

451 UTILITY SAMPLING AND RENT SCHEDULE POLICY

Contents

Utility Allowances Overview 1
Rent and Utility Review Process Timeline (Non-Section 8) 2
Rent and Utility Review Process Timeline (Section 8) 3
Utility Submission Requirements 3
Utility Sampling Process..... 5
 MSHDA-Financed Developments, including Section 8 and Section 236 6
 Section 8 and Section 236 Developments Only..... 6
Utility Allowance (UA) Calculations 7
 MSHDA Programs UA Calculation..... 7
 Section 8 and Section 236 UA Calculation..... 7
Utility Phase-in and Factor Based Utility Allowance (Sec 8/Sec 236 only) 8
Mid-Year Utility Changes (Section 8 and Section 236 Developments only)..... 8
Utility Sampling Form Instructions 8
 MSHDA Programs..... 8
 Summary Tab..... 8
 Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs..... 9
 Certification Tab 10
 Section 8 and Section 236 Programs 10
 Summary Tab..... 10
 Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs..... 11
 Certification Tab 12
Governing Regulations 12
Rent Schedule Considerations 12
Rent Limits and Unit Breakdowns..... 13
Rent Schedule Tab Instructions 15
 Section 236 Rent Schedules..... 15
 Section 236 Definitions..... 15
 Section 236 Entry Fields..... 15
 Rent Increases at Section 236 Developments 16
 Section 8 Rent Schedules..... 17
 MSHDA-Financed Rent Schedules 17
Forms and Attachments 19

Utility Allowances Overview

An annual review of utility bills paid by residents helps provide a reasonable allowance to development residents for the potential costs of monthly utilities. This process is typically performed at the same time as the annual analysis of rents to determine if a rent increase/decrease will occur for the upcoming year. The updating of utility allowances may also affect the rent amounts and thus the total gross rent potential earned for budgeting purposes.

Utility Allowance information (calculations or approved amounts) must be submitted with the development's annual budget submission for all MSHDA programs. To prepare for the annual sampling requests, an "Authorization to Release Utility Data" should be included with each residents initial lease signing and each lease renewal. See Attachment 1 for a sample Authorization to Release Utility Data form.

Rent and Utility Review Process Timeline (Non-Section 8)

For all developments, *except Section 8 (including Section 8 Preservation Pass-Through and Section 8 Paid-off)*, the following timing applies when completing the utility sampling and resident notifications process:

Aug 1st - *For all developments*, begin collecting utility sampling data.

Prior to Sept 30th - *For Section 236 (including Section 236 decoupled and Section 236 with Tax Credits)*, send and post a Rent/Utility Change Notice (MSHDA Mgmt. 451A1) to the development's residents providing at least a 30-day comment period on any planned rent increase and/or utility decrease request. **Note:** Posting the notice prior to Aug 31st, allows the resident comment period to pass and collection of comments to be completed before the rent and utility submissions are due.

By Oct 1st - *For all developments*, send the Rent/Utility Change Notice (MSHDA Mgmt. 451A3) to the development's **residents**. Resident notification must be posted 90 days prior to any utility change effective date for LIHTC properties.

- Notify the residents according to the Code of Federal Regulations (CFR) 245.15 and Treasury Regulation Section 1.42-10. Send the notice (MSHDA Mgmt. 451A3) to all non-market rate residents and post in at least three conspicuous places. Do not include MSHDA moderate units on the notices to residents.

Oct 1st – *Section 236 developments only, including Section 236 decoupled and Section 236 with Tax Credits*. **Utility packages are due to MSHDA with the budget package submission.** All developments are encouraged to submit their Utility packages into MSHDA by Oct 1st or during the month of October, but utility packages won't be considered late until November 1st.

November 1st - *For all developments, except Section 236, including Section 236 decoupled and Section 236 with Tax Credits*. **Utility packages are due to MSHDA with the budget package submission.**

January 1st – Implement the rent and/or utility allowance changes. When the utility and/or rent change is submitted and able to be approved timely, the approved utility allowances and rent schedules become effective as of January 1st provided residents have received 30-day notice of any rent increase.

Rent and Utility Review Process Timeline (Section 8)

For Section 8 (including Section 8 Preservation Pass-Through and Section 8 Paid-off), the following timing applies when completing the utility sampling and resident notifications process:

150 Days Prior to the HAP Anniversary Date - Begin collecting utility sampling data.

90 Days Prior to the HAP Anniversary Date - Send the Utility Allowance Decrease Notice (MSHDA Mgmt. 451A2) to the development's residents. Residents must be notified 90 days prior to any utility change effective date.

