

Capital Advance/Building Loan Agreement

Under Section 202 of the Housing Act of 1959 or
Section 811 of the National Affordable Housing Act

U.S. Department of Housing and Urban Development

Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0470-NY (exp. 12/31/93)
This Form Provided as a Sample Only

X Section 202

Public Reporting Burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2502-0470), Washington, D.C. 20503.

Do not send this completed form to either of these addresses.

This Agreement, made the _____ day of _____, by and between the United States of America, Secretary of Housing and Urban Development (hereinafter called "HUD") and _____, a nonprofit corporation organized and existing under and by virtue of the laws of the State of New York (hereinafter called the "Owner").

Whereas, the Owner has made application for a capital advance to assist in financing a rental housing project to house elderly persons (hereinafter called the "Project") in accordance with the provisions of Section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) (hereinafter called "Section 202"), and the appropriate regulations.

Whereas, the Project will be located at _____

Now, Therefore, in consideration of the mutual promises hereinafter set forth and of the valuable considerations, the parties hereto do covenant and agree as follows:

1. HUD, subject to the terms of this Agreement, will make a capital advance to the Owner, to be advanced as hereinafter provided, in an amount not to exceed

Dollars (\$ _____)*. The amount of

the capital advance may not exceed the total estimated development cost of the project (as determined by HUD), less the incremental development cost associated with excess amenities and design features to be paid for by the Sponsor. The capital advance shall bear no interest and is not required to be repaid so long as the housing remains available to eligible very low income households for a period of 40 years and in accordance with Section 202 or Section 811. The capital advance shall be secured by a mortgage (hereinafter called the "Mortgage") on the property described in Exhibit "A." For Section 202 projects, structures (existing housing and related facilities) without rehabilitation may only be acquired from the Resolution Trust Corporation under Section 21A(c) of the Federal Home Loan Bank Act. Section 811 projects may be acquired from the Resolution Trust Corporation or other sources. The Mortgage shall constitute a valid first lien on said property and the improvements to be erected thereon and the only lien thereon except for liens for taxes and assessments not yet payable and other liens acceptable to HUD. The Owner shall execute or cause to be executed a Use Agreement restricting use of the project to rental housing for eligible households as approved by HUD for a 40-year period.

*See Attached Rider I

2. The Owner shall complete on the aforesaid project in accordance with drawings and specifications filed with and approved by HUD and designated _____, Project Number 012-_____ dated _____, 20____. Such drawings and specifications, which include "General Conditions of the Contract for Construction" except for all paragraphs concerning arbitration (4.1.4, 4.3.2, 4.3.4, 4.4.4, 4.5, 8.3.1, 10.1.2, 11.3.9, 11.3.10) (AIA Document A201) and "Supplementary Conditions of the Contract for Construction" (HUD Form No. 2554) as amended, have been identified by the Owner, the Design Architect, the Architect administering the Construction Contract (hereinafter called the "Architect"), the Contractor and the Contractor's Surety.

3. Changes in the Drawings and Specifications, or changes by altering or adding to the working contemplated, or orders for extra work have the prior written approval of the Architect and HUD under such conditions as HUD may establish.

4. (a) The Owner shall make monthly applications on Form Number HUD-92403-CA for portions of the capital advances by HUD. Such applications for construction items shall be for amounts equal to (i) the total value of classes of the work acceptably completed; plus (ii) the value of materials and equipment not incorporated in the work, but delivered to and suitably stored at the site; less (iii) 10 percent (holdback) and less prior disbursements. The "values" of both (i) and (ii) shall be computed in accordance with the amounts assigned to classes of the work in the "Contractor's and/or Mortgagor's Cost Breakdown," attached hereto as Exhibit "B" and made a part hereof. Each application shall be filed at least five days before the date desired, and the owner shall be entitled thereon only to such amount as may be approved by HUD.

