U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

Notice: CPD-94-20

All Secretary's Representatives
All State/Area Coordinators
CPD Division Directors
All HOME Coordinators
All HOME Participating Jurisdictions

Issued: July 5, 1994
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Cross Reference

Subject: Rent Exceptions for HOME-Assisted Rental Projects

1. BACKGROUND

The rents for HOME-assisted rental housing units are restricted by the rent standard established in 24 CFR 92.252 (a)(1). The standard establishes one set of maximum HOME Program Rents for HOME-assisted units occupied by low-income households and another set for units occupied by very low-income households. These program rents are referred to as High HOME Rents and Low HOME Rents, respectively. The rents charged for designated High HOME Rent units may not exceed the High HOME Rents for the project and the rents for designated Low HOME Rent units cannot exceed the project's Low HOME Rents. Both!, High and Low HOME Rents vary by unit size.

HUD has the authority under 24 CFR 92.252(d) to issue exceptions to HOME Program Rents in cases where these rents do not support the continued financial viability of the project. Because HOME Program Rents help ensure that the rents charged for HOME assisted units are affordable to low- and very low-income families, only those HOME projects which demonstrate serious financial distress due to conditions which were unforeseen or beyond the control of the owner will receive consideration. HUD expects rent exceptions to be issued sparingly. Field Offices will only authorize rent exceptions after all other sources of financial relief have been pursued.

This Notice describes how HOME Rent Exceptions can be used, discusses the criteria for issuing rent exceptions, presents the steps participating jurisdictions (PJs) must follow in applying for a rent exception, and outlines the procedures HUD Field Offices will use in reviewing these application's and approving rent exceptions. Definitions of key terms used in this notice can be found in the attached glossary.

CGHP: Distribution: W-3-1, W-2, R-1, R-1-3 (ADM), R-6, R-9, Special (CPD Regional and Field Office Directors)

It should be noted that, regardless of changes in fair market rents and area median incomes over time, a project owner is not required to lower the rents for HOME-assisted un ts, below the HOME rents in effect at the time of project commitment *(2,4* CFR *92.252* (d)). Of course, changes in the marketplace may necessitate that rents for OME-assisted units be lowered to maintain the project's occupancy.

II. HOME RENT EXCEPTIONS

A HOME Rent Exception allows the owner of a' financially distressed project to charge rents for HOME-assisted units that exceed the applicable HOME Program Rents for those units. Allowing the owner to charge higher rents for HOME-assisted units can increase a project's income, thereby strengthening its financial position. Rent exceptions can only be approved by HUD and applications for exceptions most be submitted by the PJ for the distressed project.

HUD Field Offices will approve HOME Rent Exceptions sparingly and only as a last resort to prevent the loss of a financially distressed project. Before HUD will approve an exception, the PJ must demonstrate that the project is no longer financially viable under the applicable HOME Program Rents and that the project's financial distress was beyond the owner's control. HUD also expects to see that the owner and PJ have taken all reasonable steps to overcome the project's financial problems before approaching HUD to request a rent exception. The specific criteria that a project must satisfy before a HOME Rent Exception can be issued are discussed in Section III below.

In approving a HOME Rent Exception, HUD will specify the, amount by which rents for HOME-assisted units can exceed HOME Program Rents for the project. The rent exception will be expressed as a percentage of the program rents for the project. As a general rule, requests for exception rents should not exceed 120 percent of the applicable HOME Program Rents. (Rents for HOME-assisted units that exceed this threshold! may put a severe cost ~ burden on eligible families and adversely affect the occupancy of !,HOME-assisted units *in the project.) For example, a rent exception could allow an owner to charge rents up t 0115 percent of the applicable HOME Program Rents. If the High HOME Rent for a two-bedroom unit in the project was $300, under the exception the owner could charge low-income tenants in HOME-assisted units rents up to *$345*. Of course, if the local market will only support, rent of *$330* for comparable two-bedroom units, the owner would be able to charge only 330 due to market conditions. Each year as HUD revises the HOME rents for a locality, the net exception percentage is applied to new HOME rents to determine the maximum r1t that an be charged under the exception.

When approving a HOME Rent Exception, HUD may also establish conditions for receiving the exception. These conditions will specify actions that the owner has agreed to take to improve the project's financial position and the other sources of relief that that the project will receive. HUD expects that PJs will monitor the projects receiving exceptions to ensure that all conditions are being met. Conditions for receiving HOME Rent Exceptions are discussed further in Part C of Section V below.

HOME Rent Exceptions are designed to serve as a short-term source of financial relief to a project. Rent exceptions are valid for two years from the date they are approved. In evaluating applications for rent exceptions, HUD expects that a two- ear exception, in conjunction with other sources of financial relief, will be sufficient to stabilize the project's financial position and restore its viability. Financially distressed HOME-assisted projects in need of financial relief for longer periods must seek more permanent sources of assistance to ensure the viability of the property. If long-term steps are needed to increase project income or reduce expenses, HUD expects the owner and PJ to identify a more permanent form of financial relief. For example, the PJ could restructure or forgive any loan it made on the property so that the project's income will be at a level sufficient to cover its costs. In addition, the PJ should also determine whether management improvements can be made which would increase project viability.

In certain cases, HUD may extend a rent exception for an additional two-year period if a project experiences a continuing need for financial relief despite the owner's actions to strengthen the project's financial position. To obtain an extension, : 'the PJ must submit a request to extend the rent exception by documenting that the owner has met the conditions for receiving the initial exception and the project still warrants relief because it continues to meet the criteria in Section III for receiving a rent exception. Documents submitted should include, at least: a physical inspection report, cash flow analyses, a statement from the PJ that the project is in compliance with its HOME agreement, and documentation demonstrating that the problems which lead to the initial exception still exist. Requests and documentation should be submitted to the Field Office providing enough time for :an evaluation to be completed before the end of the initial extension (60 days prior to expiration of the exception rents is recommended).

For HOME projects which are also assisted by Office of Housing programs (e.g., Project-Based Section 8, Section 236, 202 Elderly Housing), the PJ and Field Office CPD must consult with and obtain approval for the exception from the Field Office Housing Management Division.

Ill. CRITE RIA FOR RECEIVING HOME RENT EXCEPTIONS

HOME Rent Exceptions will only be issued to HOME-assisted rental housing projects that meet the six criteria outlined in Exhibit 1. Each of these criteria is discussed in more detail below.

