the building is the utility allowance determined under the method prescribed by the Rural Housing Service (RHS) for the building (whether or not the building or its tenants also receive other state or federal assistance).

(b) Applicable utility allowances.

(4) Other buildings. If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable utility allowance for rent-restricted units in the building is determined under the following methods.

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
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	7.	



(b) Applicable utility allowances.

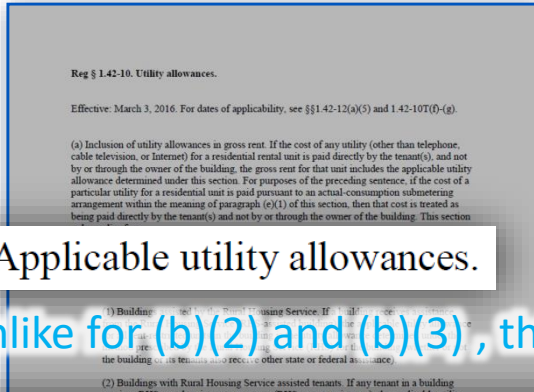
Unlike for (b)(2) and (b)(3), this is limited to these units, not "all rent-restricted units"

(i) Tenants receiving HUD rental assistance. The applicable utility allowance for any rent-restricted units occupied by tenants receiving HUD rental assistance payments (HUD tenant assistance) is the applicable Public Housing Authority (PHA) utility allowance established for the Section 8 Existing Housing Program.

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)

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- 5.
- 6.
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(b) Applicable utility allowances.

Unlike for (b)(2) and (b)(3), this is limited to these units, not “all rent-restricted units”

(i) Tenants receiving HUD rental assistance. The applicable utility allowance for any rent-restricted units occupied by tenants receiving HUD rental assistance payments (HUD tenant assistance) is the applicable Public Housing Authority (PHA) utility allowance established for the Section 8 Existing Housing Program.

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Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4.	
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Effective: March 3, 2016. For dates of applicability, see §§1.42-12(a)(5) and 1.42-10T(f)-(g).

(a) Inclusion of utility allowances in gross rent. If the cost of any utility (other than telephone, cable television, or Internet) for a residential rental unit is paid directly by the tenant(s), and not by or through the owner of the building, the gross rent for that unit includes the applicable utility allowance determined under this section. For purposes of the preceding sentence, if the cost of a particular utility for a residential unit is paid pursuant to an actual-consumption submetering arrangement within the meaning of paragraph (e)(1) of this section, then that cost is treated as being paid directly by the tenant(s) and not by or through the owner of the building. This section only applies for purposes of determining gross rent under section 42(g)(2)(B)(ii) as to rent-restricted units.

(b) Applicable utility allowances.

(1) Buildings assisted by the Rural Housing Service. If a building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable utility allowance for all rent-restricted units in the building is the utility allowance determined under the method prescribed by the Rural Housing Service (RHS) for the building (whether or not the building or its tenants also receive other state or federal assistance).

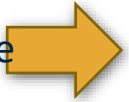
(2) Buildings with Rural Housing Service assisted tenants. If any tenant in a building receives RHS rental assistance payments (RHS tenant assistance), the applicable utility allowance for all rent-restricted units in the building (including any units occupied by tenants receiving rental assistance payments from the Department of Housing and Urban Development (HUD)) is the applicable RHS utility allowance.

(3) Buildings regulated by the Department of Housing and Urban Development. If neither a building nor any tenant in the building receives RHS housing assistance, and the rents and utility allowances of the building are regulated by HUD (HUD-regulated buildings), the applicable utility allowance for all rent-restricted units in the building is the applicable HUD utility allowance.

(4) Other buildings. If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable utility allowance for rent-restricted units in the building is determined under the following methods.

(i) Tenants receiving HUD rental assistance. The applicable utility allowance for any rent-restricted units occupied by tenants receiving HUD rental assistance payments

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4. Local Utility Company Estimate 	(b)(4)(ii)(B)
	5.	(b)(4)(ii)(C)
	6.	(b)(4)(ii)(D)
	7.	(b)(4)(ii)(E)

(ii) Other tenants.

(HUD tenant assistance) is the applicable Public Housing Authority (PHA) utility allowance under section 8 Existing Housing Program.

The rules of paragraphs (b)(1), (2), (3), and (4)(i) of this section apply to determine the appropriate utility allowance for a rent-restricted unit, then the appropriate utility allowance for the unit is the applicable PHA utility allowance. However, if a local utility company estimate is obtained for any unit in the building in accordance with paragraph (b)(4)(ii)(B) of this section, that estimate becomes the appropriate utility allowance for all rent-restricted units of similar size and construction in the building. This local utility company estimate procedure is not available for and does not apply to units to which the rules of paragraph (b)(1), (2), (3), or (4)(i) of this section apply. However, if a local utility company estimate is obtained for any unit in the building under paragraph (b)(4)(ii)(B) of this section, a State or local housing credit agency (Agency) provides a building owner with an estimate for any unit in a building under paragraph (b)(4)(ii)(C) of this section, a cost estimate is calculated using the HUD Utility Schedule Model under paragraph (b)(4)(ii)(D) of this section, or a cost estimate is calculated by an energy consumption model under paragraph (b)(4)(ii)(E) of this section, then the estimate under paragraph (b)(4)(ii)(B), (C), (D), or (E) becomes the applicable utility allowance for all rent-restricted units of similar size and construction in the building. Paragraphs (b)(4)(ii)(B), (C), (D), and (E) of this section do not apply to units to which the rules of paragraphs (b)(1), (2), (3), or (4)(i) of this section apply.

(B) Utility company estimate. Any interested party (including a low-income tenant, a building owner, or an Agency) may obtain a local utility company estimate for a unit. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that utility company's rates to be used in calculating utility allowances. The estimate should include all component deregulated charges for providing the utility service. The local utility company estimate may be obtained by an interested party at any time during the building's extended use period (see section 42(b)(6)(D)) or, if the building does not have an extended use period, during the building's compliance period (see section 42(g)(1)). Unless the parties agree otherwise, costs incurred in obtaining the estimate are borne by the initiating party. The interested party that obtains the local utility company estimate (the initiating party) must retain the original of the utility company estimate and must furnish a copy of the local utility company estimate to the owner of the building (where the initiating party is not the owner), and the Agency that allocated credit

Treas. Reg. § 1.42-10

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)



IF:

(B) Utility company estimate. Any interested party (including a low-income tenant, a building owner, or an Agency) may obtain a local utility company estimate for a unit. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility

(A) General rule. If none of the rules of paragraphs (b)(1), (2), (3), and (4)(i) of this section apply to determine the appropriate utility allowance for a rent-restricted unit, then the appropriate utility allowance for the unit is the applicable PHA utility allowance. However, if a local utility company estimate is obtained for any unit in the building in accordance with paragraph (b)(4)(ii)(B) of this section, that estimate becomes the appropriate utility allowance for all rent-restricted units of similar size and construction in the building. This local

otherwise, costs incurred in obtaining the estimate are borne by the initiating party. The interested party that obtains the local utility company estimate (the initiating party) must retain the original of the utility company estimate and must furnish a copy of the local utility company estimate to the owner of the building (where the initiating party is not the owner), and the Agency that allocated credit

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IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4. Local Utility Company Estimate	(b)(4)(ii)(B)
	5.	(b)(4)(ii)(C)
	6.	(b)(4)(ii)(D)
	7.	(b)(4)(ii)(E)

(ii) Other tenants.

(HUD tenant assistance) is the applicable Public Housing Authority (PHA) utility allowance under section 8 Existing Housing Program.

The rules of paragraphs (b)(1), (2), (3), and (4)(i) of this section apply to determine the appropriate utility allowance for a rent-restricted unit, then the appropriate utility allowance for the unit is the applicable PHA utility allowance. However, if a local utility company estimate is obtained for any unit in the building in accordance with paragraph (b)(4)(ii)(B) of this section, that estimate becomes the appropriate utility allowance for all rent-restricted units of similar size and construction in the building. This local utility company estimate procedure is not available for and does not apply to units to which the rules of paragraph (b)(1), (2), (3), or (4)(i) of this section apply. However, if a local utility company estimate is obtained for any unit in the building under paragraph (b)(4)(ii)(B) of this section, a State or local housing credit agency (Agency) provides a building owner with an estimate for any unit in a building under paragraph (b)(4)(ii)(C) of this section, a cost estimate is calculated using the HUD Utility Schedule Model under paragraph (b)(4)(ii)(D) of this section, or a cost estimate is calculated by an energy consumption model under paragraph (b)(4)(ii)(E) of this section, then the estimate under paragraph (b)(4)(ii)(B), (C), (D), or (E) becomes the applicable utility allowance for all rent-restricted units of similar size and construction in the building. Paragraphs (b)(4)(ii)(B), (C), (D), and (E) of this section do not apply to units to which the rules of paragraphs (b)(1), (2), (3), or (4)(i) of this section apply.

