

Redesigned Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities Programs - Firm Commitment

Directive Number: 96-102

U.S. Department of Housing and Urban Development

Special Attention of: Notice H 96-102 (HUD)

All Directors of Housing; Issued: November 26, 1996
All State and Area Coordinators; Expires: November 30, 1997
All Multifamily Housing Directors;
All Production Branch Chiefs Cross References: 4571.2., 4571.3 REV-1,
4571.4, 4571.5

Subject: Redesigned Section 202 Supportive Housing for the Elderly
and Section 811 Supportive Housing for Persons with
Disabilities Programs - Firm Commitment Processing to Final
Closing

A. PURPOSE

The Department has designed new procedures pertaining to processing activities after selection of Section 202 and Section 811 applications for fund reservations. Until the Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4 are revised, this Notice sets forth the revised instructions for processing Section 202 and Section 811 applications from the firm commitment application stage to final closing.

B. APPLICABILITY

The attached instructions apply to all Section 202 and Section 811 proposals in which final plans and specifications or firm commitment applications have not been submitted to the local HUD Office. Section 202 and Section 811 applications that are in firm commitment processing (including HUD review of the final plans and specifications) shall proceed to initial closing and start of construction based on handbook instructions in place before issuance of this Notice.

Questions regarding this Notice may be directed to the New Products Division, Office of Multifamily Housing Development, HMDN, at FTS (202) 708-2556. Send copies of this Notice to all Section 202 and Section 811 owners of projects that have not yet proceeded to initial closing. Also, upon completion of the Fiscal Year 1996 Section 202/811 funding round, attach copies of the Notice to the Notification of Selection Letters to all applicants selected for funding.

HMEED: Distribution: W-3-1, R-1,R-2,R-3-1(H)(RC),R-3-2,R-3-3,R-6,R-6-2,
R-7,R-7-2,R-8

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SECTION 1. HIGHLIGHTS OF MAJOR POLICY AND PROCESSING CHANGES

The major processing changes made to implement the redesigned
Section 202 and Section 811 programs are described below:

- A. One-Step Processing. The Notice revises paragraphs 1-2 of
Section 202 [Handbook 4571.5](#) and Section 811 Handbook 4571.4 to
by-pass the conditional commitment application stage.
Accordingly, for all Section 202 and Section 811 projects, the
conditional commitment application will be combined with the firm
commitment application resulting in the submission and HUD review
of only the firm commitment application. The firm commitment
application is due within 180 days from the date of the
Notification of Selection Letter.
- B. Project Planning Conference. The Notice stresses the importance
of conducting a comprehensive project planning conference and
includes a suggested agenda to be used at the conference.
- C. Site Changes. State and Area Offices are no longer permitted to
approve a change in sites when more than 12 months have elapsed
after the fund reservation award. This applies to both Section
202 and Section 811 projects.
- D. Extension/Cancellation of Fund Reservations. The policy

regarding the granting of Section 202 and Section 811 fund reservations extensions has been amended. The duration of the fund reservation is 18 months from the date of issuance of the fund reservation. Beginning with projects funded in Fiscal Year (FY) 1996, State and Area offices' authority to approve an extension of the fund reservation has been changed to permit limited exceptions up to 24 months on a case-by-case basis.

E. Requests for Amendment Funds.. Beginning with Section 202/811 projects funded in FY 1996, the provisions for permitting amendments to the fund reservation before initial closing has been eliminated. Increases resulting from change order items approved during construction may be approved, but will be funded first out of the developer's fee, as discussed later in this Notice. In cases where the developer's fee has been depleted for approved change order

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items, HUD will consider a mortgage increase on a case-by-case basis. Projects funded in FY 1995 and earlier may still be approved for amendment funds before initial closing. Also, beginning with projects funded in FY 1996, HUD will not consider any increases in project rental assistance contracts (PRAC) until after one full-year of project operation.

F. Elimination of 2 Percent Project Contingency Allowance, Consultant Fees and Organizational Expenses. HUD will no longer include a 2 percent project contingency allowance, consultant fees and organization expenses in the estimated replacement cost of a project. These items are replaced by and may be included in a new Developer's Fee line item to be reported on Form [HUD-92264](#).

G. Developer's Fee. In lieu of a 2 percent project contingency allowance, and amounts for housing consultant services and organizational expenses, HUD will include in the estimated replacement cost of a project a developer's fee of 8 percent of the total replacement cost of the project with a minimum of \$30,000 and a maximum of \$400,000 (plus 2 percent of any replacement cost amount over \$5,000,000).

H. Housing Consultant. As noted in Paragraphs F. and G. above, the housing consultant's fee has been eliminated as a separate line item and included in the developer's fee. HUD will not (1) review and approve the housing consultant contracts, (2) determine the maximum consultant's fee for inclusion in the developer's fee, and (3) set the compensation limits. Accordingly, sponsors/owners are no longer required to submit Form [HUD-92531-A-CA](#), Contract for Housing Consultant Services for Nonprofit Projects under the Section 202 and Section 811 programs. The Notice eliminates the provisions for granting incentive payments to the housing consultant. However, the Notice includes a suggested schedule for making payments to the consultant. Further, in accordance with Section 891-130 of the amended Section 202/811 regulations (published March 22, 1996), sponsor or its nonprofit affiliate may provide the consulting services with in-house staff and pay for such services from the

developer's fee. Such an arrangement will not constitute a conflict of interest if no more than two persons salaried by the sponsor or management affiliate serve as nonvoting directors on the owner's board of directors.

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I. Award of Construction Contract. Form [HUD-92442-CA](#), Construction Contract - Lump Sum, may be used for Section 202 and Section 811 projects regardless of the type of construction or rehabilitation contract awarded. If, for any reason, an identity of interest is found to exist between the sponsor/owner and general contractor, the local office will take appropriate sanctions, including requiring cost certification by the general contractor.

J. Architecture/Engineering Processing. HUD will review the final plans and specifications only for the Fair Housing Accessibility Guidelines and Section 504. The Notice requires the owner's architect to certify that the project design complies with local codes and ordinances, accessibility, program and regulatory requirements using the format in Attachment C of the Notice. The owner's architect also is required to obtain professional liability insurance in a minimum amount of \$50,000 (Section 811) or \$250,000 (Section 202) for errors and omissions and to keep it in force through the construction of the project and for a period of 3 years after project completion. The Notice eliminates the use of Form [HUD-51994](#), Life Cycle Cost Analysis of Utility Combinations, if the most efficient utility type for the area of the proposed project has been previously determined and is proposed for use. The proposed utility type will be identified at the project planning conference.

K. Cost Processing. HUD will not provide an independent cost estimate. HUD will perform a limited cost review of the construction cost analysis submitted by the sponsor/owner at the firm commitment stage of processing. Cost review of land improvement trade items will be limited to the bottom line total per square foot with certain exceptions. Cost review of structure trade items will vary in detail based on the complexity of the project. (See V.C. below). The owner is required to provide a construction cost analysis which includes both a structure and a land improvement estimate of the project in accordance with instructions in L. and III.G. below. HUD's review of the construction cost analysis and Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown will follow instructions in V.C. below. HUD will not calculate the project's cost not attributable to dwelling use (CNA). The professional hired by the owner will calculate the CNA and include that information in the construction cost analysis.

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L. Valuation Processing. The responsibility for conducting land appraisals has been transferred from the HUD appraiser to a certified general appraiser hired by the sponsor/owner. For Section 811 group homes, the sponsor/owner has the option of hiring an appraiser from the FHA Residential Appraiser Roster.

HUD staff will perform a "desk" review of land appraisals for all Section 202 projects and Section 811 independent living facilities, and a "checklist" review of Section 811 group homes. See Attachment A of this Notice for the land appraisal checklist. In addition to a land appraisal, the Notice also requires the owner to contract for a construction cost analysis (see K. above). The HUD appraiser will no longer make an operating expense analysis or estimate "soft" costs (i.e., taxes and insurance, etc.). The owner is responsible for providing the project's operating expense and "soft" cost estimates.

1. Form [HUD-92274](#), Operating Expense Analysis Worksheet has been eliminated.
2. Form [HUD-92013-E](#), Supplemental Application and Processing Form-Housing for the Elderly/Disabled also has been eliminated. Owners shall show any proposed services and the funding for such services in the "remarks" section of Form HUD-92013, Application for Multifamily Housing Project.

M. Mortgage Credit Processing. The Notice clarifies the financial-documents to be submitted by the owner with the firm commitment application and requires the owner to submit a certified balance sheet and a Request for Verification of Deposit ([Form HUD-92004F](#)) instead of complete financial statements. Instructions for completing Form HUD-92004F are included in the Notice. The Notice also stresses the importance of the Mortgage Credit Examiner's (MCE) review of these documents only for evidence that the owner has been adequately capitalized by the sponsor. The Notice revises the procedures for ordering credit reports to require "in-file" credit reports only and expands the ordering of credit reports to include the management firms and the resident managers.

N. Processing during Construction. HUD will accept the contractor's estimate of cost for change orders (Form [HUD-92437](#), Request for Construction Changes on Project Mortgages) as approved by the project architect. All change orders will be funded from the 8 percent

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developer's fee or from the owner's sources outside of the developer's fee. HUD will consider a mortgage increase on a case-by-case basis if the developer's fee has been depleted for approved change order items. HUD inspections during construction are still to be done in accordance with HUD Handbook 4460.1 REV-2.

O. Asset Management Processing. As stated in E. above, beginning with projects funded in FY 1996, HUD will not consider any PRAC increases until after one full year of project operation. The Notice requires Form [HUD-9832](#), Management Entity Profile, one of the documents used in determining the approvability of the proposed management agent, to be submitted only on management agents that are new to the applicable Field Office.

P. Certification Regarding Credit Availability from Private Sources.

Pursuant to [OMB Circular A-129](#), Managing Federal Credit Programs, the authorized officer of the owner must submit a certification that it has been unable to obtain funds from private financial sources upon terms and conditions equally as favorable as the terms and the conditions available under Section 202 of the Housing Act of 1959, as amended, and Section 811 of the National Affordable Housing Act. This certification has been included in a master certification which is attached to this Notice under Attachments D and E. The certification must be submitted with the firm commitment application.

Q. For Section 811 Projects Only, Certification Regarding Residents' Acceptance of Supportive Services. Section 811 owners must now certify that they will not require residents to accept any supportive services as a condition of occupancy. Although the acceptance of services has never been a program requirement, it has come to the Department's attention that, in many cases, residents have been required to accept services in order to live in housing for persons with disabilities developed under either the old Section 202/8 program or the Section 811 program. This certification has been included in a master certification which is attached to this Notice under Attachment E.

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SECTION II. EXTENSION/CANCELLATION OF SECTION 202 AND SECTION 811 FUND RESERVATIONS

Given the streamlined one-step Section 202/811 development process as described herein, the empowerment of sponsors/owners as a result of this new process, and the Department's goal of starting and cancelling old pipeline projects, HUD must revise its project development timeframe expectations.

Effective with the publication of this Notice, we are implementing the following procedures for extending/cancelling Section 202/811 projects. Accordingly, Paragraphs 3-65 and 1-64 of Section 202 Handbooks 4571.3 REV-1 and 4571.5, respectively, and Paragraphs 3-63 and 1-64 of Section 811 Handbooks 4571.2 and 4571.4, respectively, are modified as noted below to ensure the development of these projects as soon as possible.

