

Committee Report

Community Development Committee



Committee Meeting Date: November 7, 2022

For the Metropolitan Council: November 30, 2022

Business Item: 2022-289

Adoption of Utility Allowance Schedule for Metro HRA Rent Assistance Programs

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, 2023.

Summary of Community Development Committee Discussion/Questions

There was some discussion on the utility rate increases and federal funding, including the following:

- How are tenants impacted by utility assistance programs?
 - Although many voucher holders are likely enrolled in various utility assistance programs, tenant rent portions are not impacted by participation in these programs.
- Are internet services included in the utility calculations?
 - No. The utility allowances are set at the federal level and are not included in the utility allowance chart.
 - There was a suggestion that staff reach out to HUD and legislative contacts about the potential for further inclusion as a utility.
- Xcel Energy is requesting a rate increase by around 20% over the next three years. Do we ever submit comments on items like this?
 - Staff indicated that we have submitted comments as it relates to our operational energy needs for transit and wastewater, but that we have not submitted comments as it relates to our rent assistance programs. Staff will explore the opportunity to expand upon written comments.

The proposed action was passed unanimously at the Committee's regularly scheduled meeting on November 7, 2022.

Business Item

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Adoption of Utility Allowance Schedule for Metro HRA Rent Assistance Programs

District(s), Member(s): All
Policy/Legal Reference: Code of Federal Regulations Title 24, Part 903
Staff Prepared/Presented: Terri Smith, Director, Housing and Redevelopment Authority, (651) 602-1187
Division/Department: Community Development / Metro HRA

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, 2023.

Background

The Metropolitan Council must establish and maintain a utility allowance schedule for use in its rental assistance programs. In calculating rents for units leased under the Housing Choice Voucher and other rental assistance programs, the housing authority must consider the cost of tenant-paid utilities. A utility allowance is a credit for tenant-paid utilities and is used to determine the family share of the total housing costs (rent + utilities). The allowances are based on average consumption for an energy-conservative household.

The federal regulations require a schedule revision if there has been a change, up or down, of ten percent (10%) or more in any utility rate since the last time the allowance for that utility was revised. The Council last approved allowance changes in October 2020. There were no changes made in 2021 because there were no increases of ten percent (10%) or more.

Staff completed the annual review of current utility rates for natural gas, electric, propane, fuel oil, water, sewer, and trash collection along with average prices for appliances sometimes provided by tenants as required by the lease. The review results in required increases in most utilities as shown in Table 1 below.

Table 1. Utility Costs and Previous Updates

Utility	Rate last updated	Rate used when last updated	2022 Rate	Percentage change since last update	Update Required?
Natural Gas (cost per therm)	2016	\$0.710	\$1.050	47.9%	YES
Electricity (Annual average cost per kWh)	2016	\$0.128	\$0.141	10.2%	YES

Table 1. Utility Costs and Previous Updates

Utility	Rate last updated	Rate used when last updated	2022 Rate	Percentage change since last update	Update Required?
Bottle Gas (cost per lb)	2020	\$1.51	\$2.39	58.3%	YES
Oil (cost per gallon)	2020	\$2.87	\$3.69	28.6%	YES
Water (average household cost)	2019	\$20.54	\$22.24	8.3%	No
Sewer (average household cost)	2018	\$27.49	\$30.94	12.6%	YES
Rural Water (average household cost)	2020	\$38.96	\$39.24	0.7%	No
Rural Sewer (average household cost)	2016	\$50.17	\$56.60	12.8%	YES
Trash (35 gal)	2019	\$24.70	\$31.49	27.5%	YES
Trash (64 gal)	2019	\$29.36	\$34.47	17.4%	YES
Trash (96 gal)	2019	\$31.86	\$36.15	13.4%	YES
Refrigerator (total cost)	2016	\$500	\$500	0.0%	No
Range (total cost)	2016	\$500	\$500	0.0%	No

In 2016, Metro HRA updated the consumption amounts and the utility pricing data. Since then, new rates have been obtained annually and compared to the rates for 2016. Utility amounts that had cumulatively increased by more than 10% from the previous update were revised in accordance with the HUD regulations. Those that had a cumulative increase of less than 10% were not changed. Gas and electricity have not been revised since 2016 resulting in significant increases.

Financial Impact

There is a financial impact resulting from the required utility allowance changes. As tenants get a higher utility credit, their tenant rent paid to the landlord decreases resulting in an increased Metro HRA rent portion.

- 94% voucher holders pay for electricity
- 47% of voucher holders pay for natural gas heat

The utility allowance changes will occur gradually over the next year and are implemented with families regular annual recertifications.

Table 2. Number of Affected Voucher Holders

Utility Allowance Increase Amount	# Voucher Holders
\$0	377
\$1-\$9	1484
\$10-\$19	1580
\$20-\$39	1730
\$40-\$59	1014



Utility Allowance Increase Amount	# Voucher Holders
\$60-\$80	425

The total additional monthly utility expense to the HRA budget is estimated to be \$161,285 (\$1.9 million annually).

This increase will result in higher average subsidy payments and may impact the number of families served. Metro HRA staff will monitor costs closely to remain within the federal funding award.

Rationale

Utility allowances are used to determine the total housing cost charged to the tenant. The tenant's lease determines which utilities are paid by the tenant and which by the landlord. The changes are required under federal regulation.

Thrive Lens Analysis

The utility allowance schedule revision supports the Thrive outcomes of livability and stewardship. Reviewing and updating utility rates each year ensures program participants receive accurate rate reimbursements for tenant-paid utilities, which helps them better manage their household budgets.

Funding

Funding for the Housing Choice Voucher and Housing Opportunities for Persons with AIDS programs is provided by the U.S. Department of Housing and Urban Development through congressional appropriations. Funding for the Housing Trust Fund is provided by Minnesota Housing through State appropriations.

