

MANAGEMENT BULLETIN #416

DATE: August 2, 2012

TO: Owners/Agents of Section 8 and 236 developments

FROM: Diane Smith, Asst. Director, Asset Management Services

RE: Implementation Dates of Utility Allowance Adjustments

This Management Bulletin is a follow-up to our August 30, 2011 Management Bulletin #398, "Clarification of HUD Utility Allowance ("UA") and Rent Submission Procedures". Management Bulletin #398 explained that HUD requires Owners of Section 8/236 developments to submit a utility allowance **analysis** annually when they request a rent increase.

This correspondence is intended to explain **required** effective dates of both UA implementation and proper tenant notices. The regulation at 24 CFR 245.405(a) and 245.410 require the owner to serve notice to the tenants of a proposed **decrease** in utility allowances, as defined in 24 CFR 245.410. The referenced Notice must be made at least 30 days prior to submitting the request for a utility allowance decrease to IHDA (as your contract administrator) for approval and must provide your tenants with the right to participate in and comment on the proposed decrease in utility allowances. In your Notice to the tenants regarding the UA decrease, you should provide the address at which the materials required to be made available for inspection and copying under that section are to be kept.

Tenant comments on the proposed covered action along with the mortgagor's evaluation of them may be sent to the mortgagor at a specified address. The comments are to be sent to HUD by mortgagee when the mortgagor's request for HUD's approval is submitted by the mortgagee. Your Notice should include language that HUD may adjust the proposed UA reduction upward or downward. Once HUD's approval is received by the mortgagee, the mortgagor will notify the tenants of HUD's decision/approval. The mortgagor will NOT begin to effect any approved action (in accordance with the terms of existing leases) until at least 30 days from the date of service of the notification (2nd 30 day posting period).

In the case of a reduction in tenant utility allowances, the following materials must be submitted to the Illinois Housing Development Authority:

- 1) A copy of the notice to tenants
- 2) Provide the average utility consumption data by unit type and size for comparable projects and utility rate information, as obtained from the utility supplier and the estimated monthly cost of utilities to be paid by tenants by unit type and size, based upon the consumption data and rate information described herein.
- 3) Provide the proposed UAs for reduction, the number of units in the project by type and size and a justification of the proposed reduction.

Should you have any questions, please contact your Asset Manager.