A. Projects Funded in FY 1995 and Earlier.

1. All owners of FY 1995 and earlier pipeline projects shall have control of an approvable site that is permissively zoned with all required local use permits in place within three months of the date of this Notice.
2. If an owner of a FY 1995 or earlier project does not have control of a permissively zoned site with all required local use permits in place within three months of the date of this Notice, HUD State/Area Offices shall issue a Notice of Intent to Cancel the Fund Reservation in accordance with this Notice.
3. No fund reservation extensions will be granted beyond six

months of the date of site control or of this Notice, whichever is later, unless there is good reason to expect that initial closing can be achieved within the extension period and one of the following can be demonstrated:

- (a) Initial closing delays are directly attributable to HUD; or
- (b) Initial closing delays are directly attributable to third party opposition; or

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- (c) Initial closing is delayed due to a disaster, as declared by the President of the United States.

4. Owners must bring the FY 1993 and earlier Section 202/811 pipeline projects to initial closings within six months of the date of this Notice or the project will be cancelled.

B. Projects Funded in FY 1996.

1. The duration of the fund reservation for Section 202/811 projects funded in FY 1996 is 18 months from the date of issuance of the fund reservation. In accordance with Section 891.165 of the Section 202/811 regulations, HUD State and Area Offices may approve limited extensions up to 24 months on a case-by-case basis. Extensions may be approved if there is a good reason to expect that initial closing can be achieved within the extension period and one of the following can be demonstrated:

- (a) Initial closing delays are directly attributable to HUD; or
- (b) Initial closing delays are directly attributable to third party opposition; or
- (c) Initial closing is delayed due to a disaster, as declared by the President of the United States.

2. Section 811 Applications Approved with Sites Identified Only. Sponsors/owners should be encouraged to submit a formal request for site approval within 60 days following the date of the fund reservation. If they fail to obtain ownership or control of the site within one year after being awarded the fund reservation, the fund reservation will be cancelled and recaptured, as required by Section 811 of the National Affordable Housing Act of 1990.

3. Sponsor's/Owner's Responsibilities.

- (a) Assemble a development team which can expeditiously prepare the firm commitment application, meeting program and technical requirements. (The sponsor is responsible until the owner corporation is formed.)

(b) Provide HUD with assurance that the project will reach initial closing and start of construction within the term of the fund reservation, i.e., within the 18-month period. However, given this new streamlined processing, many projects should be able to reach initial closing in 12 to 15 months. In order to achieve timely initial closings, owners must:

- Attend the Project Planning Conference along with all known development team members to discuss their plans to develop the project and to develop, with the HUD State/Area Office, a mutually acceptable timetable for achieving initial closing and construction start. The Project Planning Conference should be held within 30-45 days after issuance of the fund reservation award. A more detailed discussion of the Project Planning Conference is contained in Section III.A. of this Notice.
- Assure that there is full communication between development team members throughout the development process.
- Raise immediately with the HUD State/Area Office any significant problems.
- Be accountable at all times for action by the development team members, including but not limited to:
 - Making sure the architect is aware of and following the Department's design and cost standards;
 - Keeping the consultant to the agreed-upon timetable and informing all development team members of the timetable;
 - Reviewing the results of the appraisal and understanding the consequences to the total cost of the project;

- Reviewing the results of all environmental reviews and understanding consequences of any findings;
- Working with neighborhood residents to alleviate their concerns about the project;
- Working with localities to eliminate unanticipated requirements after the start of construction; and

- Actively pursuing the agreed-upon timetable for project development.

4. HUD State/Area Office's Responsibilities:

- (a) Schedule a Project Planning Conference within 30-45 days of issuance of the fund reservation and inform the sponsor/owner that a firm commitment application will not be accepted until after the conference takes place.
- (b) Develop, with the sponsor/owner, a mutually acceptable timetable to reach initial closing and start of construction within the established timeframe.
- (c) Monitor the progress of each fund reservation in accordance with the processing time schedules.

C. Notices of Intent to Cancel the Fund Reservation.

- 1. HUD State/Area Offices no longer need the Assistant Secretary's authorization to issue Notices of Intent to Cancel the Fund Reservation.
- 2. Such Notices are to be issued in accordance with the instructions contained herein.

D. Owner's Appeal of Notification to Cancel the Fund Reservation.

- 1. Prior to cancelling any fund reservation, owner's must be afforded the opportunity to appeal any action to cancel its fund reservation.

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- 2. The procedures for appealing a cancellation notice as stated in subparagraphs 3-65.F. of Section 202 Handbook 4571.3 REV-1 and 3-63.D. of Section 811 Handbook 4571.2 remain in effect.
- 3. The above applies regardless of the year in which the project was funded.

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SECTION III. ACTIVITIES PRIOR TO SUBMISSION OF REQUEST FOR FIRM COMMITMENT PROCESSING

Section XIV of HUD Handbook 4571.3 REV-1 for Section 202 applications and in Section XIV of HUD Handbook 4571.2 for Section 811 applications provide instructions covering project planning activities for Field Office staff and sponsors/ owners. Additionally, sponsors/owners must comply with any special instructions set forth in their Notification of Selection Letters.

In view of the sponsor's/owner's responsibilities, and its development team members' responsibilities, along with the reduction of HUD's role in the review and processing of Section 202 and Section 811 applications, it is critical that Field Offices hold project planning

conferences as soon as possible after the sponsor accepts the fund reservation award (within 30 to 45 days and preferably after the site has been appraised and formation of the owner corporation). The conference must cover every aspect of the sponsor/owner's responsibilities and that of its development team members.

A. Project Planning Conference with Sponsor/Owner.

1. Required Attendance. The conference must be attended by:

(a) Sponsor/Owner and Development Team Members:

- o Sponsor and owner
- o Consultant (if different from the sponsor)
- o Design architect
- o Attorney
- o Contractor (if identified)
- o Management Agent (if identified)

(b) HUD staff:

- o Production Branch Chief
- o Multifamily Housing Representative
- o Designated Design Architect
- o Cost Analyst
- o Appraiser
- o Mortgage Credit Examiner
- o Field Office Attorney
- o Asset Manager
- o Staff from FHEO
- o Staff from CPD (if relocation is involved)

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2. Project Planning Conference Agenda. It is important to cover every aspect of project development from firm commitment processing to final closing, with emphasis on the changes announced herein. Items to discuss include:

(a) Discussion of Meeting Purpose

- Review Development Process/Program Requirements (asset management issues to be discussed at pre-occupancy conference)
- Review Asset Management's concerns regarding Management Agent, etc.
- Identify project issues
- Establish development schedule
- Define development team roles and responsibilities (HUD and Sponsor)
- Identify HUD's development and management expectations

- Provide references re: program requirements
- Discuss the accessibility requirements of Section 504 of the Rehabilitation Act of 1973 and its implementing regulations at 24 CFR, Part 8, and the Fair Housing Act of 1988 and its implementing regulations at 24 CFR, Part 100.

(b) Project Development

- Funding commitment requirements and conditions
 - o Capital Advance
 - o PRAC
 - o Potential Sponsor cash requirements
 - land appraisal
 - construction cost
 - off-site construction
 - minimum capital investment (MCI)
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 - o Requests for additional funding
 - o Taxes
 - o Sponsor commitments for additional funds
 - o Cost Savings
- Clarify construction deadline, fund reservation extension, and amendment policy
- Marketing of the project
- Discuss specific project issues noted by the development team (such as environmental issues)
- Review change of site policy
- FHEO requirements relating to the Fair Housing Marketing Plan and the FHEO certification requirements

(c) Legal Considerations

- Maintaining site control
- Conflict/Identity of Interest
- Establishing the Owner entity

(d) Project Design/Contractor/Construction Issues

- Processing handbooks
- Recommendations for selection of architect

- Need for close working relationships
- Design issues/Sponsor paid amenities
- Appropriate structure type for site and occupants
- Proposed utility type for the project
- Accessibility requirements
- Need for contractor participation before final drawings

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- Construction contract solicitation
- Independent construction cost estimate
- Change orders, approvals And funding
- Requisition process
- Project inspections

(e) Project Development Schedule

- Development process overview, from funding to final closing
- HUD's expectations
- Owner incentives for timely completion (MCI)
- Application requirements - identify exhibits
- Establish development timeframe for project signed by all development team members

(f) Supportive Service Plans

3. Design Considerations. Since project design is a critical function during project development, it is important that the owner's architect and the HUD designated architect talk with each other throughout the design development phase. It is particularly important to discuss the following subjects with the owner and its design architect at the planning conference:

- (a) The owner has wide latitude in designing the project as long as the project is being designed within the design and cost standards, legal requirements, the applicable codes and the available fund reservation amount.
- (b) The owner has a choice between using capital advance funds for acceptable amenities or sharing in cost savings if the fund reservation is not increased beyond the initial reservation.

- (c) Costs may be covered by the capital advance as long as the project is designed following the design and cost standards and other requirements as stated in Sections

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891.120, 891.210, 891.220, 891.310 and 891.315 of the Section 202/811 regulations published on March 22, 1996.

- (d) Projects may not include facilities for infirmaries, nursing stations, and spaces for overnight care (Section 202 projects) or spaces dedicated to the delivery of medical treatment physical therapy, etc, (Section 811 projects) regardless of the source of funding (pursuant to Sections 891.220 and 891.315 of the Section 202/811 regulations).

B. Formation of Owner Corporation.

The sponsor must legally form a single-purpose owner corporation in accordance with Section 891.205 (Section 202) and Section 891.305 (Section 811) of the regulations and Paragraph 3-66 of Section 202 Handbook 4571.3 REV-1 and Paragraph 3-64 of Section 811 Handbook 4571.2 before submitting the firm commitment application to the local HUD Office and proof of such action must be included in the firm commitment application. The owner corporation should be formed within 30 days of the notification of fund reservation so representatives of the owner corporation can attend the Project Planning Conference.

1. Capitalization of Owner Corporation. The sponsor must capitalize the owner in a sufficient amount to permit the owner to meet its obligations in connection with the project. This includes the minimum capital investment, start-up costs, excess land costs, ineligible amenities and excessive construction costs and any other funds the sponsor specifically commits to the project.
2. Tax Exempt Status.
 - (a) Section 202 owners must obtain a tax exemption ruling under either IRS Code 501(c)(3) or 501(c)(4).
 - (b) Section 811 owners must obtain a tax exemption ruling under IRS Code 501(c)(3) only.
 - (c) Previously, Section 202 and Section 811 nonprofit organizations in Puerto Rico were exempt from obtaining their tax exempt status under IRS Code 501(c)(3) or

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(c)(4) for Section 202 proposals and 501(c)(3) for Section 811 proposals provided they were exempt from income taxation under Puerto Rico law, have never been liable for payment of Federal income taxes, and do not pay patronage dividends. HUD has learned, however,

that nonprofit organizations in Puerto Rico may apply and be granted IRS Section 501(c)(3) and 501(c)(4) tax exemption rulings. Therefore, in Puerto Rico, Section 202 owner corporations must obtain a tax exemption ruling under IRS Code 501(c)(3) or 501(c)(4) and Section 811 owner corporations must obtain such a ruling under IRS Code 501(c)(3) only.