(B) Utility company estimate. Any interested party (including a low-income tenant, a building owner, or an Agency) may obtain a local utility company estimate for a unit. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that utility company's rates to be used in calculating utility allowances. The estimate should include all component deregulated charges for providing the utility service. The local utility company estimate may be obtained by an interested party at any time during the building's extended use period (see section 42(b)(9)(D)) or, if the building does not have an extended use period, during the building's compliance period (see section 42(i)(1)). Unless the parties agree otherwise, costs incurred in obtaining the estimate are borne by the initiating party. The interested party that obtains the local utility company estimate (the initiating party) must retain the original of the utility company estimate and must furnish a copy of the local utility company estimate to the owner of the building (where the initiating party is not the owner), and the Agency that allocated credit

If more than one company serves your property you can use the estimate from either one.

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4. Local Utility Company Estimate	(b)(4)(ii)(B)
	5.	(b)(4)(ii)(C)
	6.	(b)(4)(ii)(D)
	7.	(b)(4)(ii)(E)

(HUD tenant assistance) is the applicable Public Housing Authority (PHA) utility allowance established for the Section 8 Existing Housing Program.

(u) Other tenants.

(A) General rule. If none of the rules of paragraphs (b)(1), (2), (3), and (4)(i) of this section apply to determine the appropriate utility allowance for a rent-restricted unit, then the appropriate utility allowance for the unit is the applicable PHA utility allowance. However, if a local utility company estimate is obtained for any unit in the building in accordance with paragraph (b)(4)(ii)(B) of this section, that estimate becomes the appropriate utility allowance for all rent-restricted units of similar size and construction in the building. This local utility company estimate procedure is not available for and does not apply to units to which the rules of paragraph (b)(1), (2), (3), or (4)(i) of this section apply. However, if a local utility company estimate is obtained for any unit in the building under paragraph (b)(4)(ii)(B) of this section, a State or local housing credit agency (Agency) provides a building owner with an estimate for any unit in a building under paragraph (b)(4)(ii)(C) of this section, a cost estimate is calculated using the HUD Utility Schedule Model under paragraph (b)(4)(ii)(D) of this section, or a cost estimate is calculated by an energy consumption model under paragraph (b)(4)(ii)(E) of this section, then the estimate under paragraph (b)(4)(ii)(B), (C), (D), or (E) becomes the applicable utility allowance for all rent-restricted units of similar size and construction in the building. Paragraphs (b)(4)(ii)(B), (C), (D), and (E) of this section do not apply to units to which the rules of paragraphs (b)(1), (2), (3), or (4)(i) of this section apply.

(B) Utility company estimate. Any interested party (including a low-income tenant, a building owner, or an Agency) may obtain a local utility company estimate for a unit. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that utility company's rates to be used in calculating utility allowances. The estimate should include all component deregulated charges for providing the utility service. The local utility company estimate may be obtained by an interested party at any time during the building's extended use period (see section 423A)(9)(D)) or, if the building does not have an extended use period, during the building's compliance period (see section 42(i)(1)). Unless the parties agree otherwise, costs incurred in obtaining the estimate are borne by the initiating party. The interested party that obtains the local utility company estimate (the initiating party) must retain the original of the utility company estimate and must furnish a copy of the local utility company estimate to the owner of the building (where the initiating party is not the owner), and the Agency that allocated credit

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

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Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
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All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4. Local Utility Company Estimate	(b)(4)(ii)(B)
	5. State Agency Estimate	(b)(4)(ii)(C)
	6.	(b)(4)(ii)(D)
	7.	(b)(4)(ii)(E)



to the building (where the initiating party is not the Agency). The owner of the building must make available copies of the utility company estimate to the tenants in the building.

(C) Agency estimate. A building owner may obtain a utility estimate for each unit in the building from the Agency that has jurisdiction over the building provided the Agency agrees to provide the estimate. The estimate is obtained when the building owner receives, in writing, information from the Agency providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building containing the units is located. The Agency estimate may be obtained by a building owner at any time during the building's extended use period (see section 42(b)(6)(D)). Costs incurred in obtaining the estimate are borne by the building owner. In establishing an accurate utility allowance estimate for a particular building, an Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) must take into account, among other things, local utility rates, property type, climate and degree-day variables by region in the State, taxes and fees on utility charges, building materials, and mechanical systems. If the Agency uses an agent or other private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 367(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.lausser.org/datasets/ihct.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Treas. Reg. § 1.42-10

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

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(C) Agency estimate. A building owner may obtain a utility estimate for each unit in the building from the Agency that has jurisdiction over the building provided the Agency agrees to provide the estimate. The estimate is obtained when the building owner receives, in writing, information from the Agency providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building containing the units is located. The Agency estimate may be obtained by a building owner at any time during the building's extended use period (see section 42(h)(6)(D)). Costs incurred in obtaining the estimate are borne by the building owner. In establishing an accurate utility allowance estimate for a particular building, an Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) must take into account, among other things, local utility rates, property type, climate and degree-day variables by region in the State, taxes and fees on utility charges, building materials, and mechanical systems. If the Agency uses an agent or other

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.liauser.org/datasets/liatc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (C)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

Treas. Reg. § 1.42-10

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(C) Agency estimate. A building owner may obtain a utility estimate for each unit in the building from the Agency that has jurisdiction over the building **provided the Agency agrees to provide the estimate**. The estimate is obtained when the building owner receives, in writing, information from the Agency providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building containing the units is located. The Agency estimate may be obtained by a building owner at any time during the building's extended use period (see section 42(h)(6)(D)). Costs incurred in obtaining the estimate are borne by the building owner. In establishing an accurate utility allowance estimate for a particular building, an Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) must take into account, among other things, local utility rates, property type, climate and degree-day variables by region in the State, taxes and fees on utility charges, building materials, and mechanical systems. If the Agency uses an agent or other

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.induser.org/datasets/lihc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

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All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4. Local Utility Company Estimate	(b)(4)(ii)(B)
	5. State Agency Estimate	(b)(4)(ii)(C)
	6.	(b)(4)(ii)(D)
	7.	(b)(4)(ii)(E)



to the building (where the initiating party is not the Agency). The owner of the building must make available copies of the utility company estimate to the tenants in the building.

(C) Agency estimate. A building owner may obtain a utility estimate for each unit in the building from the Agency that has jurisdiction over the building provided the Agency agrees to provide the estimate. The estimate is obtained when the building owner receives, in writing, information from the Agency providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building containing the units is located. The Agency estimate may be obtained by a building owner at any time during the building's extended use period (see section 42(b)(9)(D)). Costs incurred in obtaining the estimate are borne by the building owner. In establishing an accurate utility allowance estimate for a particular building, an Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) must take into account, among other things, local utility rates, property type, climate and degree-day variables by region in the State, taxes and fees on utility charges, building materials, and mechanical systems. If the Agency uses an agent or other private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.huduser.org/datasets/ihhc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

If the Agency uses an agent or other

Treas. Reg. § 1.42-10

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

If the Agency uses an agent or other

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private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

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for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.huduser.org/datasets/lihtc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Treas. Reg. § 1.42-10

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

If the Agency uses an agent or other

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private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

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for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.lausser.org/datasets/ihhc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Treas. Reg. § 1.42-10

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If the Agency uses an agent or other

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private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the

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(1) In general. If, at any time during the building's extended use period (as defined in section 42(h)(6)(D)), the applicable utility allowance for units changes, the new utility allowance must be used to compute gross rents of the units due 90 days after the change (the 90-day period). this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

Deadline to implement New UA

New UA

90 days

for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.lhduser.org/datasets/uhic.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Any utility estimates obtained under the Agency estimate under paragraph (b)(4)(ii)(C) of this section must also be made available to all tenants in the building at the beginning of the 90-day period.

