

MANAGEMENT BULLETIN #398

Date August 30, 2011

To: All Section 8/236 Owners/Agents/Managers

From: Diane Smith, Asst. Director

Re: Clarification of HUD Utility Allowance and Rent Submission Procedures

Attached is a June 20, 2011 memo from the Department of Housing and Urban Development (“HUD”) regarding the utility allowance adjustment requirements for owners of Section 8 properties. Owners are required to perform an **annual** analysis of current utility allowances and, if appropriate, are required to adjust their properties’ utility allowances each year when they request annual and/or special adjustments to their contract rents. Because the clarification is about existing HUD regulations on this subject, the changes you may need to make below are effective immediately. This clarification applies whether your property receives an Annual Adjustment Factor, an Operating Cost Adjustment Factor or a Budget Based rent adjustment. Please read through the entire attached memo to be certain you understand HUD’s instructions and other information as this is a clarification of **existing** HUD regulations. *The regulation addressing determination of a utility allowance is found in HUD Handbook 4350.1, Chapter 7, Paragraph 7-24.* However, the memo’s clarifications will minimally affect you in the following way:

1. Owners who currently **do not** perform a utility allowance analysis and submit it to IHDA (at the same time) with their rent increase requests are required to do so effective with their next submission. HUD has stated that the contract administrator, IHDA, **must hold any rent adjustment until “receipt of the utility analysis and all other required submissions.”** However, IHDA is able to approve implementation of the rent adjustment retroactively in accordance with Section 524© of MAHRA once all required documents are received.
2. Owners must also send in an annual analysis with their letter to their Asset Manager as documentation to request that NO utility allowance adjustment is needed for that current year.
3. Owners must reference Regulations at 24 CRF 245.405(a) and 245.410 to become familiar with requirements of serving notice to tenants where there is a proposed utility allowance decrease. HUD requires the tenants’ notice “must be made at least 30 days prior to submitting the request for a utility allowance decrease to HUD for approval and must provide the tenants with the right to participate in and comment on the proposed decrease in utility allowances”.

Please contact your Asset Manager with any questions regarding this clarification.