(b) Upon completion of the improvements, including all landscape requirements and off-site utilities and streets, the Owner shall furnish HUD satisfactory evidence that all work requiring inspection by municipal and other governmental authorities having jurisdiction has been duly inspected and approved by such authorities and by the rating or inspection organization, bureau, association or office have jurisdiction; and that all requisite certificates of occupancy and other approvals have been issued. The balance due the Owner hereunder shall be payable at such time after completion as HUD releases the holdback, after the expiration of any period which mechanics and materialmen may have for filing liens.

(c) The Owner agrees that any funds required for the completion of the project over and above the amount of the capital advance shall be deposited in the Construction Account prior to disbursement of proceeds of the capital advances.

(d) The Owner covenants that it will deposit the proceeds of the capital advance and the additional funds to be furnished by the Owner in order to assure the payment of all Project costs into separate interest bearing account(s) called the "Construction Account" established by it in depository or depositories which are members of the Federal Deposit Insurance Corporation, Savings Association Insurance Fund, or National Credit Union Share Insurance Fund. Any portion of the capital advance not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD and as set forth in the General Depository Agreement prescribed by HUD.

Moneys in the Construction Account shall be expended only for the purposes for which capital advance funds were requested and approved. The same requirements shall be applicable to any escrow deposit agreements required by HUD.

(e) The Owner agrees that the capital advance shall at all times remain in balance. HUD shall, in accordance with the provisions of this Agreement, continue to provide to the Owner funds from the capital advance as long as the capital advance remains in balance and the Owner is not in default hereunder or under the Note or Mortgage. The capital advance deemed to be in balance only when the undistributed capital advance (after provision for reserve, fees, expenses and other deposits required by HUD) equal or exceed the amount necessary (based on HUD's estimate of the cost of construction (including rehabilitation)) to pay for all work completed and all materials delivered, for which payment has not been made, and the cost of completing construction of the project in accordance with the Drawings and Specifications.

(f) Owners which incur actual development costs that are less than the amount of the capital advance may be entitled to retain 50 percent of the savings in the replacement reserve account. Such percentage shall be increased to 75 percent for owners which add energy efficiency features which exceed the energy efficiency standards promulgated by the Secretary in accordance with section 109 of the National Affordable Housing Act; substantially reduce the life-cycle cost of the housing; reduce gross rent requirements and enhance tenant comfort and convenience. These funds shall be used only for the specified purposes of the replacement reserve or for such other purposes as determined by the Secretary. Even though an Owner does not qualify to share in the savings, funds remaining in the project contingency after cost certification shall be placed in the replacement reserve account.

5. HUD shall provide capital advance fund, to the Owner for the charges or items enumerated below, but only to the extent that such charges have accrued and the owner is otherwise entitled to payment on account of such items:

(a) Real Estate taxes during development	\$
(b) Insurance during development	\$
(c) Consultant Fee	See (h) below*
(d) Land and rights-of-way	\$
(e) Architect/Engineering services	\$ **
(f) Legal expenses including title and recording expenses	\$ ***
(g) Other Fees (Survey, Soil Test, etc.)	\$
(h) Developer's Fee	\$
(i) Project Contingency	\$ *
(j) Organizational expenses	See (h) *

* (c) (i), & (j) To be paid out of Developer's Fee. See (h)

** (e) Design: \$ Supervisory: \$

*** (f) Legal: \$, Title and Recording: \$, Audit: \$

6. The Owner shall cause either this instrument or the construction contract under which the improvements are to be erected to be filed in the public records, if the effect thereof will be to relieve the mortgaged property from mechanics' and materialmen's liens. Before any disbursement of capital advance funds hereunder, HUD may require the Owner to obtain from the contractor and all subcontractors and materialmen dealing directly with the principal contractor, acknowledgements of payment on and release of lien down to the date covered by the last disbursement, and concurrently with the final payment for the entire project. Such acknowledgements and release shall be in the form required by local lien laws and shall cover all work done, labor performed and materials (including equipment and fixtures) furnished for the project.