Applicable PHA Utility Allowance (No. 3 in our list)

If the Agency uses an agent or other

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private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is 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 under paragraph (c)(1) of this section and utility rates used for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

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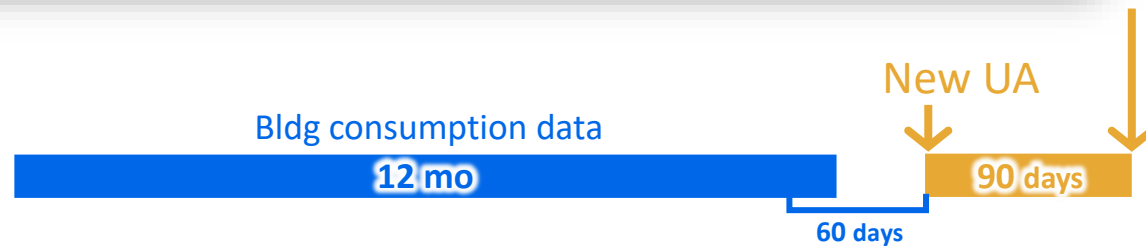
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for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.lausser.org/datasets/ihhc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Deadline to implement New UA



* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

Treas. Reg. § 1.42-10

If the Agency uses an agent or other

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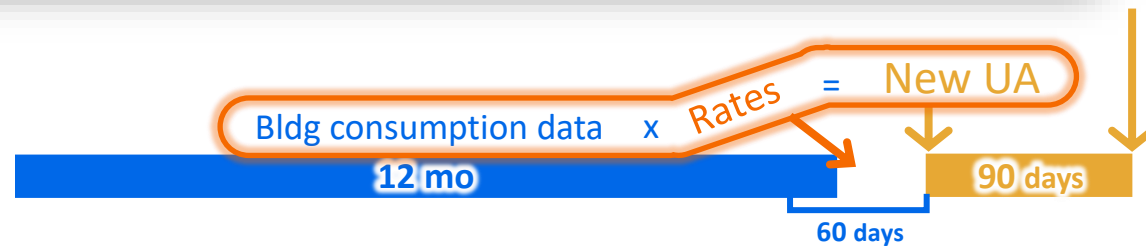
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for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.lhduser.org/datasets/uhlc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Deadline to implement New UA



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Treas. Reg. § 1.42-10

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(ii)(C)

(ii)(D)

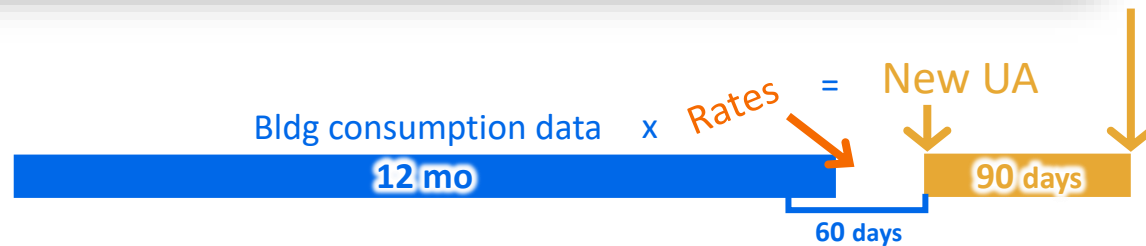
(ii)(E)

for the Agency estimate must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(ii)(E) of this section) may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the "HUD Utility Schedule Model" that can be found on the Low-Income Housing Tax Credits page at <http://www.lausser.org/datasets/ihac.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics

Deadline to implement New UA



* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

Treas. Reg. § 1.42-10

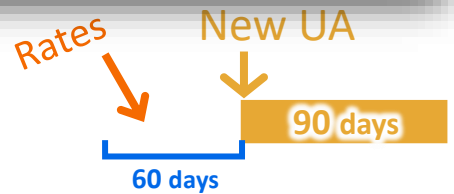
IF:	Then the appropriate utility allowance is:	Section
Buildings assisted by Rural Housing Service (RHS)	1. RHS Utility Allowance	(b)(1)
Buildings with RHS assisted tenants		(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance	(b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance*	(b)(4)(i)
	4. Local Utility Company Estimate	(b)(4)(ii)(B)

(D) HUD Utility Schedule Model. A building owner may calculate a utility estimate using the “HUD Utility Schedule Model” that can be found on the Low-Income Housing Tax Credits page at <http://www.huduser.org/datasets/lihtc.html> (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

units of similar size and construction in the geographic area in which the building containing the units is located.

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(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics



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Buildings with RHS assisted tenants	(b)(2)
Buildings regulated by HUD (and no RHS assis.)	2. Applicable HUD Utility Allowance (b)(3)
All other buildings (b)(4)	3. PHA Utility Allowance* (b)(4)(i) 4. Local Utility Company Estimate (b)(4)(ii)(B) 5. State Agency Estimate (b)(4)(ii)(C) 6. HUD Utility Schedule Model (b)(4)(ii)(D) 7. Energy Consumption Model (b)(4)(ii)(E) (performed by engineer or other professional approved by state agency)



to the building (where the initiating party is not the Agency). The owner of the building must make available copies of the utility company estimate to the tenants in the building.

(C) Agency estimate. A building owner may obtain a utility estimate for each unit in the building from the Agency that has jurisdiction over the building provided the Agency agrees to provide the estimate. The estimate is obtained when the building owner receives, in writing, information from the Agency providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building containing the units is located. The Agency estimate may be obtained by a building owner at any time during the building's extended use period (see section 42(b)(6)(D)). Costs incurred in obtaining the estimate are borne by the building owner. In establishing an accurate utility allowance estimate for a particular building, an Agency (or an agent or other private contractor of the Agency that is a qualified professional within the meaning of paragraph (b)(4)(i)(E) of this section) must take into account, among other things, local utility rates, property type, climate and degree-day variables by region in the State, taxes and fees on utility charges, building materials, and mechanical systems. If the Agency uses an agent or other private contractor to calculate the utility estimates, the agent or contractor and the owner must not be related within the meaning of section 267(b) or 707(b). An Agency may also use actual utility company usage data and rates for the building. However, use of the Agency estimate is limited to the building's consumption data for the twelve-month period ending no earlier than 60 days prior to the beginning

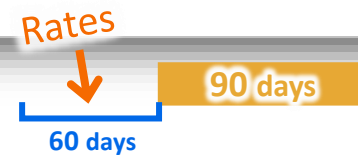
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(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location, and available historical data. The utility consumption estimates must be calculated by a **properly licensed engineer or other qualified professional.** The qualified professional and the building owner must not be related within the meaning of section 267(b) or 707(b). If a qualified professional is not a properly licensed engineer and if the building owner wants to utilize that qualified professional to calculate utility consumption estimates, then the owner must obtain approval from the Agency that has jurisdiction over the building. **Further, regardless of the type of qualified professional, the Agency may approve or disapprove of the energy consumption model or require information before permitting its use.** In addition, utility rates used for the energy consumption model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(B)
(C)
(D)
(E)

prior to the beginning of the 90-day period under paragraph (c)(1) of this section.
(E) Energy consumption model. A building owner may calculate utility estimates using an energy and water and sewage consumption and analysis model (energy consumption model). The energy consumption model must, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, characteristics



Treas. Reg. § 1.42-10

* Individual units with tenants receiving HUD rental assistance must use the applicable PHA Utility Allowance (No. 3 in our list)

Annual Review Requirements

of the building location, and available historical data. The utility consumption estimates must be calculated by a properly licensed engineer or other qualified professional. The qualified professional and the building owner must not be related within the meaning of section 267(b) or 707(b). If a qualified professional is not a properly licensed engineer and if the building owner wants to utilize that qualified professional to calculate utility consumption estimates, then the owner must obtain approval from the Agency that has jurisdiction over the building. Further, regardless of the type of qualified professional, the Agency may approve or disapprove of the energy consumption model or require information before permitting its use. In addition, utility rates used for the energy consumption model must be no older than the rates in place 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section.

(c) Changes in applicable utility allowance.