- Notify the residents according to the Code of Federal Regulations (CFR) 245.15 and Treasury Regulation Section 1.42-10. Post the Utility Allowance Decrease Notice (MSHDA Mgmt. 451A2) in three conspicuous places and send to all non-market rate residents. Do not include MSHDA moderate units on the notices to residents.
- Residents must receive at least a 30-day comment period regarding the planned utility allowance decrease request.

60 days prior to the HAP Anniversary Date - Utility packages are due to MSHDA. Utility submissions are sent to the **Quality Assurance Examiner** (Kristin Lautner), not to the development's assigned Asset Manager.

HAP anniversary date – Implement the utility allowance changes. When the utility allowance decrease is submitted and able to be approved timely, the approved utility allowances become effective on the HAP Anniversary date.

Utility Submission Requirements

Listed below is a list of the required forms and data to request a utility change or verify a development's current utility allowance. For a more detailed description of the listed forms, review the Utility Sampling Form Instructions section of this policy. Include the following information with each development's utility allowance submission:

1. **Utility Allowance Calculation Form – Summary** – Provide an electronic and paper copy. Developments participating with the New Ecology (WegoWise) may submit a New Ecology summary page.
2. **Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs** – Provide an electronic copy only in pdf format.
3. **Owner's Utility Certification** to MSHDA - Provide an electronic and **signed** paper copy.

- *For MSHDA programs, Moderate, 80/20, 70/30, Taxable Bond, 1% Tax-Exempt, TEAM and Neighborhood Preservation Program development – use the MSHDA Mgmt. 451C2 form.*
- *For Section 236 Developments, including Section 236 decoupled and Section 236 with Tax Credits – use the MSHDA Mgmt. 451C1 form. **Note:** The Owner Certification must be dated 30 days after the Posting Letter date.*
- *For Section 8 Developments, including Section 8 Preservation Pass-Thru and Paid off Developments – Use the MSHDA Mgmt. 451C3 form. **Note:** The Owner Certification must be dated 30 days after the Posting Letter date.*

4. **Rent Schedule** – Provide an electronic and paper copy of the appropriate schedule.
5. **Copies of Resident Utility Invoices** – Provide an electronic copy (pdf file) of all the bills used in the sampling calculations. The last month of the bills sampled must occur within 60 days of the resident notification date. For example, if a development posts a utility allowance update on September 20th, then the utility bills sampled must include at least the July utility bills of the current year to be a valid sampling. Copies must include:
 - a. All fees and taxes, so that the total monthly bill for each unit is easily determined, if the total is not listed on the page.
 - b. The unit type, unit number and tenant name or address, and
 - c. The utility company name/information on each page.

Samples not within 60 days of the posting date – Provide confirmation that the utility rate in effect within 60 days of the posting date is the same as the utility rate effective in the last month of the utility sampling. For example, the sampling received from the utility company ends in April, because the utility company is behind in its billing. The management agent calculates the utility rate change and posts the notice of change on September 15th. Since the last month of the utility sample did not end within 60 days (July 17th) of the posting date, a confirmation of the consistency of the utility rate must be provided. Request confirmation that the utility rate in May was the same utility rate billed in July, and provide a copy of this confirmation with the utility sample.

New Ecology sampling data may be submitted, if the development contracts New Ecology's services.

6. **Rent/Utility Change Notice** – (MSHDA Mgmt. 451A1 or 451A3): *For all non-Section 8 developments.* Provide a copy of Rent/Utility Change Notice to residents posted at least 90 days prior to the change effective date, if applicable.
 - Developments that perform Rural Development (RD) posting may submit the RD posting in lieu of the MSHDA posting form.
 - If the rent and utilities do not change, no posting is required.
7. **Utility Allowance Decrease Notice** – (MSHDA Mgmt. 451A2): *For Section 8 developments only.* Provide a copy of the Utility Allowance Decrease Notice to residents posted at least 90 days prior to the decrease effective date, if applicable.

8. **Resident Comments** – *For Section 236 and Section 8 developments only.* If applicable, provide a copy of resident comments regarding a pending rent increase or utility allowance decrease and the Owner's or Agent's evaluation of the comments.
9. **Verification of Rural Development (RD) Utility rates** – *For all developments with RD funded units.* Developments with RD funding use RD rental rates and utilities. Submit verification of RD's approved rental rates and utilities for the RD units.

Utility Sampling Process

Utility samples must be collected with the 12-month sampling-period **ending no more than 60-days prior to the posting date of the tenant notification** submitted with the completed request package to MSHDA. If the sampling period does not end within 60 days of the posting notice, verify the utility rates in effect within 60 days of the posting are the same as the rates identified in the last month of the resident bills being sampled. When sampling:

- The same residents must be sampled for both gas and electric utilities. For example, if John Smith was included in the gas sampling, then he must be part of the electric sampling data.
- All samples must cover the same date range as other sampled units.