Exhibit 1
HOME RENT EXCEPTION, CRITERIA

A. Project is no longer financially feasible.

B. Sources of project's financial distress were factors beyond the owner's control.

C. HOME Rent Exception represents an effective means of increasing project income.

D. Owner has taken steps to strengthen the project's financial position.

E. Local options for providing financial relief to the property have been exhausted.

F. Project is in compliance with HOME Agreement.

A. Financial Infeasibility

When HOME funds are committed to support the development or rehabilitation rental units, the property owner and PJ establish that the project is financially viable. However, changes in local conditions can adversely affect a project's income and expenses. It these changes are severe, a project's financial position may deteriorate to the point where the project can no longer cover its costs and is at risk of being lost through default.

HUD will only issue HOME Rent Exceptions to projects that are no longer financial feasible. A project becomes financially infeasible when:

- the property is currently experiencing a negative cash flow;
- its financial distress will continue unless relief can be obtained; and the
- project is at risk of default in' the coming 12-month period. Projects must satisfy all

three conditions to be considered financially infeasible.

Negative Cash Flow

Project cash flow is a key measure of a property's financial performance. The cash flow for a project shows whether the property produces sufficient income to cover project costs. A negative cash flow indicates that project costs have exceeded project income. A project that cannot meet its costs may be infeasible, but cash flow is only one indicator.

To determine project cash flow for the purpose of assessing 'the financial feasibility of project where a HOME Rent Exception has been requested, the: project's effective gross income will be compared to project costs. Here, project costs consist of total operating expenses, debt service, and contributions to the project's reserve for replacement account. If a project's effective gross income (i.e., a project's income before operating expenses and other project costs are deducted) is less than the sum of these project costs, the project is experiencing a negative cash flow. For example, a project that produces a monthly effective gross income of *$50,000* but has operating expenses, debt service, and replacement reserve contributions that total *$54,000* would have a negative cash flow for, the month.

A project must show at least two consecutive months of negative cash flow before can be considered financially infeasible for the purpose of qualifying for a HOME Rent Exception. A project is not financially infeasible if the PJ and owner only *anticipate* that the property will experience cash flow problems at some point in the future.

Continued Financial Distress

The duration of a project's financial distress must also be considered in assessing financial feasibility. Projects can experience negative cash flow for brief periods financially viable properties. In contrast, financially infeasible projects are properties that will be unable to achieve a positive cash flow for the coming 12-month pe riod without assistance to increase project income or reduce project costs.

Risk of Foreclosure

Finally, financially infeasible projects are properties wit, ash flow shortages severe enough that the owner is at risk of defaulting on the mortgage for the project within the next 12 months. Projects that will continue to experience modest cash flow shortages in future months but have sufficient operating reserves to cover the projected shortfall for the coming 12 months would not be at risk of defaulting on the project's mortgage and, therefore, are still financially viable projects. For example, a project experiencing a negative cash flow during the lease-up period will generally not be at risk of foreclosure because reserves to cover these losses are established as part of its development costs.

HUD, however, does not expect that a projects operating reserves be exhausted before it can be considered financially infeasible. If an owner has had to use operating reserve funds to cover expenses and the project is at risk of foreclosure because remaining reserves will be exhausted within the next 12 months, the project may be considered financially infeasible.

B. Financial Distress Beyond Owner's Control

HOME Rent Exceptions will only be given in cases where the conditions contributing to a project's financial distress are beyond the control of the owner. If a property is experiencing financial distress due to dramatic increases in insurance costs or the prices charged by local utilities, these are generally conditions that are beyond the owner's control. However, if a property is experiencing a sharp rise in maintenance costs b cause the owner failed to perform preventive maintenance on the major systems, this is a situation that could have been avoided and HUD will not issue a rent exception.

C. Effectiveness of HOME Rent Exception

HOME Rent Exceptions must also represent an effective means for improving a project's financial position. Therefore, before HUD will issue a rent exception, the project's PJ must establish that the rent exception will address the conditions creating the financial distress and help prevent the loss of the property. However, not all HOME projects experiencing financial distress will be able to generate additional income by raising the rents for HOME-assisted units above the applicable HOME Program Rents, For these projects, rent exceptions will not help restore the financial viability of the project.

Projects where rent exceptions are ineffective include properties experiencing financial difficulties due to high vacancy rates among HOME-assisted units. Allowing the owner to charge higher rents for HOME-assisted units fails to increase project income because It would not help attract income eligible tenants to occupy these units. Another type of project where a rent exception may be ineffective is a property in distress due to a sharp decline in are market rents. If market rents have fallen to a level be low the project's HOME Program Rents, a rent exception will not be effective because it is the market rents that are limiting project income, not HOME Program Rents.

Note: *In some cases PJs may be able to use tenant-based rental assistance (TBRA) to assist tenants in projects with rent exceptions. This type of assistance would help existing tenants in HOME-assisted units pay the higher rents during the two-year period of the rent exception. PJs may be able to offer the assistance based on a preference for involuntarily displaced tenants.*

A rent exception May be effective in cases where project costs have risen due to circumstances beyond the control of the owner or PJ. Examples of this type rise in project costs include increases in utility rates and independent assessments against the property, such as assessments for new public facilities or infrastructure.

PJs must also establish that the requested rent exception will not result in rents f r HOME-assisted units that exceed what income eligible households are willing and able t pay. If income eligible households are unwilling or unable to pay the proposed u under the exception, raising the rents for HOME-assisted unit may only contribute project's financial distress by increasing vacancies among these units. Requests exceptions should provide evidence that income eligible families will be able to pay the proposed exception rents. For example, documentation showing that low-income tenants living in the project's market-rate units pay rents comparable to the proposed rents under the exception is one type of evidence that the proposed rents are affordable.

D. Efforts to Strengthen Property's Financial Position

Before HUD will issue a rent exception, the owner must have taken steps to address the conditions causing the project's financial distress and strengthen its financial position. Owners should seek to both control project costs and increase project income. For example, if a project is experiencing significant increases in insurance costs, the owner could attempt to control these costs by seeking better rates from other providers or selecting a lower cost option that still provides adequate coverage for the project. To improve project income, the owner could raise the rents for market-rate units to the extent the local market would support such increases. The owner should also analyze project maintenance and management to determine if changes should be made in project operations.

