

# Supporting Statement for Paperwork Reduction Act Submissions

## Utility Allowance Adjustments OMB Control Number 2502-0352

### A. Justification

1. HUD requires an analysis of the project's Utility Allowances to be included in the owner's request for rent increase. 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. In addition, when approval of a utility rate change would result in a cumulative increase of 10 percent or more in the most recently approved Utility Allowances the owner must advise the Secretary and request approval of the new Utility Allowances. Utility Allowance applies only for projects receiving subsidy assistance where all or some utilities are paid directly by the tenant. **Clarification:** Section 221(d)(3) BMIR projects that were built with tenant paid utilities (separate meters) are not eligible for the utility allowances. If the project has Rent Supplement or Loan Management Set-Aside (LMSA) units, those units however, receive an allowance. The regulations governing Utility Allowance Adjustments are set forth at 24 CFR 886.126 and 24 CFR 886.326, and identified in HUD Handbook 4350.1 REV-1 Chapter 7.
2. HUD reviews the utility allowance adjustments to ensure that they comply with HUD policy and administrative procedures. When the cost of utilities (except telephone) and other essential housing services for an assisted unit are not included in the rent, the tenant is responsible for paying the utilities for the unit. The utility allowance is an amount equal to the estimate approved by HUD of the monthly cost of a reasonable consumption of such utilities and other services for the unit. This estimate is based on those costs for an energy conservative household of modest circumstances. If periodic adjustments to the utility allowance were not made, tenants would be required to pay a larger total tenant payment than is legally permissible.

Project owners must advise the Secretary of the need for a request for approval of a new utility allowance when the approval of a utility rate change results in a cumulative increase of 10 percent or more of the most recently approved utility allowance.

Chapter 7 of HUD Handbook 4350.1 provides the procedures for processing Budget Rent Increases and Fees for Commercial Space and Services in Insured, Direct Loan, and Non-regulated HUD projects. The chapter contains detailed information on when the owner should request an increase in the Utility Allowance for the project.

The number of respondents, responses, and burden hours has increased. HUD makes this estimate based on statistics gathered from annual financial statement responses from affected projects in the HUD portfolio.

3. Currently, there are no plans to automate this information collection because it is not feasible. This information collection requires a letter from the owner along with supporting documentation from utility companies to substantiate the utility allowance adjustment request, which cannot be submitted electronically. Pending the development of a Department-wide standard for electronic signatures receipt of the required letter is not automated. Additionally, the supporting documentation from utility companies is provided to owners in paper format, generated by proprietary software owned by each utility company. Electronic transmission of their documentation is not feasible.
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4. The information is not collected through other information collections, and there is no duplication of information.
5. The collection of information does not involve any small businesses or other small entities.
6. In collecting this information, HUD determines that adjustments in utility allowances are adequate to meet reasonable costs. The information is only forwarded to HUD for approval when the increase is 10 percent or more. Less frequent collection would require tenants to pay a larger total tenant payment than is required by law.
7. There are no special circumstances associated with the collection of this information.
8. This information is collected in a manner consistent with guidelines of 5 CFR 12320.8(d). The Notice announcing the collection of information appeared in the *Federal Register* on March 20, 2013, (Vol. 78, No. 54; Page 17223). No comments received.

The Department solicited comment from field offices who regularly review the information submissions of owners/agents who request adjustments of utility allowances. These respondents included staff from the Hub office in Jacksonville, Florida, Diane Toney; our Seattle Washington office, Becky Sands, and our Hub office in Columbus, OH, William Hughes. None offered new insights or suggestions of procedures to reduce the impact of current collection methods. HUD has considered these comments and has made no changes to the information collection.

9. No payments or gifts of any kind are provided to respondents.
10. The information collected is not of a confidential nature; therefore, the Department does not assure confidentiality to respondents.
11. Respondents are not required to provide information of a sensitive nature.

12. Annual Burden Estimate:

<b>*Number of Respondents</b>	<b>Frequency of Response</b>	<b>Total Annual Responses</b>	<b>Burden Hours per Response</b>	<b>Total Annual Burden Hours</b>	<b>Hourly Cost</b>	<b>Total Annual Cost</b>
4,811	1	4811	.50	2,406	\$22.00	\$52,932

13. There are no additional capital or start-up costs.

14. Annual Cost to the Federal Government:

<b>Total Annual Responses</b>	<b>Burden Hours per Response</b>	<b>Total Annual Burden Hours</b>	<b>Hourly Cost</b>	<b>Total Annual Cost</b>
4,811	.50	2,406	\$29.00	\$69,774

15. This is an extension of a currently approved collection. HUD makes this estimate based on statistics gathered from annual financial statement responses from affected projects in the HUD portfolio. Due to project owners prepaying their mortgages and opting-out of Section 8 Housing Assistance Payments Contracts, the number of respondents, responses, and burden hours has decreased from 4,824 to 4,811 and 2,412 to 2,406, respectively.
16. The results of this information collection will not be published.

17. HUD is not seeking approval to avoid displaying the expiration date for this information collection.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

## **B. Collections of Information Employing Statistical Methods**

### **Objective:**

Calculate utility costs (electricity, water, and gas) for active, Section 8 properties receiving no utility allowances to determine the average increases in utility costs from 2006 through 2008.

### **Data and Methodology:**

- The analysis period is from 2009 through 2012.
- The analysis includes properties with active Section 8 assistance contracts, but removes those properties with active Section 8 contracts that also receive utility allowances. Currently, there are 6,188 active properties with Section 8 assistance contracts receiving no utility allowances.
- The analysis only includes properties who submitted to HUD valid Annual Financial Statement (AFS) filings. A valid AFS filing is defined as follows:
  1. The AFS filing is primary in a HUD fiscal year;
  2. Reporting period of the filing is greater than 330 days;
  3. HUD's Financial Assessment Subsystem (FASS) score is not missing; and
  4. The AFS filing is not combined with other filings.
- On average, approximately 60% of those properties with Section 8 contracts receiving no utility allowance filed a valid AFS from 2009 through 2012.
- In 2010, the average costs of electricity, water, and gas per property were \$60,834, \$16,487, and \$26,381 respectively.
- Comparing median costs to average costs reveals that some properties incurred very high utility costs. This is especially apparent with gas expenses, where the mean gas expense is three times higher than the median gas expense.
- In 2010, on average the costs of electricity, water, and gas increased by 6.8%, 17.6%, and 6.9% respectively.
- Out of 3,281 properties that filed AFS in 2010, 1,284 properties (38.6%) had the cost of electricity increased by more than 6.8%; 782 properties (23.3%) had the cost of water increased by more than 17.6%; and 827 properties (24.8%) had the cost of gas increased by more than 6.9%.

A total of 4,811 properties, after adjusting for the 40% that were not included in the statistic, had utility cost increases in excess of the average, and can be expected to apply for adjustments to their Utility Allowance.