

Outline of Topic – 10/8/12

Question:

Where the Energy Consumption Model utility allowance methodology under 1.42-10(b)(4)(ii)(E) is available as the applicable utility allowance, what is the purpose of the following language regarding 12 months of building consumption data:

Use of the energy consumption model is limited to the building's consumption data for the twelve-month period ending no earlier than 60 days prior to the beginning of the 90-day period under paragraph (c)(1) of this section...In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the qualified professional may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

Summary of Issue:

Within 1.42-10(b)(4)(ii)(E), the descriptions of the Energy Consumption Model methodology reference that a properly licensed engineer or qualified professional may calculate utility allowances using “an energy and water and sewerage consumption and analysis model” that must analyze “specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location”.

The language in 1.42-10(b)(4)(ii)(E), which allowed the use of the Energy Consumption Model when applicable, references an engineering type approach/methodology for calculating utility allowances based on the property specific design, mechanical systems, building materials, appliances, factors that relate to energy and utility consumption, etc. This singular engineering approach can be used to analyze and calculate an appropriate level of utility consumption specific to an individual property, its unique building characteristics, and the level of energy efficient construction to which it was built. The availability of such an approach should provide the means to adequately compensate tenants for utility expenses while providing accurate utility allowances specific to an individual property.

In theory, this singular engineered approach/methodology should ensure that property owners receive an appropriate financial return and encourage the industry to continually reinvest in a greater affordable housing stock, built to a higher level of energy efficiency.

However, the stipulation that the Energy Consumption Model is “limited to the building’s consumption data” has created an ambiguous situation for the property owner, regulatory agencies, and properly licensed engineers/qualified professionals. It is unclear if the required “building consumption data” is a reference to the calculated consumptions derived from an energy and water and sewerage consumption and analysis model or if the “building consumption data” is a reference to a second and separate set of consumption data such as historical tenant utility billing information.

Several Housing Finance Agencies who regulate the acceptable utility allowance methodologies on a state level have either had an unclear understanding of what additional information, if any, is required for an engineering analysis under the Energy Consumption Model or have stated that actual historical tenant utility bills for the most recent 12 month period are required to process an Energy Consumption Model utility allowance submittal.

Where actual tenant utility bills are required, several issues have been made apparent:

1. The vast majority of affordable housing properties do not have access to historical utility billing data and gathering that data places an additional labor burden on property owners
2. Historical utility billing data does not take into account conservative behavior and does not promote energy conservation
3. Billing data is only required for the most recent 12 month period
 - a. If it was an exceptionally warm or cold year in the previous data range, utility allowances would be over or underestimated
4. Even if historical utility billing data is available, there is no clear indication as to what should be done with that data
 - a. The regulation seems to refer to two separate methodologies that have a different calculation approach (Energy Model vs. Actual Historical Data)—Comparing Apples to Oranges
5. Historical utility bills may include energy and utility consumption from end-uses that are not approved by HUD or the IRS for conserving households of modest means
6. Sample size of historical billing data may skew energy and utility consumption higher or lower than what is considered an appropriate utility allowance for all tenants located in a property

The underlying purpose of the Energy Consumption Model was to create an accessible option, separate from other utility allowance methodologies, for property owners to calculate utility allowances based on the construction characteristics of individual housing sites and to encourage the growth and investment in energy efficient housing.

However, the current language for the Energy Consumption Model under 1.42-10(b)(4)(ii)(E) has created limitations and barriers either through a lack of regulatory understanding by those who oversee and review utility allowances or through the requirement of additional data sets that are rarely accessible.

Solution:

Moving forward, could the current Energy Consumption Model methodology under 1.42-10(b)(4)(ii)(E) be changed, amended, or a new methodology proposed to allow an engineering approach/methodology that analyzes “specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location” without the limitation of requiring an additional data set of energy and utility consumption?

Allowing purely an engineering approach/methodology would allow for a greater number of affordable housing properties to obtain utility allowances calculated specifically for the construction and location characteristics of each individual property. Furthermore, properties built to a moderate level of energy efficiency and that are able to apply an engineering approach/methodology to utility allowances will no longer have to accept utility allowances designed for older housing stock or non-conservative tenant behavior.

Either through a regulatory clarification, amendment, or creation of a new methodology, an engineered type model and methodology for utility allowances could adequately compensate tenants for an appropriate level energy and utility use, create financial incentives for owners and developers to build more energy efficient housing stock, and encourage retrofits and renovations to improve conditions of existing housing stock.

Contact Information:

Mr. Cameron Williams

Office: (434) 296-2116 ext. 402

Fax: (888) 528-6415

Email: CameronW@2rw.com

Mailing Address:
100 10th Street, NE, Suite 202
Charlottesville, VA 22902-5433