HUD also expects to see that owners have invested additional resources of their own to strengthen the project's financial position before it will issue a rent exception. HUD may consider services provided by the owner without charge to the project as an investment of additional owner resources, if the services directly support the operation of the project and the owner or another entity previously provided these services to the project for a fee.

E. Local Options for Financial Relief

As discussed above, HOME Rent Exceptions will be awarded sparingly and only as a measure of last resort to prevent the loss of a project through default. When requesting a rent exception, a PJ must show that available local options for providing financial relief have been fully pursued. HUD expects PJs to provide relief or assistance to projects in financial distress wherever feasible before seeking a rent exception from HUD. Restructuring the project's financing, low-interest loans from the state or city, and local tax relief are some the possible actions that should be pursued before a PJ applies for a HOME Rent Exception on behalf of a troubled project. Additional contributions and tax, abatements qualify as HOME match contributions.

F. Program Compliance

Compliance with the HOME Agreement for a project is a prerequisite for receiving a HOME Rent Exception. Owners of projects with unresolved compliance violations must have an acceptable plan in-place for correcting the violations and be able to demonstrate progress toward restoring compliance before HUD will issue a rent exception for the project. Poor past performance in correcting violations is an acceptable factor for denying a rent exception request for a project that is not in compliance at the time of the request.

IV. APPLICATION PROCEDURES FOR HOME R ENT EXCEPTIONS

Requests to HUD for HOME Rent Exceptions can only be made by the PJ. This section describes the procedures PJs must follow when applying for HOME Rent Exceptions. Because project owners will need to prepare much of the documentation included in an application, this section also offers some guidelines the HUD Field Office staff can suggest to PJs to assist in working with owners of projects that may need rent exceptions.

A. PJ Applications to HUD for HOME Rent Exceptions

When the owner of a project in financial distress contacts 'a PJ to request financial relief, the PJ will need to make an assessment of the types of assistance appropriate to the project's circumstances. To make this assessment, the PJ will need information from the owner about the project's financial position and the circumstances contributing to its financial decline (see paragraph B below). HUD expects that PJs will only request a HOME Rent Exception for a project when this assessment indicates that the project meets the six criteria discussed in Section III above.

In preparing an application for a HOME Rent Exception, a PJ’s primary responsibility s are to:

1 Evaluate the project's circumstances to determine if a rent exception i warranted;

2) Identify local options for providing financial, relief to the project;

3) Confirm that the project is in compliance with the HOME agreement signed by the owner; and

4) Assemble all materials to be included in the application package.

To request a rent exception for a HOME-assisted project experiencing financial distress, PJs should prepare an application that contains the materials listed in Exhibit 2 below. These materials should be submitted to the HUD Field Office with responsibility for that PJ. Applications may be submitted at any time during the year. HUD Field Offices will complete their review of rent exception applications within 45 calendar days of the date they are received.

In evaluating the project's circumstances, PJs should confirm that the criteria discussed in paragraphs A through D of Section III above are satisfied. PJs should I check that information about the project that was provided by the owner is correct documentation verifying its accuracy can be provided. For example, if a project experienced significant increases in its insurance costs and taxes, the PJ should obtain copies of the invoices showing these costs and include them in the application. If the owner took step to control these costs, such as seeking quotes from other insurance providers, the PJ should also confirm that the owner has documented these efforts.

Exhibit 2

REQUIRED MATERIALS FOR HOME RENT EXCEPTION APPLICATIONS

1. Background Information

A. Financial statements, including balance sheets and operating statements to the past two full years.

B. Physical inspection report of the property prepared by the PJ.

Ill. Documentation of Current Financial Condition

A. Proforma for upcoming 24 month period assuming no rent exception.

B. Narrative description of factors contributing to project's current financial infeasibility.

Ill. Evidence of Efforts to Improve Project's Financial Position

A. Documentation that efforts to increase project income and control expenses have been made.

B. Documentation that efforts to restructure both private and public financing have been made.

C. Documentation of PJ efforts to provide financial relief to the project and actions to obtain assistance from other local sources.

D. Documentation of owner contributions to the project to strengthen its financial position.

IV. Revised Plan for Project

A. Amount of HOME Rent Exception Requested

B. Documentation that the owner can attract income eligible tenants to fill vacant HOME-assisted units at the higher rent Ievels.

C. Documentation which demonstrates the effects On existing tenants and h w the PJ will provide for those tenants needing assistance.

D. Proforma for at least the next 24-month period using the amount of rent exception requested (and any other changes in , income/expenses that will result from other sources of financial relief.

F. Narrative explaining how the project's financial feasibility will be restored.

V. PJ Certification of Project Compliance

written statement from PJ that the project is in compliance with HOME Agreement or has an acceptable corrective action plan in-place.

An important component of a PJ's review of materials from owners is determining whether the owner has adequately documented that the 1 requested rents will actually increased the project's income. HUD will closely examine all applications to assess the effectiveness of the requested exception and PJs need to make sure that their applications provide evidence that the owner will be able to fill HOME-assisted units with income !eligible tenants at these higher rents.

PJs then need to work with project owners to pursue local options for providing relief to the property. For those options to the property. All options considered should be noted in the application where the project did not qualify or assistance could not be provided, the factors precluding use of these options should be documented. Complete descriptions of any assistance obtained should also be included.

The application package also needs to include a certification that the project is in compliance with the HOME Agreement for the project, PJs may submit applications for projects with unresolved compliance violations if the application includes a written certification by the PJ that an acceptable plan for restoring compliance is being implemented by the owner. The PJ needs to include a copy of this plan in the application and document the owner's progress in meeting provisions of the plan at the time of application.

Finally, the PJ must assemble all materials to be included in the application and submit a complete package to HUD. If the application package received from the PJ is not complete, HUD will not process the application until all materials have been received.

B. Owner Requests to PJ for HOME Rent Exceptions

HUD does not require that project owners make formal requests or applications to a,, PJ as a condition for receiving a rent exception. However, much of the information that PJs must provide when they apply for a HOME Rent Exception on behalf of a project can only be provided by the owner. HUD recommends that PJs develop a set of instructions for owner or a list of materials to be submitted to the PJ in the event the owner believes the project is financially infeasible under the HOME Program Rents, This will help owners understand when projects may be eligible for rent exceptions and what types of materials they will need to assemble to document that an exception is warranted for their project.

