

Protect Subsidized Tenants from Rising Utility Costs

[According to U.S. Department of Energy forecasts](#), tenants' utility bills for home heating and hot water are expected to increase significantly this winter, especially where the primary fuel source is natural gas or heating oil. Almost half of U.S. households heat primarily with natural gas, and those households are projected to spend 30% more than they spent last winter on average – and even more where the winter is colder than average. DOE estimates that natural gas customers will see average heating bills jump by 50.9% in the Midwest, 19.9% in the South, 15.1% in the Northeast, and 20.4% in the West.

Water rates are also on the rise. [According to a report prepared for the EPA](#), over the past 15 years, water rates have increased faster than the Consumer Price Index (CPI) and personal income levels. These adverse trends are even more pronounced for low-income users.

Utility costs are a critical factor in housing affordability and stability. When tenants in federally subsidized housing programs pay for their utilities out of pocket, federal law requires PHAs (for Public Housing, Housing Choice Vouchers and Project-Based Vouchers) and private owners subsidized by HUD, RD or the LIHTC program to provide utility allowances to help cover reasonable utility costs. Federal regulations and guidance govern utility allowances in all federally supported affordable housing, and state credit allocation agencies may issue additional rules or guidance for LIHTC properties.

Inadequate utility allowances can create financial hardships that threaten housing stability. Advocates and tenant leaders can play a key role in preserving stable and affordable housing by helping federally- assisted tenants secure prompt adjustments to their utility allowances when utility rates rise significantly.

Utility rate increases like those projected in coming months may be sufficient to trigger the obligation of a PHA or private owner to adjust their tenants' utility allowances. The prescribed method for adjusting utility allowances varies by program, as reflected in the chart on the next page.

For more information about how to obtain and analyze utility rate information for your service area, see [Advocating for Higher Utility Allowances in Federally Subsidized Housing: A Practical Guide](#). Be sure to check out the Guide's [updated links to the appendices](#).

The National Low-Income Housing Coalition maintains information about COVID-related local utility assistance funds and programs [here](#) (see Column R).

Help with energy bills may also be available through local [LIHEAP programs](#) or programs run by local utility companies.

PROGRAM	Applicable Utility Allowance Adjustment Rules
Public Housing	HUD requires each PHA to review its utility allowance schedule at least annually. If any individual utility rate has increased by 10% or more since the most recent adjustment to the allowances, the PHA must adjust its utility allowances. The adjustments must be effective the first day of the month following the month in which the rate change took effect. 24 C.F.R. §965.507 (2022); HUD Public Housing Occupancy Guidebook (2020) Utilities, §4.1 at 5.
S8 Housing Choice Voucher	A PHA must review its utility allowance schedule annually. If there has been a change of 10% in the rates for a given utility since the last revision, the PHA must revise its allowance for that utility category. 24 C.F.R. §982.517(c) (2022); Housing Choice Voucher Program Guidebook (2020), Utilities, §6 at 8.
S8 Project-Based Voucher	Same rules as HCV program. 24 C.F.R. §983.2 (2022).
HUD-Assisted Multifamily/Rental Assistance (includes, e.g., Section 8 PBRA; Sec. 202 & 811 PRAC; Sec. 811 PRA; Sec. 236 RAP; LMSA)	Owners must submit an analysis of a project’s utility allowance in conjunction with any annual or special adjustments of contract rents, and must follow the relevant guidance. Changes in utility rates and other facts affecting utility consumption should be provided as part of this analysis to permit appropriate adjustments. When utility rate changes would result in a cumulative increase of 10% or more in the utility allowance since the most recent adjustment, the owner must advise the contract administrator and request approval of a new utility allowance. Note that the 10% trigger is based upon the change in the allowance, not the rate for each separate fuel source, so that an increase of more than 10% in only one of the utilities (e.g., electricity) comprising the allowance may not be enough to trigger an adjustment. HUD Notice H-2015-04, “Methodology for Completing a Multifamily Housing Utility Analysis” at 5-6. (See id at 1-2 for a list of the multifamily programs covered by this Notice.)
RD Rental Assistance	Owners must review utility allowances annually; there is no set trigger for required adjustments to utility allowances. 24 C.F.R. §965 (2022); USDA RD Asset Management Handbook, HB-2-3560, Ch. 4 at 4-30 & Ch. 7 at 7-21.
LIHTC	Owners must review and update utility allowances at least once during each calendar year. Owners using a PHA schedule must update their allowance when revising the schedule. Owners using an energy consumption model can update the model estimate or switch to a PHA schedule. The energy consumption model update must take into account changes in utility rates and any changes to the building that affects energy consumption, such as conservation measures. 26 C.F.R. §1.42-10(c)(2) (2022).
HOME	Participating Jurisdictions must update their utility allowances for HOME projects annually, and owners must adopt the allowances set by the Participating Jurisdiction. 24 C.F.R. §92.252(d)(1) (2022).

Important Links:

- [HUD Public Housing Occupancy Guidebook](#)
- [Housing Choice Voucher Program Guidebook](#)
- [HUD Notice H-2015-04](#)
- [USDA RD Asset Management Handbook, HB-2-3560](#)