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**Special Attention of:**

**Notice H 2023-09**

Multifamily Asset Management Division  
Directors

Issued: 8/3/2023

Multifamily Contract Administrators  
Multifamily Project Owners and Management  
Agents

Expires: This Notice remains in effect until  
amended, superseded, or rescinded.

Multifamily Regional Center Directors

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**Subject: Treatment of Financial Benefits to HUD-Assisted Tenants Resulting from Participation in Solar Programs**

**I. Purpose**

This Notice provides guidance on the treatment of financial benefits realized by HUD-assisted tenants resulting from either participation in a community solar program or the presence of an on-site solar facility.<sup>1</sup> Specifically, it addresses whether and how such financial benefits are to be factored into utility allowance baseline analyses and income calculations. It covers the following scenarios:

- A. Electricity is individually metered, and the tenant receives a financial benefit (a virtual net metering credit) that appears as a negative amount on the tenant's electricity bill.
- B. Electricity is individually metered or sub-metered, but it is administratively infeasible or not legally possible for the financial benefit to be distributed via individual discounts on tenants' electricity bills, so the owner must find another means of distributing the financial benefits.
- C. Electricity is master-metered, such that residents do not receive individual electricity bills, and the owner must find another means of distributing the financial benefits.

**II. Background**

Many community solar programs and on-site solar incentive programs stipulate that financial benefits must be distributed to tenants as a condition of program eligibility. For tenants of HUD-assisted properties, whether they receive a direct financial benefit (i.e., a credit on their electricity bill) or an indirect financial benefit (i.e., a financial benefit distributed not via an individual meter but by an owner), the question is whether that financial benefit must be factored into the tenant's utility allowance or included in the tenant's annual adjusted income; either outcome would reduce the value of the financial

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<sup>1</sup> This guidance could also apply to financial benefits resulting from other, similar programs, such as a qualified solar and wind facility as defined at 26 U.S.C. § 48(e)(2).

benefit. Owners who wish to participate in programs that require the distribution of financial benefits to tenants must therefore be mindful about existing rules for utility allowance baseline analyses and income calculations.

Community solar programs provide people residing in properties that may be unsuitable for solar panels with the opportunity to subscribe to community solar arrays. Subscribers then receive credits on their utility bills that are directly attributable to the solar project's energy generation. These subscribers may be tenants who receive financial benefits directly, either through individual metering or sub-metering, or owners of master-metered properties, who must then distribute such financial benefits to tenants. With respect to on-site solar, where electricity does not pass through a meter, owners must distribute financial benefits to tenants irrespective of whether tenant units are individually metered.

Many tools made available at the federal level to finance or fund renewable energy projects at multifamily properties require that energy cost savings (i.e., financial benefits) be distributed to residents. The Inflation Reduction Act (IRA), for example, expanded or created several programs to finance solar facilities, including some targeted to affordable multifamily housing. The IRA amended the investment tax credit for energy property (ITC),<sup>2</sup> by adding the "Low-Income Communities Bonus Program," an additional allocated tax credit for certain solar and wind facilities. A facility that is part of "qualified low-income residential building project" requires that the facility's financial benefits be distributed to the participating property's residents.

### **III. Terminology**

- A. "Community Solar" is any solar project or purchasing program within a geographic area in which the benefits of the project flow to customers such as individuals, businesses, and not-for-profit organizations. In most cases, customers benefit from electricity generated by solar panels at an off-site array.<sup>3</sup>
- B. "Individual Metering" is when individual households in a multifamily housing development have a unique account with their electricity provider and receive an individual electricity bill reflective of their consumption.
- C. "Master Metering" is when a single meter measures the total amount of electricity consumption for a multifamily housing development. The owner/manager of the property receives one total bill for each billing period.
- D. "Sub-metering" is when a single meter allows for the monitoring of usage on individual electricity or other costs past a Master Meter.

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<sup>2</sup> See 26 U.S.C. § 48.

<sup>3</sup> For more information, visit the "Community Solar Basics" web page at <https://www.energy.gov/eere/solar/community-solar-basics>.

- E. “Net Metering” is when community solar participants receive a credit on their electricity bill. “Virtual net metering” is when the solar array is located off-site and not directly connected to the participant’s home electrical system.

