

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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**ADMINISTRATIVE NOTICE**

Notice Number: 19-02

September 18, 2019

MEMORANDUM FOR: Interested Parties**FROM:** Lindy Suggs, Section Chief, Occupancy Compliance Section
Division of Financial Assistance**SUBJECT:** Utility Allowances

Administrative Note: This Notice establishes formal notification of requirements that affect the operation of Department programs. This format is used to identify, clarify and record administrative guidelines and interpretations of public interest.

Project regulatory agreements require Department-financed projects to submit Schedules of Rental Income (SRI) to the Department for all rental housing projects on an annual basis. The SRI contains specific occupancy data, including unit rents and utility allowances (UA), which is reviewed and approved by the Department's Occupancy Compliance Section. **Effective October 1, 2019**, all Department-financed rental projects are required to submit documentation that substantiates the UA that has been applied to the annual SRI.

The intent of the Department is to accept any of the UA calculation methodologies noted below, provided the methodology is acceptable to the other governmental lenders and funders for individual projects. HOME-funded projects, including those funded by the Department, are subject to the 2013 HOME Final Rule (24 CFR 92.252(d)), which prevents HOME projects funding commitments after August 23, 2013, from using Public Housing Authority (PHA) generated UA. (HOME-funded projects that received funding commitments prior to August 23, 2013, may choose to use PHA-generated UA.) Projects that are solely-financed by the Department (except those financed with HOME funds) may use any of the UA methodologies.

Required Documentation to Substantiate the UA

Public Housing Authority (PHA) UA - The following documentation must be submitted and must include all unit configurations in the project:

- A written letter on PHA letterhead from the county or jurisdiction in which the project is located. The letter should state the UA for each unit size and configuration, **OR**

- A print-out of the UA on PHA letterhead, **OR**
- A screen-shot of the PHA UA from the PHA website that has a header and date that authenticates the screen-shot, **OR**
- A schedule of the UA with the PHA web address at which the UA may be verified.

Multifamily Housing Utility Analysis (MHUA) - For USDA-financed projects, regardless of other financing in the project, Form RD 3560-7 is required to substantiate the approved UA. This is the annual budget form that USDA requires, and it includes the approved UA in Part IV, Section C, which must be signed and dated by an USDA Rural Development (RD) official.

California Utility Allowance Calculator (CUAC) and **HUD Utility Schedule Model (HUSM)**, are energy consumption models. CUAC is proprietary to California Tax Credit Allocation Committee (**TCAC**) and HUSM is the energy consumption model used for **HUD and HOME**-financed projects. Substantiating documentation for these models includes:

- A copy of the original CUAC, HUSM, including a schedule of the UA by apartment configuration, which must include project developer signature, and energy consultant's signature and certification. The energy consultant must be CABEC-CEPE certified and be either a HERS Rater or a licensed electrical or mechanical engineer. The energy consultant's certifications and numbers must be indicated within the energy model documents or accompanying letter on the energy company letterhead.
- A statement within the energy calculation documentation or company letterhead that the energy consultant is not financially related to the developer.
- Any additional documentation that includes a list of the energy inputs and summary sheets for utility expenses by unit size and configuration.

Utility Company Estimate - This methodology is also known as "actual utilities cost" or "utility survey" methods. Substantiating documentation for this method includes:

- A signed estimate of utility expense from each utility company on utility company letterhead.
- Estimates must be an average monthly utility expense based on actual monthly expenses from the previous billing year. (Actual expenses for the year must be submitted with the utility company letter as background information or issued on utility company letterhead.)

Owner-Paid Utilities - A signed letter on company letterhead from the Sponsor/Property Manager/Borrower, stating that the owner pays utility expenses, is required as substantiating documentation. The annual SRI will be submitted with no UAs identified.

Borrowers are hereby notified to include the required substantiating UA documentation along with the SRI submittal, which is sent to AMCBranch@hcd.ca.gov at the time of SRI submittal deadline for the project's fiscal year.