**IRS UA Methodologies**

The IRS has offered several alternatives for calculating UAs. The IRS and IFA do not recognize Ratio Utility Billing System (“RUBS”) as an acceptable method for determining utility allowance.  RUBS cannot be used when determining how a project arrives at the UAs for a HOME project in Iowa.

1. **Projects or households with other funding that provide UAs**

a.            *RD regulated buildings*

If any unit in a project is regulated by Rural Development (RD), the UA that is part of the RD annual budget will be used for all units.

b.            *HUD regulated buildings*

If a building does not have RD funding (see above) and is regulated by HUD and a UA is calculated each year as part of the HUD budget, the HUD project-based UA will apply.

c.             *PHA estimate*

Residents who have a Housing Choice Voucher have a UA that is calculated by a Public Housing Authority (PHA) as part of the Voucher rent calculation. This UA must be used for Voucher holders. Additionally, the utility allowance estimates from any local PHA that provides Vouchers to the property can be used for all units at a property without RD or HUD funding. If used, these estimates must be updated within 90 days of their release by the PHA.

If a project is not RD or HUD regulated, and the owner does not use a PHA estimate, then the following options are available in Iowa. *If any of the following are gathered when determining UAs for any given year, the new UAs must be used at the project for the entire year.*

1. **Estimate from a local utility company**

An estimate may be obtained by an interested party which includes the owner/manager or a tenant. The interested party will receive a cost estimate in writing from a utility company in the same geographic area for a unit of similar size and construction. If the property is in an area that is served by multiple utility providers, the interested party can obtain a written estimate from just one utility company that offers services to the project even if multiple utility companies can provide the same utility service to the property. The initiating party must retain the original documentation used to obtain the estimate and make copies available to IFA, tenants and other interested parties.

1. **HUD Utility Schedule Model (HUSM)**

The HUD Utility Schedule Model (HUSM) UA is designed by engineers and HUD for use by LIHTC and HOME properties. The HUSM produces a UA that is accurate but doesn’t involve getting a ton of resident utility bills or crunching endless numbers. The HUSM has been one of the few allowed options for properties with HOME commitments after August of 2013. This model can be found at the HUDuser.org website: [HUSM model](https://tools.huduser.gov/husm/uam.html). Instructions can be found [here](https://www.huduser.gov/portal/sites/default/files/pdf/HUSM-Instructions.pdf). When completing the Model, the property's utility rate information and the Model's zip code function must be entered to access the location and heating degree data to calculate the estimate. Rates inputted must not be older than the rates in place 60 days prior to the date the utility allowance will change. A training, developed by Costello University for IFA HOME properties, will provide the framework that you need to accurately enter data into the HUSM and get results acceptable to IFA. For more information, contact Costello Compliance at (605) 336-9131.

1. **Energy Consumption Model**

The final alternative option is to retain the services of a qualified professional to calculate the allowances based on an energy consumption model. This model must take into consideration specific factors, including but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. The professional retained must be a properly licensed engineer or a qualified professional approved by IFA and may not be related to the building owner within the meaning of Section 267(b) or 707(b) of the Internal Revenue Code.

The use of the energy consumption model is limited to the building's consumption data for the 12-month period ending no earlier than 60 days prior to the date the utility allowance will change. For newly constructed or rehabbed buildings with less than 12 months of consumption data, consumption data for the 12-month period for similarly sized and constructed units in the geographical area in which the building is located will be used. Utility rates must be the rates in place 60 days prior to the date the allowance will change.

**Additional UA Considerations**

If the utility allowances increase, it may change the out-of-pocket rent owner/managers can charge their households, especially if the maximum allowable rent did not keep pace. If it turns out that the actual out-of-pocket rent must be decreased to remain in compliance, owner/managers must be sure affected households begin paying the new rent no later than the end of the 90-day period applicable to the UA method being uses. When consideration is being given to which UA to use, the following should be kept in mind.

* Utility allowance Information is to be provided annually along with other IFA-required annual reporting information by March 1 of each year for existing projects.  Newly placed in-service projects must submit their information by April 1st the first year.
* Projects that are using methods 2-4 above must submit to IFA and their tenants their proposed UAs 90 days prior to the UA being implemented. IFA will acknowledge receipt of your documentation and review it for compliance with IRS regulations.  You will be contacted if IFA requires further information within the 90-day period allowed by IRS regulation. An owner must entertain tenant comment during this same period. If you are not informed of any issues by IFA, the new UA may be implemented at the end of the 90 days.
* IFA requires that one UA methodology be used per property. This means that different methods may not be used for different utilities at the same property.
* Owner/managers can change the estimate options used for calculating utility allowances from one review to the next with IFA’s approval.
* Any costs associated with obtaining utility allowance estimates are the responsibility of the owner unless the utility company estimate is chosen. Then, unless otherwise agreed upon by the parties involved, the costs are the responsibility of the party requesting the estimate.

•     Utility allowances must be reviewed annually to ensure the estimates approximate what the households are paying. However, if the property has just been placed in-service, owner/managers are not required to review the utility allowances until the building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year, whichever is earlier. Except for the PHA-provided estimates, review of calculations need only take place one time per year even if known rate fluctuations occur (for concerns with updates on the PHA estimate, see above). However, if the owner/manager chooses to review them more frequently, they may if they follow the proper procedures.

* Owner/managers must retain any supporting determination data. Failure to retain adequate data that will allow IFA to conclude accurate allowances were used in the rent computation will result in noncompliance.

**HOME UAs**

HUD believes that as more projects are constructed or rehabilitated to higher energy-efficiency standards, the use of a standard utility allowance (like the PHA estimates) may not fairly represent actual utility costs for a property. Historically, PJs were required to adopt utility allowances either by developing their own utility allowances, adopting the utility allowance of local PHA, or establishing project-specific allowances.

* The HOME rules (which were revised in 2013) contain a provision that will apply to new projects committed HOME funds on or after August 23, 2013. IFA, as the PJ, has elected to provide these projects with their allowances based upon the HUD Utility Schedule Model.  The UAs will be updated by IFA annually and provided to the owner/manager upon completion.
* HOME projects allocated prior to August 23, 2013, may continue to utilize the local PHA utility allowance schedules or may develop UAs based upon the specific utilities used at the project. IFA is willing to assist the owner/manager if they elect to use the HUD Utility Schedule Model.  Please contact your IFA Compliance Officer is you would like assistance.