Additional sampling process suggestions/recommendations follow:

- Non Section 8/236 developments may use employee units and non-subsidized units as part of the sampled units for the calculation. HUD has disallowed the use of these units in determining the utility allowance (refer to Frequently asked Questions on the HUD Notice H 2015-14, Question #15 for further clarification).
- Request a greater sampling of units from the utility company than required. This allows a buffer between the collected samples and the required sample size in case some samples do not meet the sampling requirements, such as those listed in unit exclusions.
- When not sampling all units, different units/residents should be chosen annually whenever possible for the sampling in order to gain a more accurate representation of the whole property over time.
- Consumers Energy encourages owners/Agents to get connected to its landlord portal to gather utility information. Further information can be obtained by contacting Janice Baird at Janice.baird@cmsenergy.com.
- Consumers Energy posts its electric and gas rate averages at the following link: <https://www.consumersenergy.com/Content.aspx?id=4945>
- Project-Based Voucher units may be used when selecting units for sampling utilities.
- Project Based Vouchers no longer require the PHA Utility Allowance to be recorded on the rent schedule, instead record the allowance generated by utility sampling process.

MSHDA-Financed Developments, including Section 8 and Section 236

The Budget workbook (customized for each management agent) includes four (4) worksheets for entering utility bill information, along with a summary worksheet and a Utility certification form.

The following utility sampling requirements must be met **for each unit type**:

- The minimum sample size is identified in the following chart:

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

- Utility allowances are a straight average of the sampled units. Performing a standard deviation or dropping of one highest and lowest utility cost household is no longer allowed.
- Units should be excluded from the sample size if the unit:
 - Has been vacant for more than 2 months. Units included in the sample must have at least 10 months of occupancy;
 - Is receiving an increased utility allowance as a reasonable accommodation;
 - Is receiving a flat utility rate as part of a low-income rate assistance utility program.

Section 8 and Section 236 Developments Only

Use the utility calculation template for Section 8 and Section 236 developments. This template is separate from the Budget workbook and can be found on the MSHDA website. In addition to the Baseline Utility Analysis described above, Section 8 and Section 236 developments have the option to use a Factor Based Utility Analysis for up to two years after a baseline utility analysis is established. The HUD factors for 2016 are:

Michigan Rates	Oil/Propane	Natural Gas	Electricity	Water/Sewr/Trash
2016 Factor	0.783	1.022	0.99	1.046

The utility allowance amounts for each bedroom size and each utility type at the development can be adjusted with the specified factor in the table above. After completing this adjustment, the Owner/Agent should compare this adjusted utility analysis to the previous

12-months paid utilities. If there is a significant disparity between the two amounts, then a new Baseline Analysis must be completed.

Utility Allowance (UA) Calculations

Below are the individual program calculation requirements:

MSHDA Programs UA Calculation

This includes all properties with tax credit allocations and MSHDA-financing. The worksheet adds up each resident's ten to twelve months of bills and generates a straight monthly average of the amounts entered into the template.

- If the utility allowance resulting from the sampling increases or decreases by any amount, the utility allowances must be revised and the residents must be given a 90-day advance written notice of any rent/utility change. Failure to provide at least a 90-day notice of utility allowance change may result in a non-compliance finding. The AM will notify the Agent/Owner of the approved utility allowances in the budget approval letter.
 - Notice to Residents – Follow the CFR 245.15 and Treasury Regulation Section 1.42-10 for proper posting and delivery requirements. The development may use the completed MSHDA Mgmt. 451A3 form identifying the proposed utility allowance decrease and/or rent increases at the property to inform the residents of the changes requested. This notice to the tenants must occur 30 days prior to submission.

Section 8 and Section 236 UA Calculation

Developments included in this process:

- Section 8 Preservation Pass-Through developments;
- Section 8 paid-off developments;
- Section 236 de-coupled, and;
- Section 236 with tax credit.

A straight average of the sampled units will be calculated by the utility analysis template.

- If the utility allowances resulting from the sampling increase by any amount, the utility allowances must be revised.
 - For Section 8 developments - The Quality Assurance Examiner will notify the Agent/Owner of the approved utility allowances in the rent schedule approval letter.
 - For Section 236 developments - The AM will notify the Agent/Owner of the approved utility allowances in the budget approval letter.
- If the utility allowances resulting from the sampling decrease by any amount, the utility allowances must be revised and the residents must be given a 90-day advance written notice and at least a 30-day period to comment on the utility decrease.
 - For Section 8 developments – This notice must occur 30 days prior to the utility change submission date.