(1) In general. If, at any time during the building's extended use period (as defined in section 42(h)(6)(D)), the applicable utility allowance for units changes, the new utility allowance must be used to compute gross rents of the units due 90 days after the change (the 90-day period). For example, if rent must be lowered because a local utility company estimate is obtained that shows a higher utility cost than the otherwise applicable PHA utility allowance, the lower rent must be in effect for rent due at the end of the 90-day period. A building owner using a utility company estimate under paragraph (b)(4)(ii)(B) of this section, the HUD Utility Schedule Model under paragraph (b)(4)(ii)(D) of this section, or an energy consumption model under paragraph (b)(4)(ii)(E) of this section must submit copies of the utility estimates to the Agency that has jurisdiction over the building and make the estimates available to all tenants in the building at the beginning of the 90-day period before the utility allowances can be used in determining the gross rent

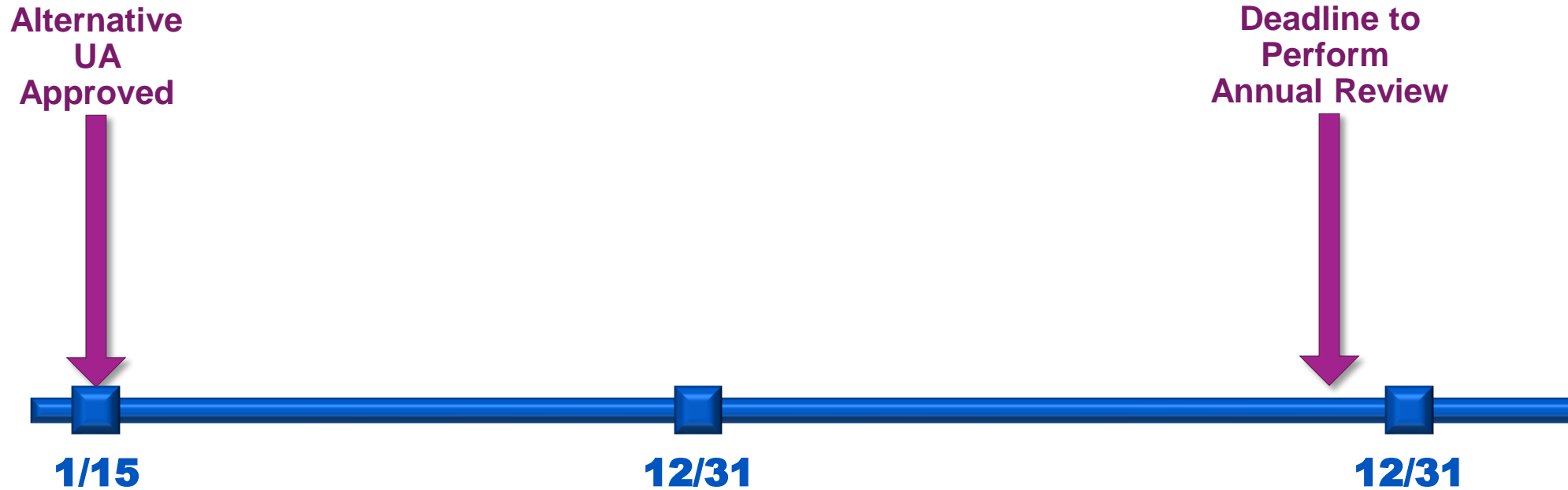
(2) Annual review. A building owner must review at least once during each calendar year the basis on which utility allowances have been established and must update the applicable utility allowance in accordance with paragraph (c)(1) of this section. The review must take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates.

(d) Record retention. The building owner must retain any utility consumption estimates and supporting data as part of the taxpayer's records for purposes of §1.6001-1(a).

Treas. Reg. § 1.42-10

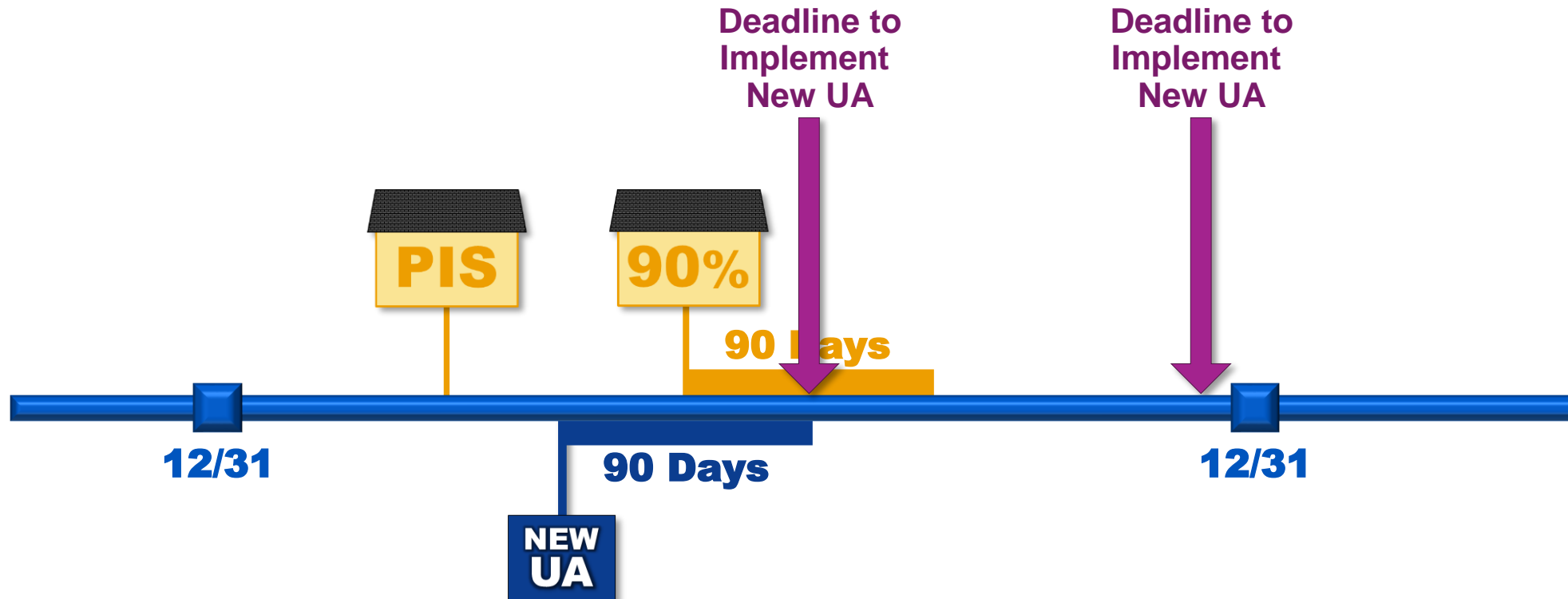
Annual Review Requirements

“The building owner is **not required to review the utility allowances, or implement new utility allowances**, until the building has achieved **90 percent occupancy for a period of 90 consecutive days** or the end of the first year of the credit period, whichever is earlier.” *Treas. Reg. § 1.42-10(c)(1)*



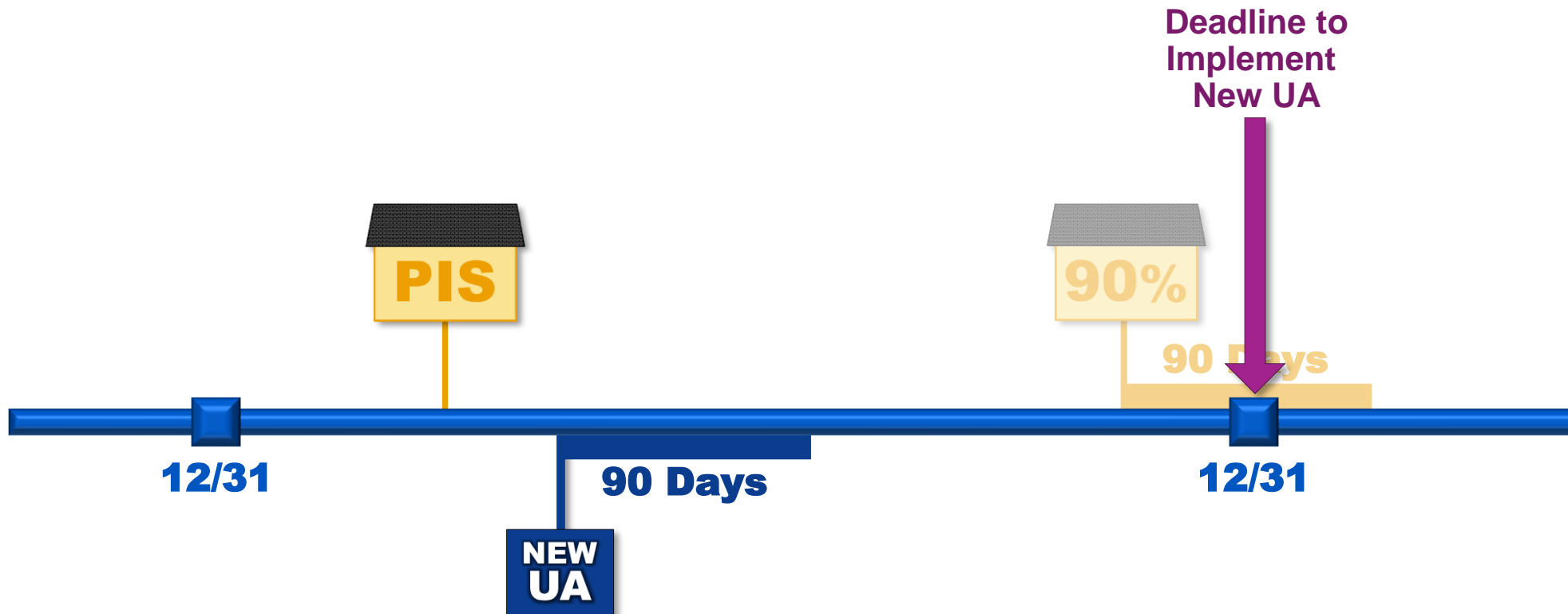
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Sub-Metering Arrangements

