

## **Guidance on How to Adjust the Rolling Base When Projects, Buildings or Units Are Removed from Inventory**

When Public Housing Agencies (PHAs) remove a project, or building, or more than 10% of the units in a project from their inventory, the PHAs must subtract out the appropriate amount of utility consumption from the rolling base (utility consumption from the three years prior to the current reporting period). This guidance supplements the instructions found in the HUD-52722, and provides specific instructions on how to adjust the rolling base when removing units from inventory (a.k.a. consolidated Annual Contributions Contract—ACC)<sup>1</sup>.

Guidance, under “Special Instructions for Specific Items” in the HUD-52722, stipulates that PHAs that dispose or demolish projects or entire buildings within a project shall exclude all data by utility (rate, consumption, rolling base, eligible unit months, etc.) for these projects or buildings once the actual consumption (see Line 01) for the 12-month period ending June 30<sup>th</sup> that is 6 months prior to the first day of the funding period no longer contains a full 12 months (including no months) of consumption for these projects or buildings. The PHA shall make appropriate adjustments to the rolling base, provide HUD a spreadsheet showing the calculation, and submit a narrative explaining the rolling base adjustment in the remarks section of the HUD-52722. 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).

PHAs that are permanently disposing or demolishing at least 10% of the total units within a building shall make an appropriate adjustment to the rolling base, provide HUD with a spreadsheet showing the calculation, and submit a narrative explanation. If the PHA is permanently disposing or demolishing less than 10% of the total units or fewer than 5 units within a building, the PHA shall make no adjustment to the rolling base. In such circumstances, a comment must be provided specifying that the units removed were less than 10% of the total units. Units that are merged to create larger units (‘break through units’) are not counted for the purpose of this section.

Please note that the instructions for Section 1 of the HUD-52722 also stipulate that in accordance with 24 CFR Part 990.155, additions and deletions of units, PHAs will periodically report to HUD projects, or entire buildings in a project, that are eligible for an asset-repositioning fee (ARF). This event will trigger a decline in the number of eligible unit months reported on the HUD-52723. This event **will not** trigger a resubmission or an adjustment to the HUD-52722. Actually, requirements to adjust the rolling base are tied to their being a full 12 months of consumption in the reporting period (as noted above), not the receipt of ARF. Guidance under Section 1 General Instructions in the HUD-52722 stipulates that, if the PHA’s project’s utility records for the 12-month period ending June 30<sup>th</sup> that is 6 months prior to the first day of the funding period contain consumption data for units for less than a 12-month period, enter a “Yes” in the box.

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<sup>1</sup>This applies to PHA-paid utilities reflected on the HUD-52722. Tenant-paid utilities, which are subsidized with the utility allowance are not included on the HUD-52722; therefore, an adjustment is not needed.

The aforementioned instructions are based on the premise that consumption data for units to be removed is readily available, which may not always be the case. Therefore, if consumption data are unavailable—that is, if a PHA/project has not maintained or cannot recapture actual consumption data for its existing units (not new units)—the PHA will notify the HUD field office of this event. The PHA/project will develop comparable consumption data (an estimate) regarding a particular utility or utilities from its records or from the records of comparable units for the full Rolling Base Period that is consistent with the methodology 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 rolling base when demolishing units.

**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. PHAs 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, PHAs need to estimate the consumption for the impacted units.

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

- For 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.
- When removing a single building at a multi-building development and that development has a central meter or power plant that services the building to be removed.

**Methodological Selection:** 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.

**Example 1:** The PHA has a development with 5 buildings and will demolish 1 of the 5 buildings.

Utility	Metering Arrangement	How to Remove Consumption
<b>Electricity – Main Meter</b>	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)
<b>Electricity – Security Lights</b>	One master meter includes the electricity for the parking lot lights	Demolition will not impact this meter, therefore no adjustment needed
<b>Natural Gas</b>	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
<b>Water</b>	There is a central water meter for the entire development.	<b>Methodology 2</b> – Estimate the water consumption for the impacted building

**Methodology 2 - How to identify and remove consumption of demolished units**

In order to subtract out appropriate utility consumption for the demolished units, the PHA will estimate the amount consumed by each housing unit. The methodology shown below uses a *HUD-defined weighted-value* that is assigned to each type of unit to estimate the utility consumption of those housing units. The weighted value will then be used to calculate the amount of consumption to remove.

Type of Unit	HUD Weighted Value
Studio	0.70
1 - Bedroom	0.85
2 - Bedroom	1.00
3 - Bedroom	1.15
4 - Bedroom	1.25
5 - Bedroom	1.35
6 - Bedroom	1.45

**Example 2:**

The development currently has 98 housing units and will demolish 15 of those units.

**PHA Inputs:**

PHAs will provide all inputs for cells shaded yellow for each utility type.

- **Total Units** – The current number of housing units, by type of unit.

- **Units to Remove** – The number of housing units to remove from inventory, by type of unit.
- **Original Utility Consumption** – The last three years of each utility’s consumption data. Refer to the most recent HUD Form 52722 for this information.

**Total Units & Units to Remove**

Type of Unit	Total Units	Units to Remove
<b>Apartments</b>	<b>98</b>	<b>15</b>
Studio	10	8
1-Bedroom	15	3
2-Bedroom	23	4
3-Bedroom	45	0
4-Bedroom	5	0
5-Bedroom	0	0
6-Bedroom	0	0

**Original Utility Consumption**

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

**Calculating 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 Unit	Number of Units	Weighted Points	Total Calculated Points	Estimated Consumption by Unit Type	Estimated Consumption per Unit Type	Units to Remove	Consumption to Remove
Studio	10	0.7	7.00	31,751	3,175	8	25,401
1 - Bedroom	15	0.85	12.75	57,832	3,855	3	11,566
2 - Bedroom	23	1	23.00	104,325	4,536	4	18,143
3 - Bedroom	45	1.15	51.75	234,730	5,216	0	0
4 - Bedroom	5	1.25	6.25	28,349	5,670	0	0
5 - Bedroom	0	1.35	0.00	0	0	0	0
6 - Bedroom	0	1.45	0.00	0	0	0	0
<b>Sum</b>	<b>98</b>		<b>100.75</b>	<b>456,987</b>		<b>15</b>	<b>55,111</b>

**Result:**

**Adjusted Rolling Base Consumption (Formula):**

$$= [\text{Rolling base}] - [\text{sum of Consumption to Removed}]$$

	Adjusted Utility Consumption
<b>Rolling Base</b>	<b>401,876</b>
Year 1	418,738
Year 2	407,012
Year 3	379,878