- For Section 236 developments – This may generate an increase in the tenant portion of the rent. The AM will notify the Agent/Owner of the approved utility allowances in the budget approval letter.
- Notice to Residents – Follow the CFR 245.15 and Treasury Regulation Section 1.42-10 for proper posting and delivery requirements.
 - For Section 8 developments – The development may use the completed MSHDA Mgmt. 451A2 form identifying the proposed utility allowance decrease at the property to inform the residents of the changes requested. This notice to the tenants must occur 30 days prior to submission.
 - For Section 236 developments – The development may use the completed MSHDA Mgmt. 451A1 form identifying the proposed utility allowance decreases and/or rent increases at the property to inform the residents of the changes requested. This notice to the tenants must occur prior to October 1st.

Utility Phase-in and Factor Based Utility Allowance (Sec 8/Sec 236 only)

The phase-in rule only applied in the first year of implementation. In year 2 if using the factor based utility allowance analysis to update a phased-in utility allowance, the factor must be multiplied by the actual calculated utility allowance amount prior to the phase-in application.

For example, if a tenant’s previous allowance for natural gas equals \$120 and the analysis indicated a total decrease to \$96 (a 20% decrease), then the Agent/Owner would have submitted a 15% decrease of \$102 during the first year of the new utility sampling methodology. In year 2, the factor based utility allowance analysis would be multiplied by the \$96 amount and not the phased-in \$102 utility allowance amount to calculate the new utility allowance amount for natural gas of \$98 (\$96 x 1.022).

Mid-Year Utility Changes (Section 8 and Section 236 Developments only)

If utility rates increases result in a **cumulative increase in the utility allowances** by 10 percent or more from the most recently approved utility allowance, the Agent/Owner must request an increase in the utility allowance rates. The Agent/Owner must submit the following evidence of the rate change:

- Utility bills from the month prior to the utility rate change and the first month after the utility rate change, or;
- Verification of the increase from the utility provider.

Utility Sampling Form Instructions

MSHDA Programs

Summary Tab – Enter the following fields:

Name of Electric Co: Identify what utility company supplies electricity to the development residents.

Name of Gas Co: Identify what utility company supplies gas to the development residents.

Elec. (Electric) Rate: Identify the electric rate used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Service Chg (Charge): Identify the service charge used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Gas Rate: Identify the gas rate used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Commodity Chg (Charge): Identify the commodity charge used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

12-month Sample Period: Identify the months used for sampling the electric and gas bills.

Effective Date: Identify the date, which the new utility allowances become effective.

Number of Units: Identify the unit mix breakdown for the development under both the electric and gas tables. The numbers of units are used to generate the sampling size and set the minimum amount of billing samples required in order for the utility sampling tabs to generate an average dollar/unit/month amount. The total number of units entered for all the unit types must equal the total number of units at the development regardless of the number of units actually subsidized. Other – Enter the description of the other units being entered.

Exclusions: Identify the number of units that must be excluded from a sample, because the units do not have at least 10 months of occupancy, is receiving an increased utility allowance as a reasonable accommodation, or is receiving a flat utility rate as part of a low-income rate assistance utility program.

Adj. Units: [Automatically calculates] Number of Units less Exclusions. This number is used to calculate the sample size from HUD’s sampling chart and algorithm.

Sample Size: [Automatically calculates] Total number of units to be sampled based on the adjusted number of units amount.

Avg./month: [Automatically calculates] average monthly utility allowance amount for each bedroom size based on the utility sampling data entered in the Electric-Family, Electric-Elderly, Gas-Family, Gas- Elderly tabs.

Current Utility Allowance: Enter the amount of the current utility allowance amounts for each bedroom size.

New Ecology Calculated Utility Allowance: Enter the amount of the New Ecology (WegoWise) utility allowance for each bedroom size from the New Ecology sampling analysis, if applicable.

Comments: Provide an explanation of the unit breakdown information that does not align with the rent schedule and any other necessary utility information.

Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs - Under each of the unit types identified on the Summary tab, Number of units fields, enter a complete 12 months (or at least 10 months if the full 12 months was not available) of billing data for at least the required number of units identified in the “Sample Size” Column of the Summary tab. The

sampling tabs will accept more than the sample size units designated, if more than the required number of units were sampled. Enter the following fields for each sample unit:

Unit # or Address: Identify the sample resident's unit location (number of address).

Current Tenant Name: Identify the sample resident's name.

Mo 1 through Mo 12: Identify the billing amount for each of the 12 months sampled. At least 10 months of data must be entered to generate an average monthly amount for each unit/tenant.

Along the top of each utility sampling tab is a summary of the totals and averages generated from the utility samples entered.

Certification Tab – The required form for the “Owner Utility Certification to MSHDA” tab appears based on the development selected on the summary tab, cell E3. Complete the following fields, which may appear as data entry fields on the development's owner utility certification:

Rent Change Effective: Enter the date when the rent change becomes effective.

HUD Project #: Identify the HUD Project Number of the development, if applicable.

Location: Identify the address of the development.

Name: Type the name of the owner (signer).