C. Transfer of Fund Reservation from Sponsor to Owner.

1. Sponsor. The sponsor must legally form the owner corporation as soon as possible after fund reservation award and provide evidence of same to the HUD Field Office. This is important because:
 - (a) The State/Area Office transfers the fund reservation from the sponsor to the newly-formed owner;
 - (b) The sponsor transfers control of the site to the owner; and
 - (c) Contracts with development team members must be executed by the owner.
2. State/Area Office. Upon HUD approval of the newly-formed owner corporation, the Multifamily Housing Representative (MHR):
 - (a) Prepares Forms [HUD-718](#) and the PADs to effect the transfers of the Section 202 and Section 811 capital advance and project rental assistance fund reservations from the sponsors to the owners;
 - (b) Transmits the Forms HUD-718 and the PADs to the Office of the Comptroller, Accounting Division, (formerly Regional Accounting Division); and
 - (c) Follows-up with the Accounting Division to make sure that the transfer action has been completed.

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NOTE: The above transactions are amendatory actions and are not to be construed as recaptures.

D. Individual Conflict of Interest and Disclosure Certifications.

Paragraph 3-68 and Paragraph 3-66 of Section 202 Handbook 4571.3 REV-1 and Section 811 Handbook 4571.2, respectively, discuss the requirement for submission of the individual conflict of interest and disclosures certifications. These certifications must be submitted on all officers, directors, board members, trustees, stockholders and authorized agents of the sponsor and owner. Although these certifications are required to be submitted with the firm commitment application, sponsors and owners should begin obtaining the individual certifications as early as possible so that these individuals will be informed of this requirement during

the development of the project.

1. The fund reservation is subject to cancellation if the certifications are not provided for ALL officers, directors, board members, trustees, stockholders and authorized agents.
 2. Certifications from any Executive Boards of the sponsor and owner are NOT acceptable.
- E. Housing Consultant. HUD will no longer review and approve housing consultant contracts nor set compensation limits.
1. Selection of a housing consultants is the responsibility of the sponsor/owner.
 2. A housing consultant is not required for participation in the Section 202 or section 811 programs. The sponsor/owner may perform these services with in-house staff. If a sponsor is going to contract with a consultant, consideration should be given to contracting with a consultant in close proximity to the project site.
 3. Housing consultant's efforts must be directed exclusively toward serving the owner.
 4. Compliance with HUD's Identity of Interest and Disclosure Requirements.

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- (a) The consultant must certify that it is in compliance with HUD's identity of interest requirements by signing the Identity of Interest and Disclosure Certification in Appendix 3 of Section 202 Handbook 4571.3 REV-1 and Appendix 4 of Section 811 Handbook. More detailed information about this requirement is in Paragraphs 1-11.D. (Section 202) and Paragraph 1-11.C. (Section 811) of the above handbooks.
 - (b) The certification assures the complete independence of the consultant and precludes any other party, including the contractor, the architect and the land seller from receiving payment for consultant services.
 - (c) Exception. In addition to entering into management or supportive service contracts, the sponsor or the sponsor's nonprofit affiliate may be the housing consultant provided that no more than two persons salaried by the sponsor or management affiliate serve as nonvoting directors on the owner's board of directors.
5. No individual or entity having an identity of interest with the sponsor/owner may earn a fee beyond their normal compensation for services that would otherwise be provided on a fee basis by a housing consultant (for example, an Executive Director or other employee of the sponsor).

6. Previous Participation and Resume.

- (a) Within 14 days from the date of receipt of the Notification of Selection Letter, the sponsor/owner must submit to HUD an original of Form HUD-2530, Previous Participation Certificate and the resume for the consultant (if a consultant will be used).
- (b) The Form HUD-2530 and resume are required for all consultants, including sponsors (or sponsors' nonprofit affiliates) that have entered into contracts with the owners to provide consultant services.

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- (c) If the sponsor will be the consultant, the submission of these documents may be deferred until after formation of the owner corporation. However, within the 14-day period mentioned above, the sponsor must at least advise the HUD State/Area Office of its intention to enter into a consultant contract with the owner when formed. The Form HUD-2530 and resume must be submitted to the HUD State/Area Office immediately after execution of the consultant contract.

- (d) HUD staff will only look at the required Form HUD-2530, Previous Participation Certificate, and the resume. The MCE:

- (1) Initiates the Form HUD-2530 review process and a credit investigation on the consultant.

- o Orders a credit report on the consultant.
- o Considers the Field Office's working experience with the potential consultant.
- o Reviews the qualifications and suitability of the proposed housing consultant.
- o Determines if conflicts of interest or identities of interest exist.
- o Makes inquiries of other Field Offices that have done business with the consultant.

- (2) Makes recommendations to the owner on the strengths and weaknesses of the proposed consultant.

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7. HUD suggests to the owner to release the funds using the following schedule:

Services to be Performed by the Housing Consultant	Percentage of Total Fee Earned
--	--------------------------------

Fund Reservation Application

and up to HUD Approval of an Acceptable Site	25%
At Initial Closing: Up to a total of	50%
During the Construction Period: Up to a total of	65%
At Final Closing: Up to a total of	85%
One Year After Final Closing and Provided Project is not Having any Financial Difficulties: The Remainder	100%

F. Land Appraisals. HUD will no longer conduct the land appraisals. The sponsor/owner is responsible for obtaining the land appraisal.

1. HUD provides the sponsor/owner a list of HUD-approved appraisers which will be used by the sponsor/owner to obtain an appraiser.
2. The sponsor/owner selects and hires a certified general appraiser from the local office appraiser list. For Section 811 group homes, the sponsor/owner has the option of hiring an appraiser from the local office residential appraiser roster.
3. The sponsor/owner's appraiser must follow the instructions for land appraisals as contained in HUD Handbook 4465.1, Valuation Analysis Handbook for Project Mortgage Insurance, and Uniform Standards of Professional Appraisal Practice (USPAP).
4. The land appraisal must be completed within 30 days after fund reservation award for all Section 202 and Section 811 projects with site control at the fund reservation stage. For Section 811 projects funded without site control, complete the land appraisal within 30 days of HUD's notification of site approval.

3-10

5. HUD will perform a "desk" review of land appraisals for all Section 202 projects and Section 811 independent living facilities.

NOTE: If the desk review indicates that a field review is necessary, the State/Area Office may use either HUD staff or contract for the appraisal review services with an independent appraiser using Section 202/811 contract funds.

6. HUD will make a "checklist" review of land appraisals

involving Section 811 group homes. The checklist review applies to single family lots whose appraised value is compared to local market benchmarks (updated annually). (See Attachment A). For the checklist review:

- (a) Use 3 to 5 comparables.
- (b) Make sure comparables are recent sales.
- (c) Make sure each comparable is adjusted from the sale comparable to the subject site.
- (d) Use comparables with the same or similar zoning.
- (e) The location of the comparables should be in reasonable proximity to the subject site.
- (f) Determine whether a desk or field review is necessary.

G. Construction Cost Analysis. In addition to a land appraisal, the sponsor/owner shall contract for a construction cost analysis for the proposed project.

- 1. The sponsor/owner shall hire a professional with experience in cost estimation to prepare the construction cost analysis which includes both a structure and a land improvement estimate.
- 2. The owner's hired professional shall follow the instructions in the Multifamily Underwriting Forms Catalog, and, at a minimum, provide all applicable information required on Form [HUD-92264](#), Rental Housing-Project Income Analysis and Appraisal.

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- 3. The construction cost analysis must be completed before and submitted with the firm commitment application.
- 4. The construction cost analysis will vary in detail based on the complexity of the project:
 - (a) For group homes, only a bottom-line structure and bottom-line land improvement cost estimate must be provided. Calculate costs per square foot and also per occupant.
 - (b) For garden apartments and similar non-elevator structures comprising 25 or fewer dwelling units, a more detailed cost estimate must be provided, but is not required to conform to HUD's trade item format as shown on Form HUD-92328, Contractor's and/or mortgagor's Cost Breakdown. Instead, subtotals of building components may be provided, such as the Segregated cost method of Marshall and Swift. Another permissible method would be for trade items to be combined in groups if the estimator possesses such

data, for example:

- (1) Rough carpentry, finish carpentry, insulation, lath and plaster, drywall
- (2) Heating, ventilating, air conditioning

However, a bottom-line cost estimate as in (a) is not acceptable. Conversely, the estimator may choose to provide a detailed cost estimate conforming to HUD's line item format as shown on Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown.

- (c) For garden apartments and similar non-elevator structures comprising greater than 25 dwelling units, and for high-rise elevator structures (4 stories and higher) with masonry, steel and/or concrete construction, a detailed cost estimate conforming to HUD's line item format as shown on Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown, is required.

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H. Affirmative Fair Housing Marketing Plan (AFHMP). Remind sponsors that an AFHMP must be approved prior to issuance of the firm commitment. They also should be advised that FHEO staff is available to provide technical assistance in the completion of the [Form HUD-935.2](#).

I. Sponsor's Acceptance of Notification of Selection Letter..

1. The sponsor notifies HUD within 14 days from the date it receives the Notification of Selection Letter of its acceptance (or nonacceptance) of the fund reservation award.
2. The sponsor returns two signed copies of the Notification of Selection Letter to HUD, along with the information on its consultant as discussed in Section E. above.

J. Site Changes. State and Area Offices are no longer permitted to approve a change in sites when more than 12 months have elapsed after the fund reservation award. This applies to both Section 202 and Section 811 projects. See Section II. of this Notice pertaining to fund reservations extensions and cancellations for additional information regarding the time limit imposed on the owners to obtain control of an acceptable site.

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SECTION IV. SUBMISSION OF APPLICATION FOR A FIRM COMMITMENT FOR CAPITAL ADVANCE FINANCING

The owner submits a one-step firm commitment application. This Notice revises paragraphs 1-2 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4 to by-pass the conditional commitment application stage for all Section 202 and Section 811 applications. Accordingly, the following revises Chapter 1 of the aforementioned handbooks and provides instructions for combining the conditional commitment

application with the firm commitment application.

A. General.

The owner submits a request for a firm commitment for capital advance financing:

1. Within 180 days from the date of the Notification of Selection Letter.
2. Using Form HUD-92013, Application for Multifamily Housing Project, along with the exhibits listed in Attachment B of this Notice and discussed in Paragraphs B. and C. below.
3. In conformance with the proposal approved at the fund reservation stage.
4. In full compliance with the design and cost standards and programmatic policies, including any special conditions contained in the Notification of Selection Letter.
5. In compliance with any agreements reached at the project planning conference.

B. Description of Required Exhibits - New Construction.

The exhibits required to be submitted with the application for firm commitment for capital advance financing are described below (see Attachment B for the number of copies the owner submits for each exhibit).

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1. Form HUD-92013, Application for Multifamily Housing Project, completed in its entirety. Indicate the proposed equipment and utilities. If the owner plans to contribute all or a portion of its land draw to meet the minimum capital investment, it should so indicate on this form under Sources of Cash to Meet Requirements.
2. [Form HUD-92013Supp](#), Supplement to Application for a Multifamily Housing Project for the sponsor entity, owner corporation, all operating officers of the owner corporation (which typically include the President, Vice President, Secretary and Treasurer) and for the general contractor.

NOTE: Board members of the owners corporation are not required to submit Form HUD-92013Supp unless they also serve as an operating officer of the owner. Also, since the operating officers of the owner are not being relied upon for financial capacity, information relative to their bank account balances need not be provided on the form.

3. Evidence of formation of the owner corporation (Form HUD-91732A-CA), Incumbency Certificate listing all duly qualified and sitting officers and directors by title and the beginning

and ending dates of each person's term, and evidence of IRS tax exemption, if not previously submitted.

NOTE: Submit a current Incumbency Certificate for the sponsor if there has been any change in its officers or directors.

4. A certified balance sheet and Request for verification of Deposit (Form HUD-92004F) on the owner corporation evidencing that it has been adequately capitalized by the sponsor, if not previously submitted.

