

EXHIBIT 25

PROPERTY MAINTENANCE, REPAIR, AND REPLACEMENT

An owner must maintain the total development in compliance with all applicable housing quality standards and local code requirements. All HOME-assisted properties must be maintained as decent, safe and sanitary housing.

Maintaining the physical condition of their properties helps owners retain the value in their investments. The property's Management Plan (see **Exhibit 14**) should address issues of routine maintenance, security for tenants and the property, and long-term improvements. If the condition of the property declines, so will its value. Once a property declines, it becomes increasingly difficult to attract tenants.

Owners should monitor their properties to ensure that they are maintained in accordance with applicable property standards. Although not specifically required by the HOME Program, effective property management systems include provisions for routine and preventive maintenance, property security, work order systems, and capital repairs and improvements. Management of the property should include and adequately address the following operational issues:

- **Routine and preventative maintenance:** HOME-assisted properties need routine preventative maintenance. The property owner should have a schedule for preventative maintenance on a regular, seasonal, and/or annual basis. Routine maintenance problems should be addressed in order of priority as expeditiously as possible. Deferred maintenance often leads to more costly repairs in the future.

Early warning signs that property standards are not being met include:

- Increasing tenant complaints
 - High vacancy
 - Frequent tenant turnover
 - Deferred maintenance or repair items
 - Increasing crime
 - Code violations
- **Property security:** Adequate security is needed to protect the safety of tenants and protect the property, to the greatest extent feasible. Security steps might include maintaining doors, windows, locks, and building entry systems; providing and maintaining adequate lighting; ensuring the integrity of fences and barriers; and providing thoughtful landscaping and structural attributes that enhance a tenant's visibility to and from exterior doorways to prevent hiding places for unwanted visitors.
 - **Work order systems:** The property's work order system should identify and track work requests that are brought to the property manager's attention. The property owner/manager must be able to prioritize work that needs to be done in a flexible

schedule. The system should distinguish urgent and routine request. All legitimate work requests should be filled in a timely manner. The property manger should maintain a work order system that records:

- who requested the work to be done
- location of the problem
- who is assigned to complete the work
- what was done to solve the problem
- time it took for the problem to be resolved
- cost of materials used in making the repair.

➤ **Operating deficit account:** An initial deficit reserve is used to meet any shortfall in the property during the rent-up period, when revenues can be unpredictable and costs are steady. Such reserves are a prudent step for the start-up period.

➤ **Capital Repairs and Improvements:** Owners/mangers should plan for capital repairs and improvements. Effective budgeting for capital repairs and improvements is critical to ensure that all of the property's capital needs are addressed on a timely basis. Adequate and timely attention to capital repairs ensures the property's long-term physical viability. By calculating the estimated useful life of all the property's systems and equipment, owners/managers can determine the amount of funds that must be deposited in the property's replacement reserve account.

At a minimum of every three years, but more frequently if practicable, the property manager should:

- Compile or review a list of all of the property's building components/systems
- Identify the item's or system's installation or replacement date
- Determine the estimated useful life of the item or system
- Estimate the cost to replace the item in today's dollars
- Determine the cost of replacing the item at the estimated replacement date

➤ **Capital repairs and improvements:** Adequate and timely attention to capital repairs will ensure the property's long-term physical viability. If unprepared, the financial cost of a major systems failure in the property can cause a significant financial strain on a property. Owners should establish adequately funded reserve accounts to prepare for this type of financial emergency. Effective budgeting for capital repairs and improvements is critical to ensure that all of the property's capital needs are addressed on a timely basis. (Note: HOME funds cannot be used to fund a project reserve account.)

➤ **Property Insurance:** Although insurance is not required by the HOME Program, owners are encouraged to take precautions to minimize the risks to tenants residing in their properties and to the property. Insurance is one way to minimize these risks.

Generally, there are two types of risks of concern to owners/managers, lenders, and the HOME Program: hazards that pose a danger to the property structure and hazards that pose a danger to individuals. The property owner may be liable for certain injuries sustained by tenants and their guests.

The property owner and/or manager should regularly inspect the property for possible hazards. Maintenance staff should address hazards promptly. Owners can also secure insurance to help guard against losses. The management plan should state the type and amount of insurance to be kept in effect for properties. If required, proof of property insurance should be in each file.

Owners can secure several types of insurance to protect their properties, including hazard, liability, and workers' compensation insurance:

- Hazard insurance covers property damage caused by fire, wind, storms, and other similar risks.
- Liability insurance covers property owners against claims that the owner or manager was negligent or did something inappropriate that resulted in property damage or injury to another person.
- If the property owner employs other people in the management of the property, the owner should pay workers compensation insurance. This covers the cost of work-related injuries or death.