*Print and sign the form for the hard copy submission to MSHDA.

Section 8 and Section 236 Programs

Summary Tab – Enter the following fields:

Name of Electric Co: Identify what utility company supplies electricity to the development residents.

Name of Gas Co: Identify what utility company supplies gas to the development residents.

Elec. (Electric) Rate: Identify the electric rate used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Service Chg (Charge): Identify the service charge used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Gas Rate: Identify the gas rate used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

Commodity Chg (Charge): Identify the commodity charge used to calculate the billing amounts. Only important if consumption data is used to generate the billing amount.

12-month Sample Period: Identify the months used for sampling the electric and gas bills.

Effective Date: Identify the date, which the new utility allowances become effective.

Calculation selected for Electric: Choose Sampling or Factor based to determine whether the new utility allowance amounts are drawn from the sampling chart or the factor based chart on the Summary tab to calculate the electric utility allowances for each bedroom type.

Calculation selected for Gas: Choose Sampling or Factor based to determine whether the new utility allowance amounts are drawn from the sampling chart or the factor

based chart on the Summary tab to calculate the gas utility allowances for each bedroom type.

Number of Units: Identify the unit mix breakdown for the development under both the electric and gas tables. The numbers of units are used to generate the sampling size and set the minimum amount of billing samples required in order for the utility sampling tabs to generate an average dollar/unit/month amount. The total number of units entered for all the unit types must equal the total number of units at the development regardless of the number of units actually subsidized. Other – Enter the description of the other units being entered.

Exclusions: Identify the number of units that must be excluded from a sample, because the units do not have at least 10 months of occupancy, is receiving an increased utility allowance as a reasonable accommodation, or is receiving a flat utility rate as part of a low-income rate assistance utility program.

Adj. Units: [**Automatically calculates**] Number of Units less Exclusions. This number is used to calculate the sample size from HUD’s sampling chart and algorithm.

Sample Size: [**Automatically calculates**] Total number of units to be sampled based on adjusted number of units amount.

Avg./month: [**Automatically calculates**] average monthly utility allowance amount for each bedroom size based on the utility sampling data entered in the Electric-Family, Electric-Elderly, Gas-Family, Gas- Elderly tabs.

Current Utility Allowance: Enter the amount of the current utility allowance amounts for each bedroom size.

Calculated Utility Allowance: Sums the total from each of the green highlighted columns determined by the calculation type selected for each of the electric and gas utilities.

New Ecology Calculated Utility Allowance: Enter the amount of the New Ecology utility allowance for each bedroom size from the New Ecology sampling analysis, if applicable.

Comments: Provide an explanation of the unit breakdown information that does not align with the rent schedule and any other necessary utility information.

Electric-Family, Electric-Elderly, Gas-Family, Gas-Elderly Tabs - Under each of the unit types identified on the Summary tab, Number of units fields, enter a minimum of ten months of billing data for at least the required number of units identified in the “Sample Size” column on the Summary tab. The sampling tabs will accept more than the sample size units designated, if more than the required number of units were sampled. Enter the following fields for each sample unit:

Unit # or Address: Identify the sample resident’s unit location (number of address).

Current Tenant Name: Identify the sample resident’s name.

Mo 1 through Mo 12: Identify the billing amount for each of the 12 months sampled. At least 10 months of data must be entered to generate an average monthly amount for each unit/tenant.

Along the top of each utility sampling tab is a summary of the totals and averages generated from the utility samples entered.

Certification Tab – The required form for the “Owner Utility Certification” for Section 8 or Section 236 developments tab appears based on the development selected on the summary tab, cell E3. Complete the following fields, which may appear as data entry fields on the development’s owner utility certification:

Rent Change Effective: Enter the date when the rent change becomes effective.

HUD Project #: Identify the HUD Project Number of the development, if applicable.

Location: Identify the address of the development.

Name: Type the name of the owner (signer).

*Print and sign the form for the hard copy submission to MSHDA.

Governing Regulations

The specific regulations governing utility rate adjustments are identified below:

- Section 8: CFR* 880.610; CFR 245.10; CFR 245.405(a); CFR 245.410; CFR 245.415; and CFR 245.425
- Section 236: CFR 245.10; CFR 245.310; CFR 245.330; CFR 405(a); CFR 245.410; CFR 245.415; CFR 245.425; and 245.435 (non-insured projects).
- MSHDA Programs (LIHTC): <http://edocket.access.gpo.gov/2008/pdf/E8-17268.pdf> - IRS Regulations Section 42 updated July 29, 2008.
- Treasury Regulations Section 1.42-10.