The first four components of the application materials shown in Exhibit 2 require information that the PJ will need to obtain from the project owner. PJs will need the following items from owners:

- project financial statements;
- description of the factors contributing to the project's financial distress and a proforma showing the projects anticipated performance over t e next two years under the current HOME P am Rents;
- an explanation of how the project's financial, feasibility will be restored;
- evidence that the owner will be able to attract income-eligible tenanf,6 to fill HOME-assisted units at the higher rent levels;

- evidence of owner's efforts to improve the project's financial position and any additional investment of owner resources;
- an estimate of the type and amount of relief the project would need to correct the project's financial problems;
- a description of the types of relief needed from the PJ or other local entities; and
- a listing of the other types of assistance the project currently receive , if any.

This information will help the PJ assess the project's circumstances and determine whether a rent exception is a potentially effective source of relief.

V. HUD PROCESSING OF HOME RENT EXCEPTION RE UESTS

HUD Field Office CPD Directors have the authority to issue HOME Rent Exceptions for HOME-assisted projects that meet the six criteria outlined in Section III above. Field Office CPD staff will process PJ applications for HOME Rent Exceptions and determine whether the project's circumstances satisfy these criteria.

This section outlines the procedures Field Office staff should follow in reviewing H ME Rent Exception applications and the time frame for completing these reviews. It also discusses the procedures for issuing HOME Rent Exceptions to projects where they are warranted and conducting follow-up reviews of these projects. Finally, the appeals process for PJs whose applications have been denied by the Field Office it described.

A. Reviewing HOME Rent Exception Applications

The procedures for HUD Field Office reviews of HOME Rent Exception application fall into four stages. They are:

- assessing application completeness;
- evaluating whether project meets HOME Rent Exception criteria;
- documenting review results; and
- issuing decision letters.

Completeness Review

Field Office staff should first review the application package for completeness. A complete package contains all the items listed in Exhibit 2 above. If an application does not contain all the necessary materials, Field Office staff should advise the PJ which items are missing and indicate that the application cannot be process Until the package is complete.

It, upon initial review of an application, Field Office staff determine that additional information is required to accurately assess whether a rent exception is warranted, the Field Office staff may request additional information from the PJ. To the extent feasible, application reviews should continue while PJs respond to such requests.

Evaluating Whether Project Meets Rent Exception Criteria

To determine whether a project should receive a rent exception, Field Office staff should evaluate the information in the application package to confirm that the project's circumstances satisfy the six criteria for HOME Rent Exceptions. Field Office staff should us the following guidelines in determining whether individual criteria have been met:

A. Financial Infeasibilily. Examine the information provided regarding the projects financial condition to assess whether the project is financially infeasible under the applicable HOME Program Rents. Projects must be experiencing a negative cash flow and be at risk of default due to continuing cash flow problems for the coming 12-month period to be considered financially infeasible.

B. Financial Distress Beyond Owner's Control. Review the description of the circumstances contributing to the project's financial deterioration, in conjunction with the financial data on project income and expenses, to determine whether the owner could have prevented this decline with proper management of the project's development and operation. The information in the application should clearly document that source(s) of the project's distress were conditions the owner could not have foreseen or prevented.

Failure to perform proper preventive maintenance or failing to include needed repair in rehabilitation costs are examples of circumstances within ' an owner's control. Rising insurance costs and utility prices are examples of circumstances beyond an owner's control.

C. Effectiveness of HOME Rent Exception. Examine the amount of the rent exception requested and the description of how it will enable the owner to restore the financial health of the property. These items, together with the projected budgets for the project under the proposed rent exception, provide the basis for evaluating the effectiveness of the requested exception. A rent exception is an effective remedy when it will increase the project's income and not be needed as a permanent source of relief for a project.

For example, a rent exception is not an effective remedy for cases where tile project is experiencing reduced income due to vacant HOME-assisted units or the presence of market rents that fall below HOME Program Rents. Raising the allowable rents for HOME-assisted units will not increase the income of such projects.

Likewise, if the size of the proposed rent exception would raise the rents for HOME assisted units beyond a level eligible tenants can afford, the exception will not effectively increase project income. When exception rents exceed affordable levels, tenants in HOME assisted units may fall behind on their rent payments or move to: other living situations leasing the units vacant, both of which will not enhance project income.

D. Efforts to Strengthen the Property's Financial Position'. The application should document that the owner has ' taken steps to control project expenses and improve project income. It should also include evidence that the owner has invested additional resources to address the problem.

Some owners may have limited ability to control rising expenses or increase project income. In such cases, the application must document the owner's attempts to control costs or increase income, and include an explanation of why: the owner was only able to achieve limited improvements.

The application also needs to clearly document that the owner is not taking distributions from the property. Finally, the application should establish that the fee for services to the project supplied by identity-of-interest providers is comparable to the fees paid in the local market for comparable services.

E. Local Options for Financial Relief. A review of the PJ's description of local efforts to provide financial relief to the project should reveal that the PJ has fully pursued local options to provide relief to the project, document the relief that will be provided, and explain! why other options were not feasible.

F. Program Compliance. The application should include a certification that the property is in compliance with HOME program requirements. If t e certification cannot be provided because the project has outstanding compliance violations, the PJ must submit a certification that an acceptable plan for restoring compliance has been prepared and the owner has demonstrated progress toward restoring compliance. If the owner of a project with recent violations has since replaced the management entity, the review of progress toward compliance should focus on what the new manager has accomplished and during what time period.

Field Offices may approve rent exceptions that are lower than the percentage requested in an application if their review reveals that the proposed exception provides more income than is needed to make the property financially viable. Field Office staff need to fully document the analysis performed and the criteria used in determining that the requested exception exceeds the amount reasonably needed to address the project's financial distress.

To assist Field Office staff in applying these guidelines, 0 examples of financially infeasible projects where rent exceptions have been requested have been included as appendices. Appendix A describes a project where a rent exception is warranted because it satisfies all six criteria for HOME Rent Exceptions. Appendix B characterizes a financially infeasible project that fails to meet the six criteria and therefore should not receive a rent exception. Both examples discuss why the projects did or did not meet the six criteria.

Documenting the Results of the Review

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In completing the review, Field Office staff must document the results of their determination for each of the above criteria, indicating those criteria that were met and those that were not. The documentation should describe the factors that support these decisions. A PJ's failure to provide adequate evidence in the application that the criteria have been met is an acceptable basis for denying a rent exception.

