




U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

JUN 18 2015

OFFICE OF HOUSING

MEMORANDUM FOR: All Multifamily Hub/Regional Center Directors
All Multifamily Program Center/Satellite Office Directors
All Multifamily Operations Officers
Contract Administrators
Multifamily Owners and Management Agents

FROM: 
Benjamin T. Metcalf, Deputy Assistant Secretary
for Multifamily Housing Programs, HT

SUBJECT: Methodology for Completing a Multifamily Housing Utility
Analysis

The Department of Housing and Urban Development recently published a Housing Notice, *Methodology for Completing a Multifamily Housing Utility Analysis*, in June 2015. This notice outlines a new sampling methodology to calculate utility allowances for the following Multifamily programs:

1. Project-based Section 8
 - a. New Construction
 - b. State Agency Financed
 - c. Substantial Rehabilitation
 - d. Section 202/8
 - e. Rural Housing Services (RHS) Section 515/8
 - f. Loan Management Set-Aside (LMSA)
 - g. Property Disposition Set-Aside (PDSA)
2. Section 101 Rent Supplement
3. Section 202/162 Project Assistance Contract (PAC)
4. Section 202 Project Rental Assistance Contract (PRAC)
5. Section 202 Senior Preservation Rental Assistance Contracts (SPRAC)
6. Section 811 PRAC; Project Rental Assistance (PRA)¹
7. Section 236
8. Section 236 Rental Assistance Payments (RAP)
9. Section 221(d)(3) Below Market Interest Rate (BMIR)

¹ A Project Rental Assistance (PRA) property with a Rental Assistance Contract (RAC) that specifies use of the HUD Multifamily Housing policy for developing utility allowances will use the methodology outlined in this notice to develop utility allowances for that property.

Owner/Agents (O/As) will use the new sampling methodology to determine baseline utility allowances for each of their bedroom sizes, once every third year. For two years after the baseline utility allowance is calculated, owners can use the HUD Utility Allowance Factor (UAF) (found on the HUDUser website) to adjust the utility allowances. The initial baseline utility allowance may be more rigorous for some owners than previous utility allowance estimation protocols; however, the factor-based utility analysis in years two and three will decrease an owners' administrative burden to conduct a full utility analysis annually.

The Department is exploring how to make the Multifamily portfolio more energy and water efficient, to reduce O/As' operating costs and reduce HUD outlays for utilities. Accurate utility data collection and analysis are integral to success in the reduction of energy and water consumption. The data-centered approach introduced in this notice will offer an opportunity for O/As to reevaluate property energy usage and make efforts to conserve where feasible.

Owners may request a one-time release from the property's Reserve for Replacement account of up to \$1,000 to fund the acquisition, installation, and use of energy data benchmarking and/or reporting software. HUD will not approve payment for benchmarking software that is incompatible with, or charges fees to extract/export data to, EPA Portfolio Manager. Any Reserve for Replacement releases must go through the standard review process by the Multifamily Regional Center/Satellite Office or Hub/Program Center. Releases for the purpose of facilitating utility data collection may require a reserve analysis to ensure adequate funds remain to support the continued capital needs of the property as delineated in the Project Capital Needs Assessment (PCNA) or at the discretion of the Multifamily Hub/Regional Center or Program Center/Satellite Office Project Manager/Account Executive if there is no PCNA.

To help advance the Department's energy and water efficiency goals, HUD Multifamily Regional Centers/Satellite Offices and Hubs/Program Centers may allow a management add-on fee when the O/A collects and reports data in accordance with the sampling methodology outlined in the notice. This add-on fee is available only in the year during which the new utility allowance methodology is first implemented. The fee will help alleviate any additional costs associated with updating previous utility allowance calculation methods, including but not limited to: 1) technical support in the development of new processes for collecting and analyzing utility data; 2) staff training on new utility allowance requirements and use of related software; and 3) the procurement of a third party service for energy benchmarking services, including fees for subscription services and vendor management costs incurred by the owner. The management add-on fee will be limited to one dollar per unit per month (PUPM), not to exceed \$1,000 per property. The O/A cannot request a rent increase in order to pay this management add-on fee. If the O/A is already receiving a management add-on fee associated with their participation in the Better Buildings Challenge (BBC), they are not eligible for the management add-on fee for meeting the sampling methodology.

In addition, technical assistance will be available to BBC Multifamily Partners to assist with data collection to meet the requirements of the new sampling methodology and the whole building data requirement of the BBC.

All Owners are encouraged to input data gathered for the utility allowance calculation or for use in commercial benchmarking/reporting software into ENERGY STAR Portfolio Manager and utilize available benchmarking tools. O/As can use Portfolio Manager to identify under-performing buildings, set investment priorities, monitor and verify efficiency improvements, receive EPA recognition for superior energy performance, and report out on building and portfolio performance. For more information on the use of the EPA Portfolio Manager, please contact Michael Zatz at zatz.michael@epa.gov or go to <http://www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/use-portfolio-manager>.

The Department welcomes feedback on the notice and on how it can facilitate the collection of utility data for Multifamily properties. Please send feedback to MFBBC@HUD.gov