



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Appendix O – Utility Allowance Procedures for LIHTC Properties

Summary of Recent Revisions

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Agenda

- Why revise Appendix O?
- Changes to each utility allowance method
- Utility Allowance Review Process
- Using *Method 8 - Energy Consumption Model* for 9% LIHTC applications
- Questions



Why revise Appendix O?

- More accurate utility costs
- Feedback from stakeholders
- Points for Method 8 – Energy Consumption Model for 9% LIHTC Application

<http://www.wshfc.org/managers/ManualTaxCreditIndex.htm#O>



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Changes to Utility Allowance Methods

- Method 1 – Rural Housing Service Properties
 - No Change
- Method 2 – HUD Regulated Properties
 - No Change



Changes to Utility Allowance Methods

- Method 3 – Local Utility Company Allowance
 - Clarified that allowance must be based on 12 months of past usage (consumption) at current utility rates.
 - Allowance (\$) = consumption estimate (kWh) x current billing rate (\$/kWh) + fees (\$)
 - Tip: Ask for the expected bill based on the average level of consumption for each unit size.
 - Tip: Most utilities do not track unit sizes, so provide a list of units for grouped by size and ask for the expected bill based on the average consumption for each group.



Changes to Utility Allowance Methods

- Method 4 – Public Housing Authority Estimate
 - No Change
- Method 5 – Owner Estimate, Similar Buildings
 - Removed as a standalone method.
 - Owners may use similar buildings in both *Method 6 – Actual Usage Estimate* and *Method 8 – Energy Consumption Model*.
 - If similar building is used, owner must document that the two buildings have substantively similar characteristics.



Changes to Utility Allowance Methods

- Method 6 – Actual Usage Estimate
 - Clarified the process for calculating an estimate.
 - Organized specific instructions into *Attachment C – Actual Usage Estimate Guidance*.
http://www.wshfc.org/managers/ManualTaxCredit/290Zc_AppendixOActualUsageEstimateGuidance.pdf
 - Owners are expected to submit calculations in *Attachment D – Utility Allowance Spreadsheet*. No changes to spreadsheet.
http://www.wshfc.org/managers/ManualTaxCredit/290Zd_AppendixOUtilityAllowanceSpreadsheet.xls



Changes to Utility Allowance Methods

- Method 6 – Actual Usage Estimate, cont.
 - Note: It is important for owners to provide both the utility consumption estimates and the bill estimates.
 - Owners may only use similar buildings to develop an Actual Usage Estimate for buildings with less than 12 months of consumption data.
 - Owners are no longer required to submit a Consumption Usage Review (CUR) every fourth year.



Changes to Utility Allowance Methods

- Method 7 – HUD Utility Schedule Model
 - Clarified that allowance may be developed by approved third party.
- Method 8 – Energy Consumption Model
 - Specified the factors to be included in the model.
 - Estimate must be developed by an approved third party.
<http://www.wshfc.org/energy/consultants.htm>
 - Third parties not on the approved roster must submit a response to the RFQ to be approved.
<http://www.wshfc.org/energy/rfqEnergyConsultingModeling.pdf>



Utility Allowance Review Process

- Clarified that Owners must use Methods 1, 2, or 4 (as applicable) until the WSHFC has approved the use of another method.
- All utility allowances must be updated within 12 months of the previous effective date.
- A fee still applies to the review of utility allowances developed using Methods 6, 7 or 8. Once utility allowances are reviewed and approved, there is no review fee in subsequent years if the Owner uses the same method and applies current rates to the consumption estimates.
 - Utility allowance = consumption estimate x **current billing rates + fees**



Utility Allowance Review Process

- Maintained requirement that when submitting changes or updates to the utility allowance, (1) utility data must be no more than 60 days old when submitted to the WSHFC, and (2) Owners must provide Residents a 90-day comment period before the effective date.
- Revised requirement to submit information to the WSHFC to 90 days prior to the effective date.
 - Previously, Owners were allowed to submit changes between 90-150 days prior to the effective date.



Using Method 8 for 9% LIHTC Applications

- Applicants for 9% LIHTC projects can claim 2 points for using *Method 8 – Energy Consumption Model*.
- To qualify for points, applicants must submit a plan that identifies:
 - The third party to conduct the modeling
 - The utilities to be modeled (electricity, gas, water/wastewater)
 - The software platform and high level discussion of the methodology to be used in the model



Using Method 8 for 9% LIHTC Applications

- Successful applicants are expected to use the results of the model for underwriting.
- Utility Allowances resulting from the model must be submitted to the WSHFC for review and approval no later than 90 days before the expected initial resident occupancy (new construction) or the start of the initial credit period (acquisition/rehabilitation).
 - Utility Allowances will only be approved for use at this point. Estimates submitted with an application will not be formally reviewed or approved by WSHFC staff.



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Important Notes

- Owners DO NOT need to resubmit 2016 utility allowance calculations if they have been approved or submitted in 2015.
- Owners are expected to use the new version of Appendix O at the time of the annual utility allowance update.
- Owners needing to submit their annual update within 12 months of the previous approved utility allowance in January or February will be given a grace period until the end of March, 2016.



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