Issuing Decision Letters

Once Field Office staff have completed their review and reached a decision regarding an application, a letter notifying the PJ of the results of HUD's determination should prepared. If a rent exception will be granted, the letter should indicate the rent exception percentage that HUD will approve for the project, the effective date of the exception, and any conditions the owner and PJ must agree to before the exception can take effect (see paragraph C below). The letter should also advise the PJ that it needs to monitor the project to ensure that the conditions for receiving the rent exception are being met and notify HUD in the event the owner fails to meet these conditions.

If Field Office staff determine that a rent exception is not warranted, the letter should state that the Field Office could not approve the request and indicate the criteria for receiving a rent exception that were not adequately met.

B. Time Period for Reviews

Because projects seeking HOME Rent Exceptions are experiencing serious financial distress, Field Office staff are expected to complete application reviews as quickly as possible. A decision regarding a PJ's application should be made within 45 days of the date a complete application is received. If additional information is requested, Field Office staff should indicate to the PJ the date by which HUD must receive this information in order to complete its processing of the application within the 45-day review period.

C. Issuing HOME Rent Exceptions

If a rent exception is warranted, Field Office staff must determine if any conditions should be placed on the exception to ensure that the owner makes a good-faith effort to improve the financial position of the property and reduce the need for the rent exception. h description of the need for the rent exception included in the application should serve as 4e'e basis for establishing these conditions because it should discuss how the rent exception, along with actions by the owner and local relief, will help restore the financial viability of the property. Therefore, if the application included proposed actions by the owner and anticipated local support, Field Office staff may decide to make these conditions of the rent exception. Establishing such conditions will assist in monitoring the owner's efforts to restore the financial viability of the project and provide a basis for withdrawing the rent exception if these commitments are not fulfilled.

Rent exceptions may take effect at the point in time specified in the lease or, if not specified, at a time customary for periodic (usually annual) adjustments in rent.

D. Monitoring HOME Rent Exceptions

Once a rent exception is approved for a project, the PJ will need to monitor the owner's progress in restoring the financial viability of the project and document that the conditions for receiving the rent exception are being met. If an owner fails to fulfill a condition for receiving an exception, the PJ should notify the Field Office and HUD will assess whet the rent exception should be terminated.

GLOSSARY

Debt Service: The required principal and interest payments to cover the project's financing

Effective Gross Income: Actual income from a project before operating expenses and other project costs are deducted.

HOME Program Rents: The maximum rents, which vary by unit size that can be charged for HOME-assisted units. HOME Program Rents are set by formula based on area income figures. There are two sets of program rents: one for High HOME units; and! one for Low HOME units.

Net Operating Income: Actual income from a project after total operating expenses have been paid and before debt service and reserve payments have been deducted.

Reserve for Replacement: Amount set-aside from net operating income to pay for the replacement of a project's short-lived physical components, such as roofs, heating plants, and appliances.

Total Operating Expenses: Total cost to operate and maintain a project. The key items are maintenance expenses, management costs, real estate taxes, property hazard and liability insurance, and utilities.

APPENDICE~

Appendix A: Financially Infeasible Project - Rent Exception Warranted

Appendix B: Financially Infeasible Project - Rent Exception Not Warranted

APPENDIX A

FINANCIALLY INFEASIBLE PROJECT - RENT EXCEPTION WARRANTED

This example illustrates a project that experienced a financial decline dud to::. circumstances beyond the owners' control. Pineridge Apartments and Summit Townhouses was a financially viable project until several local events produced a sharp increase in project expenses.

Pineridge Apartments and Summit Townhouses' financial position deteriorated due to:

- utility fee increases to help pay for the construction of a new water treatment plant and sewage treatment facility;

- a sharp rise in property taxes for the project due to higher assessments as a result the upward trend in property values in the neighborhood; and

- the additional cost of meeting the City's new property improvement requirements for commercial developments as part of the area's revitalization efforts.

As a result of these events, the project will experience a negative cash flow for several years and is at risk of foreclosure in the coming year.

Because the rents for HOME-assisted units in Pineridge Apartments and Summit Townhouses are already at the maximum amount under the applicable program rents, :the owner has very limited options for increasing project income. Rents for market-rate units in the area, however, are significantly higher than rents for HOME-assisted units in the project. A HOME rent exception, combined with contributions from the City and the owner would enable the project to achieve a positive cash flow next year and avoid default.

PINERIDGE APARTMENTS AND SUMMIT TOWNHOUSES

Pineridge Apartments is a 94 unit project with a combination of two four-story buildings and a complex of three-story garden apartments. .6ummit Townhouses contains six additional units. The project is located in Anytown, West Coast. All of the units were acquired by the present owners within the last seven years. HOME funds were used four years ago to acquire, rehabilitate and modernize the units.

Of the 100 units, 80% are HOME-assisted.

Unit Characteristics

Unit Size	Total Units	Home Units		Market Units
		Low	High	
Efficiency	10	2	8	0
1-Bedroom	50	5	35	10
2-Bedroom	30	7	13	10
3-Bedroom	10	2	8	0
Total	100	16	64	20

Proiect Rents

	Total Units	Home Units		Market Units
Unit Size		Low	High	
Efficiency	10	$391	$499	$504
1-Bedroom	50	407	523	605
2-Bedroom	30	483	626	708
3-Bedroom	10	555	711	890

These HOME rents include a utility allowance for tenant-paid utilities. The standard program rents have been adjusted accordingly: $35 for Efficiencies: $50 for 1-BRs; $65 for 2-BRs; and $78 for 3-BRs.

Background

Pineridge Apartments is a multi-building development located within a four block area of Anytown, West Coast. The project's four-story buildings, constructed in 1983, contain all the efficiencies and 24 of the one-bedroom units. The 60 remaining units are located in the project's three-story brick garden apartments, which were built in the mid-1 950's. The present owners acquired Pineridge Apartments seven years ago. Since then, many of the garden apartments have undergone improvements such as replacement of old appliances and rehabilitation of the aging plumbing system. The four-story buildings are in good condition.

Summit Townhouses is a row of six townhouses built in the late 1980's that were acquired by the owner four years ago when they failed to sell publicly. Four of the townhouses have 3-bedrooms and two are 2-bedroom Units. The location of the townhouses next to Pineridge Apartments made it convenient to include them in the owners' HOME project. The City of Anytown has stated in their housing strategy that there is a significant need for large, affordable rental units.

Project Financial Performance

The project has been financially stable since it received HOME funds four years ago. The surrounding area has become a popular residence for younger families and the downtown areas were recently revitalized. Given the demand for housing in the area, the HOME rents at the project are well below market rents for the area.