NOTE: Part I of Form HUD-92004F must be completed and signed for each bank reference included on the owner's Form HUD-92013Supp (including any additional bank accounts as identified on owner's balance sheet).

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5. Evidence of site control for Section 811 projects with sites identified only at the fund reservation stage and updated evidence of site control for Section 202 and Section 811 projects with site control at the fund reservation stage.
6. Evidence or confirmation of permissive zoning.
 - (a) Provide a statement from the local zoning board indicating that the proposed project complies with existing zoning, unless such statement was submitted at the fund reservation stage.
 - (b) Any rezoning which may have been necessary as indicated in the application submitted at the fund reservation stage must have been accomplished prior to submission of the firm commitment application.
7. Resume and Form HUD-2530, Previous Participation Certificate on the Housing Consultant, if one is proposed and if not submitted earlier.
8. Form HUD-2530, Previous Participation Certificate, on all officers and directors of the sponsor and owner, general contractor, and management agent.
9. Owner-Architect Agreement (AIA Document B181) including:
 - (a) HUD Amendment (Form HUD-90169-CA).
 - (b) Design Architect's Certification with an attached listing of any ineligible or excessive amenities (See Attachment C).

NOTE: See Paragraph 1-6.B.4. of Section 202 Handbook 4571.5 and Paragraph 1-6.B.6. of Section 811 Handbook 4571.4 for further information concerning this exhibit. Subparagraph 1-6.B.4.b.(2) of the

Section 202 Handbook dealing with the Architect's fee is hereby revised to state that the amount requested in the draw is limited to the lesser of the amount shown on Form HUD-92403-1 or the AIA B181. The Section 811 Handbook 4571.4 is correct.

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- (c) Evidence that the architect has obtained professional liability insurance in a minimum amount of \$50,000 (Section 811) or \$250,000 (Section 202) for errors and omissions. The insurance must be kept in force through the construction of the project and for a period of 3 years after project completion.
10. Final Working Drawings and Specifications with the Architect's certification that the project design has been reviewed and approved by the local Building Department and that it complies with local codes and ordinances, accessibility, program and regulatory requirements.
 11. Topographic Survey.
 12. Soil Test Borings.
 13. [Form HUD-92457](#), Survey Instructions and Certificate and Surveyor's Report.
 14. Form HUD-51994, Life Cycle Cost Analysis of Utility Combinations, if the most efficient utility type for the area of the proposed project has not been previously determined.
 15. Current resume of general contractor's construction experience, including type, size, and location of buildings constructed, geographic areas of contractor's construction business involvement, length of time contractor has acted-in that capacity, and contractor's use of minority and women-owned businesses.
 16. Financial statements on the general contractor for the last three years, the latest of which is not more than three months old.
 - (a) An exception would be an audited financial statement, not more than 12 months old, containing an unqualified opinion of an Independent CPA or Public Accountant.
 - (b) The exception applies, provided the audited statement is supplemented with updated interim statements if more than 6 months have expired since the closing date of the audited statement.

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- (c) If the financial statement is not submitted on Form HUD-92417, Personal Financial and Credit Statement (for use by individuals, not companies), it must contain, at

a minimum, the information contained on Form HUD-92417, original signatures, and the following certification and criminal warning:

I HEREBY CERTIFY that the foregoing figures and statements contained herein submitted by me as agent of the owner for the purpose of obtaining a Section 202 capital advance under Section 202 of the Housing Act of 1959, as amended, or a Section 811 capital advance under Section 811 of the National Affordable Housing Act of 1990, as amended, [whichever applies], are true and give a correct showing of

_____ 's (insert name of owner)
financial position as of _____
(date of financial statement). Signed this ____ day of
_____, 19__

(Signature of authorized agent with name printed or
typed under signature.)

Warning -- HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

17. Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown.
18. Contractor's Certification regarding compliance with MBE/WBE objectives.
19. Construction Cost Analysis (prepared by owner's hired professional).
20. Owner's List Showing Intended Use of Developer's Fee.
21. [Form HUD-935.2](#), Affirmative Fair Housing Marketing Plan.
22. Form HUD-9832, Management Entity Profile, for management agents new to the State/Area Office in which the proposed project will be located.
23. Form HUD-9839-A, Project Owner's Certification for Owner-Managed Multifamily Housing Projects,
--- OR ---
Form HUD-9839-B, Project Owner's and Management Agent's Certification for Multifamily Housing Projects for Identity-of-Interest or Independent Management Agents,
--- OR ---
Form HUD-9839-C, Project Owner's/Borrower's Certification for Elderly Housing Projects Managed by Administrators.
24. Resume on the Resident Manager or Management Agent which includes qualifications and experience.

25. Model Form of Lease.
26. Evidence of state/local exemption from real and/or personal property taxes, tax abatement, Payment in Lieu of Taxes (PILOT), OR ineligibility from any tax relief.
27. Any amendments to relocation plan, if site occupants are to be displaced.
28. Schedule of Capital Expenditures (e.g., furniture, supplies, equipment, and other items necessary to the basic operation of the project) that will not be covered by proceeds from the capital advance. The schedule should include the owner's plan on how it will meet these costs -- through donations, cash outlays, etc.

NOTE: The capital advance will include a developer's fee which may be used to cover the costs of capital expenditures. The owner is required to submit a list showing the intended use of the developer's fee (see item 20. above).

29. For Section 811 projects, evidence of supportive services funding. Submit written evidence from the appropriate agency(s) indicating its continued firm commitment to fund or provide the supportive services for the proposed project to at least the same degree as what was originally committed in the letter of intent included in the Application for a Fund Reservation. The letter

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must describe the terms of the commitment and indicate the number of disabled persons/units for which the commitment is being made.

NOTE: If the agency(s) has reduced or withdrawn its original commitment, the owner must submit evidence of funding for the supportive services from other sources or the fund reservation will be cancelled.

30. For Section 811 Group Homes to be Licensed as Intermediate Care Facilities, a Certificate of Need.
31. Individual Conflict of Interest and Disclosures
Certifications on all officers, directors, board members, trustees, stockholders and authorized agents of the sponsor and owner. See Appendix 2 and paragraph 1-11.D. of Section 202 Handbook 4571.3 REV-1, and Appendix 3 and Paragraph 1-11.C. of Section 811 Handbook 4571.2.

NOTE: Certifications from any Executive Boards of the sponsor and owner are NOT acceptable. The fund reservation is subject to cancellation if the certifications are not provided for ALL of these individuals. Once the fund reservation

application has been filed, the conflict of interest provisions apply to these individuals for two years after resignation or final closing, whichever is later.

32. Individual Identity of Interest and Disclosures

Certifications for all development team members. This includes the consultant, attorney, architect, general contractor, management and seller of the land. See Appendix 3 and Paragraph 1-11.D. of Section 202 Handbook 4571.3 REV-1, and Appendix 4 and Paragraph 1-11.C. of Section 811 Handbook 4571.2.

33. Owner Certification/Disclosure of Lobbying Activities, Standard Form-LLL.

34. Applicant/Recipient Disclosure/Update Report, Form HUD-2886 from the owner.

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35. Consolidated Owner Certifications -- See Attachments D and E of this Notice for a consolidated certification format, which includes:

- (a) Certification required by OMB Circular A-129. OMB Circular A-129, managing Federal Credit Programs, requires all owners to certify that they have been unable to obtain the necessary funds to develop the project from private sources upon terms and conditions equally favorable as the terms and conditions available under Section 202 or Section 811.
- (b) Form HUD-92010, Equal Employment Opportunity Certification.
- (c) Certification of Drug-Free Workplace.
- (d) Certification in Connection with the Development and Operation of a Section 202 or Section 811 Supportive Housing Project.
- (e) Certification of Compliance with Design and Cost Standards, the Uniform Federal Accessibility Standards and HUD's implementing regulations at 24 CFR part 40, Section 504 of the Rehabilitation Act of 1973, and HUD's implementing regulations at 24 CFR Part 8, and for covered multifamily dwellings designed and constructed for first occupancy after March 13, 1991, the design and construction requirements of the Fair Housing Act and HUD's implementing regulations at 24 CFR Part 100, and the Americans with Disabilities Act of 1990.
- (f) Certification regarding Compliance with the Requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act.

(g) Certification of Compliance with Davis-Bacon Act.

NOTE: Section 811 Group Homes and other small-size project with fewer than 12 units are exempt from the requirements of the Davis-Bacon Act.

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(h) For Section 811 projects, certification that owner will not require residents to accept any supportive services as a condition of occupancy.

(i) Flood Disaster Protection Act of 1973 Certification.

(j) Certification of Compliance with the National Environmental Policy Act.

(k) Certification for Contracts, Grants, Loans and Cooperative Agreements.

(l) Certification that the information in the Firm commitment Application is True and Accurate.

NOTE: Form HUD-92013-E, Supplemental Application and Processing Form-Housing for the Elderly/Disabled has been eliminated. Owners shall show any proposed services and the funding for such services in the "remarks" section of Form HUD92013, Application for Multifamily Housing Project.

C. Rehabilitation or Acquisition Without Rehabilitation. In addition to the exhibits described in Paragraph B. above, the owner must submit the following exhibits if the proposal involves rehabilitation or acquisition without rehabilitation.

1. Projects Involving Rehabilitation.

- (a) Authorization to inspect the project.
- (b) Narrative description of rehabilitation proposed.
- (c) Final working drawings and specifications of units as proposed to be rehabilitated.
- (d) Final working drawings and specifications of any structural changes or changes in floor plans or other significant alterations.
- (e) Survey/site plan drawing, as built.
- (f) Drawings and specifications of existing facilities, if obtainable.

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2. Acquisition Without Rehabilitation.

- (a) Authorization to inspect the project.
 - (b) Narrative description of any repair work proposed, including how the project will provide program accessibility to people with disabilities.
 - (c) Survey/site plan drawing, as built.
 - (d) Drawings and specifications of existing facilities, if available.
3. Lead-Based Paint Certification. For Section 811 projects, certification of compliance with the Lead-Based Paint Poisoning Prevention Act. The requirements of the Lead-Based Paint Poisoning Prevention Act apply to the dwellings (except zero-bedroom dwellings units) in housing:
- (a) Which were constructed or substantially rehabilitated before 1978, and
 - (b) In which any child under seven years of age resides or is expected to reside.

D. Receipt of Firm Commitment Applications. The outstanding procedures for logging-in, date-stamping, and screening firm commitment applications for completeness remain unchanged.

E. Eligibility for Technical Processing.

1. Acceptable Applications for a Firm Commitment of Capital Advance Financing.
- (a) The MHR shall determine whether the firm commitment application is complete and acceptable for technical processing based on a review of the comments received from the technical and program staffs.
 - (b) The MHR shall advise the Program Assistant that the firm commitment application is acceptable for technical processing.
 - (c) The Program Assistant staff notifies the technical and program staffs to begin processing of the application.

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2. Incomplete Applications for a Firm Commitment of Capital Advance Financing.
- (a) The MHR prepares a letter for the signature of the Chief, Production Branch, which:
 - (1) Lists the deficiencies;
 - (2) Invites the owner to correct the deficiencies by a specified date (generally within 15 working days);

- (3) States that if additional information is not received by the specified date, the firm commitment application will be returned and may be resubmitted when it is complete.

(b) Receipt of Additional Information.