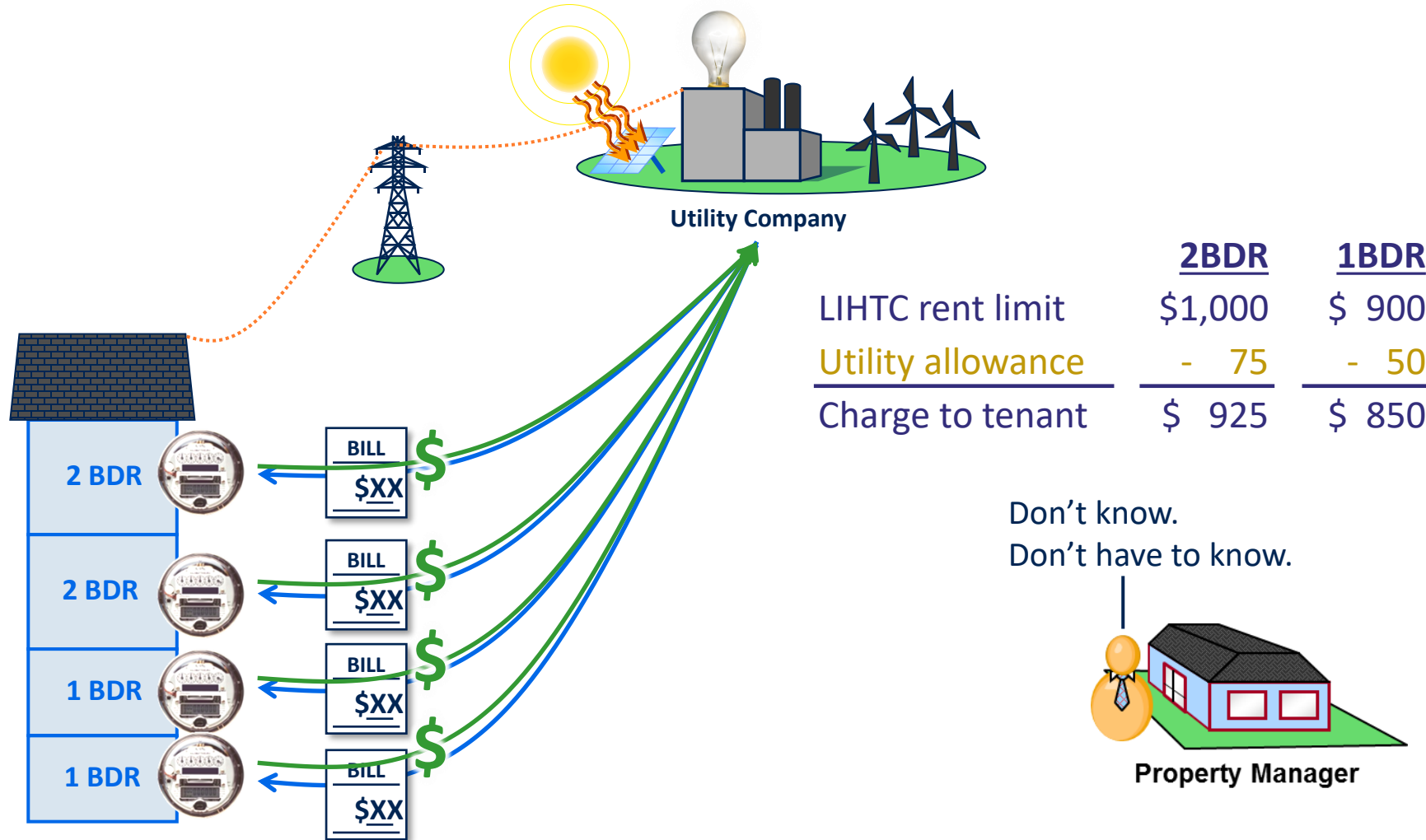
(a) Inclusion of utility allowances in gross rent. If the cost of any utility (other than telephone, cable television, or Internet) for a residential rental unit is paid directly by the tenant(s), and not by or through the owner of the building, the gross rent for that unit includes the applicable utility allowance determined under this section. For purposes of the preceding sentence, if the cost of a particular utility for a residential unit is paid pursuant to an actual-consumption submetering arrangement within the meaning of paragraph (e)(1) of this section, then that cost is treated as being paid directly by the tenant(s) and not by or through the owner of the building. This section only applies for purposes of determining gross rent under section 42(g)(2)(B)(ii) as to rent-restricted units.

(3) Buildings regulated by the Department of Housing and Urban Development. If neither a building nor any tenant in the building receives RHS housing assistance, and the rents and utility allowances of the building are regulated by HUD (HUD-regulated buildings), the applicable utility allowance for all rent-restricted units in the building is the applicable HUD utility allowance.

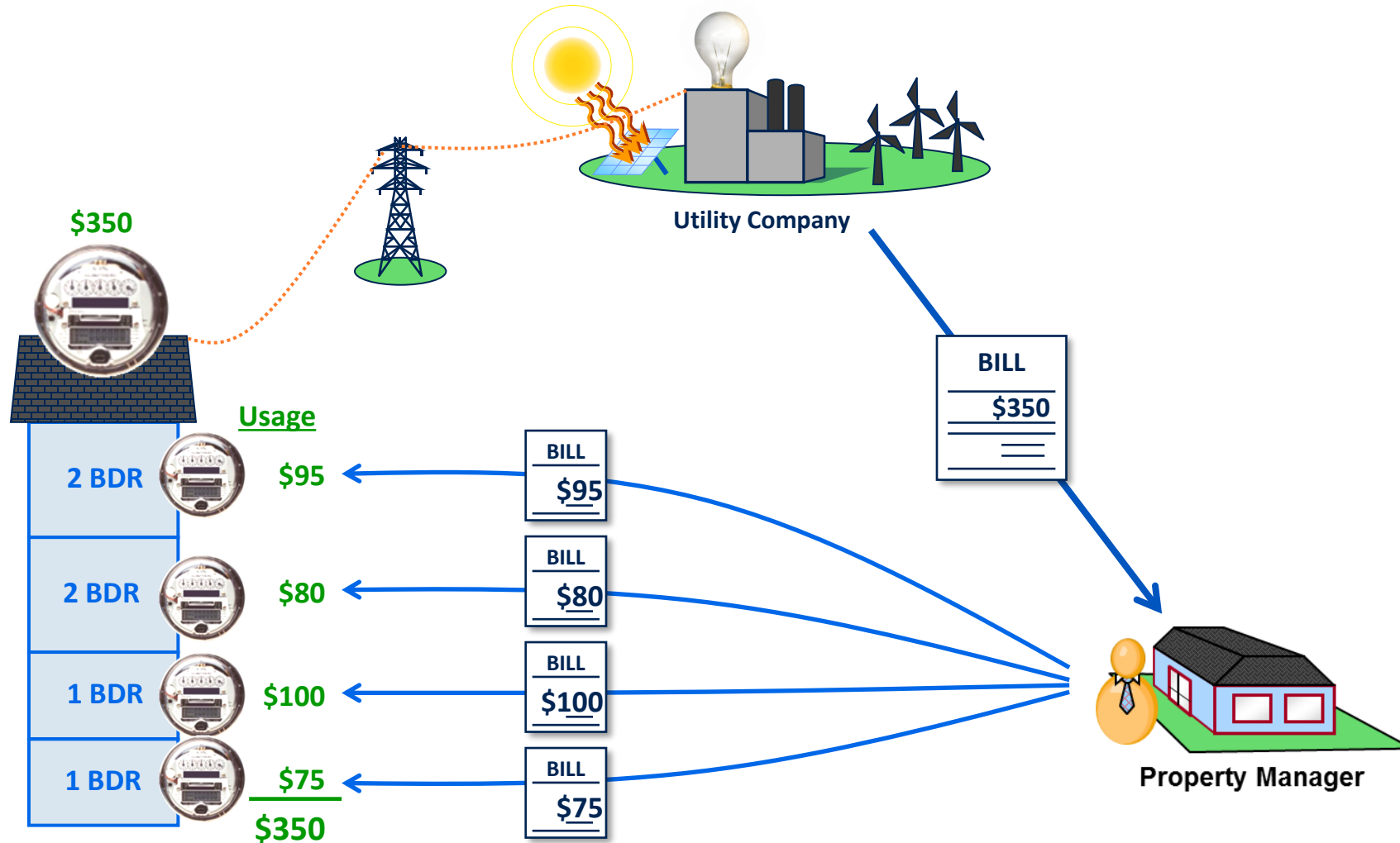
(4) Other buildings. If a building is neither an RHS-assisted nor a HUD-regulated building, and no tenant in the building receives RHS tenant assistance, the applicable utility allowance for rent-restricted units in the building is determined under the following methods.