* CFR means Code of Federal Regulations

Rent Schedule Considerations

When determining rents for the upcoming year, consider the following questions to decide whether the development rent can increase:

- Can the rental market absorb a rental increase? How much?
- Will the vacancy loss increase or decrease? What is the past trend?
- Does the development have a waiting list of eligible applicants?
- Have the rents historically been kept substantially lower than comparable housing? Why? Should the rents continue the trend?
- What is the current financial condition of the development?
- Is the development financially on track with the current year’s budget? Are there any anticipated changes in expenses in the upcoming year?
- Is the development able to fund long-term reserves such as replacement reserves?
- Can the development perform repairs as required by the MSHDA Annual Physical Inspection and/or the CNA?
- Has the owner been informed and provided input on the intended rent adjustments?

Rent Limits and Unit Breakdowns

Completing the rent schedule requires close attention to the limits placed on rents by the governing documents, such as the regulatory agreement, tax credit agreements, and program rules. These documents also provide a breakdown of the unit sizes and types that should be listed on the rent schedule.

Rent limits can be found on the MSHDA website at the following link:

http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html.

Determining the Rent Limits – The rent limits are defined within each development’s Regulatory Agreement. Follow the steps below to help determine the proper rent limits for the development:

1. Find the ‘Rental Restrictions’ (not the Qualifications based on Income) defined in the Regulatory Agreement.
2. Review the website above to find the correct rent limit schedule.
3. Open the Rent Limit schedule and find the county in which development resides.
4. If the Regulatory Agreement contains:
 - Similar language to “...assuming occupancy of one and one-half persons per bedroom...” then reference the “By Bedroom” section of the rent limits schedule to determine the rent limits for the specified unit type.
 - Similar language to “...assuming occupancy of one person per bedroom...” then reference the “By Size” section of the rent limits schedule to determine the rent limits for the specified unit type.
 - No language regarding the occupancy, then refer to the year the mortgage originated.
 - Developments originating in 1996 and prior would have been required to employ the “By Size” schedule for rent limits unless otherwise stated in the regulatory agreement.
 - Developments originating in 1997 and later are required to employ the “By Bedroom” schedule for rent limits unless otherwise stated in the regulatory agreement.
 - Housing Development Action Grant (HODAG) language, then the rent limits are set by the municipality, which provides the HODAG.

The following tips will also help when completing the rent schedule:

- **Maximum rent limits** – the maximum gross rent a household may pay for rent and utilities combined for a specific rental unit type. If you are unsure of what rents limits apply, review the regulatory and/or other controlling document where rent limits are establish. If you are still unsure talk with the assigned Asset Manager or a Tax Credit representative from the Authority.
- **Multiple Program Rent Limits** – Always use the most restrictive rents when multiple programs must be enforced at a development. For example, a unit is funded by both

LIHTC and HOME funds, the LIHTC rent limit equals \$600 and the HOME limit equals \$500. Use the HOME rent limit for this unit.

- **Subsidy Amounts** – A subsidy amount paid by a PHA may be allowed to exceed the rent limit reflected on the rent schedule, because rent limits are a limit on the amount of rent a tenant has to pay.
- **Rural Development (RD) funded units** – Must be separated out on the rent schedule, because the rents and utilities are issued by the United States Department of Agriculture – Rural Development (USDA-RD).
- **HOME units** – Must be separated from similar units to identify the proper application of rent limits for each unit type and the total number of HOME units at the development.
 - HOME units will always use the utility allowance calculated by sampling, even when overlapped with project or tenant based voucher units.
- **Tenant-based vouchers** – Can be identified as part of the rent schedule unit breakdown, but are not required to be itemized.
 - Rents **cannot** exceed the HOME rent limits.
 - Enhanced or “sticky” vouchers are considered tenant-based vouchers.
- **Project-Based voucher units** – Must be separate from other similar units on the rent schedule, because the rents will be issued by the Public Housing Agency (PHA) administering the project based vouchers.
 - Rents (subsidy amount) **can** exceed the Low HOME rent limit, if the tenant’s rent portion does not exceed the Low HOME rent limit.
 - Rents (subsidy amount) **cannot** exceed the High HOME rent limit, even if the tenant’s rent portion does not exceed the High HOME rent limit.
- **Project-based and Tenant-based vouchers** – Share the following similar rules:
 - Use the voucher program rent amounts.
 - Use the sampling utility allowance amounts, if HOME funds overlap the project based or tenant based voucher units.
 - Rents can exceed the LIHTC rent limit as long as some portion of subsidy is being paid on the specified unit.
- **MSHDA’s PHA issued utility allowance** – can be found at the following link:
 - http://www.michigan.gov/documents/mshda/MSHDA_UtilityModel_Web_20132014_439202_7.pdf ;
 - Scroll through the regional schedules to find the region applicable to the county where the development resides;
 - Use the bottom right hand corner table to calculate the total resident paid utility allowance amount for each bedroom size unit at the development.

