

UTILITY SAMPLING AND RENT SCHEDULE GUIDE

This guide provides direction regarding the calculation of utility data along with the completion of the utility certification form and the annual rent schedule. The following topics will be covered:

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Utility Allowances Overview

All MSHDA, Tax Credit, NSP and HOME funded developments have rent limits defined either within their regulatory agreement or by the general program restrictions defined by HUD. The limits are for *total housing expense*, meaning they encompass both the cost of rent and total utilities. The combination of those costs cannot exceed the rent limit established either by the regulatory agreement or by the general program restrictions.

Developments in MSHDA's Small Scale Asset Management portfolio must use a consumption - based method for calculating Utility Allowances. Those procedures are included in this document.

However, developments are not *required* to implement a utility allowance. Developments can elect to pay all utilities and therefore bypass the utility allowance calculation process. Utility Allowance information (calculations and approved amounts) must be submitted along with the development's annual rent schedule.

Utility Submission Timeline

The timeline for submitting utility updates is listed below:

- All MSHDA, Tax Credit, NSP, and HOME funded developments:

If submitted and approved timely and 30 days' notice of any rent increase has been provided to the residents, the approved utility allowances and rent schedules become effective on:

- **July 1st**

Utility Submission Requirements

Developments can elect to either pay all utilities (and not include a utility allowance in the tenants rent) or to use a consumption - based method for calculating utility allowances. Under the **Utility Calculation Process** section of this guide is a more detailed description of the submission forms. When updating or providing verification of a development's utility allowance, the following information must be submitted to the Authority along with the Budget Template:

1. **Utility Data Form** – Provide an electronic *or* paper copy. *For an example, see Attachment A*
2. **Utility Certification** to MSHDA - Provide a **signed** paper copy. *For an example, see Attachment B*
3. **Rent Schedule** – Provide an electronic *or* paper copy of the appropriate schedule. *For an example, see Attachment C*

Utility Calculation Process

The workbook template includes one worksheet for entering utility bill information as well as a Utility certification form. The following requirements must be met **for each unit type**:

- Collect a sample of gas and/or electric bills for 25% of the total units.
- If there are five (5) units or less, collect a sample of 100% of the units.
- Units without 12 full consecutive months of occupancy sampling data are not eligible to be included in the sampling calculation.
- Samples for gas and electric utilities must include the same residents. For example, if John Doe was included in the gas sampling, then he must also be part of the electric sampling.
- Samples for all units must be within the same date range.
- Retain the 25% sampling of gas and/or electric resident utility invoices from the utility companies at the development for reference if the assigned Asset Manager (AM) contacts you regarding your submission of the billing samples and the utility calculations.
- Utility samples must be collected within 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. The sampling period must be the same for all the resident's sampled.
- Trash disposal and water usage are considered operating expenses of the development and are not to be passed along to the residents.

Additional sampling recommendations/suggestions relating to the utility sampling process are:

- Employee units may be used as part of the sampled units for the calculation.

- If the sample size for a specific unit type does not meet the minimum sample size required (25%, 5 units, or a 100% sampling for 1 to 4 units), the previous year's utility allowance will be used.
- Project-Based Voucher units may be used when sampling utilities, regardless of the requirement that all project based voucher units must use the PHA allowance when determining the rent limit on the units.
- From year to year, different units/residents should be chosen whenever possible for the sampling in order to gain a more accurate representation of the whole property over time.

Utility Sampling Form Instructions

Utility Data Tab – Enter the following fields:

- *Name of Electric Co:* Identify what utility company supplies electricity to the development.
- *Name of Gas Co:* Identify what utility company supplies gas to the development.
- *Electric Rate:* Identify the electric rate used to calculate the billing amounts.
- *Service Charge:* Identify the service charge used to calculate the billing amounts.
- *Gas Rate:* Identify the gas rate used to calculate the billing amounts.
- *Commodity Charge:* Identify the commodity charge used to calculate the billing amounts.
- *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 tab to generate an average dollar/unit/month amount.
- *Total 1 BR Units (etc.):* Enter the amount of the current utility allowance amount for each bedroom type
- *Family/Elderly:* Identify which units are designated family or elderly units.