(i) Tenants receiving HUD rental assistance. The applicable utility allowance for any rent-restricted units occupied by tenants receiving HUD rental assistance payments

Sub-Metering Arrangements



Sub-Metering Arrangements

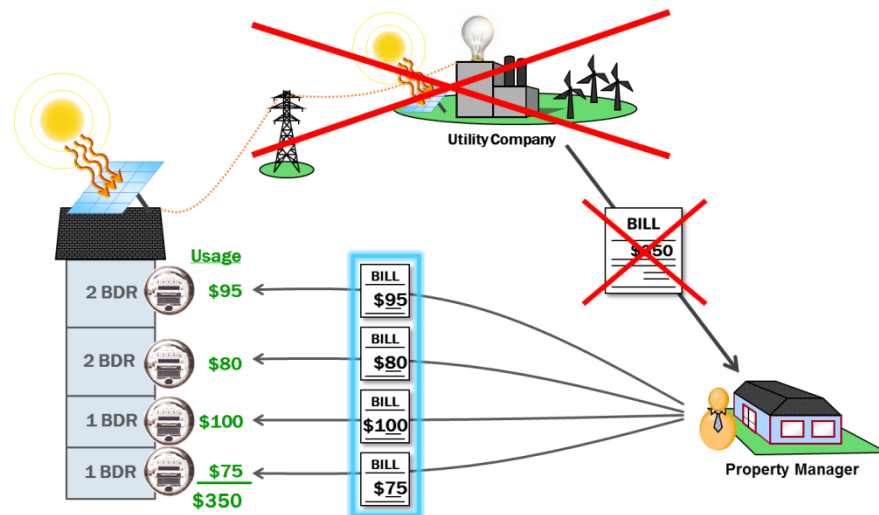


Sub-Metering Arrangements

1.42-10T(e)(1)(iv)(A):

(iv) The rate at which the building owner bills for the utility satisfies the following requirements:

(A) To the extent that the utility consumed is described in paragraph (e)(1)(i)(A) of this section, the utility rate charged to the tenants of the **unit does not exceed the rate incurred by the building owner for that utility;** and

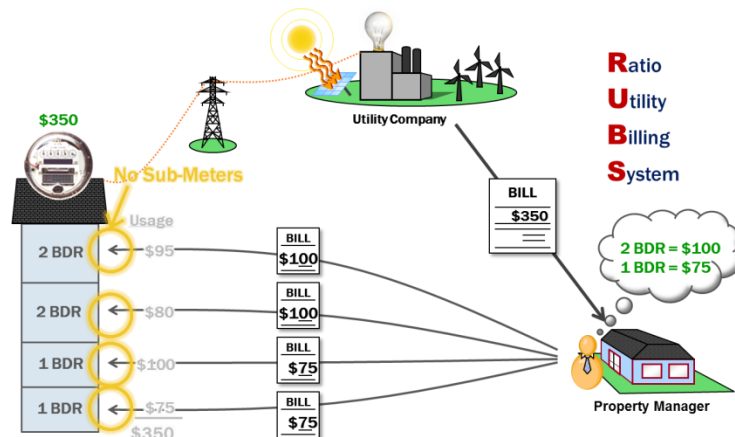


Ratio Utility Billing System (RUBS)

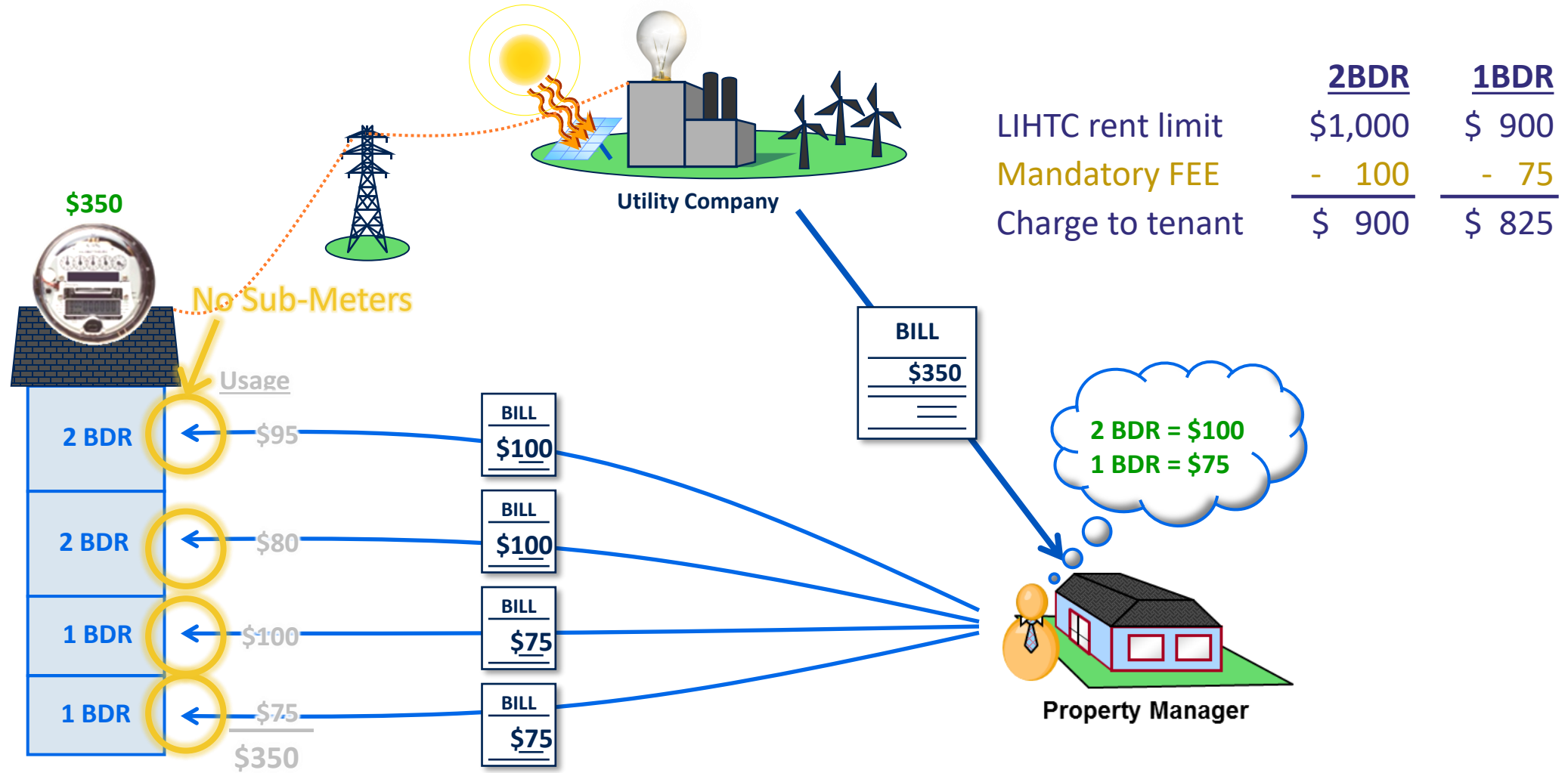
- RUBS is a method of allocating utility costs in a multi-unit complex that helps keep total housing costs as low as possible.
- The bill for utilities is distributed amongst the tenants based on a formula made of the number of occupants, square footage of the unit, number of bathrooms, or number of water fixtures.