#### **IV. Applicability**

This notice applies to the following Office of Multifamily Housing Programs:

- A. Project-based Section 8
  - 1. New Construction
  - 2. State Agency Financed
  - 3. Substantial Rehabilitation
  - 4. Section 202/8
  - 5. Rural Housing Services (RHS) Section 515/8
  - 6. Loan Management Set-Aside (LMSA)
  - 7. Property Disposition Set-Aside (PDSA)
  - 8. Rental Assistance Demonstration Project-Based Rental Assistance (RAD/PBRA)
- B. Section 202/162 Project Assistance Contracts (PAC)
- C. Section 202 Project Rental Assistance Contracts (PRAC)
- D. Section 202 Senior Preservation Rental Assistance Contracts (SPRAC)
- E. Section 811 PRACs
- F. Section 811 Project Rental Assistance (PRA)
- G. Non-insured Section 236 Interest Reduction Payment projects

#### **V. How to Determine Whether Direct Benefits to Tenants Must be Factored into Utility Allowance and/or Annual Income Calculations**

This section of the Notice applies where electricity is individually metered or sub-metered, and the tenant receives a virtual net energy metering credit as part of community solar or on-site solar facility. Please use the following two-step process to determine whether the solar credits should be included in/excluded from the utility allowance baseline analysis or included in/excluded from a family’s annual income for purposes of rent calculation and/or eligibility determination.

### Step One: Determine if Solar Credits Affect Utility Allowance Calculation

Step One is a test for determining the solar credit's relationship to the utility allowance calculation. To understand the effect of a community solar credit on a unit's utility allowance calculation, you will need a copy of the tenant's electricity bill (this can be accessed by the utility company if it is not already available). Per this guidance, you will not need any additional information as the solar credit will appear as a negative amount on the tenant's electricity bill.

If the credit reduces the cost of energy consumption by lowering actual utility rates, then the owner **is** required to submit a new baseline analysis in accordance with Housing Notice 2015-04, regardless of when the last analysis was submitted to HUD/Contract Administrator for approval.

Factors for determining whether the credit is tied to the cost of consumption:

- A. Is the credit a third-party payment (e.g., not from the electricity provider) on behalf of the tenant rather than a reduction in the cost of utilities?

If "yes," then the credit is not considered to reduce the cost of energy consumption as the cost for the utility provider to provide the consumed energy does not change. The owner **is not** required to submit a new utility allowance baseline analysis (see example bills with solar credits not tied to consumption in the appendix).

If "no," then the credit may be tied to the cost of consumption. Proceed to question B below.

- B. Does the credit amount fluctuate every month based on consumption (i.e., not based on solar output) and/or does the electric bill show a lowered utility rate per kilowatt-hour?

If "yes," then the credit is tied to the cost of utility consumption. The owner *is* required to submit a new utility allowance baseline analysis.

If "no," then the credit is not tied to the cost of utility consumption. The owner *is not* required to submit a new utility allowance baseline analysis.

### Step Two: Determine if Solar Credits Should be Considered Annual Income for Rent Calculation or Determining Eligibility for HUD-assisted Multifamily Programs

The second step is to determine if the credits fall within HUD's definition of annual income. In all foreseeable instances as of the date of this Notice, if the solar credit is tied to the cost of consumption (i.e., utility allowance is affected) (addressed in Step One), then the credit will not count toward income.

If a solar benefit appears on a household's electricity bill as an amount credited from the total cost of the bill, HUD has determined that the credit should be treated as a **discount**

**or coupon** to achieve a lower energy bill (rather than a cash payment or cash-equivalent payment being made available to a resident). In this case, the credit **will not** be counted toward income, as discounts on items purchased by a tenant are not viewed as “annual income” to the family. Generally, income is not generated when a family purchases something at a cheaper rate than it otherwise would.

Note that if the credits are found to be third-party payments based on Step One, there may be instances when the credits are not mere discounts and must be treated as income. For instance, a recurring monthly utility payment made on behalf of the family by an individual outside of the household is not considered a discount but is considered annual income to the family.

## **VI. How to Determine Whether Indirect Benefits to Tenants Must be Factored into Annual Income Calculations**

This section of the Notice applies where energy credits from community solar or an on-site solar facility cannot be provided directly to tenants.