7. The Owner shall, as a condition precedent to the first disbursement

hereunder, furnish HUD with a certified, current survey of the mortgaged property and a mortgagee's title policy (or other evidence of title) in form, substance and amount satisfactory to HUD. Said policy shall be extended so as to cover each and every disbursement of said capital advance at the time of payment thereof and shall show no mechanics' or materialmen's liens against the mortgaged property.

8. The Owner agrees that said project shall be constructed strictly in accordance with all applicable ordinances and statutes, and in accordance with the requirements of A regulatory authorities, and any rating or inspection organization, bureau, association or office having jurisdiction. The Owner further agrees that said project shall be constructed entirely on the aforesaid property and will not encroach upon any easement or right-of-way, or the land of others; and that the buildings when erected shall be wholly within the building restriction lines, however established and will not violate applicable use or other restrictions contained in prior conveyances, zoning ordinances or regulations. The Owner shall furnish from time to time such evidence with respect thereto as may be required by HUD, and, upon completion of construction, shall furnish a survey, certified by a registered surveyor, which shows the project to be entirely on said property and to be free from any such violations.
9. If the Owner at any time prior to the completion of the project abandons the same or ceases work thereon for a period of more than 20 days or fails to complete the erection of the project strictly in accordance with the Drawings and Specifications, or makes changes in the Drawings and Specifications without first securing the written approval required by paragraph 3 hereof, or otherwise fails to comply with the terms hereof, any such failures shall be a default hereunder, and HUD, at its option, may terminate this Agreement. If HUD so elects to terminate this Agreement, it may use and apply any funds deposited within by the Owner, regardless of the purpose for which such funds were deposited, in such manner and for such purposes as it may prescribe. If HUD elects not to terminate this Agreement, it may enter into possession of the premises and perform any and all work and labor necessary to complete the improvements substantially according to the Drawings and Specifications, and employ watchmen to protect the premises from injury. All sums so expended by HUD shall be deemed to have been paid to the Owner and secured by the Mortgage. For this purpose, the Owner hereby constitutes and appoints HUD its true and lawful attorney-in-fact, with full power of substitution on the premises, to complete the project in the name of the Owner. The Owner hereby empowers said attorney as follows: (a) To use any funds of the Owner, including any balance which may be held in escrow and any funds which may remain disbursed hereunder for the purpose of completing the project in the manner called for in the Drawings and Specifications; (b) to make such additions, changes and corrections in the Drawings and Specifications as shall be necessary or desirable to complete the project in substantially the manner contemplated by the Drawings and Specifications; (c) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purposes; (d) to pay, settle or compromise all existing bills and claims which may be liens against the mortgaged property, or as may be necessary or desirable for the completion of the project, or for clearance of title; (e) to execute all applications and certificates in the name of the Owner which may be required by any of the contract documents; (f) to prosecute and defend all actions or proceedings in connection with the mortgaged premises or the construction of the project and to take such action and required such performance as he deems necessary under the accepted guaranty of completion; (g) to do any and every act which the Owner might do in its own behalf. It is further understood and agreed that this power of attorney, which shall be deemed to be a

power coupled with an interest, cannot be revoked.. The Owner hereby assigns and quit claims to HUD all sums undisbursed under the Mortgage and all sums in escrow conditioned upon the use of said sums for the completion of the project, such assignment to become effective only in case of the Owners default.