- (1) The Program Assistant logs-in the additional information and forwards it to the MHR for review for acceptability.
- (2) For additional information which is complete, the MHR shall follow the procedures outlined in Paragraph C.1. above.
- (3) For incomplete information, the MHR prepares a letter to the owner and;
 - o Returns the application,
 - o Lists the deficiencies, and
 - o Invites a prompt resubmission of the application upon correction.

F. Coordination of Technical and Program Reviews. The Program Assistant and MHR have a shared responsibility for tracking and-monitoring the progress of the technical reviews. These responsibilities are described in Paragraph 2-8 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4.

G. Target Date for Issuance of Firm Commitment for Capital Advance Financing. The target date for issuing a firm commitment for capital advance financing is 30 days after receipt of a firm commitment application that is complete and acceptable for technical processing.

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SECTION V. TECHNICAL REVIEW OF FIRM COMMITMENT APPLICATION

Make all Technical reviews following Chapters 1 and 2 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4, except as modified herein:

A. Office Counsel.

1. If the owner's application includes provisions for tax abatement, payment in lieu of taxes (PILOT) or exemption of real property taxes, the office Counsel must review this information in accordance with Paragraph 1-12 of the above referenced handbooks.
2. If the MHR's review of the individual Conflict/Identity of Interest and Disclosure Certifications reveals questionable conflict or identity of interest relationships/activities,

the Office Counsel shall review the application and make a determination regarding its acceptability.

B. Architectural and Engineering Analysis (A/E). Paragraphs 1-15 through 1-22 and 2-9 of the above handbooks are no longer applicable because HUD accepts the final plans and specifications without a review. The exception to this policy is a review for handicapped accessibility. HUD will review the final plans and specifications pursuant to the Fair Housing Accessibility Guidelines and Section 504. HUD relies on the owner's architect's certification as discussed below:

1. Architect's Certification. The HUD representative:
 - (a) Accepts the owner's Architect's Certification (see Attachment C of this Notice) that the project design is in compliance with local codes and ordinances, accessibility, program and regulatory requirements.
 - (b) Requires the owner's architect to identify and attach to the certification any ineligible items or excessive features, such as individual unit balconies and decks, atriums, bowling alleys, swimming pools, saunas, jacuzzis, etc. Forwards copies of this attachment to the HUD Cost Analyst, HUD appraiser and MCE.

NOTE: Owners may include these items but they must pay for them from sources other than the Section 202 or Section 811 capital advance. They must also pay for the continuing operating costs associated

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with any excess amenities from sources other than the Section 202 or Section 811 Project Rental Assistance Contract.

Exception: An exception to this requirement may be granted if the proposed project involves rehabilitation or acquisition from the Resolution Trust Corporation, the additional amenities or design features were incorporated into the existing structure before the submission of the application, and the total development cost of the project does not exceed the development costs limits published in the annual Notice of Fund Availability for the Sections 202 and 811 programs (unless the owner is willing to pay the excess costs from other than capital advance proceeds).

2. The HUD representative receives and retains copies of the final plans and specifications.
3. The HUD representative accepts the final plans and

specifications as submitted with only a review for handicapped accessibility.

NOTE: HUD relies on the owner's architect's certification that the project design complies with all local codes, program and regulatory requirements.

4. Form HUD-51994, Life-Cycle Cost Analysis of Utility Combinations. The HUD representative reviews this form to determine the most efficient utilities, fuels, related mechanical equipment and methods of purchase ONLY if such a determination has not been previously made for similar projects in the area of the proposed project.
5. The HUD representative makes sure that the owner's architect has obtained professional liability insurance for errors and omissions. This insurance must be:
 - (a) In a minimum amount of \$50,000 (Section 811) or \$250,000 (Section 202) projects.

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- (b) Kept in force through the construction of the project and for a period of 3 years after project completion.

C. Cost. This Notice replaces Paragraphs 1-23 through 1-30 and 2-10 of the above handbooks with the following instructions:

1. Architect's Certification. The HUD Cost Analyst accepts the owner's Architect's Certification with attachment identifying any ineligible or excessive amenities (see Attachment C of the Notice) that:
 - (a) The costs of construction of community spaces do not exceed 10 percent of the total cost of construction, OR
 - (b) The costs of construction of community spaces exceed 10 percent of the total cost of construction and the owner is willing to contribute these incremental development costs and the continuing incremental operating costs.
2. Review of Construction Cost Analysis and Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown.
 - (a) The Cost Analyst compares the construction cost analysis and Form HUD-92328 with the owner's application (Form HUD-92013) for consistency.

NOTE: The owner is responsible for resolving any inconsistencies noted among these documents.

- (b) If there is a general agreement between the contractor's estimate and the construction cost analysis, accept the contractor's estimate as the Commissioner's estimate.

(c) Cost review of land improvement trade items is limited to the bottom line total per square foot in all cases with the following exceptions:

(1) The bottom line total per square foot grossly exceeds available data without documentation from the contractor. In this instance, isolate the inflated trade items(s), request documentation and check against available data.

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(2) Contractor identifies and provides documentation for unusual land improvements. In this instance, check against available data.

(3) Note that site contamination testing and remediation should be completed before the start of construction and should not be included in the construction contract. In the case of site contamination eluding standard testing procedures and only becoming evident after the start of construction, further testing and remediation should be included in the construction contract by use of change orders and categorized under "unusual site conditions."

(d) Cost review of structure trade items will vary in detail based on the complexity of the project:

(1) For group homes, review only the bottom line structures totals. Calculate costs per square foot and also per occupant.

(2) For garden apartments and similar non-elevator structures comprising 25 or fewer dwelling units, where the owner's cost estimator has broken the costs into building components or trade item groupings (see III.G.4. above for examples), review the components or trade item groupings based on available data. Calculate bottom-line costs per square foot and also per occupant.

NOTE: In cases where an ordinarily non-elevator structure contains an elevator either by local requirement or at the request of the sponsor, the above non-elevator cost review guidelines will still apply.

(3) For garden apartments and similar non-elevator structures comprising greater than 25 dwelling units, and for high-rise elevator structures (4 stories and higher) with masonry, steel and/or concrete construction, a detailed review will be made on individual

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trade items prepared in accordance with HUD's line item format as shown on Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown. Front-end loading will be checked only when reviewing construction cost analyses done in HUD's line item format.

(e) If evidence of front-end loading exists, contact the owner to bring this to resolution. To expedite resolution, you may contact the contractor directly. However, you must keep the owner informed of any discussions.

3. Cost Not Attributable to Dwelling Use (CNA). Do not calculate the CNA. It will be calculated by the person or firm hired by the owner to perform the construction cost analysis.

4. Cost Estimation. The Cost Analyst will not provide an independent estimate.

D. Valuation. Paragraphs 1-31 through 1-43 and 2-11 of the above handbooks describe Valuation processing which will remain the same, except as noted below:

1. Form [HUD-92013-E](#), Supplemental Application and Processing Form-Housing for the Elderly/Disabled. Form HUD-92013-E is eliminated for these programs. Check the "remarks" section of the owner's application (Form HUD-92013, Application for Multifamily Housing Project) to determine if any services are proposed and the funding sources for such services.

2. Operating Expense Analysis.

a) Do not conduct an operating expense analysis. Accordingly, Form HUD-92274, Operating Expense Analysis Worksheet, is eliminated for these programs.

(b) The owner is responsible for providing HUD the project's estimate of operating expenses which will be used in HUD's processing.

NOTE: Any adjustments in the project rental assistance contract authority reserved for the project will be made after one full year of project operation, if necessary.

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3. Estimate of "Soft" Costs. Do not estimate the "soft" costs. Accept and include in processing the owner's estimate of such costs as shown in the owner's firm commitment application, Form HUD-92013, Application for Multifamily Housing Project.

4. Construction Cost Analysis. Make a checklist review to determine consistency with owner's firm commitment application, Form HUD-92013.

NOTE: The owner is responsible for resolving any inconsistencies noted between the construction cost analysis and the Form HUD-92013.

5. Developer's Fee. In lieu of a project contingency allowance and amounts for consultant services and organizational fees, include a developer's fee of 8 percent of the total replacement cost of the project. However, the minimum developer's fee for inclusion in the capital advance amount is \$30,000 and the maximum is \$400,000 plus 2 percent of any replacement cost amount over \$5,000,000.

(a) Eligible Uses of Developer's Fee. The developer's fee may be used to pay for costs associated with developing the project including but not limited to:

- o Cost of necessary change orders approved prior to final closing.
- o Housing consultant services.
- o Organizational expenses.
- o Owner's cash requirement at initial closing, except as noted in the following paragraph entitled "Ineligible Uses of Developer's Fee."
- o Increased taxes and insurance caused by unavoidable delays in construction.
- o Increases in otherwise eligible non-construction line items.
- o Environmental studies.

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NOTE: These studies do not replace the HUD environmental review but may supplement it. HUD staff must still conduct an environmental assessment.

- o Appraisal costs.
- o Capital expenditures, such as major moveable furnishings and equipment (e.g., computers and lawn mowers), including, but not limited to, office and maintenance equipment and furnishings for the public areas.
- o Costs directly related to the rent-up of the project, such as advertisement.
- o Accruals for taxes and insurance after completion of construction if current income from the project is insufficient to meet such accruals. This includes the period after the cut-off date.

- (b) Ineligible Uses of the Developer's Fee.
 - o Excessive design features and ineligible amenities, such as individual unit balconies and decks, atriums, bowling alleys, swimming pools, saunas, jacuzzis, etc.
 - o Additional fees to the architect and attorney (i.e., over and above the contractual amount).
 - o Non-major equipment and furnishings, such as dishes and eating utensils.
 - o Items with short-term life cycle, such as office and maintenance supplies.
 - o Furnishings within the residential units.
 - o Motor vehicles.
- (c) The developer's fee is in addition to the legal, audit and other fees, such as impact fees.
- (d) Unused funds, if any, are deposited in the project's Reserve for Replacement Account at final closing.

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- (e) Two percent of the developer's fee is withheld (by the MCE) at initial closing to cover project contingency items, furnishings and equipment.
6. If a site change has been approved:
- (a) Owner is required to complete a Transaction Screening Questionnaire and/or Phase I Environmental Study, and a Phase II study, if applicable.
 - (b) Valuation staff will complete an environmental assessment on Form HUD-4128, Environmental Assessment, for a new construction proposal and Form HUD-4128.1, Compliance and LAC Conditions Record (short form) for a proposal involving rehabilitation of an existing structure in accordance with Paragraph 1-32 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4.
 - (c) Land appraisals are to be conducted in accordance with Section III.F. of this Notice.

E. Mortgage Credit. Follow the instructions in Paragraphs 1-44 through 1-52 and 2-12 of the above handbooks, except as noted below:

- 1. In analyzing the owner's capability, review the owner's balance sheet and Form HUD-92004F, Request for Verification of Deposit (VOD) for each bank reference with Part I

completed to determine whether the owner has been capitalized by the sponsor in an amount adequate to close the transaction and operate the project. Be sure to consider all funds committed by the sponsor.

2. VOD.

- (a) Instruct owner to complete Part I of the VOD form and send it along with a covering letter to the financial institution requesting the financial institution to complete the bottom portion and transmit the completed VOD directly to HUD. This should be done before submission of the firm commitment application.

5-8

- (b) Require owner to include in the firm commitment application, at least, a copy of the VOD and covering letter forwarded to the financial institution.

3. Credit Reports.

- (a) On behalf of the Asset Manager:
 - o Order credit reports of the proposed management firms and resident managers.
 - o Make a recommendation to the Asset Manager regarding the creditworthiness of the management firm/resident manager.

