



MICHIGAN MULTI-FAMILY ASSET MANAGERS, LLC

2395 JOLLY ROAD, SUITE 180 OKEMOS, MICHIGAN 48864
PHONE (517) 267-9277 FAX (517) 267-9894 TTY: (800) 382-4568

Utility Allowance Adjustments

When to submit a utility allowance analysis

- A utility allowance analysis must be submitted with **all** multi-year rent adjustments and contract renewals, regardless of rent adjustment type.

Special instructions for 515/8 properties

- Rural Development properties that still have a loan through USDA should have their utility allowances approved by Rural Development. Owners should submit a signed copy of Rural Development's approval letter to this office to have a new rent schedule executed. If the property no longer has a loan through USDA, then the utility analysis should be forwarded directly to this office for review and approval.

Adjust the Utility Allowance up or down based on average annual cost

- Utility allowances will be adjusted upward or downward based on the analysis.

Documentation to Submit

- A summary supporting the proposed change to the utility allowance. The summary must address the following items:
 1. Identify the type of utilities covered by the utility allowance (ex. gas for heating and hot water).
 2. State whether any utility rate increases or decreases were implemented during the past 12 months or are expected to be implemented during the next 12 months and the amount of those increases or decreases.
 3. State how any energy conservation initiatives have or will impact consumption.
- Analysis worksheet/spreadsheet showing average utilities paid per year for each bedroom type.
- Recommendation of new Utility Allowance per unit type.
- Back up documentation (unit utility histories from the utility company that outline the most recent 12 months expenses/usage) for each unit type. Minimum requirement for backup documentation is a 25% sampling of each unit type or a minimum of ten (10) whichever is greater.
- The histories must be directly from the utility company or utility company's website. Owners will not be permitted to read the meters themselves and base the analysis off their estimated usage.
- The histories used for each unit should be based on 12 consecutive months.
- The most recent invoice used in the analysis must be from within the last six (6) months.
- Do not factor in late fees.
- If an owner decides to base their analysis on usage and apply a rate to the usage rather than base the analysis on actual cost, please take into consideration the following:
 - Do not just use the most recent utility rate. Please average the most recent 12 months of rates. The reason for this is that some utility companies use graduated rates based on consumption which leads to fluctuations in monthly utility rates.
 - Sometimes different unit types have different utility rates. For example, family versus senior rates. Please be sure to document all rates and apply the correct rates to each individual unit.

Calculating the Utility Increase/Decrease

- The utility data submitted for each unit type is averaged.
- MMAM typically bases the calculation on units within one standard deviation of the mean



EQUAL HOUSING OPPORTUNITY
EQUAL OPPORTUNITY EMPLOYER