



# Adoption of Utility Allowance Schedule

for Metro HRA Rent Assistance Programs



October 21, 2024

Community Development Committee



# Utility Allowance Schedule



## Utility Allowance is a credit for tenant-paid utilities

- Provided for utilities considered essential
  - Heat, electricity, cooking, water heating, rubbish removal, water, sewer, tenant-provided range and refrigerator
- Rates based on:
  - Typical costs for energy conservative household
  - Average consumption
  - Data obtained from local utility providers

# Utility Allowance Schedule



## 2024 HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN

Metropolitan Council Housing and Redevelopment Authority

Approved by Metropolitan Council:

September 25, 2024  
October 11, 2023  
October 12, 2022  
September 22, 2021  
September 23, 2020  
February 12, 2020  
September 25, 2019

## Required by the U.S. Department of Housing and Urban Development

- Used to determine total housing costs for families
  - Rent + Tenant Paid Utilities
- Must be established and reviewed annually
- Must be revised for any utility with a 10% or more change



# Tenant Rent Portions



## Total Tenant Payment

- 30% of monthly household income
- Total contribution towards housing costs
- Rent + tenant paid utilities

## Tenant rent to Owner

- 30% of tenant income **MINUS** Utility Allowance

## HRA Rent to Owner

- Contract rent **MINUS** tenant rent

# Utility Allowance Example

## Single Person - 1 Bedroom Apartment

Contract Rent	\$1,000	Plus
Electricity for lights and cooking	\$50	From Utility Allowance Chart
Gross Rent	\$1,050	
Total Monthly Income	\$1,300	
\$30% Income	\$390	Total Tenant Payment
MINUS Utility Allowance	\$50	
Tenant Rent to Owner	\$340	
HRA Rent Payment	\$660	Equals (\$1000 MINUS \$340)



# Process for updating allowances



## Utility Allowance calculation

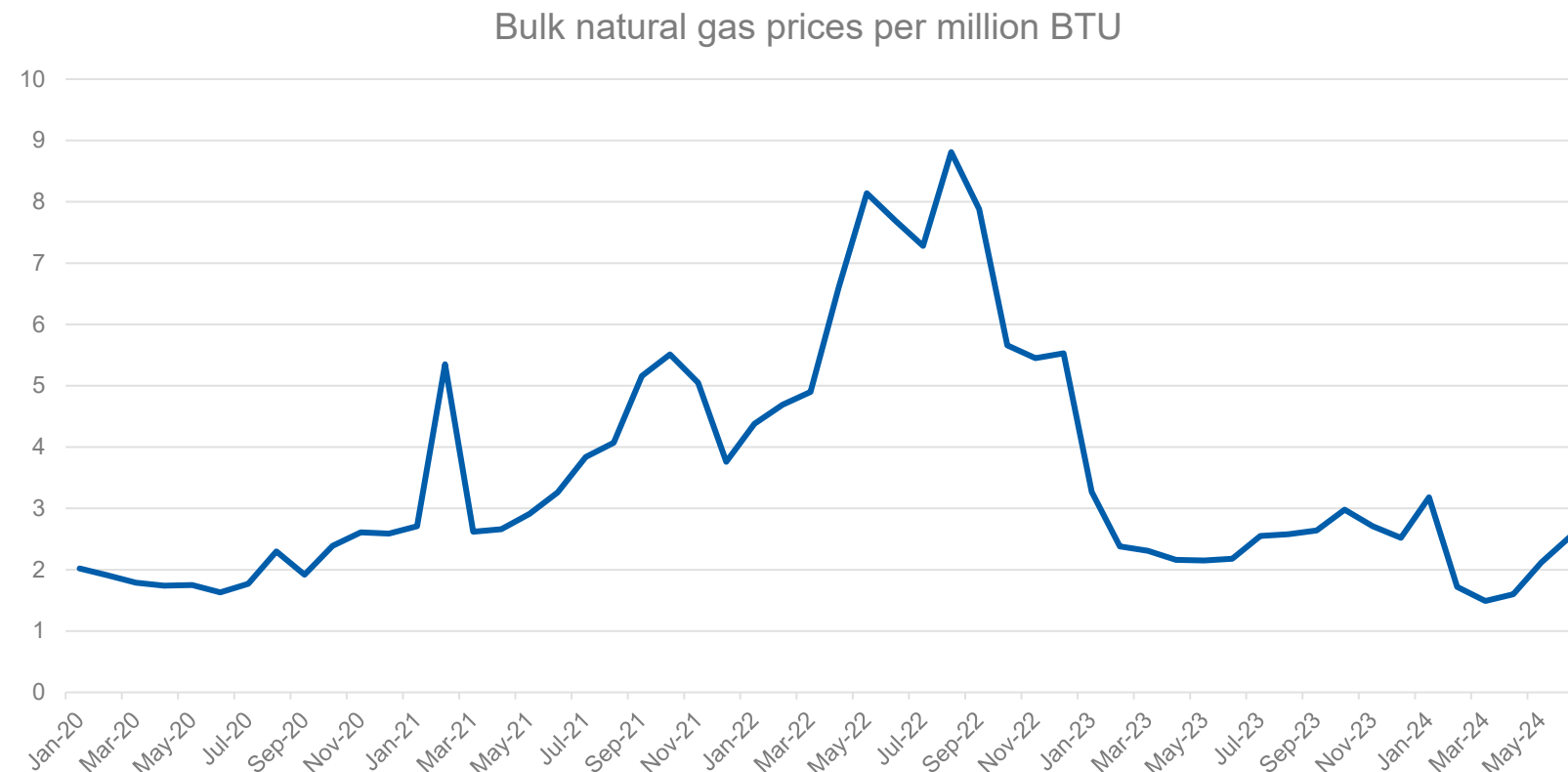
- (Utility Consumption x Price per Unit) + Fixed Charges
  - Electricity Example:  
 $(230 \text{ Kwh} \times \$0.165 \text{ rate per Kwh}) = \$37.95$   
Fixed Service Charge = \$6.00  
Total Utility Allowance = \$43.95 – Rounded to \$44.00
- Consumption data comes from HUD'S Utility Schedule Model
  - Heating consumption calculated for each Housing Authority based on climate data (30 year average)
- Pricing data obtained from local utility providers and includes taxes, fees, and surcharges
- Pricing data is an average of rates from multiple providers