NOTE: The responsibility for determining the acceptability of the management firm or resident manager rests with the Asset Manager.

- (b) Order "in-file" credit reports only on the sponsor entity, owner corporation and operating officers of the owner, consultant, general contractor, management firm or resident manager.
- (c) Order credit reports on new officers of the owner corporation whenever there is a change in officers.

4. The MCE is still responsible for determining whether the owner has adequate funds to defray the cost of placing the project into operation, including the cost of capital expenditures. However, consider the developer's fee in reaching this determination.

5. Developer's Fee.

- (a) See above Paragraph D.5. for a detailed description of eligible and ineligible uses of the developer's fee.
- (b) Review owner's listing of the intended use of the developer's fee.

- (c) Holdback 2 percent at initial closing to cover project contingency items, furnishings and equipment.

5-9

- (d) At cost certification, the full amount of the developer's fee should be recognized as an allowance.

- (e) At final closing, deposit any unused funds in the project's Reserve for Replacement Account.

6. Housing Consultant. The determination regarding the acceptability of the housing consultant is made prior to submission of the firm commitment application. If there is a change in consultants, refer to Section III.E. of this Notice for the MCE's responsibilities in reviewing the resume, Form HUD-2530, Previous Participation Certificate, and credit report on the consultant.
7. Consult with the A/E and Cost staff to determine if the owner is proposing any ineligible or excessive amenities which will have to be paid for from sources other than the Section 202 or Section 811 capital advance.

F. Asset Management. Asset Management staff shall follow the instructions in Paragraphs 1-53 through 1-57 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4. The exceptions are:

1. The submission and review of the Management Entity Profile, Form HUD-9832, is limited to management agents and resident managers who are new to the applicable local HUD office.
2. The ordering of credit reports on the management agents and resident managers is now required.
 - (a) The MCE orders the credit reports.
 - (b) The Asset Manager will coordinate the review and analysis of the credit report with the MCE.

NOTE: The Asset Manager is responsible for determining the acceptability of the proposed management agent and management services.

5-10

SECTION VI. AWARD OF CONSTRUCTION CONTRACT

Paragraphs 2-25 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4 are hereby revised to encourage the use of Form HUD-92442-CA, Construction Contract - Lump Sum, for all Section 202 and Section 811 projects regardless of the type of construction or rehabilitation contract awarded. If an owner has limited Section 202/811 program experience/knowledge and/or the general contractor has limited construction experience, the local office may require the use of a cost plus construction contract.

An identity of interest between the sponsor/owner and the general contractor is prohibited. If, at any time, the local office becomes aware of a prohibited relationship between the sponsor/owner and general contractor, the local office will take appropriate sanctions, including requiring cost certification by the general contractor.

6-1

SECTION VII. REQUESTS FOR INCREASES IN CAPITAL ADVANCE AND PROJECT RENTAL ASSISTANCE CONTRACT FUNDS

Upon completion of firm commitment application processing, if it is determined that increases in the capital advance and PRAC reservations are needed, the following shall be followed.

A. Section 202/811 Projects Funded in FY 1995 and Earlier.

1. Capital Advance Increases. State/Area offices may continue to approve capital advance increases in accordance with Paragraphs 1-72 and 2-15 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4.
2. PRAC Increases. State/Area Offices may continue to approve PRAC increases subject to outstanding instructions.

B. Section 202/811 Projects Funded in FY 1996 and Later.

1. Capital Advance Increases. The provision for permitting amendments to the fund reservation before initial closing for these projects has been eliminated.
 - (a) Fund reservations may be amended only after initial closing for approved change order items, subject to the availability of amendment funds.
 - (b) Increases resulting from change orders approved during construction may be approved, but will be funded first out of the developer's fee. In cases where the developer's fee has been depleted for approved change order items, HUD will consider a mortgage increase on a case-by-case basis.
 - (c) All requests for mortgage increases (after initial closing) shall be processed as usual based on handbook instructions.
2. No increases in the PRAC reservation are to be made until after one full year of project operation. This revises the instructions in Paragraphs 1-72 and 4-13 of the aforementioned handbooks.

7-1

SECTION VIII. INITIAL CLOSING TO FINAL CLOSING

A. Initial Closing.

Initial Closings are to be conducted following Chapter 3 of Section 202 Handbook 4571.5 and Section 811 Handbook 4571.4. A change, however, has been made to the documents required to be submitted by the owner at initial closing. Refer to Attachment F to this Notice for the list of the revised initial closing documents. In addition, a copy of Form HUD-290, Closing Memorandum, is to be submitted to Jane E. Luton, Director, New Products Division, HMDN, Room 6142, for goals reporting purposes.

B. Construction Period.

The instructions outlined in Chapter 4 of the aforementioned handbooks apply, except as follows:

1. Processing Change Orders. Paragraph 4-5 of the above handbooks is revised to limit HUD review of change orders, Form HUD-92437, Request for Construction Changes on Project Mortgages, to a cursory review; i.e., an acknowledgment of the change order for the record.

(a) The Cost Analyst's review is limited to informing the HUD appraiser which change orders are necessities, equivalents, or betterments.

(b) The owner's architect is responsible for making sure that the project is being constructed in compliance with applicable local codes and HUD program requirements.

NOTE: PROCESSING CHANGE ORDERS INVOLVING REQUESTS FOR MORTGAGE INCREASES AND EXTENSIONS OF CONSTRUCTION TIME SHALL BE HANDLED AS USUAL BASED ON HANDBOOK INSTRUCTIONS.

2. HUD Inspections. The HUD inspections during construction are to be made in accordance with HUD Handbook 4460.1 REV-2.

8-1

C. Final closing.

There are no changes to the final closing procedures as stated in Chapter 6 of the above handbooks, except to note that any unused developer's fee is to be deposited in the project's Reserve for Replacement Account at final closing. Attached to this Notice (Attachment G) is a list of final closing documents.

Nicolas P. Retsinas
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachments

8-2

Attachment A

LAND APPRAISAL CHECKLIST FOR GROUP HOMES
UNDER THE SECTION 811 CAPITAL ADVANCE PROGRAM

INSTRUCTIONS:

1. Use 3 to 5 comparables.
2. Make sure comparables are recent sales.
3. Make sure each comparable is adjusted from the sale comparable to the subject site.
4. Use comparables with the same or similar zoning.
5. The location of the comparables should be in reasonable proximity to the subject site.
6. Determine whether a desk or field review is necessary.

SECTION I

Project No. _____

Project Sponsor/Owner _____

Project Location _____
(Street Address)

(City, State, Zip Code)

SECTION II

Dimensions _____

Site Area _____ Corner Lot Yes No

Specific Zoning Classification and Description _____

Zoning Compliance Legal Legal Nonconforming
(Grandfathered Use)
 Illegal No Zoning

Market Value of Land Present Use
 Intended Use (Group Home)
 Other Use (Explain)

Attachment A - Page

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SECTION III

Topography _____

Size _____

Shape/Plottage _____
 Drainage _____
 View _____
 Landscaping/Demolition/Piling _____
 Driveway Surface _____
 Apparent Easements _____
 FEMA Special Flood Hazard Area Yes No
 FEMA Zone _____ Map Date _____
 FEMA Map No. _____

SECTION IV

Utilities	Public	Other
Electricity	<input type="checkbox"/>	_____
Gas	<input type="checkbox"/>	_____
Water	<input type="checkbox"/>	_____
Sanitary Sewer	<input type="checkbox"/>	_____
Storm Sewer	<input type="checkbox"/>	_____

SECTION V

Off-Site Improvements	Type	Public	Private
Street	_____	<input type="checkbox"/>	<input type="checkbox"/>
Curb/gutter	_____	<input type="checkbox"/>	<input type="checkbox"/>
Sidewalk	_____	<input type="checkbox"/>	<input type="checkbox"/>
Street Lights	_____	<input type="checkbox"/>	<input type="checkbox"/>
Alley	_____	<input type="checkbox"/>	<input type="checkbox"/>

Attachment A - Page

3

SECTION VI

Comments: (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning use, etc.)

SECTION VII

Environmental Considerations:

Flood Hazards:

Are the property improvements in a Special Flood Hazard Area?
 Yes No

(If "yes", a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) is attached.) Yes No

The flood insurance Map (FIRM) Number and Date:

Noise:

Is the property located within 1,000 feet of a highway, freeway, or heavily traveled road? Yes No

Within 3,000 feet of a railroad? Yes No

Within one mile of a civil airfield or 5 miles of a military airfield? Yes No

Runway Clear Zones/Clear Zones:

Is the property within 3,000 feet of a civil or military airfield? Yes No

If "yes", is the property in a Runway Clear Zone/Clear Zone? Yes No

Explosive/Flammable Materials Storage Hazard:

Does the property have an unobstructed view, or is it located within 2,000 feet of any facility handling or storing explosive or fire prone materials? Yes No

Attachment A - Page

4

Toxic Waste Hazards:

Is property within 3,000 feet of a dump or landfill, or a site on an EPA Superfund (NPL) list or equivalent State list? Yes No

Foreseeable Hazards or Adverse Conditions:

Does the site have any rock formations, high ground water levels, inadequate surface drainage, springs, sinkholes, etc? Yes No

Does the site have unstable soils (expansive, collapsible, or erodible)? Yes No

Does the site have any excessive slopes? Yes No

Does the site have any earthfill? Yes No

If "yes", will foundations, slabs, or flatwork rest on the fill? Yes No

SECTION VIII

Recommendation:

Approve

Approve with Conditions

Disapprove

Comments/Conditions: _____

Prepared by: _____ Date: _____
(Signature)

Supervisor: _____ Date: _____
(Signature)

Attachment

B

REQUIRED EXHIBITS FOR REQUEST FOR FIRM COMMITMENT FOR
CAPITAL ADVANCE FINANCING

All requests for Section 202 or Section 811 Firm Commitments must be accompanied by the exhibits listed below.

The submission must contain the number of copies indicated and must be tabbed and indexed accordingly.

