

# FLASH ALERT

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## ADJUSTING UTILITY CONSUMPTION FOR DISPOSITION OR DEMOLITION OF UNITS

The Rolling Base Consumption Level (RBCL) is reported on HUD Form 52722, the "Operating Fund Calculation of Utility Expense Level." This form will calculate the subsidy due from HUD to a PHA to help pay for the PHA's portion of utility costs for a Public Housing project/Asset Management Project (AMP). In summary, the form compares the most recent reporting period consumption to the prior 3-year RBCL and HUD will fund the Public Housing Authority (PHA) on the lower of the two consumption level amounts by type of utility.

When public housing units reach the end of their life cycle, the PHA has options to either demolish/dispose of the units or modernize the units. If the PHA decides to demolish or dispose of the units, this will cause a discrepancy in the calculation when comparing utility consumption data from the most recent reporting period to the prior 3-year RBCL. The most recent reporting period consumption when compared to the 3-year RBCL will be skewed due to the public housing units being demolished or disposed. The PHA must provide a calculation to HUD to determine the methodology that was used to remove consumption from the 3-year RBCL and include a narrative as well. The narrative must identify the number of units removed, date of removal,

number of unit months, demo/dispo application (DDAPP) number, and what consumption was removed from the rolling base (e.g. master-metered heat, common area electricity in the building, etc.). PHAs should clearly state the methodology used to adjust the rolling base and identify what was not adjusted (e.g. security lighting, irrigation, and other utilities not impacted by the removal). This will be required when an AMP removes at least 10% of the units in a building. If the PHA disposed or demolished less than 10% of the units or fewer than 5 units, then no adjustment is required.

When making the adjustment, the PHA will first check "Yes" in the box on HUD Form 52722.

If the consumption data is not unavailable, the PHA has not maintained or cannot obtain actual consumption data for the units that are being removed] then, the PHA will notify the HUD field office. The PHA will develop comparable estimate of consumption data regarding a particular utility or utilities from its records or from the records of comparable units for the most recent full rolling base period as approved by the HUD field office when they were notified.

The estimated consumption should be based upon actual experience taking into account, where possible, physical attributes of the units, the relationship of the heating degree days of the period of actual experience and the missing experience when considering utilities used for space heating. If consumption of comparable units is utilized, that consumption must have taken place during the same period.

When consumption data is available, PHAs should use one of the following methodologies to remove historical utility consumption for each utility from the 3- year RBCL when units were removed.

**METHODOLOGY 1:** If an individual building or unit is metered separately, the PHA should subtract out the utility consumption for any building or unit that will be removed. This is the simplest and most accurate methodology. The PHA should use this when possible.

**METHODOLOGY 2:** If there is only one meter serving a group of buildings in the project, then the utility consumption should be subtracted out proportionately based on the number of units being removed. In order to do this, the PHA needs to estimate the consumption for the impacted units.

Examples of scenarios that will require the use of this methodology:

- ▶ Utilities, such as fuel oil, when deliveries serve multiple buildings and are billed collectively;
- ▶ When demolishing part of a building when the building is serviced by a single meter; and,
- ▶ When removing a single building at a multi-building development that has a central meter or power plant servicing the building which needs to be removed.

More than one methodology may be used by a PHA when adjusting utility consumption levels. PHAs should select the appropriate methodology for each utility at each development.

For example, The PHA has an AMP with 5 buildings and will demolish 1 of the 5 buildings.

Utility	Metering Arrangement	How to Remove Consumption
Electricity - Main Meter	Each unit is individually metered and paid for by the tenant. Each building has a common area meter.	<b>Methodology 1</b> - Remove the consumption for the individual units (52723, tenant allowances) and common area for that one building (52722 rolling base).
Electricity - Security Lights	One master meter includes the electricity for parking lot lights.	Demolition will not impact this meter, therefore no adjustment needed.
Natural Gas	Each building has one gas meter. Each building has a central heating and hot water system for the building.	<b>Methodology 1</b> – Remove the consumption for the impacted building.
Water	There is one central water meter for the entire development.	<b>Methodology 2</b> –Estimate the water consumption for the impacted building.

**METHODOLOGY 2**

In order to subtract out appropriate utility consumption for the demolished units, the PHA will estimate the amount consumed by each housing unit. Methodology 2 will use a HUD-defined weighted-value that is assigned to each type of unit [based on bedroom size] to estimate the utility consumption of those housing units. The weighted value will then be used to calculate the amount of consumption to be removed.

Type of Unit	HUD Weighted Value
Studio	.70
1-Bdrm	.85
2-Bdrm	1.00
3-Bdrm	1.15
4-Bdrm	1.25
5-Bdrm	1.35
6-Bdrm	1.45

In the following example, a 98 unit development will demolish 15 units.

Type of Unit	Total Units	Units to Remove
Apartment	98	15
Studio	10	8
1-Bdrm	15	3
2-Brdm	23	4
3-Bdrm	45	0
4-Bdrm	5	0
5-Bdrm	0	0
6-Bdrm	0	0

Rolling Base	Original Utility Consumption
Rolling Base	456,987
Year 1	473,849
Year 2	462,123
Year 3	434,989

Based on the above data, the PHA can now calculate the utility consumption for each unit type and how much to remove:

**A. Number of Units (PHA Count)**

PHA should enter the quantity of housing units, by type of unit

**B. Weighted Points (HUD Provided)**

Fixed Value

**C. Total Calculated Points (Formula)**

= [Weighted Points] x [Number of Units]

**D. Estimated Consumption by Unit Type (Formula)**

= [Rolling Base Consumption] x ([Calculated Points] / [Sum of Calculated Points])

**E. Estimated Consumption per Unit Type (Formula)**

= [Consumption by Unit Type] / [Number of Units]

**F. Units to Remove (PHA Count)**

PHA should enter the quantity of housing units, by size

**G. Consumption to Remove (Formula)**

= [Estimated Consumption per Unit Type] x [Units to Remove]

	A	B	C	D	E	F	G
	Type of Units	Number of Units	Weighted Points	Total Calculated Points	Estimated Consumption per Unit Type	Units Removed	Consumption to Remove
0 Bdr.	10	.7	7	31,751	3,175	8	25,401
1 Bdr.	15	.85	12.75	57,832	3,855	3	11,566
2 Bdr.	23	1	23.00	104,325	4,536	4	18,143
3 Bdr.	45	1.15	51.75	234,730	5,216	0	0
4 Bdr.	0	1.25	6.25	28,349	5,670	0	0
5 Bdr.	0	1.35	0	0	0	0	0
6 Bdr.	0	1.45	0	0	0	0	0
Sum	98		100.75	456,987		15	55,111

	Adjusted Utility Consumption
Rolling Base	401,876
Year 1	4,187,389
Year 2	407,012
Year 3	379,878

HUD Form 52722 will be adjusted for each type of utility consumption in the 3-year rolling base. The type of utility will be reduced by 55,111 units, thus reducing the overall average rolling base consumption. Now, a revised or original subsidy calculation can be submitted.

## CONTACT

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### ABOUT BDO PHA FINANCE

BDO PHA Finance, a division of BDO USA, LLP, provides accounting and management consulting services to Public Housing Authorities (PHAs) nationwide. We are proud to be making a difference for the housing authorities that serve communities throughout the United States.

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