As of March of this year, the project was financially feasible based on its past and projected future financial performance. The project's positive cash flow was being used to fund project operating reserves and the early retirement!, of project debt.

In February of this year, the City of Anytown announced new fee increases for City water and sewer service to take effect in August. The fees were established to help cover the cost of constructing a new water treatment plant and improvements to its aging sewage treatment facility. These fee increases will raise the project's annual utility costs by 20 percent.

In addition to these fee adjustments, the project's property taxes rose sharply during the second quarter due to increasing property values stemming from revitalization activities ii the neighborhood. As part of this revitalization, the City also is requiring commercial properties to make a number of landscaping improvements within the next two years. The cost of these improvements will result in 40 percent higher maintenance costs for the next 5 years.

These events caused a deterioration of the project's financial position to the point where it is no longer financially feasible. Exhibit A-1 presents revised expense and cash flow figures for the project in light of these events. The results show that the project will experience a negative cash flow for a number of years.

Proposed Actions

To achieve a positive net cash flow during the next two years, the City has requested a HOME Rent Exception for the project equal to 105 percent of the applicable HOME Program Rents. If awarded, the rent exception would increase the project's gross income potential by more than $27,000 during each year of the rent exception. For its part, the city' has agreed to exempt the project from several property improvement requirements, give the owner an additional year to make the remaining improvements, and restructure the project financing to reduce its annual debt service by $12,000. These concessions will not only reduce these expenses, but also allow the owner to spread the cost out over another year.' The project will experience a small negative cash flow next year, which will be covered by funds from project reserves and contributions from the owner.

Exhibit A-2 shows the project's financial performance with the implementation of a 1 1,D5 percent rent exception in Year 1 and Year 2, as well as City concessions regarding the required property improvements and the project's financing.

EXHIBIT A-1
Income and Expenses for Pineridge Apartments and Summit Townhouses
Before Local Concessions and HOME Rent Exception
(Actual Figures and Projections*)

	Actual Figures		Projections*		
Categories	Previous Year	Current Year	Year I	Year 2	Year 3
INCOME					
A. Gross Income Potential (GIP)	651,490	678,732	705,881	734,117	763,481
B. Vacancy Allowance	(65,149)	(67,873)	(70,588)	(73,412)	(76,348)
C. Effective Gross Income (EGI)	586,341	610,859	635,293	660,705	687,133
EXPENSES					
D. Management Expense	58,634	61,086	63,529	66,071	68,713
E. Maintenance b	65,000	85,446	98,426	102,363	106,457
F. Utilities*	70,361	82,934	91,323	94,976	98,775
G. Taxes/Insurance	128,99	160,717	181,377	188,63	196,178
H. Total Operating Expenses	322,990	390,183	434,655	452,042	470,123
CASH FLOW					
	263-,351	-220,f965	200,638	2-08,665	217,010
1. Net Operating Income (C --H)					
J. Debt Service	(219,459)	(219,459)	(219,459)	(219,459)	(219,459)
K. Reserve for Replacement	(25,000)	(25,500)	(26,010)	(26,530)	(27,061)
L. Net Cash Flow	18,892	(24,283)	(44,831)	(37,326)	(29,510)

Rental Income and expenses have increased at a rate of roughly four percent over the past two years.
Projections of future performance assume that these figures will continue to Increase at the same rate.
b **Maintenance expenses Include annual costs of landscaping Improvements.**
costs include **a 20 percent increase to help pay for the new water treatment plant.**
d
Tax and insurance costs include a 30 percent increase due to the higher assessed value of the property.

EXHIBIT A-2

Income and Expenses for Pineridge Apartments and Summit Townhouses
With Local **Concessions and Increased HOME Rents**
(Actual Figures and Projections*)

	Actual Figures		Projections'		
Categories	Previous Year	Current Year	Year I	Year 2	Year 3
<u>INCOME</u>					
A. Gross Income Potential (GIP)	651,490	678,732	b732,982	b762,302	763,481
B. Vacancy Allowance	(65,149)	(67,873)	(73,298)	(76,23P	(76,348)
C. Effective Gross Income (EGI)	586,341	610,859	659,684	686,072	687,133
<u>EXPENSES</u>					
D. Management Expense	58,634	61,086	63,529	66,071	68,713
E. Maintenance	65,000	85,446	'93,426	r97,363	'86,457
F. Utilities	70,361	82,834	91,323	94,976	98,775
G. Taxes/Insurance	128.99	160,717	181,377	188,632	196J 78
H.-Total Operating Expenses	322,990	390,083	429,655	447,042	450,123
CASH -FLOW					
1. Net Operating Income (C - H)	263,351	220,676	230,029	239,030	237,010
J. Debt Service	(219,459)	(219,459)	(207,459)	(207,459)	(207,459)
K. Reserve for Replacement	(25,000)	(25,500)	(26,010)	(26,530)	(27,061)
L. Net Cash Flow	18,892	(24,283)	(3,440)	5,041	2,490

Pro)ections of future performance still assume that these figures will continue to Increase at an annual rate of 4 percent. b **Revised Income figures reflecting the 105 percent HOME Rent Exception. city's concessions regarding required property Improvements,**

Assessment of Waiver Request

A HOME Rent Exception is warranted for Pineridge Apartments and Summit Townhomes because the project's circumstances satisfy all six criteria.

Financial Infeasibilily. The financial information provided indicates that the project is financially infeasible. The project has experienced six months of negative cash flow and will not be able to meet project operating costs during the coming year without financial relief. The extent of the negative cash flow during the coming year - more than 8 percent of effective gross income - places the project at risk of default during the next 12 months.

Source(s) of Distress Beyond Owner's Control The increased operating expenses contributing to the project's financial distress all appear to be due to factors beyond the owner's control, The increases in utilities, taxes, and insurance were additional project costs that the owner was not responsible for and could not be expected to foresee. Likewise, the right-of-way assessments and property improvements required by the City were not the result of an action by the owner nor something the owner could have avoided.

Effectiveness of Rent Exception. The rent exception would be an effective source of financial relief for the project. It increases the project's gross income potential by nearly $27,101 in the first year of the exception and by $28,185 in the second year. This additional income offsets nearly half of the projected negative cash flow for these two years. Because HOME eligible tenants currently pay rents for market-rate units that are higher than the proposed exception rents for HOME-assisted units, the exception should not result in rents that exceed what tenants in HOME-assisted units would be able to pay.

