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:

Utility Allowances Overview
Utility Submission Timeline
Utility Submission Requirements
Utility Allowance Calculation Process
- **MSHDA PHA Utility Allowance Schedule**
- **Consumption Based Method**

Utility Certification Tab Instructions
Governing Regulations
Rent Schedule Information
Rent Limits
Rent Schedule Tab Instructions
Forms and Attachments

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 have the choice to use the MSHDA PHA Utility Allowance Schedule OR a Consumption Based Method for calculating Utility Allowances. Those procedures are included in this document. Utility Allowance information (calculations and approved amounts) must be submitted along with the development's annual rent schedule.

Developments can also elect to pay all utilities and therefore bypass the utility allowance calculation process. However, the rent schedule still must be submitted even if the property is paying all utilities.

Utility Submission Timeline

The utility allowance and rent schedule submission is related to HUD's annual announcement of the rent limits. Normally, HUD releases the rent limits around June 1st. HUD usually will require implementation within 10 days. Once HUD releases the rent limits,

MSHDA will send an announcement to each Small Scale property requiring the utility allowance and rent schedule to be submitted.

Once the required documentation from the property is submitted and approved by MSHDA, a 30 day notice of any rent increase (if applicable) will need to be provided to the residents. After the 30 day notice to the residents has expired, the utility allowances and rent schedule will be effective. In other words, a rent increase cannot be introduced until MSHDA has approved of the request and a 30 day notice to the tenants has expired.

Utility Submission Requirements

As mentioned above, developments can elect to either pay all utilities (and not include a utility allowance in the tenants rent) or calculate a utility allowance through either the MSHDA PHA Utility Allowance Schedule or the Consumption Based Method. Under the **Utility Calculation Process** section of this guide is a more detailed description of both methods. When updating or providing verification of a development's utility allowance, the following information must be submitted:

1. **Utility Certification** to MSHDA - Provide a **signed** paper copy. *For an example, see Tab 1 of the attached Utility Allowance Calculation Template*

2. **Utility Data Form** (If using the Consumption Based Method) – Provide an electronic *or* paper copy. *For an example, see tab 2 of the attached Utility Allowance Calculation Template*

3. **Rent Schedule** – Provide an electronic *or* paper copy of the rent schedule. *For an example, see the attached SSAM Rent Schedule*

Utility Calculation Process

As mentioned in the Utility Allowance Overview section of this guide, Small Scale properties that do not pay all utility costs for the tenants have the **choice between** the MSHDA PHA Utility Allowance Schedule **OR** the Consumption Based Method for calculation utility allowances.

MSHDA PHA Utility Allowance Schedule

The Utility Schedule (linked below) is divided into regions within the state; to begin using the schedule you will first need to locate the county in which your development exists located at the top of the schedule.

From there, the schedule breaks out several options for heating, cooking, and hot water. Simply choose the correct source (natural gas, bottled gas, electric, etc.) and find the column listing the correct number of bedrooms for your unit and carry that cost down to the schedule located in the bottom right corner.

Once all utilities have been added to the schedule you will need to add up all the figures to establish the utility allowance. It is also important to note that the service charge for natural gas and electric must be included in the utility allowance calculation. The service charge can be found on the Utility Schedule. Once the final utility amount, including service charge(s), has been calculated, carry that amount over to the Owner Utility Certification to MSHDA form. Please print and submit the completed Schedule along with the Owner Utility Certification to MSHDA form.

If the tenant is not paying for water, sewer, and trash, these items should not be included on the utility allowance calculation. Instead, these costs should be paid for out of ownerships operating accounts.

http://www.michigan.gov/mshda/0,4641,7-141-5555_8002_26576_26582-135005--,00.html

Consumption Based Method

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 typically considered operating expenses of the development and aren't passed along to the residents. If residents are required to pay for those services then they should be included in the 'Other' column on the Owner Utility Certification.

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.

Regardless of how you calculated the utility allowance, the Certification tab must be completed. The following are instructions to aid in the process.

Summary Tab – Enter the following fields:

Rent Increase Effective:	Enter the date that the rent increase will be effective, which is June 15th 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 Information

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/0,4641,7-141-5555_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. Other developments funded through permanent supportive housing programs have their initial rent and future increase caps included within the Regulatory Agreement.
4. Open the Rent Limit schedule and find the county in which the development resides.
5. 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.
6. For HOME and NSP2 developments, use the column listing the correct number of bedrooms.

Rent Schedule Tab Instructions

Complete the rent schedule to present the desired rents for the upcoming year and project the annual rent potential. Although the rent schedule looks complicated, there are easy to follow instruction included below for each column. Each rent schedule calculates the monthly and annual rent potential for the various units at a development. All units should be included on the rent schedule and those rents 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. If you don't have either of those documents contact your Asset Manager. 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. The first two rows are display fictional units for the purpose of providing an example. 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 unit(s).

 # Units: Enter the total number of units per bedroom size.

HOME Unit: Enter 'High', 'Low', or 'NA' depending on if it is a High or Low HOME unit, or not a HOME unit at all.

Tax Credit Unit: Enter the AMI Rent Restriction from the drop down list described in the Regulatory Agreement. If it is not a Tax Credit Unit select 'NA'.

