

# C Community Development Committee

Item: 2011-269

Meeting date: October 3, 2011

## ADVISORY INFORMATION

**Date:** September 27, 2011**Subject:** 2011-2012 Section 8 Utility Allowance Schedule**District(s), Member(s):** All**Policy/Legal Reference:** CFR Title 24, Part 903**Staff Prepared/Presented:** Terri Smith, HRA Manager, 651-602-1187**Division/Department:** Community Development / HRA

## Proposed Action

That the Metropolitan Council approve the attached 2011-2012 Section 8 Utility Allowance Schedule effective November 1, 2011 for use by the Metropolitan Housing and Redevelopment Authority (Metro HRA) in the administration of the Section 8 Housing Choice Voucher and other Rent Assistance Programs.

## Background

Each housing authority is responsible for establishing and maintaining a utility allowance schedule that provides allowances for tenant paid utilities. The allowances are based on average utility consumption for an energy-conservative household. The Section 8 Utility Allowance Schedule must be reviewed on an annual basis and revised if there has been a change of 10 percent or more in the utility rate. The Council last approved a change in allowances in October 2010.

Staff recently completed a review of current average utility rates for heating, cooking, other electric, water heating, water, sewer, garbage and tenant-provided appliances (range and/or refrigerator). The review resulted in rate increases for some utilities and decreases for other utilities as outlined in the chart below:

<u>Utility Type</u>	<u>Rate Change (%)</u>
Natural Gas	26% increase
Electric	5% increase
Propane	23% increase
Fuel Oil	41% increase
Water/Sewer	5% decrease
Trash Collection	11% decrease
Tenant-Provided Appliances	no change

The allowances that will change as a result of the review are only those that experience a 10 percent or more change (natural gas, propane, fuel oil, trash collection). The resulting changes to the allowances are reflected on the attached Utility Allowance Chart.

## **Rationale**

Utility allowances are used to determine the total housing cost incurred by a tenant for rent and utilities. The total cost of the unit including an estimate for tenant-paid utilities is used to determine if the total unit cost is reasonable and falls within the family's rent limit. Additionally, when the renter is responsible for some or all utilities, the utility expense is taken into consideration when determining the tenant rent portion to ensure the total cost to the tenant does not exceed 30% to 40% of the household's income.

Currently sixty-two percent (62%) of all Section 8 participants are assisted in a one, two or three-bedroom apartments where all utilities are typically included in the rent except electricity for cooking and other electric including lights. These households will not experience any change in their utility allowance this year. Participants living in duplexes and single family homes where they typically pay their own utilities will see an increase in their utility allowance due to the large increase in heating fuel prices.

Increases in utility allowances lower the tenant's rent portion which results in an increase to the rent subsidy payments made to landlords. Therefore, the Metro HRA will experience an overall increase in the cost of the rent subsidy expense for 2012 of approximately \$425,000. The U.S. Department of Housing and Urban Development does not adjust or increase its funding allocation to the Metro HRA due to this increase. Therefore, this means more dollars will be paid on behalf of fewer tenants. This will directly impact and reduce the number of families we are able to serve by approximately 50 households each month.

## **Funding**

Funding for the Section 8 Housing Choice Voucher, Shelter Plus Care, and Housing Opportunities for People with Aids programs is received from the U.S. Department of Housing and Urban Development. Funding for the Minnesota Housing Trust Fund Programs (Bridges and Rental Assistance for Anoka County) is received from Minnesota Housing. The funding for all programs will absorb the additional cost, but the number of families served with the allotted funding will be impacted.

## **Known Support / Opposition**

There is no known opposition to this action.