Efforts to Strengthen Project's Financial Position. Important steps have been taken to improve the project's financial position. The owner attempted to identify less costly property insurance for the project. The owner has also agreed to invest an additional $3,500 in the project to help offset the project's negative cash flow not covered by the rent exception and obtained the City's agreement to waive certain landscaping requirements for the project.

Local Options for Providing Financial Relief. The City waived several property improvement requirements, gave the project additional time to comply with the remaining requirements, and restructured the project's financing to reduce annual debt service payments by $12,000.

Program Compliance. The PJ has not found any evidence of compliance violations b the project owner.

APPENDIX B:

FINANCIALLY INFEASIBLE PROJECT - RENT EXCEPTION NOT WARRANTED

This example depicts a project that is declining financially due to rapidly rising crime levels in the surrounding neighborhood. While the source of the distress appears to be beyond the owner's control, it is not clear that the requested rent exception would effectively increase project income and additional long-term, relief may be needed to restore the project's financial availability.

Nightingale Apartment's deteriorating financial performance is due to:

higher than anticipated vacancy rates due to increasing levels of crime in the surrounding area; and

maintenance cost overruns due to increasing damage to the project from vandalism and higher than anticipated unit turnover.

The project's reduced income and higher than expected expenses produced negative cash flows for the past nine months. :Due to its declining financial performance, the::. Project is at risk of foreclosure during the coming year. The project does not have the funds to make security improvements that could reduce maintenance costs and increase income by improving occupancy rates.

A rent exception could provide? additional project income by increasing the rents:: charged for Low HOME units. However, area market rents just exceed the program rents for High HOME-assisted units. Therefore, a rent exception would have little effect or! the rents for High HOME-assisted units because these unit rents are already almost at current market levels.

NIGHTINGALE APARTMENTS

Nightingale Apartments is located in Centerville, South. The five four-story buildings are located in a four block area. The owner bought the project five years ago with conventional financing and a below-market second mortgage through Centerville's Housing Rehabilitation Program. The City's rehabilitation program is supported. with HOME funds from the state. All 50 units in the project are HOME assisted and have rents affordable to low-income households.

Unit Characteristics

Unit Size	**TOTAL UNITS**	**HOME UNITS** Low	High	**MARKET UNITS**
Efficiency	15	5	10	0
1-Bedroom	20	5	15	0
2-Bedroom	15	0	15	0
Total	50	10	40	0

Project Rents

Unit Size	**TOTAL UNITS**	**HIOME UNITS** Low	High	**MARKET UNITS**
Efficiency	15	$316	$391	$400
1-Bedroom	20	339	419	425
2-Bedroom	15	407	506	520

Background

Nightingale Apartments consists of five four-story buildings located in a four block area of Centerville, South. The buildings range in age from approximately 12 to 15 years old. Tile present owner acquired Nightingale five years ago. Crime rates in the neighborhood where the project is located have been rising for the past three years.

Project Financial Performance

At the time Nightingale Apartments was purchased, the project's pro forma showed the property to be financially viable throughout the project's required ten-year affordability period.

The project achieved a positive net cash flow in years three and four; however, the project's effective gross income began to decline in year four due to increasing vacancies. The continuing rise in the area's crime rate has contributed to a growing vacancy rate which reached ten percent in recent months compared with two percent in year three and five percent last year. The vacancy problems are due to higher than expected tenant turnover and difficulties in refilling vacated units.

The need to hire part-time security personnel and repair increasingly extensive damage from vandalism associated with the area's crime problem has lead to sharp increases in management and maintenance costs. -The higher than expected tenant turnover also resulted in routine maintenance costs that exceeded the budgeted amounts due to the expense of preparing additional vacated units for new tenants.

Exhibit B-1 below shows actual project income and costs f r the previous year and the current year. It also includes projections of income and expenses for Nightingale Apartments over the next three years.

Proposed Actions

To help improve the project's financial position, the owner and the City of Centerville have approached the state about requesting a rent exception for the project. In the rent exception application, the state asked for a HOME Rent Exception equal to 110 percent of the applicable program rents. If awarded, the rent exception would increase the project's gross income potential next year to $283,552 and to $289,223 in Year 2, providing the project with an effective gross income $23,000 to $26,000 higher than possible without the exception. Assuming that the vacancy rate remains at 10 percent, the application estimates that the project will produce a positive net cash flow during both years of the rent exception. Exhibit B-2 shows the project's projected financial performance with the debt service relief provided by the City and the implementation of a 110 percent rent except

For its part, the City has agreed to restructure its portion of the financing by deferring a portion of the interest payment on the project's second mortgage, thereby reducing its debt service by $10,000 annually. The owner, a nonprofit entity, is unable to invest additional funds due to its own limited resources.

To restore the project's viability, the owner would use the debt service savings and a portion of the additional income produced by the rent exception to pay for increased security at the project. The remaining funds from the rent exception would be used to cover the additional maintenance costs of preparing the higher than expected number of vacant units for occupancy and repairing damage from vandalism.

In the year after the rent exception expires (Year 3 in Exhibit B-2), the application reports that the owner expects maintenance costs to return to a level near the originally projected amount due to the presence of the security force and the extra maintenance work performed during the period of the rent exception. The $10,000 annual savings in debt service payments would cover the cost of maintaining a part-time security force.

EXHIBIT B-1

Income and **Expenses for Nightingale Apartments**
Before Local Concessions and HOME Rent Exception
(Actual Figures and Projections*)

Categories	Actual Figures: Previous Year	Actual Figures: Current Year	Projections*: Year 1 b	Projections*: Year 2 b	Projections*: Year 3 b
INCOME					
A. Gross Income Potential (GIP)	247,320	252,720	257,774	262,930	268,188
B. Vacancy Allowance	(12,366)	(25,272)	(25,777)	(26,293)	(26,08
19%)					
C. Effective Gross Income (EGI)	234,954	227,448	231,997	236,637	241,369
EXPENSES					
D. Management Expense	31,412	49,762	50,357	50,965	51,584
E. Maintenance	30,250	35,000	35,700	36,414	37,142
F. Utilities	21,075	21,497	21,926	22,365	22,812
G. Taxes/insurance	26,250	26,775	27,311	27,857	28,414
H. Total Operating Expenses	108,987	133,034	135,294	137,601	139,952
CASH FLIDVV----					
1. Net Operating Income (C - H)	125,967	94,414	96,703	99,036	101,417
J. Debt Servicing	(115,386)	(115,386)	(115,386)	(115,386)	(115,386)
K. Reserve for Replacement	(7,800)	(7,956)	(8,115)	(8,277)	(8,443)
L. Net Cash Flow	2,781	(28,928)	(26,798)	(24,627)	(22,412)

Projections of future performance assume that Income and expense figures will continue to Increase at an annual rate of 2 percent starting In Year 1.

