

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Utility Allowances for Multifamily/
Project-Based Rental Assistance (PBRA)
Family Housing Properties

DATE September 28, 2022

Staff requests Board approval of Resolution No. 22-9/28-02 to adjust the utility allowances for the four family housing developments that were converted to HUD's Multifamily Housing/Project-Based Rental Assistance (PBRA) program under Rental Assistance Demonstration (RAD). As explained below, it is necessary to adjust the utility allowances for all unit sizes at each family site, effective January 1, 2023. The affected properties are as follows:

- McDonough Homes (592 units; RAD/PBRA Project 1)
- Roosevelt Homes (320 units; Project 4)
- Mt. Airy Homes (302 units; in Project 5) and
- Dunedin Terrace (88 units; in Project 8).

The methodology, adjustment factors, and recommended utility allowances for each unit size at each property are shown on the attachment. The proposed changes have been reviewed and approved by HUD Multifamily staff.

The utility allowance is an estimate of the monthly utility costs paid by the tenant in a subsidized rental home or apartment in PBRA, public housing or the Housing Choice Voucher (HCV) program. HUD defines it as the "monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances."¹ The utility allowance reduces the amount of rent the household must pay to the PHA (in PBRA or public housing) or to the property owner/landlord (in HCV). The tenant's rent payment plus the

¹ 24 CFR Part 5.603; quoted in HUD Multifamily Housing Notice H-2015-04

utility allowance equals 30% of the household's adjusted income. When the utility allowance goes down, the tenant's rent payment to the PHA goes up by the same amount. Alternatively, when the utility allowance goes up, the tenant's rent payment to the PHA goes down by the same amount. In some cases the tenant's utility allowance is higher than their income-based rent amount, so the PHA sends the resident a monthly "utility reimbursement" check. (This payment is sometimes called "negative rent".) HUD reimburses the PHA through the monthly Housing Assistance Payment (HAP), which is based on vouchers the PHA submits monthly.

In Multifamily/PBRA housing, the amount of the HAP subsidy the PHA receives from HUD is based on the rent charges for each month. Higher rent payments caused by lower utility allowances reduce the subsidy amount dollar-for-dollar, resulting in no net cost or benefit to the PHA.

HUD's rules and the Handbook for Multifamily Housing require an annual analysis of utility allowances in conjunction with annual adjustments of contract rents. HUD requires a full analysis of actual usage data be performed every three years but allows owners (such as the PHA) to perform "factor-based" utility analysis for the two interim years. The last full analysis was performed in 2021. For 2023, a factor-based utility analysis was performed. The 2021 baseline utility allowances were based on a review of actual average utility costs for twelve months for a sample of family units at each site.² Xcel Energy provided the data (for a fee) after receiving signed releases from the residents of all of the units included in the samples. St. Paul District Energy provided data (at no cost to the PHA) for heating expenses for family units at Mt. Airy

² Hi-rise residents do not pay separate utility bills, so there is no utility allowance for those units. The scattered site single family homes and duplexes remaining in the Low Rent Public Housing program are not included in this recommendation.

Homes. HUD dictates the minimum sample sizes and provides spreadsheets that calculate the average utility costs for each unit size at each project.

As previously explained to the Board, there was more than a 15% difference between the utility allowances used at the time of conversion and the consumption data gathered in 2021, so the PHA had to phase in the utility allowances in two or more steps. HUD Multifamily's guidance for utility allowances states that the phased-in adjustments must be applied prior to the annual utility allowance factors published by HUD. The recommended utility allowances for 2023 include the final step in the phase-in of these utility allowances for the sites that required a multi-year phase-in. The calculations are outlined in an attachment to this report. A full analysis of actual usage data will be required to establish new baseline utility allowance rates for 2024.

The Multifamily Utility Allowance Factor (UAF) is updated annually by HUD and is published with an effective date that mirrors the effective date of the annual Operating Cost Adjustment Factor (OCAF). Updated UAFs are based on information published by the U.S. Energy Information Administration and the Bureau of Labor Statistics and are State and utility-type specific. The factors published for Minnesota are:

- Fuel Oil: 0.943
- Natural Gas: 0.990
- Electric: 1.029

St. Paul District Energy provides steam heat for PHA properties in or near downtown St. Paul, including Mt. Airy Homes. Since the District Energy system is unique to St. Paul, HUD does not publish a comparable utility allowance factor. HUD staff advised the PHA to utilize a reasonable allowance factor for utility allowances at Mt. Airy Homes. District Energy staff

provided 6% as their anticipated inflation factor for the upcoming heating season, so staff used that factor to determine the Mt. Airy utility allowances.

Under the recommended utility allowances, the majority of family residents would see their monthly utility allowance go up by \$6/month or less, with a corresponding decrease in their rent payment to the PHA. A smaller number of households would have their utility allowance and rent payment adjusted by as much as \$29/month.

HUD Multifamily rules require the PHA to give at least 30 days' notice to residents before the changes would take effect. With the Board's approval, staff will give all affected residents notice of the utility allowance changes.

WW/LAF

Attachments:

- Resolution No. 22-9/28-02 Utility Allowances for Multifamily/PBRA Family Properties
- Proposed 2023 Utility Allowances for Multifamily/PBRA Family Properties

**PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL
RESOLUTION NO. 22-9/28-02**

**RENTAL ASSISTANCE DEMONSTRATION (RAD) CONVERSION TO
PROJECT-BASED RENTAL ASSISTANCE (PBRA);
APPROVAL OF UTILITY ALLOWANCE SCHEDULE**

WHEREAS, the Public Housing Agency of the City of Saint Paul (PHA) was approved by the U.S. Department of Housing & Urban Development (HUD) to convert 3,836 dwelling units of Low Income Public Housing (LIPH; Section 9) to Project-Based Rental Assistance (PBRA; Section 8), through HUD's Rental Assistance Demonstration (RAD) program, with an effective date of January 1, 2020 for the Housing Assistance Payments Contracts for all eight RAD Projects; and

WHEREAS, public housing agencies that are converting public housing units to PBRA through RAD are required annually to analyze and adjust utility allowances, if necessary, for all properties in which tenants are responsible to pay for utilities; so that all households will pay 30% of adjusted income for rent including utility costs; and

WHEREAS, the PHA has obtained and analyzed actual utility costs for the required number of units, following HUD guidance, and also having applied the annual utility allowance adjustment factor, have determined that it is necessary to adjust the utility allowances for almost all unit sizes at each family housing site, effective January 1, 2023; and

WHEREAS, HUD limits the adjustment of Utility Allowances to 15% or less in one year, with any remaining adjustment to be taken into consideration in the following year(s); and

WHEREAS, staff have recommended approval of the Utility Allowance Schedule, which adjusts the current Utility Allowances by not more than 15%; and

WHEREAS, the Board of Commissioners finds that the proposed Utility Allowance Schedule is necessary and appropriate, as part of the PHA's continued operations under Project-Based Rental Assistance (PBRA) through HUD's Rental Assistance Demonstration (RAD) program, to best serve the needs of PHA residents;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Public Housing Agency of the City of Saint Paul, as follows:

1. The attached Utility Allowance Schedule is approved as presented, effective January 1, 2023;
2. The Executive Director or his designee is authorized to provide the required notification of utility allowance changes to all affected residents; and
3. Pursuant to HUD notice dated January 11, 1990, the PHA certifies that no employee is serving in a variety of positions that will exceed 100 percent of his or her work time.