Rent Schedule Tab Instructions

The required rent schedule tab appears based on the development selected on the Summary tab, cell E3. Complete the rent schedule to present the desired rents for the upcoming year and project the annual rent potential to be used during the budget process.

Each rent schedule calculates the monthly and annual rent potential for the various units at a development. All units should be included on each rent schedule that will be used for budget purposes. This guarantees the maximum gross rent potential is accurate before accounting for reductions in income due to Loss to Lease, Vacancy Loss, Non-Rental Unit, Bad Debt/Former Resident, and Market Concessions. Entry fields are shaded in yellow on each schedule.

Section 236 Rent Schedules

The schedule automatically calculates Market Rate Rent Ratio and uses the basic rent to determine the gross rent potential. The Gross Rent Potential calculation multiplies the basic rent by the number of units for each unit type and if moderate units exist, multiplies the moderate unit rents by the number of units for each moderate unit type and adds this product to the total.

Section 236 Definitions

Basic Rent – The lowest rent rate that can be charged in order to maintain operations.

Market Rent – Basic Rent times the Market Rent Ratio. The highest rent rate that can be charged and remain within the highest HUD determined rent for the area in which development resides.

Market Rent Ratio – Total annual basic rent potential plus the annual interest reduction subsidy divided by the total basic rent potential. The product of the equation should be carried out to four decimal places (.0000).

Section 236 Type – Various types of Section 236 developments exist:

- Standard,
- Decoupled Basic = Market,
- Decoupled IRP with no Tax Credits,
- Decoupled IRP with set Values for Market, and,
- Decoupled with Tax Credits or HOME

Depending on the type of Section 236 development the rent schedule will require different entry fields.

Section 236 Entry Fields

Complete the following fields on the Section 236 rent schedule:

Total ACC Units: Enter the number of units covered by an Annual Contributions Contract.

HUD Contract/Project #: Enter the HUD designated number for the development.

Owner: Enter the name of the development owner.

Rent Effective Date: Enter the begin date of the rents entered on the rent schedule.

Rent Restriction (based on 1.5 per bedroom), if applicable: Enter “Yes” if the rent limits are based on one and one-half persons per bedroom, otherwise enter “No”.

Annual Interest Reduction Subsidy, if applicable: Enter the total interest reduction subsidy amount for the year.

Market Rate Rent Ratio, if applicable: This field should auto fill as you complete the rent schedule. The calculation for this field can be found in the Sec 236 definitions above.

PBV Unit Mix – In between the development header fields and the rent schedule are tracking fields for project based voucher units. The Project Based Vouchers fields will be auto-filled from Housing Choice Voucher program data and are locked from edits.

For each unit type, enter the following fields to generate the total annual Gross Rent Potential:

PBV Units: Identify if the line item units contain project based vouchers.

BRS/Rent Res: Enter the bedroom size of the specified unit and the rent restriction percentage. E.g. 1 bed 60% or studio 50%.

Units: Enter the number of units at the development with the designated unit size and rent amount.

Basic Rent: Enter the basic rent amount from the prior year’s approved rent schedule.

Market Rent: Enter the market rent amount from the prior year’s approved rent schedule.

Utility Allowance: Enter the current utility allowance allocated to the unit type. This should match the utility amount on the previous year’s approved rent schedule. Note: Do not enter a utility allowance for Low HOME rents with Project Based Vouchers attached to the unit.

Basic Rent Increase: Enter the amount requested for the upcoming year’s increase to basic rent.

Maximum County Gross, if applicable: Enter the current rent limit designated for the specified unit type and county. Rent limits are posted on the MSHDA website at: http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html.

Utility Allowance: Enter the newly calculated utility allowance for the upcoming budget year.

For each **Moderate** unit types, enter the following fields to generate the total Gross Rent Potential:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

Units: Enter the number of units at the development with the designated unit size and rent amount.

Moderate Rent: Enter the moderate rent from the prior year’s approved rent schedule.

Moderate Rent Increase: Enter the requested amount for the upcoming year’s increase to the moderate rent rate.

Rent Increases at Section 236 Developments

If a rent increase is planned, residents must be given a 90-day advance written notice and at least a 30-day period to comment on the rent increase. This process mirrors the utility decrease posting process. The AM will notify the Agent/Owner of the approval of any rent

increase in the budget approval letter. Refer to the Utility Allowance (UA) Calculations section, Section 8 and Section 236 UA Calculation subsection of this policy for more details.

Section 8 Rent Schedules

Occasionally, Section 8 developments have set aside units which are not part of the ACC units. These units should be included on the rent schedule, but the rent amounts should **not** be completed and added into the rent potential calculation. The Gross Rent Potential calculation multiplies the contract rent entered by the number of units for each unit type and if moderate units exist, multiplies the moderate unit rents by the number of units for each moderate unit type and adds this product to the total.