# Utility Allowance Review Results

Utility	Rate Last Updated	Rate Used when Last Updated	2023 Rate	Percentage Change since last update	Update Required
Natural Gas (cost per therm)	2022	\$1.050	\$0.773	-26.38%	YES
Electricity (Annual average cost per KWH)	2022	\$0.143	\$0.165	17.28%	YES
Bottle Gas (cost per lb)	2022	\$2.39	\$1.87	-21.76%	YES
Oil (cost per gallon)	2023	\$4.55	\$3.810	-16.26%	YES
Water (average household cost)	2019	\$20.54	\$22.58	9.93%	No
Sewer (average household cost)	2022	\$30.94	\$34.24	10.67%	YES
Rural Water (average household cost)	2020	\$38.96	\$42.53	9.16%	No
Rural Sewer (average household cost)	2022	\$56.60	\$58.55	3.45%	No
Trash (35 gal)	2022	\$31.49	\$31.49	0.00%	No
Trash (64 gal)	2022	\$34.47	\$35.64	3.39%	No
Trash (96 gal)	2022	\$36.15	\$38.48	6.45%	No
Refrigerator (total cost)	2016	\$500.00	\$550.00	10.00%	YES
Range (total cost)	2016	\$500.00	\$550.00	10.00%	YES

# Utility Allowance Changes

- Significant rate increases by Xcel Energy led to large increase in the electric utility allowances.
- Bottle Gas and Oil rates fluctuate widely due to market forces- rates aren't regulated like other utilities.
- Natural Gas decrease is due to falling natural gas prices. The utility allowance for natural gas was last updated in 2022 when natural gas prices spiked. Natural gas prices have fallen back to 2020/2021 levels.





# Financial Impact

## Tenant and Metro HRA Impact

- 92% Voucher holders pay for electricity
- 48% Voucher Holders pay for natural gas heat
- Higher Utility Allowance = Lower Tenant Rent
  - Results in Higher Metro HRA Rent Portions

Total Budget Impact = reduction of \$30,000 monthly; \$360,000 million annually

Utility Allowance Increase Amount	# Voucher Holders Impacted
Increase \$20+	82
Increase \$10 - \$19	184
Increase \$1-\$9	2463
No Change	878
Decrease \$1-\$9	1456
Decrease \$10-\$19	1328

# Proposed Action



That the Metropolitan Council approve the (attached) Utility Allowance Schedule for use in the Housing Choice Voucher and other rent assistance programs effective January 1, 2025.





Thank You

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# Thank You

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