

# 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 23, 2020

Staff requests Board approval of Resolution No. 20-9/23-02 to adjust the utility allowances for family housing properties (not the hi-rises) in the Multifamily Housing/Project-Based Rental Assistance (PBRA) program. As explained below, it is necessary to reduce the utility allowances for almost all unit sizes at each family site, effective January 1, 2021. The affected properties are as follows:

- McDonough Homes (592 units; RAD/PBRA Project 1),
- Roosevelt Homes (320 units; Project 2),
- Mt. Airy Homes (302 units; in Project 5) and
- Dunedin Terrace (88 units; in Project 8).

The Agency must submit changes in utility allowances to HUD's Multifamily office in Minneapolis HUD for their approval. The current and recommended utility allowances for each unit size at each property are shown on the attachment.

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."<sup>1</sup> 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

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<sup>1</sup> 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, as recommended here, the tenant's rent payment to the PHA goes up 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".)

In Multifamily/PBRA housing, the amount of the 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.

As explained below, a comparison of actual utility costs shows that the PHA's current utility allowances for the RAD-PBRA properties are more than 15% higher than the current average actual utility costs, for almost all unit sizes at all projects. Therefore the PHA is required to reduce the utility allowances. Adjusting the utility allowances downward means the residents will pay correspondingly higher rents to the PHA, but still limited by the "30% of adjusted income" formula.

As required by HUD's rules and Handbook for Multifamily Housing, staff's recommendation is based on a review of actual average utility costs for twelve months for a sample of family units at each site.<sup>2</sup> Xcel Energy provided the data (for a fee) after receiving signed releases from the residents of all of the units included in the samples. HUD dictates the minimum sample sizes and provides spreadsheets that calculate the average utility costs for each unit size at each project.

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<sup>2</sup> 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. Staff will present recommendations for continuing or adjusting the utility allowances for those properties and the Housing Choice Voucher program at a later Board meeting.

HUD staff encouraged the PHA to establish a single utility allowance for all units of the same size (by number of bedrooms) in each project, which is simpler than the PHA's previous utility allowances. This Agency's previous utility allowance schedule had 31 separate utility allowances for the four family housing developments, based both on the unit sizes and on the number of outside walls in a unit. For example, the utility allowance for 3-bedroom unit with two exposed walls at McDonough Homes was different from the utility allowance for a 3-bedroom McDonough unit with three exposed walls.

Based on the data from the required number of units, the current average actual utility costs for almost all unit sizes at all projects are lower than the current utility allowances, with a difference of more than 15% for most unit sizes. For that reason staff is recommending adjustments in all utility allowances for next year, with reductions for most units by up to the 15% allowed by HUD in a single year.<sup>3</sup> The remaining adjustment, if any will be made next year. Because the current unit-specific utility allowances are being collapsed to larger groupings (for example, all 3-bedroom units at McDonough Homes), the recommended reduction will be less than 15% in some cases.

The one "outlier" unit type is at Mt. Airy Homes, where two older single-family homes on the site were brought into the development when the public housing units were built. Each house has four bedrooms, but the utility costs there have been significantly higher than the average for

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<sup>3</sup> HUD Multifamily Housing Notice H-2015-04: If the utility allowance decrease ... would exceed 15% of the most recent utility allowance and that decrease is equal to or greater than \$10, the decrease must be phased-in. This means the [project owner] will implement a 15% decrease from the most recent utility allowance for that year, and then implement the remainder of the calculated decrease the following year, so that no decrease in any one year is greater than 15%.

other four-bedroom units at Mt. Airy. Therefore staff are recommending a separate utility allowance for those two units.

For most unit sizes it will be necessary to further reduce the utility allowance again next year, to bring them in line with actual average costs. Staff will bring recommendations for the 2022 utility allowances to the Board next summer. Staff will collect new data and run the required calculations again within three years, which may trigger further adjustments in some utility allowances.

Under the recommended utility allowances, most family residents would see their monthly utility allowance go down by \$20 or less, with a corresponding increase 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 \$34/month.

**History of public housing utility allowances.** Until 2011 staff reviewed actual utility consumption data annually for all of the Agency's family public housing units. HUD required adjustments if utility rates had increased by 10% or more cumulatively since the last adjustment. Staff followed this same process every year:

- Obtain new energy cost data (free of charge) from Xcel Energy and District Energy for every PHA family development and scattered site unit;
- Calculate the average monthly costs for gas and electricity for 36 unit types, grouped by AMPs (Asset Management Projects); and then
- Establish new utility allowances based on 3-year average costs, if needed.

Starting in 2011 staff's annual review of utility allowances was based solely on changes in utility rates, after Xcel Energy began charging a fee for every record. Xcel also started requiring a signed release from the resident(s) of each unit during the requested time period. When a unit had turned over during the previous year, staff often could not get a release from the tenant who

had vacated, so Xcel would not provide data for the full year. Since HUD permitted utility allowance adjustments to be based on rate changes alone, the PHA has used that method for the annual review since 2011.

