



Michigan State Housing Development Authority Draft Policy Statement

Utility Allowances for LIHTC Developments

Questions and Answers

The following list contains questions and/or comments that MSHDA Compliance received during the comment period for MSHDA's Utility Allowance Policy. MSHDA responses are also below.

Question/Comment 1: Can a project switch between utility methods year to year?

Answer: Yes. It is permissible to change calculation methods from year to year. MSHDA has added a statement to the policy (See Page 5 Annual Utility Allowance Requirements).

Question/Comment 2. How long can the community continue to use the proforma utility allowances for a new development?

Answer: Per Treasury Regulation 1.42-10 Utility allowances section (c):
"The building owner is not required to review the utility allowances, or implement new utility allowances, until the building has achieved 90 percent occupancy for a period of 90 consecutive days or the end of the first year of the credit period, whichever is earlier."

Question/Comment 3. In the event that circumstances of non-compliance are minor in nature, and correctible, should the community then forever be barred from using annual consumption to calculate the utility allowance?

Answer: No. The policy states that noncompliant properties are ineligible only for as long as they are noncompliant.

(Note: This question pertains to UA Instructions Page 1 – Ineligible Projects (item #1) and UA Policy Page 4 - Projects Excluded from Submitting UA Change Requests)

Question/Comment 4. Depending on the utility company, requests for consumption data can take up to 60 days to be processed. As consumption data is required for an entire 12-month period, would MSHDA consider extending the sampling period to end no more than 120 days prior to submission of a completed request packet to MSHDA?

Answer: No. The IRS does not permit extending the sampling period beyond 60 days. Per Treasury Regulation 1.42-10 Utility allowances section (b)(4)(ii)(C):
"use of the Agency estimate is limited to the building's consumption data for the twelve-month period ending no earlier than 60 days prior to the beginning of the 90-day period under paragraph (c)(1)."

Question/Comment 5. Some communities have limited numbers of certain unit types which may cause difficulty in providing the required 25% sampling. We feel there could be a reasonable

way to resolve this issue if necessary without the community having to revert to an alternative calculation method.

Answer: MSHDA has considered this comment and has amended its policy to allow for a case by case determination by MSHDA Compliance if such a situation arises.

If the required sample data is available for some, but not all of the unit types, please contact MSHDA Compliance for additional guidance. (Note: This question pertains to UA Instructions Page 1 – Ineligible Projects (item #2) and UA Policy Page 4 - Projects Excluded from Submitting UA Change Requests)

Question/Comment 6. Rules should be changed so that once we have sampled and proved typical energy use per person, for a type of unit, that calculation adjusted each year for changes in cost of energy, should be good thereafter.

Answer: Per Treasury Regulation 1.42-10 Utility allowances (c)(2):

“Annual review. A building owner must review at least once during each calendar year the basis on which utility allowances have been established and must update the applicable utility allowance in accordance with paragraph (c)(1) of this section.”

Question/Comment 7. A per unit fee for reviewing a HUD Utility model submission is unfair and a flat fee would be a better choice since the HUD Utility model requires no real consumption data for the units.

Answer: MSHDA has considered this comment and has changed the review fee for the HUD Model to a flat fee of \$150 per project.

Question/Comment 8. When will the Energy Consumption Model be available?

Answer: MSHDA is in the process of developing criteria for approving properly licensed engineers or qualified professionals. Revised policy and procedure will be published at the time this option is made available.