Some multifamily buildings are master-metered, meaning tenants do not receive an individual electric bill. Solar programs and incentives may allow participants (i.e., owners of master-metered properties) to distribute financial benefits to tenants through alternative delivery models such as providing direct cash benefits or additional building amenities like a security guard or shuttle bus. HUD has surveyed states that are considering these alternative models and is providing via the list below an assessment of whether particular types of benefits should be considered “income” for the purpose of determining family rent or eligibility for HUD assistance.

In addition to applying in the above-described scenario, this assessment applies when electricity is individually metered or sub-metered, but it is administratively infeasible or not legally possible to distribute financial benefits directly (for example, because the solar facility is powered by rooftop panels and is used without passing through an electric meter or because the jurisdiction does not allow net-metering, etc.).

Benefit	Description	Treated as family income?
Job training and workforce development	A combination of social services, community supports, job training and/or education that positions an individual for success in the workforce. These services exclude any cash benefits, reimbursements, stipends, or gift cards to a family.	This benefit is not annual income. Services provided are not included in the income calculation for determining family rent or eligibility for HUD assistance.
Additional support staff	Hiring of additional staff to serve residents and/or building needs. Examples include resident services staff, building security guards, leasing specialists, maintenance staff, etc.	This benefit is not annual income. Additional staff being hired to support the residents and/or building are not included in the income calculation for determining family rent or eligibility for HUD assistance.
Facility upgrades	Improvements to the building and/or its grounds. Examples include energy efficiency upgrades, playgrounds, community gardens, renovation, bike racks, etc.	This benefit is not annual income. Facility upgrades, including new building amenities, are not included in the annual income calculation for determining family rent or eligibility for HUD assistance.
Free or reduced cost high-speed internet service	Free Wi-Fi provided throughout the building and/or in common areas or the owner negotiates Wi-Fi services for the building and the residents are offered a discounted service.	Free Wi-Fi is an amenity and is not included in the family's annual income. Discounted Wi-Fi services would also not be treated as annual income to the family. <sup>4</sup>

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<sup>4</sup> The Affordable Connectivity Program discounts up to \$30 per month toward broadband service for eligible households and up to \$75 per month for qualifying households on qualifying Tribal lands. The benefit also provides up to a \$100 per household discount toward a one-time purchase of a computer, laptop, or tablet if the household contributes more than \$10 and less than \$50 toward the purchase through a participating broadband provider. HUD has previously determined that the FFC Affordable Connectivity Program (ACP) does not count as annual income, see: [https://www.hud.gov/press/press\\_releases\\_media\\_advisories/HUD\\_No\\_22\\_090](https://www.hud.gov/press/press_releases_media_advisories/HUD_No_22_090).

<p>Financial literacy programs and services</p>	<p>Programs and services aimed at developing one’s financial literacy to improve personal finances. May include access to free training, classes, and/or resources related to budgeting, managing, and paying off debts, and understanding credit and investment products. These services exclude any cash benefits, reimbursements, stipends, or gift cards to a family.</p>	<p>This benefit is not annual income. Services provided are not included in the income calculation for determining family rent or eligibility for HUD assistance.</p>
<p>Wellness programs and services</p>	<p>Wellness programs and services provided to residents as <b>a preventive measure to help avoid illness while improving and maintaining general health.</b> These services exclude any cash benefits, reimbursements, stipends, or gift cards to a family.</p>	<p>This benefit is not annual income. Items that are an amenity are not included in the income calculation for determining family rent or eligibility for HUD assistance.</p>
<p>Shuttle services</p>	<p>Free shuttle services for residents can include a variety of paratransit services that use small buses or vans to provide shared mobility services. These services exclude any cash benefits, reimbursements, stipends, or gift cards to a family.</p>	<p>This benefit is not annual income. Items that are an amenity are not included in the income calculation for determining family rent or eligibility for HUD assistance.</p>
<p>Community events and/or support for resident associations</p>	<p>Hosting events for residents and/or providing financial support for resident associations. These services exclude any cash benefits, reimbursements, stipends, or gift cards to a family.</p>	<p>This benefit is not annual income. Items that are an amenity are not included in the income calculation for determining family rent or eligibility for HUD assistance.</p>

