



CITY OF SOMERVILLE, MASSACHUSETTS
MAYOR'S OFFICE OF STRATEGIC PLANNING & COMMUNITY DEVELOPMENT

KATJANA BALLANTYNE
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MEMORANDUM

TO: Hannah Carrillo, Aneesh Sahni – Mayor's Office Intergovernmental Affairs Team
FROM: Mike Feloney, OSPCD Housing Director
CC: Lisa Davidson, OSPCD Housing Grants Manager
Kelly Donato, OSPCD Assistant Housing Director and Housing Counsel
Ellen Shachter, Office of Housing Stability Director
DATE: February 2, 2023
RE: Council Order 22-1683 Re. How Anticipated Increases in Utility, Heating, and Water Bills Affect Affordable Housing Tenants

I am writing to share information Housing Division staff have prepared in response to the above-referenced City Council order regarding how anticipated increases in utility, heating, and water bills may affect affordable housing tenants. While the information that follows is somewhat technical in nature, Housing Division staff thought it was worth providing it, as the 'Utility Allowance' deductions that occur from base rent for applicable tenant-paid utilities (e.g., electric, heat, and water) for affordable housing units can serve to mitigate the impact of utility cost increases on affordable housing tenants.

The Somerville Housing Authority (SHA) annually publishes a Utility Allowance (UA) based on building type (low rise, midrise, etc.), energy type (electricity, natural gas, oil), and unit type (one-bedroom, two-bedroom, etc.) The numbers in the UA are based on average utility costs and are regularly adjusted. A household's actual utility costs may be higher or lower than the average number reflected in the UA based on actual usage in any given month.

Using SHA's UA, Housing Division staff calculate the total applicable UA deduction for tenant-paid utilities in a given affordable housing development. Once the total UA deduction for a development is calculated, that amount is then deducted from the allowable base rent to determine final maximum rent. Below we have developed an example of how this process works under a couple of scenarios; together, the two charts provided illustrate how base rent is calculated and the process for deducting the UA total from the base rent.

Chart A includes two different UAs calculated for Miscela, a property with 31 affordable units in Assembly Row. Specifically, Chart A shows both the current UA (published in January 2023) and the prior UA (published in January 2022) for two different building portion types (mid-rise wood frame and high-rise tower). The purpose of including this information is to provide a sense of deduction changes from one year to the next. In this case, deductions are higher in 2023 than what were provided in 2022.

Chart B shows the allowable base rents at Miscela *prior* to any UA deduction. While the current UAs were updated in January, typically allowable rents (low and high HOME rent) have been updated by the U.S. Department of Housing and Urban Development (HUD) in the spring. As can be seen in Chart B, the allowable base rents vary according to unit size and what Area Median Income (AMI) level the unit is restricted at (i.e. whether the unit is housing a household up to 50% AMI or also referred to as a Tier 1 unit or housing a household up to 80% AMI also referred to as a Tier 2 unit).

Under this example, these two charts would then be used to calculate the maximum rent. For instance, for a two-bedroom Tier 1 unit (housing a household at or below 50% AMI) in the mid-rise wood frame building at Miscela, for a lease beginning in February 2023, the total rent is \$1,289. The specific calculation is:

Allowable base rent for a two-bedroom at Tier 1 (50% AMI) without adjustment for the UA is: \$1,577

UA for a two-bedroom in the wood frame mid-rise building portion at Miscela is: \$288

The break down of the deductions is as follows:

- Gas Heat \$64
- Electric Cooking \$13
- Electric & Refrigerator \$68
- Gas Hot Water \$23
- Water \$42
- Sewer \$78

Maximum allowable rent (after UA adjustment): \$1,289

Chart A

UTILITY ALLOWANCES						
WOOD FRAME HIGH-RISE with Elevator Utility Allowances						
No Utilities included and tenants also pay water and sewer						
		Fuel				
HEATING-		Gas	<<<These are correct fuels for Miscela			
COOKING-		Electric	<<<These are correct fuels for Miscela			
ELECTRIC + REFRIG. -		Standard	<<<These are correct fuels for Miscela			
WATER HEATING -		Gas	<<<These are correct fuels for Miscela			
Water- Pd by Tenant		YES	<<<These are correct fuels for Miscela			
Sewer - Pd by Tenant		YES	<<<These are correct fuels for Miscela			
Number BRs	0	1	2	3	4	5
CURRENT	119	173	288	388	501	611
PRIOR	106	154	255	347	427	545
UTILITY ALLOWANCES						
TOWER -- HIGH-RISE with Elevator Utility Allowances						
Heat is included and tenants also pay water and sewer						
		Fuel				
HEATING-		Electric	<<<These are correct fuels for Miscela			
COOKING-		Electric	<<<These are correct fuels for Miscela			
ELECTRIC + REFRIG. -		Standard	<<<These are correct fuels for Miscela			
WATER HEATING -		Electric	<<<These are correct fuels for Miscela			
Water- Pd by Tenant		YES	<<<These are correct fuels for Miscela			
Sewer - Pd by Tenant		YES	<<<These are correct fuels for Miscela			
Number BRs	0	1	2	3	4	5
CURRENT	106	220	261	357	501	611
PRIOR	87	131	219	304	416	532

Chart B

6/15/22	Studio	1 bed	2 bed	3 bed	4 bed	5 bed
Tier 1 - Low HOME Rent	\$ 1,227	\$ 1,315	\$ 1,577	\$ 1,823	\$ 2,033	\$ 2,243
Tier 2 - High HOME Rent	\$ 1,570	\$ 1,684	\$ 2,023	\$ 2,329	\$ 2,578	\$ 2,826

Upon lease renewal for existing tenancies or upon lease up for new tenancies for each affordable unit, the rent is adjusted at that time using the then-current allowable rent for the Tier and the then-current applicable UA deduction. For example, a household that just signed a new one-year lease in December 2022 will not have the 2023 allowable base rent minus the 2023 UA until December 2023.