

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Utility Allowances for Multifamily/
Project-Based Rental Assistance (PBRA)
Family Housing Properties

DATE October 25, 2023

Staff requests Board approval of Resolution No. 23-10/25-03 to adjust the utility allowances for the four family housing developments that were converted to HUD’s Multifamily Housing/Project-Based Rental Assistance (PBRA) program under Rental Assistance Demonstration (RAD). As explained below, it is necessary to increase the utility allowances for all unit sizes at each of the four family housing sites, effective January 1, 2024. The affected properties are as follows:

- McDonough Homes (592 units; RAD/PBRA Project 1)
- Roosevelt Homes (320 units; Project 4)
- Mt. Airy Homes (302 units; in Project 5) and
- Dunedin Terrace (88 units; in Project 8).

As explained further below, the recommended utility allowances are substantially higher for all unit sizes, based on the analysis of actual utility costs. Consequently, residents will pay less to the PHA for rent.¹ However, as another benefit of the RAD-PBRA conversion, HUD’s HAP subsidies to the PHA will increase to offset the reduced rent, for all occupied units. There is no net cost to the PHA from increasing utility allowances.

The methodology, adjustment factors, and recommended utility allowances for each unit size at each property are shown in the attachments. The proposed changes are in the process of being

¹ Residents pay 30% of their adjusted income for rent and utilities. When the utility allowance goes up, the tenant’s rent paid to the PHA goes down by the same amount.

reviewed and approved by HUD Field Office staff, who requested that the PHA submit them in advance of the Board approval to allow additional time for review. Once the utility allowances are approved by HUD and the Board, the Agency will submit the rent schedules – which incorporate the 7.3% operating cost adjustment factor (OCAF) increase approved by the Board at the August 23, 2023, meeting – to HUD for final approval to go into effect on January 1, 2024. The contract rent schedules do not require Board approval, so staff will provide an Informational Report to the Board at the December 20, 2023 meeting, showing the new contract rents for the RAD-PBRA projects.

The utility allowance is an estimate of the monthly utility costs paid by the tenant in a subsidized rental home or apartment in PBRA, Public Housing or the Housing Choice Voucher (HCV) program. HUD defines it as the “monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances.”² The utility allowance reduces the amount of rent the household must pay to the PHA (in PBRA or public housing) or to the property owner/landlord (in HCV). The tenant’s rent payment plus the utility allowance equals 30% of the household’s adjusted income. When the utility allowance goes down, the tenant’s rent payment to the PHA goes up by the same amount. Alternatively, when the utility allowance goes up, the tenant’s rent payment to the PHA goes down by the same amount. In some cases, the tenant’s utility allowance is higher than their income-based rent amount, so the PHA sends the resident a monthly “utility reimbursement” check. (This payment is sometimes called “negative rent”.) HUD reimburses the PHA through the monthly Housing Assistance Payment (HAP), which is based on vouchers the PHA submits monthly.

² 24 CFR Part 5.603; quoted in HUD Multifamily Housing Notice H-2015-04

In Multifamily/PBRA housing, the amount of the HAP subsidy the PHA receives from HUD is based on the contract rent for each month. Lower rent payments caused by higher utility allowances increases the subsidy received by the PHA amount dollar-for-dollar, resulting in no net cost or benefit to the PHA.

HUD's rules and the Handbook for Multifamily Housing require an annual analysis of utility allowances in conjunction with annual adjustments of contract rents. HUD requires a full analysis of actual usage data to be performed every three years but allows owners (such as the PHA) to perform "factor-based" utility analysis for the two interim years. The last full analysis was performed in 2021. For 2024, a fully utility analysis was performed. The 2024 baseline utility allowances were based on a review of actual average utility costs for twelve months for a sample of family units at each site.³ Xcel Energy provided the data (at a cost of \$5 service fee per each unit requested) after receiving signed releases from the residents of all the units included in the samples. St. Paul District Energy provided data (at no cost to the PHA) for heating expenses for family units at Mt. Airy Homes. HUD dictates the minimum sample sizes and provides spreadsheets that calculate the average utility costs for each unit size at each project.⁴

The utility allowances for each family development are detailed in an attachment to this report. For the next two years, the PHA will use the factor-based utility analysis approach to set the utility allowances for 2025 and 2026. The next full analysis of actual usage data will be required to establish new baseline utility allowance rates for the RAD-PBRA projects in 2027.