So can we use RUBS with LIHTC Properties?

YES.
(with caution)



Ratio Utility Billing System (RUBS)



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SAHF by the Numbers



230,000+

People Served by SAHF Members



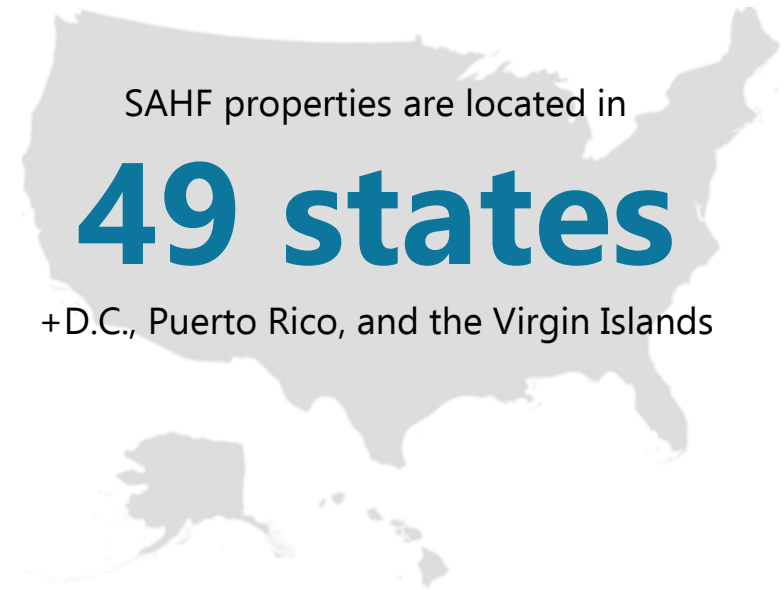
12

Non-Profit
Housing Providers



149,000+

Rental Homes for Families, Seniors,
and Special Needs Populations



1,950

Multifamily Properties
Across the U.S.

IRA Landscape

\$8B
**DOE Home
Energy Rebates**

\$????B
**IRS Renewable
ITC**

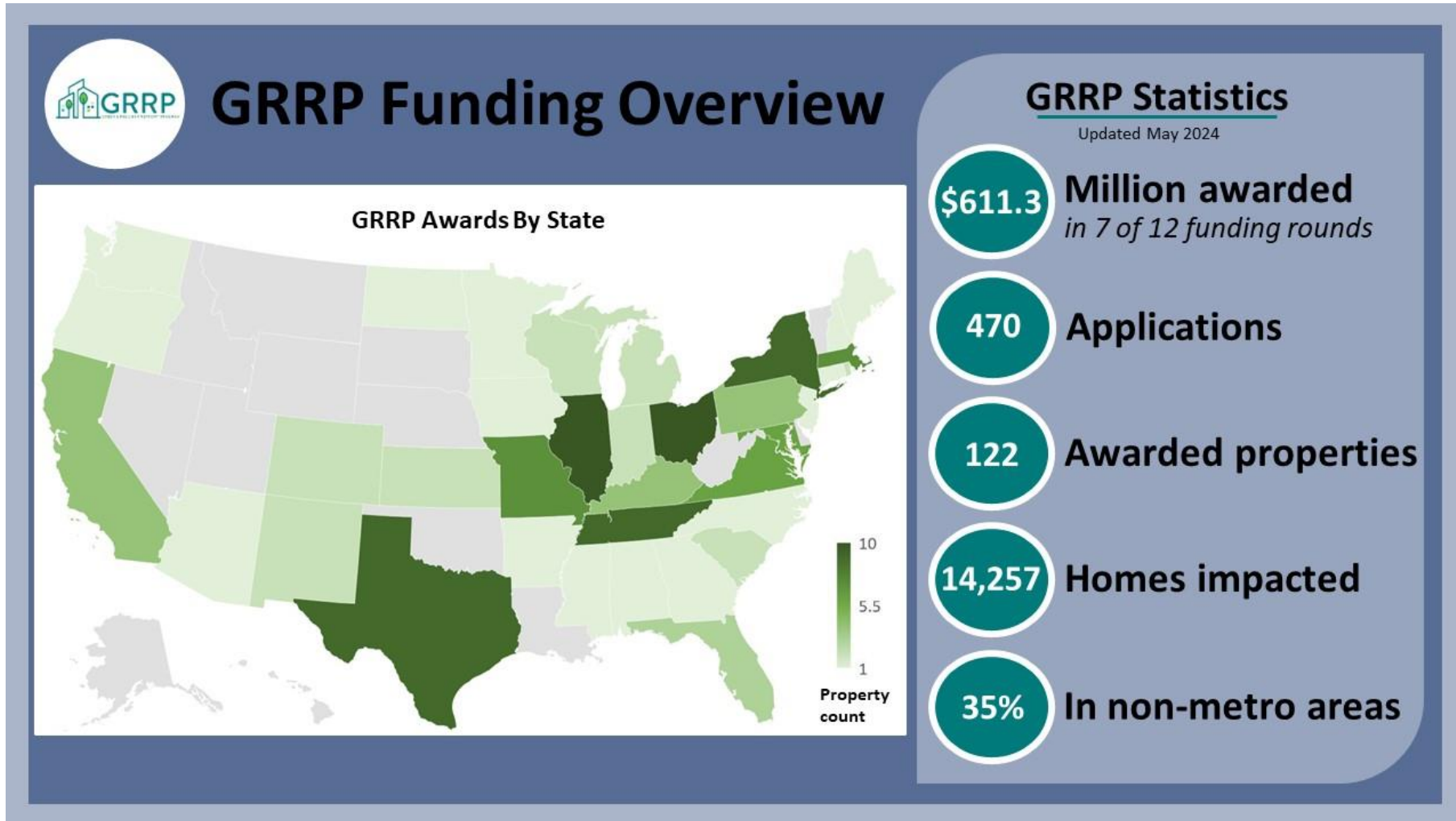
\$27B
**EPA Greenhouse Gas
Reduction Fund**

\$2B
**EPA Community
Change Grants**

\$5B
**EPA Climate
Pollution Reduction
Grants**

\$2B
**HUD Green &
Resilient Retrofit
Program**

HUD Green & Resilient Retrofit Program



HUD Green & Resilient Retrofit Program

The Elements	The Leading Edge	The Comprehensive
Maximum award: \$750k per property . \$40k per unit.	Maximum award: \$10M per property. \$60k per unit.	Maximum award: \$20M per property. \$80k per unit cap.
Modest investment for early-stage planned recapitalization projects .	More significant investment for early-stage planned recapitalization projects. Does not require extensive collaboration with HUD.	Investment to initiate a recapitalization project . Projects can be standalone or part of a larger recapitalization and will require signification collaboration with HUD and contractor, who will drive the scope of work.
Allow for upgrades or additions of greener or more resilient building components and systems to existing SOW.	Allow for ambitious upgrades that move towards net zero, resilience. Properties must demonstrate at least 25% energy reduction. Requires green building certification.	Allow for ambitious upgrades that move towards net zero, resilience. Properties must demonstrate at least 25% energy reduction. Expect to achieve 40%+ in emissions reductions
Example applicant: The recapitalization project will replace the in-unit HVAC systems with higher-efficiency electric HVAC systems.	Example applicant: An experienced property owner is ready to move forward with Passive House certification financed by another funding source (e.g. LIHTC).	Example applicant: The property has high REAC scores and low capital needs, but is using older equipment dependent on fossil fuel sources. It is in an area of wildfire risk.

