



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Squeezing Savings from Utility Allowances

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Washington State Housing Finance Commission

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Money may not grow on trees, but it flows
through the veins of your property...

Pipes and Wires



Utility Allowance 101

Max. Rent Limit – Utility Allowance = Tenant Rent

Ex: \$500 Max Rent - \$100 Utilities = \$400 tenant rent

- Family Feud Style: What are the benefits of property-specific utility allowances?
 - Don't leave money on the table for your mission
 - Stretch rental assistance
 - Gain better insight into operating expenses
 - Help avoid costly utility infrastructure expansions
 - Reduce environmental impact



Beyond PHA estimates

- Public Housing Authority (PHA) Utility Allowance estimates may not reflect utility consumption your specific property.
- 8 Methods for Utility Allowances described in Appendix O of Commission's Tax Credit Manual.
- *Method 6 – Actual Usage* and *Method 8 – Energy Consumption Model* provide building-specific Utility Allowances that are usually lower than PHA estimates.



Further Savings through Efficiency Upgrades

1. Identify energy or water efficiency savings with help from:
 - EZ Retrofit <http://www.sahfnet.org/ezretrofit.html>
 - Local utility efficiency staff
 - Energy efficiency consultants and/or contractors
2. Fund the efficiency upgrades through:
 - Reserves
 - Low-interest loans from the Commission's Sustainable Energy Trust that produce immediate positive cash flow. <http://www.wshfc.org/energy/index.htm>
3. Adjust Utility Allowance to reflect efficiency savings





Energy Modeling Points for 9% LIHTC Projects

- Applicants for 9% LIHTC projects may claim 2 points for using *Method 8 – Energy Consumption Model*.
 - Applicants must submit a Utility Allowance plan with their LIHTC Application.
 - Successful projects are expected to use the results of the model for underwriting.
- Utility Allowances calculated by Energy Consumption Model must be submitted at least 90 days before the expected initial occupancy (new construction) or start of the initial credit period (ac/rehab).

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



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Addressing Solar in Utility Allowances



- IRS allows renewable energy in utility allowances, but provided no guidance on how to do it.
- Sign up or email juliana.williams@wshfc.org to participate in workgroup on how to integrate solar into Utility Allowances.

HNN

Life is **Better** Here!

We are part of an ownership group that develops, constructs, owns and manages affordable housing.

We are currently operating 25 affordable properties – over 4,500 apartment homes. We have a number of new developments in our pipeline of growth.

Utility Allowance Methods

We have utilized or are currently utilizing:

Method 3: Local Utility Company Estimate

Estimate is provided on utility company's letterhead and is dated and signed by the utility company.

Method 4: Public Housing Authority Estimate PHA published estimate

Method 5: Owner Estimate, Similar Buildings No longer separate method

Method 6: Actual Usage Estimate Use of actual data

Method 8: Energy Consumption Model

Use of a qualified and WSHFC approved third-party to provide utility estimates based on consumption models that factor in building design and materials, characteristics, orientation, mechanical systems, etc...

Considerations

Method 3: Local Utility Company Estimate. Must get a new letter every time rates change. Some utility companies are cooperative and some are not. Whenever staff changes, you have to explain all over again what information you want and why.

Method 4: Public Housing Authority Estimate. PHA allowances base costs on a portfolio average of utility usage at typically older, energy-inefficient properties. Particularly for newer properties, the PHA allowance is much higher than actual utility consumption and utility allowances are inflated.

Method 6: Actual Usage Estimate. It's an administrative challenge to obtain actual usage for a continuous 12-month period, to itemize consumption and support your estimate.

Method 8: Energy Consumption Model. The cost of contracting with an approved 3rd party contractor to create the model. The effort involved in assembling all information needed for the contractor to create the model.

Energy Consumption Model

WHY?

1. **It's accurate.** The models factor in square footage, percent of glazed area, specifications of materials. It breaks down, for example, monthly kwh consumption by utility or service. The model factors in flow rates for water usage.
2. **It encourages conservation.** It has helped us to become a better developer, contractor, and owner. We are paying attention to the specifications of materials.
3. **Compliance is easier.** Once we have the consumption model, then once per year, we can apply the current utility rates to that consumption model. Ongoing compliance requires only an annual review of utility rates.

Impact

Example: Water/Sewer Utility Allowance

Utility Type	Unit Type	Current Allowance	Proposed Allowance
Water	1 Bedroom/1 Bath	\$70.00	\$31.00
Water	2 Bedroom/2 Bath	\$81.00	\$51.00
Water	3 Bedroom/2 Bath	\$100.00	\$71.00
Water	4 Bedroom/2 Bath	\$118.00	\$93.00
Water	5 Bedroom/3 Bath	\$118.00	\$100.00

Example: Electric Utility Allowance

Utility Type	Unit Type	Current Allowance	Proposed Allowance
Electric	1 Bedroom/1 Bath	\$54	\$39
Electric	2 Bedroom/2 Bath	\$65	\$57
Electric	3 Bedroom/2 Bath	\$79	\$72
Electric	4 Bedroom/2 Bath	\$96	\$86
Electric	5 Bedroom/3 Bath	\$110	\$89



Roster of Energy Modeling Consultants

- 360 Analytics
- Akiyama Architecture LLC
- Alan Plummer Associates Inc.
- ArchEcology
- Balderston Associates LLC
- Ecotope
- FSi Consulting Engineers
- Glumac
- Interface Engineering
- Nova Consulting Group
- Partner Energy
- Rushing
- Tres West Engineers, Inc
- WSP Parsons Brinkerhoff
- Zappling
- ZBA Architecture
- Zeffert & Associates

<http://www.wshfc.org/energy/consultants.htm>



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Contact me!

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