<p>Increased operating or replacement reserves for the property</p>	<p>Accounts established by property owners to pay for operating and/or large property expenses like long-term major repairs and unexpected expenses, like emergencies.</p>	<p>This benefit is not annual income. Items that are an amenity are not included in the income calculation for determining family rent or eligibility for HUD assistance.</p>
<p>Resilience center</p>	<p>Creation or designation of a space to provide critical services during a power outage and/or a weather- induced extreme event. Examples include community facilities for cooling or heating during periods of extreme heat or cold and access to refrigeration, power to charge devices, and telecommunications during a power outage.</p>	<p>This benefit is not annual income. Access to community facilities is not included in the income calculation for determining family rent or eligibility for HUD assistance.</p>
<p>Non-monetary donations</p>	<p>Non-monetary, in-kind donations, such as food, clothing, or toiletries.</p>	<p>HUD cannot definitively say whether this benefit would be counted as annual income to a family. A number of factors must be considered, including the frequency of the non-monetary donations.</p>
<p>Gift cards or cash payments</p>	<p>Gift cards provided to families, including gift cards for gas, groceries, and department stores.</p>	<p>Generally, gift cards and cash payments to a family would be included in family annual income unless an income exclusion under 24 CFR 5.609(c) applies. For example, if a family receives one gift card, it would likely be excluded as a temporary, nonrecurring, or sporadic gift under 24 CFR 5.609(c)(9). Or, if a family receives one lump sum cash payment, it would be excluded as a lump-sum addition to family assets under 24 CFR 5.609(c)(3).</p>



## **VII. Further Information**

If you are evaluating the treatment of solar credits or an owners' distribution of solar financial benefits outside the program framework outlined above, and you require a unique determination, or you have general questions about this guidance, please email John McLaughlin, Program Analyst, at [John.C.McLaughlin@hud.gov](mailto:John.C.McLaughlin@hud.gov).

To learn more about rooftop and community solar offerings and programs in your jurisdiction, visit the U.S. Department of Energy's website on solar energy resources for consumers at <https://www.energy.gov/eere/solar/solar-energy-resources-consumers>. You can also find more information about GRRP at <https://www.hud.gov/grrp>.

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Julia R. Gordon  
Assistant Secretary for Housing — Federal  
Housing Commissioner

# Appendix: On-Bill Appearance of Solar Credits

Example 1: Utility Bill with Community Solar Credits **not** tied to Consumption

**PEPCO CUSTOMER**  
Account number: ██████████

**Details of your Electric Charges**  
Residential-R - service number 0012 3456 7890 7001 6762 64  
Electricity you used this period

Meter Number	Current Reading	Previous Reading	Difference	Multiplier	Total Use
1ND344415274	May 5	Apr 4	1415	1	1415
Use (kWh)	057043 (actual)	055628 (actual)			

Your next meter reading is scheduled for June 3, 2015

**Delivery Charges:** These charges reflect the cost of bringing electricity to you.  
Current charges for 32 days, **winter rates in effect.**

Type of charge	How we calculate this charge	Amount(\$)
Distribution Services:		
Customer Charge		13.00
Energy Charge	First 400 kWh X \$0.0038440 per kWh	1.54
Energy Charge	Last 1015 kWh X \$0.0113740 per kWh	11.55
Residential Aid Discount Surcharge	1415 kWh X \$0.0002940 per kWh	0.42
Administrative Credit	1415 kWh X \$0.0001855- per kWh	0.26-
CNM Credit: CREFA	150- kWh X \$0.0809700 per kWh	12.15-
CNM Credit: CREFB	100- kWh X \$0.0809700 per kWh	8.10-
<b>Subtotal (Set by DC PSC)</b>		<b>6.00</b>
Energy Assistance Trust Fund	1415 kWh X \$0.0000607 per kWh	0.09
Sustain Energy Trust Fund	1415 kWh X \$0.0015000 per kWh	2.12
Public Space Occupancy Surcharge	1415 kWh X \$0.0020400 per kWh	2.89
Delivery Tax	1415 kWh X \$0.0070000 per kWh	9.91
<b>Subtotal (Not set by DC PSC)</b>		<b>15.01</b>
<b>Total Electric Delivery Charges</b>		<b>21.01</b>

**Electric Distribution Summary - Pepco**

Balance from your last bill **\$60.02**

Payment Apr 30 \$60.02-

**Total Payments \$60.02-**

Electric Charges (Residential-R) \$21.01

**New electric charges \$21.01**

**Total amount due by Jun 1, 2015 \$21.01**

Amount *not* to be included in utility allowance baseline analysis

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\*In this sample bill, the customer used 1415 kWh that month and they are being fully charged for that usage. The two lines of community net metering (CNM) credits are for -100 kWh and -150 kWh that carry their own kWh charge. Those are not at all connected to the 1415 kWh usage/cost.