HUD GRRP Elements Project

- Community Manor, Cincinnati, OH
- 19 units in the Over-the-Rhine Neighborhood of Cincinnati
- \$750,000 Award Round 1 HUD GRRP Elements
- Will fund air sealing work, new plumbing fixtures, and in-unit conversion from gas fired furnaces to air-source heat pumps:
 - **UA: heating costs will move from gas to electric**



HUD References to Split Incentive

– Rental Assistance Demonstration (RAD)

- This process is originally detailed under Tenant-Paid Utility Savings under RAD notice RAD Notice H-2019-09 PIH-2019- 23 (HA)

– RAD for PRAC, or Project Rental Assistance Contract

- There is a process to address the Split Incentive under SECTION I: RAD FOR PRAC INITIAL CONTRACT RENT SETTING in RAD Notice 2023-08 PIH-2023-19 (HA)

– Green and Resilient Retrofit Program (GRRP)

- The GRRP explicitly references the Split Incentive Issue under 9.5. “Split-Incentives” and Shared Savings

Same Method, Different Name

- The original 2019 RAD Notice shares the same methodology as stated in all three of the previous notices- just titled differently
- Each notice also gives owners a pathway to address the split incentive. Below is the process established by HUD:
 1. Owner decides to complete energy and water savings upgrades that will reduce tenant utility costs and create a scope of work
 2. Owner hires a third-party consultant to determine projected utility savings via ECM based on the scope of work
 3. Rents and UAs are then adjusted after the project is complete:
 - Utility allowances are reduced to the projected utility costs
 - Rents are increased by 75% of the projected utility cost savings

DOE Rebate Program

Administered by State Energy Offices and must dedicate at least 10% to low-income multifamily. The following rebates are available for **multifamily buildings** where **at least 50% of households** have incomes **below 80% AMI**

Rebate Type	Rebate Amount
Home Efficiency Rebates (HER)	<ul style="list-style-type: none"> • Retrofits of existing buildings • Rebate level varies depending on the level of efficiency improvements, not to exceed: <ul style="list-style-type: none"> • <u>\$4,000</u> per housing unit for energy savings of 20%-34% • <u>\$8,000</u> per housing unit for energy savings of 35% or more • <u>Up to 80% of project costs</u>
Home Electrification and Appliance Rebates (HEAR)	<ul style="list-style-type: none"> • New construction and retrofits • Appliance-based rebates with caps • <u>100% of project costs</u> not to exceed the max rebate level of <u>\$14,000 per housing unit</u>

What is the Greenhouse Gas Reduction Fund (GGRF)?

National Clean Investment Fund (NCIF)

Clean Communities Investment Accelerator (CCIA)

Solar for All (SFA)

\$14 BILLION

3 AWARDEES will...

deliver accessible, affordable financing for clean technology projects nationwide

partner with private-sector investors, developers, and community organizations to deploy projects, mobilize private capital at scale

\$6 BILLION

5 AWARDEES will...

provide funding and technical assistance to community lenders working in LIDAC communities to deploy clean energy projects

build the capacity of hundreds of community lenders to finance projects for years

\$7 BILLION

60 AWARDEES will...

create new or expand existing low-income solar programs, which will enable over 900,000 households in low-income and disadvantaged communities to benefit from distributed solar energy

CLIMATE UNITED Multifamily Technical Requirements

	ENERGY PERFORMANCE	ELECTRIFICATION	RENEWABLE ENERGY
<i>Retrofits of Existing Buildings</i>			
Save a Ton	20% Energy Reduction OR 1 Ton Carbon reduction per unit annually	N/A	N/A
Clean Air	35% Energy Reduction OR Certified Energy Star Score of 75+	All-Electric	N/A
<i>New Construction</i>			
Clean Air Boost	At least 10% lower modeled energy use than the latest model energy code OR Certified Energy Star Score of 90+	All-Electric	Powered solely by renewable energy

Based on current knowledge of the program parameters. We do not have final terms and we are continually receiving updated guidance, so all information is subject to change.

Renewable ITC Low-Income Bonus: Category 3 (Affordable Housing)

- At least 50% of the financial value of rooftop solar energy generated must be shared equitably with residents. Two pathways:
 - If the financial benefit is distributed via resident utility bill savings, **it must be distributed in equal shares among housing units OR distributed proportionately among residents based on square footage, or number of occupants.**
 - If not via resident utility bill, see HUD guidance.

HUD & Renewable Energy & UA

HUD Guidance for Community Solar & Utility Allowances:

- Community solar: where one party owns the solar and passes financial benefits/clean energy to another party.
- If the solar credit amount fluctuates every month based on electricity consumption (i.e., not based on solar output) and/or the electric bill show a lowered utility rate per kilowatt-hour, the UA needs to be adjusted. (*This is currently rare to see on utility bills*)
- **Otherwise no impact to UA.**

Is it resident income? *If a community solar benefit appears on an electricity bill as an amount credited from the total cost of the bill, the credit should be treated as a discount or coupon to achieve a lower energy bill (rather than a cash payment or cash-equivalent payment being made available to a resident). In this case, the credit will not be counted towards income as discounts on items purchased by a tenant are not viewed as “annual income” to the family.*

<https://www.hud.gov/sites/dfiles/OCHCO/documents/2023-09hsgn.pdf>

Lauren Westmoreland

Vice President, Energy & Sustainability

Lwestmoreland@sahfnet.org

What is the impact on Tax Credits for Utility Allowance Non-compliance?

Missy Covington, HCCP, NTCCP
VP, Compliance
Raymond James Affordable Housing Investments
missy.covington@raymondjames.com

Locality		Unit Type		
Georgia North		Elevator/High-Rise		
Utility or Service		Monthly Dollars		
		0 BR	1 BR	2 BR
Heating	a. Natural Gas	9	12	15
	b. Bottle Gas	33	46	56
	c. Electric	10	13	17
	d. Heat Pump	8	9	12
Cooking	a. Natural Gas	3	4	5
	b. Bottle Gas	10	17	20
	c. Electric	6	8	10
		-	-	-
Other Electric		16	22	29
Air Conditioning		5	7	10
Water Heating	a. Natural Gas	4	7	9
	b. Bottle Gas	17	23	33
	c. Electric	9	14	20
		-	-	-
Water		21	25	29
Sewer		20	24	29
Trash Collection		16	16	16
Range/Microwave		11	11	11
Refrigerator		13	13	13
Other -				
Actual Family Allowances To be used by the family to compute allowance.				U
Complete below for the actual unit rented				S
Name of Family				C
				C
				A
				V
Unit Address	1 bed	2 bed		V
	Electric 60.00	Electric	81.00	S
	w/s 49.00	w/s	58.00	T
	total \$109.00	total	\$139.00	R

LIHTC Rent Limits With Utility Allowance Reduction for 2024 (Based on 2024 MTSP/VI Income Limits)

Bedrooms (People)	60.00%	30.00%	50.00%	60.00%	70.00%	U/A Entered by User
Efficiency (1.0)	1,044	479	856	1,044	1,232	85
1 Bedroom (1.5)	1,100	495	899	1,100	1,302	109
2 Bedrooms (3.0)	1,313	587	1,071	1,313	1,555	139

LIHTC Rent Limits With Utility Allowance Reduction for 2024 (Based on 2024 MTSP/VI Income Limits)

Bedrooms (People)	60.00%	30.00%	50.00%	60.00%	70.00%	U/A Entered by User
Efficiency (1.0)	1,041	476	853	1,041	1,229	88
1 Bedroom (1.5)	1,097	492	896	1,097	1,299	112
2 Bedrooms (3.0)	1,310	584	1,068	1,310	1,552	142

40/60 vs Average Income Minimum Set Aside

Project 1

40/60 – 86 total units 40% Minimum= 35 units

30 of 86 with max rent violation

1. Rent Restrictions - As set forth in the operating pro forma									
Unit Type	0BR/1BA	0BR/1BA	0BR/1BA	1BR/1BA	1BR/1BA	1BR/1BA	2BR/1BA	2BR/1BA	2BR/1BA
Income % of Median	30%	50%	60%	30%	50%	60%	30%	50%	60%
# of Revenue Units	12	4	3	5	29	20	2	4	7

Project 2

AIT – 96 total units 40% Minimum= 39 units

96 of 96 with max rent violation

1. Rent Restrictions - As set forth in the operating pro forma									
Unit Type	1BR/1BA	1BR/1BA	1BR/1BA	2BR/2BA	2BR/2BA	2BR/2BA	2BR/2BA	2BR/2BA	2BR/2BA
Income % of Median	50%	60%	70%	50%	50%	60%	60%	70%	70%
# of Revenue Units	12	25	11	8	4	17	8	7	4

Credit Impact/Financial Consequences

- Annual value per unit approximately \$25,610
- Project 1, 30 non-compliant units = **\$768,300**
 - Year 4 + recapture = \$1,024,400 – total **\$1,792,700** + penalties
- Project 2, 96 non-compliant units = **\$2,458,560**
 - Year 4 + recapture = \$3,278,080 = **\$5,736,640** + penalties