³ Hi-rise residents do not pay separate utility bills, so there is no utility allowance for those units. The scattered site single family homes and duplexes remaining in the Low Rent Public Housing program are not included in this recommendation.

⁴ HUD Multifamily Notice H-2015-04

Under the recommended utility allowances, all family residents would see their monthly utility allowance go up by at least \$16 per month. For residents with larger households in larger unit sizes, the increases to utility allowances for CY 2024 are as much as \$81 per month.

Staff have submitted the proposed changes and supporting analysis to HUD Multifamily as required.⁵ With the Board's approval of the utility allowances, staff will provide notice to residents regarding the changes to the rent schedules for 2024.

WW/FAH

Attachments:

- Resolution No. 23-10/25-03 Utility Allowances for Multifamily/PBRA Family Properties
- Proposed 2024 Utility Allowances for Multifamily/PBRA Family Properties

⁵ 24 CFR § 880.610 Adjustment of utility allowances. In connection with annual and special adjustments of contract rents, the owner must submit an analysis of the project's Utility Allowances. Such data as changes in utility rates and other facts affecting utility consumption should be provided as part of this analysis to permit appropriate adjustments in the Utility Allowances.

**PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL
RESOLUTION NO. 23-10/25-03**

**RENTAL ASSISTANCE DEMONSTRATION (RAD) CONVERSION TO
PROJECT-BASED RENTAL ASSISTANCE (PBRA);
APPROVAL OF UTILITY ALLOWANCE SCHEDULE**

WHEREAS, the Public Housing Agency of the City of Saint Paul (PHA) was approved by the U.S. Department of Housing & Urban Development (HUD) to convert 3,836 dwelling units of Low Income Public Housing (LIPH; Section 9) to Project-Based Rental Assistance (PBRA; Section 8), through HUD's Rental Assistance Demonstration (RAD) program, with an effective date of January 1, 2020 for the Housing Assistance Payments Contracts for all eight RAD Projects; and

WHEREAS, public housing agencies that are converting public housing units to PBRA through RAD are required annually to analyze and adjust utility allowances, if necessary, for all properties in which tenants are responsible to pay for utilities; so that all households will pay 30% of adjusted income for rent including utility costs; and

WHEREAS, the PHA has obtained and analyzed actual utility costs for the required number of units and following HUD guidance has determined that it is necessary to adjust the utility allowances for all unit sizes at each family housing site, effective January 1, 2024; and

WHEREAS, the Board of Commissioners finds that the proposed Utility Allowance Schedule is necessary and appropriate, as part of the PHA's continued operations under Project-Based Rental Assistance (PBRA) through HUD's Rental Assistance Demonstration (RAD) program, to best serve the needs of PHA residents;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Public Housing Agency of the City of Saint Paul, as follows:

1. The attached Utility Allowance Schedule is approved as presented, effective January 1, 2024;
2. The Executive Director or his designee is authorized to provide the required notification of utility allowance changes to all affected residents; and
3. Pursuant to HUD notice dated January 11, 1990, the PHA certifies that no employee is serving in a variety of positions that will exceed 100 percent of his or her work time.

CY 2024 RAD-PBRA Utility Allowance Summary

2023 Utility Allowance
 2024 Utility Allowance
Total Increase/(Decrease)
Percentage Increase

McDonough				
1 BR	2BR	3 BR	4 BR	5 BR
59	94	124	126	136
81	126	175	184	216
22	32	51	58	80
37.3%	34.0%	41.1%	46.0%	58.8%

2023 Utility Allowance
 2024 Utility Allowance
Total Increase/(Decrease)
Percentage Increase

Roosevelt			
1 BR	2 BR	3 BR	4 BR
46	84	98	121
68	123	167	172
22	39	69	51
47.8%	46.4%	70.4%	42.1%

2023 Utility Allowance
 2024 Utility Allowance
Total Increase/(Decrease)
Percentage Increase

Mt Airy			
2 BR	3 BR	4 BR	5 BR
145	153	172	222
161	213	253	281
16	60	81	59
11.0%	39.2%	47.1%	26.6%

2023 Utility Allowance
 2024 Utility Allowance
Total Increase/(Decrease)
Percentage Increase

Dunedin			
2 BR	3 BR	4 BR	5 BR
86	103	124	125
118	151	177	185
32	48	53	60
37.2%	46.6%	42.7%	48.0%