Example 2: Utility Bill with Community Solar Credits **not** tied to Consumption

Page 2 of 3 Issued **11/10/21** Account XXXXXXXXXX

**For Questions, Support, and Outages visit ComEd.com**

English **1.800.EDISON1 (1.800.334.7661)**  
 Español **1.800.95.LUCES (1.800.955.8237)**  
 Hearing/Speech Impaired **1.800.572.5789 (TTY)**  
 Federal Video Relay Services (VRS) **Fedvrs.us/session/new**

**Total Amount Due by 12/2/21 \$18.05**

**METER INFORMATION**

Read Dates	Meter Number	Load Type	Reading Type	Previous	Present	Difference	Multiplier	Usage
10/12-11/10	271741330	General Service	Total kWh	7979	<b>Actual</b> 8061	<b>Actual</b> 82	x 1	82

**RENEWABLE COMMUNITY SUPPLY DETAILS**

Generation Period	Project Name	Phone Number	Generation kWh	Rate	Total
9/29 - 11/1	Bunker Hill 2	866.826.1997	58,6648	-0.05924	-\$3.48

**CHARGE DETAILS**

Residential - Multiple 10/12/21 - 11/10/21 (29 Days)

<b>SUPPLY</b>		<b>\$2.49</b>
Electricity Supply Charge	82 kWh X 0.06424	\$5.27
Transmission Services Charge	82 kWh X 0.01353	\$1.11
Purchased Electricity Adjustment		-\$0.41
<b>Renewable Community Supply Credit</b>		<b>-\$3.48</b>
<b>DELIVERY - ComEd</b>		<b>\$13.87</b>
Customer Charge		\$7.65
Standard Metering Charge		\$3.70
Distribution Facilities Charge	82 kWh X 0.02948	\$2.42
IL Electricity Distribution Charge	82 kWh X 0.00123	\$0.10
<b>TAXES &amp; FEES</b>		<b>\$1.69</b>
Environmental Cost Recovery Adj	82 kWh X 0.00022	\$0.02
Renewable Portfolio Standard	82 kWh X 0.00189	\$0.15
Zero Emission Standard	82 kWh X 0.00195	\$0.16
Energy Efficiency Programs	82 kWh X 0.00188	\$0.15
Franchise Cost		\$0.43
State Tax		\$0.27
Municipal Tax		\$0.51

Service Period Total **\$18.05**

**MISCELLANEOUS** **\$0.00**

Community Supply Generation Credit -\$3.48

Thank you for your payment of \$18.00 on October 15, 2021

**Total Amount Due \$18.05**

**UPDATES**

ComEd

- PRICE TO COMPARE: The ComEd electric supply price to compare is 7.777 cents per kWh. This price does not include a monthly purchased electricity adjustment factor that may range between +\$0.005 and -\$0.005 per kWh. For more information and supplier offers visit <https://www.pluginillinois.org/fixrate.aspx>. For more information on ComEd bill line items go to [ComEd.com/UnderstandBill](http://ComEd.com/UnderstandBill).
- WAYS TO PAY: Looking for ways to pay your bill? Visit [ComEd.com/PAY](http://ComEd.com/PAY)
- STOP ENERGY SCAMS: Scammers may threaten to disconnect service in exchange for immediate payment or personal information. We will never demand payment using prepaid cash cards, third-party banking apps, or cryptocurrency such as Bitcoin. Learn more: [ComEd.com/ScamAlert](http://ComEd.com/ScamAlert).

(continued on next page)

**A VARIETY OF METHODS TO PAY YOUR BILL**

Visit [ComEd.com/PAY](http://ComEd.com/PAY) for more information including applicable fees for some transactions.

**Online**

**Mobile App**

**Phone**

**In-Person**

Amount *not* to be included in utility allowance baseline analysis