- | Exhibit | Document | No. of Copies |
|---|---|---------------------|
| 1. | Form HUD-92013, Application for Multifamily Housing Project | Original & 2 Copies |
| 2. | Form HUD-92013.Supp, Supplement to Application for a Multifamily Housing Project (for Sponsor, Owner, including owner's Operating Officers and General Contractor) | Original & 2 Copies |
| 3. | Form HUD-91732A-CA, Certificate of Incorporation, for Owner with Incumbency Certificate on Officers and Directors and Evidence of Owner's IRS Tax Exemption (if not previously submitted) | Original & 2 Copies |
| NOTE: Include updated Incumbency Certificate on Sponsor if there has been any change in its officers and directors. | | |
| 4. | Certified Balance Sheet with Request for Verification of Deposit (Form HUD-92004F) on Owner | Original & 2 Copies |
| 5. | Evidence (or Updated Evidence) of Site Control | 3 Copies |
| 6. | Evidence (or Confirmation) of Permissive Zoning | 3 Copies |

7. Information on Housing Consultant
(if applicable and not previously submitted): Resume and Form HUD-2530, Previous Participation Certificate Original
Attachment B - Page 2
8. Form HUD-2530, Previous Participation Certificate (for Officers and Directors of Sponsor and Owner, General Contractor and Management Agent) Original
9. Owner-Architect Agreement (AIA Document B181), with Amendment - Form HUD-90169-CA, Architect Certification that includes a List of Any Ineligible or Excessive Amenities, and Evidence of Professional Liability Insurance Original & 2 Copies
10. Final Working Drawings and Specifications 3 Sets
11. Topographic Survey 3 Copies
12. Soil Test Borings 3 Copies
13. Form HUD-92457, Survey Instructions and Certificate and Surveyor's Report 3 Copies
14. Form HUD-51994, Life Cycle Cost Analysis of Utility Combinations (if applicable) Original & 2 Copies
15. Resume on General Contractor's Construction Experience 3 Copies
16. Financial Statements on General Contractor (for Last Three Years) Original & 2 Copies
17. Form HUD-92328, Contractor's and/or Mortgagor's Cost Breakdown Original & 2 Copies
18. Contractor's Certification Regarding Compliance with MBE/WBE Objectives Original & 2 Copies
19. Construction Cost Analysis prepared by Owner's Hired Professional Original & 2 Copies
20. Owner's List Showing the Intended

Use of the Developer's Fee Original & 2 Copies
Attachment B - Page

3

21. Form HUD-935.2, Affirmative Fair Housing Marketing Plan Original & 1 Copy
22. Form HUD-9832, Management Entity Profile (if Management Entity is New to the Field Office having Jurisdiction over the Project) Original & 1 Copy
23. Form HUD-9839-A, Project Owner's Certification for Owner-Managed Multifamily Housing Projects Original & 1 Copy
- OR -
Form HUD-9839-B, Project Owner's and Management Agent's Certification for Multifamily Housing Projects for Identity-of-Interest or Independent Management Agents Original & 1 Copy
- OR -
Form HUD-9839-C, Project Owner's/ Borrower's Certification for Elderly Housing Projects Managed by Administrators Original & 1 Copy
24. Resume on Management Agent or Resident Manager Original & 1 Copy
25. Model Form of Lease (in accordance with HUD requirements) Original & 1 Copy
26. Evidence of State/Local Exemption from Real and/or Personal Property Taxes, Tax Abatement, Payment in Lieu of Taxes (PILOT), OR Ineligibility from Any Tax Relief 3 Copies
27. Amendments to Relocation, if any (if Site Occupants are to be Displaced) 3 Copies
28. Schedule of Capital Expenditures 3 Copies
29. Individual Conflict of Interest and Disclosure Certification for Sponsor and Owner Original & 2 Copies
30. Identity of Interest and Disclosure Certifications for Development Team Members Original & 2 Copies

Attachment B - Page

4

31. Standard Form- LLL, Owner Certification/Disclosure of

Lobbying Activities Original & 2 Copies

32. Form HUD-2880, Applicant/Recipient
Disclosure/Update Report, from
Owner Original & 2 Copies
33. Owner Certifications -- A Original & 2 Copies
Consolidated Certification
Regarding:
- o Owner's Inability to Obtain
Financing from Private Sources
as Equally Favorable as under
the Section 202 or Section 811
Program pursuant to OMB
Circular A-129
 - o Form HUD-92010, Equal Employment
Opportunity
 - o Drug-Free Workplace
 - o Development and Operation of a
Section 202 or Section 811
Project
 - o Compliance with Design and Cost
Standards and Accessibility
Requirements
 - o Compliance with Uniform Relocation
Assistance and Real Property
Acquisition Policies Act
 - o Compliance with Davis-Bacon Act
 - o Flood Disaster Protection Act
of 1973
 - o National Environmental Policy Act
 - o Contracts, Grants, Loans and
Cooperative Agreements
 - o Truth and Accuracy of the
Submitted Information
 - o Compliance with the Lead-Based
Paint Poisoning Prevention Act
(for Section 811 projects
proposing Rehabilitation or
Acquisition without
Rehabilitation only)

Attachment B - Page

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<<< ADDITIONAL EXHIBITS >>>

FOR SECTION 811 APPLICATIONS ONLY:

34. Evidence of Supportive Services
Funding Original & 2 Copies
35. Certificate of Need (for Group
Homes Proposed as Intermediate
Care Facilities) Original & 2 Copies

FOR PROJECTS PROPOSING REHABILITATION ONLY:

- 36. Authorization to Inspect Project 3 Copies

- 37. Narrative Description of Rehabilitation Proposed 3 Copies

- 38. Final Working Drawings and Specifications of Units as Proposed to be Rehabilitated 3 Copies

- 39. Final Working Drawings and Specifications of any Structural Changes or Changes in Floor Plans or Other Significant Alterations 3 Copies

- 40. Survey/Site Plan Drawing, as Built 3 Copies

- 41. Drawings and Specifications of Existing Facilities, if Obtainable 3 Copies

FOR PROJECTS PROPOSING ACQUISITION WITHOUT REHABILITATION ONLY:

- 42. Authorization to Inspect Project 3 Copies

- 43. Narrative Description of Any Repair Work Proposed 3 Copies

- 44. Survey/Site Plan Drawing, as Built 3 Copies

- 45. Drawings and Specifications of Existing Facilities, if Available 3 Copies

Attachment C

DESIGN ARCHITECT'S CERTIFICATION

For use in HUD's Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities Programs

The following certification shall be submitted at the Firm Commitment Application stage of processing and shall be completed by the licensed professional executing the Owner-Architect Agreement (AIA Document B-181) with HUD Amendment (Form HUD 90169-CA).

Owner: _____

HUD Project No.: _____

Project Name: _____

Project Address: _____

I, _____ Registered Architect, do hereby certify that I have personally prepared, reviewed and/or supervised the preparation of the Working Drawings and Specifications for this project. I further certify that, to the best of my knowledge, the Working Drawings and Specifications comply with the applicable building codes specified below and have been prepared in accordance with HUD regulations, Handbook requirements and guidelines as identified below.

A. The attached Working Drawings and Specifications are:

1. For the project identified above, which is described as follows: (Describe project by indicating number and types of units, etc.)

Attachment C - Page

2

2. Identified as _____

(Identify Working Drawings and Specifications by inserting information normally found in the Title Block of drawings.)

3. In compliance with Local, State or Model Building Code: (Specify name and year.)

4. In compliance with other Laws, Ordinances, Exceptions, Deletions, Waivers, Additions, etc., required or granted by the appropriate Local, State, and/or Federal authority (attached herewith).

5. In compliance with the (1) Uniform Federal Accessibility Standards and HUD's implementing regulations at 24 CFR Part 40; (2) Section 504 of the Rehabilitation Act of 1973 and HUD's implementing regulations at 24 CFR Part 8; (3) Fair Housing Act of 1988 and HUD's implementing regulations at 24 CFR Part 100 for covered multifamily dwellings designed and constructed for first occupancy after March 13, 1991; and (4) the Americans Disabilities Act of 1990.

6. In compliance with HUD's (1) current Minimum Property Standards (Handbook 4910.1); (2) design and cost standards as contained in 24 CFR, Sections 891-120 (applicable to both Section 202 and Section 811 projects), 891.210 and 891.220 (Section 202 projects only), 891.310 and 891.315 (Section 811 projects only); and (3) current Handbooks 4571.5 Section 202 Supportive Housing for the Elderly, 4571.4 Section 811 Supportive Housing for Persons with Disabilities and 4460.1 REV-1, Architectural Analysis and Inspections for Project

Mortgage Insurance.

B. Professional liability insurance in a minimum amount of \$50,000 (Section 811) or \$250,000 (Section 202) for the signatory/firm below covering errors and omissions is in force and will remain in force through the construction of the project and for a period of 3 years after project completion.

Attachment C - Page 3

C. Three sets of the Working Drawings and Specifications which are properly and legally dated, sealed and signed by the Design Architect and professional Engineer responsible for each design component, i.e., consultant's seal and signature for engineering divisions such as civil, structural, electrical, mechanical, plumbing, etc., are attached.

Signature: _____ Date: _____

(Print or Type Name)

Name of Firm: _____

Business Address: _____

Telephone No.: _(____) _____

License Number: _____

(SEAL)

WARNING: Title 18 U.S.C., Sections 1001 and 1010, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any Department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years or both. A false statement shall constitute a violation of Sections 1001 and 1010 of Title 18 U.S.C.

Attachment D

OWNER CERTIFICATIONS - SECTION 202 PROGRAM

The Owner, to the best of its knowledge and belief, hereby assures and certifies that it will comply with respect to the following:

1. CERTIFICATION IN CONNECTION WITH THE DEVELOPMENT AND OPERATION OF A SECTION 202 SUPPORTIVE HOUSING FOR THE ELDERLY PROJECT:

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and

the implementing regulations at 24 CFR Part 8; the Fair Housing Act (42 U.S.C. 3600-3619) and the implementing regulations at 24 CFR Part 100, 108, 109, 110; Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the implementing regulations at 24 CFR part 1; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the implementing regulations at 24 CFR Part 135; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and the implementing regulations at 24 CFR Part 146; Executive Order 11246 (as amended) and the implementing regulations at 41 CFR Chapter 60; the regulations implementing Executive Order 11063 (Equal Opportunity in Housing) at 24 CFR Part 107; the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) to the extent applicable; the affirmative fair housing marketing requirements of 24 CFR part 200; subpart M and the implementing regulations at 24 CFR part 108; and other applicable Federal, State and local laws prohibiting discrimination and promoting equal opportunity.

2. DRUG-FREE WORKPLACE ACT

Provide drug-free workplaces in accordance with the Drug-Free Workplace Act of 1988 (41 U.S.C. 701) by:

- a. publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the sponsor's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
Attachment D - page 2
- b. establishing an ongoing drug-free awareness program to inform employees about -
 - (1) the dangers of drug abuse in the workplace;
 - (2) the sponsor's policy of maintaining a drug-free workplace;
 - (3) any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- c. making it a requirement that each employee to be engaged in the performance of the capital advance be given a copy of the statement required by paragraph (a);
- d. notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the capital advance, the employee will -
 - (1) abide by the terms of the statement; and
 - (2) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such

conviction;

- e. notifying the HUD in writing, within ten calendar days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction.
- f. taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d) (2), with respect to any employee who is so convicted -
 - (1) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency;
- g. making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f);
- h. providing the street address, city, county, state, and zip code for the site or sites where the performance of work in connection with the grant will take place.

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3. DESIGN AND COST STANDARDS:

It will comply with HUD's design and cost standards, the Uniform Federal Accessibility Standards and HUD's implementing regulations at 24 CFR part 40, Section 504 of the Rehabilitation Act of 1973 and HUD's implementing regulations at 24 CFR part 8, and for covered multifamily dwellings designed and constructed for first occupancy after March 13, 1991, the design and construction requirements of the Fair Housing Act of 1988 and HUD's implementing regulations at 24 CFR part 100, and the Americans with Disabilities Act of 1990.

4. ACQUISITION AND RELOCATION

It will comply (or has complied) with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), implemented by regulations at 49 CFR part 24, and 24 CFR S 891.155(e).

5. DAVIS-BACON

The Davis-Bacon Requirements and the Contract Work Hours and Safety Standards Act.

6. FLOOD DISASTER PROTECTION ACT OF 1973

The requirements under the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128) and the Coastal Barrier Resources Act (16 U.S.C. 3601).

7. NATIONAL ENVIRONMENTAL POLICY ACT

The National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321) and applicable related environmental authorities at 24 CFR Part 50.4 and HUD's implementing regulations at 24 CFR Part 50.

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8. CERTIFICATION FOR CONTRACTS, GRANTS, LOANS AND COOPERATIVE AGREEMENTS

No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement.

If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

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9. COMPLIANCE WITH OMB CIRCULAR A-129

It has complied with OMB Circular A-129, Managing Federal Credit Programs and that it has been unable to obtain the necessary funds to develop the project from private sources upon terms and conditions equally favorable as the terms and conditions available

under the Section 202 program.