Staff recognized that a new study of actual utilities costs should be done at some point, because modernization work at the four family developments included weatherizing and insulating units to improve energy efficiency. Improved efficiency of appliances can also reduce energy costs, for example low-flow shower heads reducing hot water usage. Residents' behavior may also change over time, toward using more or less energy.

Whatever the causes, the new utility consumption analysis required for Multifamily units demonstrated that the average monthly household utility costs are considerably lower than the PHA's current utility allowances. HUD requires the PHA to adjust the utility allowances to bring them in line with actual utility costs in the family units. The recommended new utility allowance amounts are a required step in that direction.

With the Board's approval, staff will submit the proposed changes and supporting analysis to HUD Multifamily as required.<sup>4</sup> That submission is generally due 120 days before the January 1, 2021 renewal date for the PBRA Housing Assistance Payments (HAP) contracts, which would be August 31. However, HUD staff are allowing the PHA some flexibility in the timing during this transition year. Staff have already communicated extensively with HUD staff about the

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<sup>4</sup> 24 CFR § 880.610 Adjustment of utility allowances. In connection with annual and special adjustments of contract rents, the owner must submit an analysis of the project's Utility Allowances. Such data as changes in utility rates and other facts affecting utility consumption should be provided as part of this analysis to permit appropriate adjustments in the Utility Allowances.

proposed utility allowances, so we expect them to approve the changes recommended in this report.

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

JMG/LTS/KNG/CB/RPM/AJH/FAH

Attachments:

- Resolution No. 20-9/23-02 Utility Allowances for Multifamily/PBRA Family Properties
- Proposed 2021 Utility Allowances for Multifamily/PBRA Family Properties

**PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL  
RESOLUTION NO. 20-9/23-02**

**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 3,855 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 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 have determined that it is necessary to reduce the utility allowances for almost all unit sizes at each family housing site, effective January 1, 2021; and

WHEREAS, HUD limits the reduction of Utility Allowances to 15% or less in one year, with any remaining adjustment to be accomplished in the following year; and

WHEREAS, staff have recommended approval of the Utility Allowance Schedule, which reduces 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 conversion of the public housing units in the PHA's family housing developments to 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, 2021;
2. The Executive Director or his designee is authorized to submit the Utility Allowance Schedule to HUD's Office of Multifamily Housing for approval; 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.

dbrms	ext walls	McDonough				Roosevelt				Mt. Airy				Dunedin							
		unit count	amount			unit count	amount			unit count	amount			unit count	amount						
			current	adj \$	adj %		\$ Diff	current	adj \$		adj %	\$ Diff	current		adj \$	adj %	\$ Diff	current	adj \$	adj %	\$ Diff
1	2					28	\$54	\$57	-5.6%	\$ 3.00											
1	3	35	\$91	\$78	14.3%	\$ (13.00)	35	\$66	\$57	13.6%	\$ (9.00)										
2	2	264	\$116	\$99	14.7%	\$ (17.00)	94	\$109	\$93	14.7%	\$ (16.00)	12	\$133	\$123	7.5%	\$ (10.00)	16	\$121	\$103	14.9%	\$ (18.00)
2	3	6	\$113	\$99	12.4%	\$ (14.00)	73	\$108	\$93	13.9%	\$ (15.00)	46	\$144	\$123	14.6%	\$ (21.00)					
2	4											2	\$122	\$123	-0.8%	\$ 1.00					
3	2	32	\$151	\$131	13.2%	\$ (20.00)	34	\$120	\$118	1.7%	\$ (2.00)	88	\$148	\$148	0.0%	\$ -	24	\$141	\$120	14.9%	\$ (21.00)
3	3	137	\$153	\$131	14.4%	\$ (22.00)	34	\$138	\$118	14.5%	\$ (20.00)	84	\$174	\$148	14.9%	\$ (26.00)					
4	2	12	\$184	\$157	14.7%	\$ (27.00)											36	\$155	\$132	14.8%	\$ (23.00)
4	3	78	\$176	\$157	10.8%	\$ (19.00)	22	\$157	\$134	14.6%	\$ (23.00)	48	\$192	\$164	14.6%	\$ (28.00)					
4a	4											1	\$260	\$221	15.0%	\$ (39.00)					
4b	4											1	\$247	\$221	10.5%	\$ (26.00)					
5	2	14	\$209	\$178	14.8%	\$ (31.00)						8	\$218	\$194	11.0%	\$ (24.00)	12	\$179	\$153	14.5%	\$ (26.00)
5	3	14	\$200	\$178	11.0%	\$ (22.00)						8	\$226	\$194	14.2%	\$ (32.00)					
5	4											4	\$228	\$194	14.9%	\$ (34.00)					
		592					320					302					88				