Under each of the unit types identified, enter a complete 12 months of billing data for at least 25% of Total Units (unless there are fewer than 5 total units, in which case enter ALL units). 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 #:* Identify the sample resident's unit location (number of address).
- *Name:* Identify the sample resident's name.
- *Bedroom Size:* Enter a 25% sampling for each bedroom type
- *Mo 1 through Mo 12:* Identify the billing amount for each of the 12 months sampled.

The average of each row will be calculated. See Attachment A for an example.

Utility Certification Tab Instructions

Summary Tab – Enter the following fields:

- Rent Increase Effective:* Enter the date that the rent increase will be effective, which is June 1st of the coming year.
- Development Name & MSHDA #:* Enter the name of the development and the MSHDA assigned number.
- Location:* Enter the county in which the development is located.
- Utility Allowance Table:* Enter the amount of total utility allowance for each unit type for both the current year, and the upcoming year.
- Utility Allowance Opt Out:* If the development elects to pay all utility costs rather than pass those costs along to the resident, check the box below the Utility Allowance Table, opting out of the utility allowance calculation process.

*Print, sign and date 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

* CFR means Code of Federal Regulations

Rent Schedule Instructions

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?

- Can the development perform repairs as required by the MSHDA Annual Physical Inspection?

Rent Limits

Completing the rent schedule requires close attention to the limits placed on rents by the governing documents, such as the regulatory agreement and/or program rules.

Annual 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 Rent Limits – The rent limits are set either within each development’s Regulatory Agreement or by the program restrictions. Follow the steps below to help determine the proper rent limits for each development:

1. Find the ‘Rental Restrictions’ (not the Qualifications based on Income) defined in the Regulatory Agreement. If no regulatory agreement exists, follow the program restrictions (HOME, NSP2, etc.)
2. Review the website above to find the correct rent limit schedule. Properties funded with MSHDA funds or Tax Credits will select the appropriate rent limits based on the developments placed in service date. Properties funded exclusively with HOME or NSP2 will select the HOME Program Rent Limits.
3. Open the Rent Limit schedule and find the county in which the development resides.
4. For developments *not funded with HOME or NSP2*, if the Regulatory Agreement contains:
 - Language similar 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.
 - Language similar 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.
5. For HOME and NSP2 developments, use the column listing the correct number of bedrooms.

Completing the Rent Schedule Tab

Complete the rent schedule tab on the budget template form to present the desired rents for the upcoming year and project the annual rent potential. 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.

Review the development's Regulatory Agreement before implementing any rent increases. If no Regulatory Agreement exists, review the development's IDIS Completion Report for the correct unit mix. 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. For each unit type, enter the following fields to generate the total annual Gross Rent Potential:

- Unit #:* Enter the # of each unit in the development.
- Vacant/Leased:* List whether each unit is currently leased or vacant.
- Bedroom Size:* Enter the number of bedrooms in the specified unit.
- AMI Rent Restriction:* Enter the rent restriction(s) spelled out in the developments Regulatory Agreement, i.e. 30%, 40%, 50%, etc.
- HOME Unit:* Enter 'Yes' if the development is funded with HOME and the unit is considered a HOME unit. Otherwise enter 'No'.
- HOME Unit Type:* Enter 'High', 'Low', or 'NA' depending on if it is a High or Low HOME unit, or not a HOME unit at all.
- Current Rent:* Enter the current rent being charged for the unit.
- Tenant Paid Utilities:* Enter 'Yes' if the tenant pays all utilities. Enter 'No' if the development pays utilities.
- Utility Allowance:* Enter the current utility allowance allocated to the unit.
- Gross Rent:* Enter the amount of the current rent plus the utility allowance *only if the tenant pays utilities.*
- Max Rent:* Enter the current rent limit designated for the specified unit type.

(Rent limits are posted on the MSHDA website at:
http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26582-76409--,00.html)

Forms:

- SSAM Utility Allowance Calculation Summary *Attachment A*
- SSAM Owner Utility Certification *Attachment B*
- SSAM Rent Schedule *Attachment C*