10. TRUTH AND ACCURACY

The information provided to HUD in its application under the Section 202 Supportive Housing for the Elderly is true and accurate, to the best of its knowledge.

Signature of Authorized Certifying Official Title _____

Applicant Organization Date _____

WARNING

HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties (18 U.S.C. 1001,1010,1012; 31 U.S.C. 3729 /FS3802).

Attachment E

OWNER CERTIFICATIONS - SECTION 811 PROGRAM

The Owner, to the best of its knowledge and belief, hereby assures and certifies that it will comply with respect to the following:

1. CERTIFICATION IN CONNECTION WITH THE DEVELOPMENT AND OPERATION OF A SECTION 811 SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES PROJECT:

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and the implementing regulations at 24 CFR Part 8; the Fair Housing Act (42 U.S.C. 3600-3619) and the implementing regulations at 24 CFR Part 100, 108, 109, and 110; Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the implementing regulations at 24 CFR Part 1; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and the implementing regulations at 24 CFR Part 135; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and the implementing regulations at 24 CFR Part 146; Executive Order 11246 (as amended) and the implementing regulations at 41 CFR Chapter 60; the regulations implementing Executive Order 11063 (Equal Opportunity in Housing) at 24 CFR Part 107; the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) to the extent applicable; the affirmative fair housing marketing requirements of 24 CFR part 200, subpart M and the implementing regulations at 24 CFR part 108; and other applicable Federal, State and local laws prohibiting discrimination and promoting equal opportunity.

2. DRUG-FREE WORKPLACE ACT

Provide drug-free workplaces in accordance with the Drug-Free Workplace Act of 1988 (41 U.S.C. 701) by:

- a. publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of

a controlled substance is prohibited in the sponsor's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

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- b. establishing an ongoing drug-free awareness program to inform employees about -
 - (1) the dangers of drug abuse in the workplace;
 - (2) the sponsor's policy of maintaining a drug-free workplace;
 - (3) any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- c. making it a requirement that each employee to be engaged in the performance of the capital advance be given a copy of the statement required by paragraph (a);
- d. notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the capital advance, the employee will -
 - (1) abide by the terms of the statement; and
 - (2) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- e. notifying the HUD in writing, within ten calendar days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction.
- f. taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d) (2), with respect to any employee who is so convicted -
 - (1) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or

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- (2) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- g. making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c),

(d), (e) and (f);

- h. providing the street address, city, county, state, and zip code for the site or sites where the performance of work in connection with the grant will take place.

3. DESIGN AND COST STANDARDS

It will comply with HUD's design and cost standards, the Uniform Federal Accessibility Standards and HUD's implementing regulations at 24 CFR part 40, Section 504 of the Rehabilitation Act of 1973 and HUD's implementing regulations at 24 CFR part 8, and for covered multifamily dwellings designed and constructed for first occupancy after March 13, 1991, the design and construction requirements of the Fair Housing Act of 1988 and HUD's implementing regulations at 24 CFR part 100, and the Americans with Disabilities Act of 1990.

4. ACQUISITION AND RELOCATION

A certification by the Sponsor(s) that it will comply (or has complied) with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), implemented by regulations at 49 CFR part 24, and 24 CFR S 891.155(e).

5. LEAD-BASED PAINT POISONING PREVENTION ACT

A certification that the Sponsor will comply with the requirements of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846) and implementing regulations at 24 CFR part 35 (except as superseded in Sec. 891.325(b)).

6. DAVIS-BACON

It will comply with the Davis-Bacon Requirements and the Contract Work Hours and Safety Standards Act.

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7. FLOOD DISASTER PROTECTION ACT OF 1973

It will comply with the requirements under the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128) and the Coastal Barrier Resources Act (16 U.S.C. 3601).

8. NATIONAL ENVIRONMENTAL POLICY ACT

It will comply with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321) and applicable related environmental authorities at 24 CFR Part 50.4 and HUD's implementing regulations at 24 CFR Part 50.

9. CERTIFICATION FOR CONTRACTS, GRANTS, LOANS AND COOPERATIVE AGREEMENTS

No Federal appropriated funds have been paid or will be paid, by or

on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement.

If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

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This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

10. COMPLIANCE WITH OMB CIRCULAR A-129

It has complied with OMB Circular A-129, Managing Federal Credit Programs, and that it has been unable to obtain the necessary funds to develop the project from private sources upon terms and conditions equally favorable as the terms and conditions available under the Section 811 program.

11. CERTIFICATION REGARDING RESIDENTS' ACCEPTANCE OF SUPPORTIVE SERVICES

The owner certifies that it will not require residents to accept any supportive services as a condition of occupancy.

12. TRUTH AND ACCURACY

It certifies that the information provided to HUD in its application under the Section 811 Supportive Housing for Persons with Disabilities is true and accurate, to the best of its knowledge.

Signature of Authorized
Certifying Official

Title

Applicant Organization

Date

WARNING

HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties (18 U.S.C. 1001,1010,1012; 31 U.S.C. 3729/FS3802).

Attachment F

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
LEGAL REQUIREMENTS FOR INITIAL CLOSING

Section 202/Section 811

Project Name: _____

Project Number: _____

Name of owner: _____

Name of Sponsor: _____

The HUD Attorney will obtain three copies of all of the following documents unless otherwise indicated below. These will be Originals (Or), Executed (E), Certified (C), or Conformed (Ant) as indicated after each document below. N/F means no form. Photocopies of fully executed documents may be submitted for conformed copies.

INITIAL CLOSING

1. Capital Advance Agreement (HUD 90167-CA) (HUD will have copies of this)
2. Firm Commitment for Capital Advance Financing (using Form HUD-92432-CA until revised) including reissued, revised or amended firm commitment (8/92) (3Cn)
3. Certificate of Incorporation (Form HUD-91732A-CA) (4/92) (C, 2Cn)
4. Bylaws (C, 2Cn)
5. Incumbency Certificate (N/F Or, 2Cn)
6. Certificate of Existence (N/F Or, 2Cn) (must be within 30 days of closing)
7. Regulatory Agreement (HUD-92466-CA)(4/92) (E, 2Cn)
- B. Corporate Resolution (authorizing mortgage transaction) (C, 2Cn)
9. Lease (if mortgage is on leasehold) (C, 2Cn)

10. Land-Disposition Contract and Deed (required only for projects in urban renewal areas) (E, 2Cn)

11. Title Policy (1992 ALTA loan Policy with 8.1 endorsement) (Or, 2Cn)

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12. Evidence of Zoning Compliance (3Cn)

13. Building Permits (3Cn)

14. Surveyor's Report (HUD-92457) (Or, 2Cn)

15. Survey (3Cn)

16. Mortgage, Deed of Trust or Security Deed (HUD 90165-CA) (Or, 3Cn)
(Use HUD'S typed form)

17. Mortgage Note (HUD-93432-CA)(4/92) (Or, 3Cn)

18. a. Construction Contract, Lump Sum (HUD 92442-CA)(3/94) (E, 2Cn)
and Contractor's Requisition (HUD 92448) (E, 2Cn)

OR

b. Construction Contract, Cost Plus (HUD 92442A-CA)(3/94) (E,
2Cn) and Contractor's Requisition (HUD 92448) (E, 2Cn)

AND (If Applicable)

c. Construction Contract, Incentive Payment (HUD-92443-CA) (3/94)
(E, 2Cn)

19. Contractor's and/or Mortgagor's Cost Breakdown (HUD 2328) (3Cn)
(HUD will have copies of this for closing)

20. Assurance of Completion:

a. Performance Bond (Dual-Obligee) (FHA 2452) (E, 2Cn); Payment
Bond (HUD 92452A)(5/89) (E, 2Cn) and Surety Company's Telegram
or Facsimile (Or, 2Cn)

OR

b. Performance/Payment Bond (Dual Obligee) (HUD-92452-CA) (4/92)
(E, 2Cn)

OR

c. Completion Assurance Agreement (HUD 92450-CA)(8/92) (E, 2Cn)

21. Owner-Architect Agreement (AIA Document B181) (see attached to
Capital Advance Agreement; HUD 90167-CA); HUD Amendment (HUD 90169-CA)
(4/92); and Architect's Certification (E, 2Cn)

22. Assurance of Completion of Off-Site Facilities (E, 2Cn)
 - a. Off-Site Bond (HUD 90177-CA)(4/92) OR
 - b. Escrow Agreement for Off-Site Facilities (HUD 90170-CA) (8/92)
23. Assurance of Utility Services (water, electricity, sewer, gas, heat) (E, 2Cn)
24. Owner's I.R.S. Tax-Exemption Ruling (3Cn)
25. Owner's Certificate (HUD 92433-CA)(4/92) (Or, 2Cn)
26. Owner's Attorney's Closing Opinion (new long form developed by HUD Office of General Counsel is required including Owner's Certification)
27. Evidence of Owner's Deposit (minimum capital investment) and ability to provide moveable furnishings and equipment not covered by capital advances (Or, 2Cn)
28. Owner's assurance of funds to cover costs over and above capital advance (Or, 2Cn) IF APPLICABLE
29. FHEO Certification in Connection with the Development and Operation of the project (Appendix 23 to Handbook 4571.2 or 4571.3) (Or, 2Cn)
30. Blanket Fidelity Bond (E, 2Cn)
31. Part I of Agreement to Enter into Project Rental Assistance Contract (HUD-90172A-CA), if not previously executed (Or, 2Cn)
32. Part II of Agreement to Enter into Project Rental Assistance Contract (HUD-90172B-CA), if not previously executed (Or, 2Cn)
33. Use Agreement (HUD-90163-CA)(4/92) (Or, 3Cn)
34. Agreement and Certification (HUD 93566-CA)(4/92) (Or, 2Cn)
35. Collateral Agreements, if any (Or, 2Cn)
36. Attendance List (HUD office provides this to be signed at closing)

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37. Additional Closing Requirements (State or local requirements):
 - a. Security Agreement and Financing Statements (UCC-1) (Or, 2Cn)
 - b. Builder's Risk Insurance

Attachment G

Section 202/Section 811

Project Name: _____

Project Number: _____

Name of Owner: _____

Name of Sponsor: _____

The HUD Attorney will obtain three copies of all of the following documents unless otherwise indicated below. These will be Originals (Or), Executed (E), Certified (C), or Conformed (Ant) as indicated after each document below.

1. *(a) The Increase Note Or, 2 Cn
- * (b) The Increase Mortgage Or, 2 Cn
- * (c) The Consolidation Agreement or Or, 2 Cn
New Note & Mortgage for the Total Amount
- ** (d) Modification Agreement Or, 2 Cn

- *2. Mortgagor's Attorney's Opinion as to Increase Or, 2 Cn

3. Title Policy updated by Endorsement or Or, 2 Cn
New Policy.

4. Survey of completed project as-built 3 Cn

5. Surveyor's Report (HUD-92457)(7/88) Or, 2 Cn

6. Request for Final Closing (HUD-90175-CA)(4/92) Or, 2 Cn

7. Escrow Deposit Agreement (for incomplete on-site Or, 2 Cn
and/or off-site improvements (HUD-90176-CA)(8/92)
[If HUD-92403-CA (Requisition) indicates that some
work is incomplete.]

8. Current Incumbency Certificate for Owner and
Sponsor Or, 2 Cn

* Required only if increase is involved

** Required only if mortgage is decreased by FHA 2580