Initial Rent: **IF** there is an initial rent included within the Regulatory Agreement enter it here.

2016 Rent: Enter the amount charged for rent in 2016.

Max % Increase: Enter the max allowable rent increase (expressed as a %) in this box. This will be found within the Regulatory Agreement.

Length of Residency: Enter the total number of years the resident has resided at the development (This only applies to Supportive Housing units whose rents are capped at 30% of income with stated inflationary increases.)

Rent Increase: Enter the proposed rent increase for 2017.

Current Resident Income: Enter the current resident income in this column **ONLY IF** the max rent is calculated based upon 30% of resident income. This language will be included within the Regulatory Agreement.

2017 Utility Allowance: Enter the utility allowance calculated on the 2017 Owner Utility Certification to MSHDA from.

Max HOME Rent: Enter the maximum allowable HOME rent for 2017. If it is not a HOME unit enter '0'.

Max Tax Credit Rent: Enter the maximum allowable Tax Credit rent for 2017. If it is not a Tax Credit unit enter '0'.

Forms and Attachments:

- SSAM Utility Allowance Calculation Summary
- SSAM Owner Utility Certification
- SSAM Rent Schedule

SSAM Utility Allowance Schedule- Electric

Electric Company:		Rate:		Service Charge:		Date:

Unit#	Name	Bedroom Size	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
	Average Total:	#DIV/0!													#DIV/0!
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
	Average Total:	#DIV/0!													#DIV/0!
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
	Average Total:	#DIV/0!													#DIV/0!

Average Electric 1 BR Units:	#DIV/0!
Average Electric 2 BR Units:	#DIV/0!
Average Electric 3 BR Units:	#DIV/0!

SSAM Utility Allowance Schedule- Heat

Heat Company:			Rate:		Service Charge:		Date:	

Unit#	Name	Bedroom Size	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
		1													0
	Average Total:													Average Total:	#DIV/0!
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
		2													0
	Average Total:													Average Total:	#DIV/0!
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
		3													0
	Average Total:													Average Total:	#DIV/0!

Average Heat 1 BR Units:	#DIV/0!
Average Heat 2 BR Units:	#DIV/0!
Average Heat 3 BR Units:	#DIV/0!

Family	x
Elderly	

Total Average Heat & Electric	
Total Average Heat& Electric 1 BR Units:	#DIV/0!
Total Average Heat& Electric 2 BR Units:	#DIV/0!
Total Average Heat& Electric 3 BR Units:	#DIV/0!

OWNER UTILITY CERTIFICATION TO MSHDA
SMALL SCALE DEVELOPMENTS

RENT INCREASE EFFECTIVE:

DEVELOPMENT NAME: **MSHDA #**

LOCATION:

The above referenced development has selected the following method to calculate the utility allowance (pick one).

☐   MSHDA PHA Utility Allowance Schedule

☐   Consumption Based Method (Choosing this option you're also certifying to the following):

Acting on behalf of the development owner, I certify that the developments management has taken the following actions:

- Collected and analyzed a 25% sampling of gas and/or electric billing and consumption data.

- Retained the gas and/or electric billing and consumption data at the development.

Based on the requirements and forms prescribed by HUD, the proposed utility allowances will become effective:

Unit Type		Current Utility Allowance	Proposed Utility Allowance
Studio	F		
	E		
1 BR	F		#DIV/0!
	E		0
2 BR	F		#DIV/0!
	E		0
3 BR	F		#DIV/0!
	E		0
4 BR	F		
	E		
Other	F		
	E		

Management agrees to notify affected residents 30 days prior to any rent increase when the proposed utility allowance amounts above indicate that the utility allowances have decreased from the current utility allowance.

Utility Allowance Opt Out

This development pays all utility costs. If yes, no calculations are required.	☐	☐
	Yes	No

Signed By:

_____   _____
Owner Signature   Date

_____   _____
MSHDA Signature   Date

MSHDA — MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

RENT SCHEDULE - SSAM
2017

Development	
MSHDA #	
County	
MSHDA Asset Mgr.	
Total Units	

Program:	
Management Co.	
County	
Rent Effective Date:	
Rent Restriction based on:	

Bedroom Size	# Units	HOME Unit	Tax Credit Unit/NSP Unit	2016 Initial Rent	2016 Rent	Max % Increase	Length of Residense	Rent Increase	2017 Rent	% Increase	Approval Required?	Current Resident Income	30% of Resident Income	Maximum PSH Rent	2017 Utility Allowance	Maximum HOME Rent	Maximum Tax Credit Rent	2017 Max Rent	Monthly Rent Potential	Annual Rent Potential
3 BR	1	NA	NA	$200	$250	2%	8	$4	$254	1.6%	No	$12,500	$313	$313	$0	$0	$0	$313	$254	$3,048
2 BR	3	Low	60%	$0	$450	5%		$8	$458	1.8%	No		$0	$0	$75	$550	$600	$475	$1,374	$16,488
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
									$0		Yes		$0	$0				$0	$0	$0
	0																		$0	$0

Development Manager   Date   Asset Manager   Date