part 50 prior to approving the special adjustment.

(3) Subject to the availability of appropriations, a special adjustment also may be recommended by the PHA for approval by HUD when and to the extent HUD determines such adjustments are necessary to reflect increases in such actual and necessary expenses that have resulted from expiration of an exemption from real property tax.

(4) The special rent adjustments described in paragraph (d) of this section only will be approved if and to the extent the Owner clearly demonstrates that these general increases have caused increases in the Owner's operating costs which are not adequately compensated for by annual adjustments.

(5) Special adjustments are a separate component of the Contract Rent and are never added to the Base Rent for the purpose of calculating annual rent adjustments.

(6) The Owner must submit financial information to the PHA which clearly supports the increase. For Contracts of more than twenty units, the Owner must submit audited financial information.

(e) *Effective date of special adjustments.* The effective date of the adjusted Contract Rent will be the first day of the month following the actual increase, or the first day of the month after the Owner's written request for the special adjustment, whichever is later. Special adjustments for security will not be made retroactively.

(f) Term of special adjustments. (1) The term of a special rent adjustment will be coterminous with the period of the increased cost to the Owner, subsequent to its effective date. HUD will approve the term of the special adjustment and the special adjustment must be terminated at the end of the specified term. The special adjustment must be reviewed annually by the PHA to determine whether it is still justifiable. The PHA may request and HUD may approve a decrease or an increase in the term.

(2) Special adjustments are removed from the Contract Rent at the end of the approved term. The removal of a special adjustment from the Contract Rent at the end of the approved term is not and will not be considered a reduction of Contract Rents.

(g) Rent reductions. Contract Rents will never be reduced as a result of a comparability study, but may be reduced when the project has been refinanced in such a manner that the periodic payment of the Owner has been reduced. The Owner is required to notify the PHA of any refinancing that occurs during the term of the HAP Contract. When the property acquisition portion of a loan has been refinanced, procedures prescribed by HUD will be utilized to recompute the base rents in relation to AAFs. Such procedures shall not be applicable to projects under subpart H of this part.

Editorial Note: This document was received at the Office of the Federal Register on September 26, 1995.

Dated: December 1, 1994.

Joseph Shuldiner,

Assistant Secretary for Public and Indian Housing.

[FR Doc. 95–24368 Filed 9–29–95; 8:45 am] BILLING CODE 4210–33–P