10. The Owner shall provide or cause to be provided workmen's compensation insurance and public liability and other insurance required by applicable law or by the general conditions included in the Specifications. The Owner further agrees to purchase and maintain fire insurance and extended coverage on the mortgaged property. All such policies shall be issued by companies approved by HUD and shall be in form and amounts satisfactory to HUD. Such policies shall be endorsed with standard mortgagee clauses making loss payable to HUD or its assigns; and may be endorsed to make loss during construction payable to the Contractor, as interest may appear. Certified duplicates of such policies shall be deposited with HUD.
11. HUD and its agents shall, at all times during construction, have the right of entry and free access to the project and the right to inspect all work done, all materials, equipment and fixtures furnished, installed or stored in and about the project, and to inspect all books, subcontracts and records of the Owner.
12. The Owner shall execute and deliver to HUD, prior to final closing, a security agreement and financing statement, or other similar instrument, covering all property of any kind whatsoever purchased with the capital advance and concerning which there may be any doubt as to such property's being subject to the lien of the Mortgage under the laws of the State in which the project is situated.
13. The Owner shall furnish to HUD assurance of completion of the project in the form specified in the applicable Regulations in effect on the date of this Agreement. Such assurance of completion shall run to HUD as obligee.
14. (a) The Owner understands that the wages to be paid laborers and mechanics employed in the construction of housing assisted under Section 202 and consisting of 12 or more units or housing assisted under Section 811 and designated for dwelling use by 12 or more persons with disabilities required by the provisions of Section 2020(5) of the Housing Act of 1959, as amended and Section 811 0)(6) of the National Affordable Housing Act to be not less than the prevailing wage rates for corresponding classes of laborers and mechanics employed on a construction of a similar character in the locality in which the work is to be performed, as determined by the Secretary of Labor with respect to this project. The Owner hereby states that it has read the aforesaid determination by the Secretary of Labor and is fully familiar with the same.
(b) The Owner shall, as a condition precedent to any advance hereunder, submit to HUD (i) with each application for advance prior to the final application, certifications, in form approved by HUD, that all laborers and mechanics employed in the construction of the project whose work is covered by that or any previous application and who have been paid in whole or in part of account of said employment, have been paid at rates not less than the said prevailing wage rate, if applicable, and (ii) with the final application for advance, certifications, in form satisfactory to HUD, that the project has been fully constructed in accordance with the provisions of this agreement and that all laborers and mechanics employed in the construction of the completed project have been paid not less than the said prevailing wage rates, if applicable. The Secretary's prevailing wage determination shall be construed to include every amendment to or modification of the determination which may be made prior to the beginning of construction.
(c) The Owner agrees that should any portion of the capital advance hereunder be ineligible for disbursement by reason of (i) the nonpayment of the prevailing wage rates, or (ii) violation of any of

the applicable labor standards provisions of the Regulations of the Secretary of Labor, HUD may withhold from the Owner such amounts payable to the Owner hereunder until the Owner establishes to the satisfaction of HUD that all laborers and mechanics or other persons employed in the construction of the project have been paid the applicable wages rates and that such violation of the said Labor Standards provisions no longer exists. The written statement by HUD declining to make available any portion of the capital advance hereunder by reason of such nonpayment or violation shall be deemed conclusive proof that such amounts are ineligible for disbursement.

to the construction of the project.

(d) The Owner shall insert the labor standards provisions of the aforesaid Supplementary Conditions of the Contract for Construction in any contract, if applicable (see paragraph 14(a) above) made by him for the construction of the project, or any part thereof, and shall require the Contractor to insert similar provisions in each subcontract relating

15. The Owner shall furnish such records, papers and documents relating to the project as HUD may reasonably require from time to time.
16. The Owner shall not transfer, assign or pledge any right or interest in, or title to, any capital advance funds deposited in the Construction Account without the approval of HUD.
17. Prior to the disbursement of any portion of the capital advance, the Owner shall present evidence satisfactory to HUD that it is able to finance from other than capital advance funds or Project revenues the applicable minimum capital investment required under the Regulations.
18. The Owner covenants and agrees that it will attempt to obtain and maintain in effect exemption of the Project from State and local real and personal property taxes.
19. The Owner shall, on or before substantial completion of the Project, provide from sources other than the capital advance hereunder, if necessary, and from sources and in a manner which will not jeopardize the security for the capital advance, the furnishings and movable equipment necessary to the full enjoyment of the use and occupancy of the Project.
20. Prior to the disbursement of any portion of the capital advance the Owner shall obtain from the Internal Revenue Service a tax exemption ruling under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code if it is a nonprofit organization or is organized in the Commonwealth of Puerto Rico and exempt from income taxation under Puerto Rico law, or a consumer cooperative that is tax exempt under State law, has never been liable for payment of Federal income taxes, and does not pay patronage dividends, may be exempt from the requirement set out in the previous sentence if they are not eligible for tax exemption.
21. No member of or delegate to the Congress of the United States shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.
22. By execution of this Agreement the Owner represents that it has not paid, and, also, agrees not to pay, any bonus, commission, or fee for the purpose of obtaining an approval of its application for the capital advance hereunder.
23. Any capital advance proceeds attributable to the project contingency which are undrawn at final closing shall be transferred to the replacement reserve fund.