Figures for future years reflect adjustments to both income and operating costs. Effective gross Income figures for years 1 through 3 have been red security measures necessary to assure the safety of residents.

EXHIBIT B-2

Income and Expenses for Nightingale Apartments
With Local Concessions and Increased HOME Rents
(Actual Figures and Projections*)

Categories	Actual Figures: Previous Year	Actual Figures: Current Year	Projections*: Year 1 b	Projections*: Year 2'	Projections*: Year 3 b
INCOME					
A. Total Gross Potential (GIP)	247,320	252,720	283,552	289,223	268,188
B. Vacancy Allowance	(12,366)	(25,272)	(28,355)	(28,922)	(13,409)
C. Effective Gross Income (EGI)	234,954	227,448	255,197	260,301	254,779
EXPENSES					
D. Management Expense	31,412	49,762	50,357	50,965	46,584
E. Maintenance	30,250	35,000	'40,900	'44,356	36,000
F. Utilities	21,075	21,497	21,926	22,365	22,812
G. Taxes/Insurance	26,250	26,775	27,311	27,857	28,414
H. Total Operating Expenses	108,987 1	133,034	140,494	145,543	133,810
CASH FLOW					
1. Net Operating Income-(C-- H)	--I-25,967	94,414	444,,7-03	114,758	120,969
J. Debt-Servicing	-fH-S-,386)	-(115,386)	(105,31%)	(1-05,386)	(1 05i-386)
K. Reserve for Replacement	(7,800)	(7,956)	(8,115)	(8,277)	(8,443)
L. Net Cash Flow	2,781	(28,928)	1,202	1,095	7,140

Projections of future performance assume that Income and expense figures will continue to Increase at an annual rate of 2 percent starting
In Year 1. Total Gross Potential Is based on using 110% of HOME rents for Years 1 and 2.

b **Figures for future years reflect adjustments to both Income and operating costs. Effective gross Income figures for years I through 3 have been reduced to allow for a ten percent vacancy rate Instead of the original five percent. Maintenance expense figures have been Increased to account for greater unit turnover. costs and work to repair damage from vandalism. Management expense figures include the cost of additional security measures necessary to assure the safety of residents.**
Includes additional expenditures for security Improvements.

Assessment of Waiver Request

A HOME Rent Exception is not warranted for Nightingale Apartments because the project's circumstances fail to meet two key criteria for receiving a~ rent exception. A rent exception does not appear to represent an effective form of financial relief for the project and it is also not clear that local options for providing financial relief has been fully utilized.

Financial Infeasibility. The project's current and projected future financial performance indicate that the property is experiencing a negative cash flow and will continue to produce insufficient income to cover project costs without financial relief. The losses experienced during the current year will almost deplete the project's operating reserves and the anticipated losses next year will place the project at risk of foreclosure.

Source(s) of Distress Beyond Owner's Control. The principal factor contributing to the financial decline of the project is the impact of the neighborhood's increasing crime rate on both project income and operating costs. These impacts appear to be beyond the owner's control. When the project was developed, the crime rate in the area was much lower and somewhat below the city average. The owner's projections of income and expenses appear realistic because the property achieved a positive cash flow in its third year as projected with income and expenses reasonably close to original projections. Even in the fourth year of the project, a positive cash flow was achieved, although the initial effects of the area's increasing crime rate were starting to be felt. Based on this information ;it is reasonable to determine that the sources of the project's financial distress , ere beyond the owner's control.

Effectiveness of Rent Exception. A rent exception does not appear to be an effective source of financial relief for the project. When the Field Office checked on area rents, it found that market rents for comparably-sized units were only slightly above the High HOME Rents for the project (see Summary Box on page B-2). Because market rents are less than the rents the owner expects to charge for High HOME units, the owner will not be able to take full advantage of the rent exception and the amount of additional income the project can potentially receive will be less than the amount shown in the application.

This factor, together with the manager's difficulty leasing vacant units, raises serious questions about the effectiveness of the rent exception. Given the project's location in an area experiencing a rapidly growing crime problem, raising the rents for HOME-assisted units (both High and Low HOME units) by any significant amount could make it even more difficult to lease vacant units in the Project. Any additional increase in vacancies due to higher unit rents would quickly begin to erode the additional income obtained through the rent increase. The available information indicates that the rent exception will not be effective in increasing the project's income to a level to prevent foreclosure.

Efforts to Strengthen Prope!ly's Financial Position. The owner has taken steps to improve security at the project and is preparing vacated units for reoccupancy. The problem is that the additional cost of these efforts is increasing project operating expenses. The manager's difficulty in leasing vacant units due to prospective tenants' concerns about personal safety is reducing project income, and expenses now exceed project income. The owner is currently covering these expenses out of the project's operating reserves. Because the owner is a nonprofit entity, it cannot be expected to make an additional financial investment in the project. The owner appears to be making a good faith effort to address the sources of the project's financial distress.

Local Options for Financial Relief. The City's proposal to restructure the project's debt service is evidence of local efforts to provide relief to the project. However, the application may not be realistic in projecting that the vacancy rate will drop to five percent and maintenance expenses will return to originally budgeted levels the year after the rent exception expires. Even if the rent exception could produce the additional income projected by the application, there is very little financial cushion in the event that vacancies do not decline by half or unit turnover remains high. To provide an additional financial cushion, the City could have restructured the second mortgage as a deferred payment loan rather than simply reducing the interest rate. This step would have produced additional debt service relief to the project and provided:1 more protection against overly optimistic assumptions.

In addition to local financial relief, the application would have been much stronger if the City had made a commitment to take specific steps to address the crime problem in the neighborhood. For example, the City could have increased the number of patrols in the area or agreed to open a police substation in the neighborhood. Because, addressing the area's crime problem is a key factor in restoring the financial viability of the project, these types of actions would demonstrate that the City is serious about reducing crime in the neighborhood.

Program Compliance. The PJ has not found any evidence of compliance violations by the project owner.