Complete the following highlighted fields on the Section 8 rent schedule:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

Unit Type: Enter the type of unit; in most cases this may be copied from the previous year's rent schedule. Unit type definitions:

- E2/E3 – Elderly Mid-rise Apartments,
- E5 – Elderly High-rise,
- AE – Apartment Elderly,
- AW – Apartment Walkup,
- SD – Semi-Detached,
- TH – Townhouse,
- H – Handicap/disabled,
- MR – Mentally disabled.

Units: Enter the number of units at the development with the designated unit size and rent restriction percentage and rent amount.

Rent: Enter the new annual rent amount requested.

Utility Allowance: Enter the newly calculated utility allowance for the upcoming year.

For each Moderate unit types, enter the following fields to generate the total Gross Rent Potential:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

Unit Type: Enter the unit type for each specified group of units at the development with the designated unit size and rent amount.

Moderate Rent: Enter the moderate rent from the prior year's approved rent schedule.

Moderate Rent Increase: Enter the requested amount for the upcoming year's increase to the moderate rent rate.

MSHDA-Financed Rent Schedules

Review the development's Regulatory Agreement before implementing any rent increases. The Regulatory Agreements generally state that the current residents cannot receive a rent increase over 5%. Vacant unit rents can be increased by more than 5% if the market can bear the increase and if the rent increase does not conflict with any program rent restrictions. Provide detailed notes regarding the gross rent calculation with all budget submissions. The Gross Rent Potential calculation multiplies the contract rent entered by the number of units for each unit type. Resident-based subsidies are included as part of this calculation, since the resident based subsidy supplement individual's rent payments. Development based subsidies

and subsidy grants which support the development operations are **not** included in the Gross Rent Potential calculation.

Complete the following highlighted fields on the rent schedule:

Rent Restriction (based on # in household): Enter “Yes” if the rent limits are based on one person per bedroom, otherwise enter “No”.

Rent Restriction (based on 1.5 per bdrm): Enter “Yes” if the rent limits are based on one and one-half person per bedroom, otherwise enter “No”.

Last Contract Rent Adj Date (PBV Only) – For developments with project based vouchers enter the date of the last rent adjustment.

HAP Anniversary Date (PBV Only) – For developments with project based vouchers, enter the anniversary date of the HAP contract.

Funding Sources – Identify the program funding sources used to fund the construction or rehabilitation of the development. These help identify the program rent limits and utility allowance that need to be considered when determining the rents.

Yes/No – Does the program limitation for MSHDA, Tax Credits, HOME, 1602, and/or TCAP funds at the development?

Expiration Date – Enter the date that the specified program restrictions end at the development.

Project Based Vouchers – In between the development header fields and the rent schedule are tracking fields for project based voucher units. The Project Based Vouchers fields will be auto-filled from Housing Choice Voucher program data and are locked from edits.

For each unit type, enter the following fields to generate the total annual Gross Rent Potential:

Bedroom #/Size: Enter the number of bedrooms in the specified unit.

PBV Units: Identify if the line item units contain project based vouchers.

Units: Enter the number of units at the development with the designated unit size and rent restriction percentage and rent amount.

Rent Restrict %/Unit Type: Enter the rent restriction percentage, i.e. 30, 40, 50, or 60. Identify the unit type, such as HOME (HH – high HOME, LH – low HOME), PBV, etc.

20XX Rent: Enter the current rent being charged for the unit. This should match the amount on the previous year’s rent schedule.

Utility Allowance: Enter the current utility allowance allocated to the unit type. This should match the utility amount on the previous year’s rent schedule.

Rent Increase: Enter the amount of any rent increase planned for the upcoming budget year.

Max County Gross Rent: Enter the current rent limit designated for the specified unit type and county. Rent limits are posted on the MSHDA website at:

http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html

Utility Allowance: Enter the newly calculated utility allowance for the upcoming budget year.

Notes - Near the bottom of the form you will find a notes field for additional comment, if necessary.

Forms and Attachments

- 451A1 – Rent-Utility Change Notice for Sec 236
- 451A2 – Utility Allowance Decrease Notice for Sec 8
- 451A3 – Rent-Utility Change Notice for all other developments
- 451B1 – Utility Allowance Calculation Summary – MSHDA-financed
- 451B2 – Utility Allowance Calculation Summary – Section 8 and Section 236
- 451C1 – Owner Utility Cert for Sec 236
- 451C2 – Owner Utility Cert for MSHDA-financed
- 451C3 – Owner Utility Cert for Sec 8
- 451D1 – Section 236 Rent Schedules
- 451D2 – Section 8 Rent Schedules
- 451D3 – MSHDA Programs Rent Schedules

Attachment

- 451 Attachment 1 – Example of Authorization to Release Utility Data