-
24. That in compliance with the Lien Law of the State of New York, the Owner will receive the advances secured by this agreement and will hold the right to receive such advances secured as a trust fund to be applied first for the purpose of paying the cost of the improvement and that it will apply the same, first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.
25. ADDENDUM TO Paragraph "6" ABOVE the following provision shall be included immediately following the end of "Article 6".
- "Notwithstanding any other provisions hereof, HUD shall not be obligated to make any advances hereunder, unless said advance shall constitute a first lien against the premises."
26. ADDENDUM TO Paragraph "9" ABOVE: The following provision shall be included immediately after the words "twenty (20) days on Line 2 Article "9" above:
- "or through its own acts or failure to act, fails to prosecute the work to the satisfaction of HUD"
27. The interest rates applicable to the construction period and permanent loan, as well as the HUD approved loan amount are subject to change, and reprocessing may be required if the loan is not initially closed within the same fiscal year in which this Agreement is executed
- See Rider I Building Loan Amount
See Rider II Lien Law Affidavit.
-

UNITED STATES OF AMERICA
Secretary of Housing and Urban Development

Date:

By: _____

Name:

Authorized Agent

Title:

(Seal)

Name of Borrower/Owner:

ATTEST:

By: _____

Name: _____

Title: _____

Secretary

STATE OF NEW YORK)
COUNTY OF) ss:

On this day of 20 , before me, the undersigned, a notary public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument

Notary Public

STATE OF NEW YORK)
COUNTY OF) ss:

On this day of 20 , before me, the undersigned, a notary public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument

Notary Public

STATE OF NEW YORK)
COUNTY OF) ss:

On this day of 20 , before me, the undersigned, a notary public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument

Notary Public

STATE OF NEW YORK)
COUNTY OF) ss:

On this day of 20 , before me, the undersigned, a notary public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument

Notary Public

RIDER I

The following provision is added to Paragraph 1 immediately following the dollar amount set forth in the first sentence of said paragraph:

of which sum the amount of \$ is for legal and audit fees, \$ is for the for developer's fee and \$ is for the land while the balance of \$ is advanced pursuant to the terms hereof.

**RIDER II TO CAPITAL ADVANCE/BUILDING LOAN AGREEMENT
BY AND BETWEEN**

**AND
THE UNITED STATES OF AMERICA BY THE SECRETARY
OF HOUSING AND URBAN DEVELOPMENT**

LIEN LAW AFFIDAVIT

State of New York) ss:
County of)

_____ being duly sworn, deposes and says:
that (s) he is the _____ of
_____, the owner in this Capital Advance/Building Loan Agreement.

That the consideration paid by the owner to HUD for the Capital Advance described in this Capital Advance/Building Loan Agreement is zero dollars (\$00.00) and that all other expenses incurred or to be incurred in connection with the loan are as follows:

Real Estate taxes during construction	\$
Insurance during construction	\$
(C) Title and Recording expenses	\$
(D) Architect's design fee	\$
(E) Architect's supervisory fee	\$
(F) Other Fees (for survey, soil tests, etc.)	\$
Total	_____ \$

The net sum available to the Owner under the mortgage for improvements is _____ Dollars (\$ _____). Of this amount, zero dollars (\$00.00) represents contingency reserve.

This statement is made pursuant to Section 22 of the Lien Law of the State of New York. The facts stated herein are true to the knowledge of the deponent.

By: _____

Title: _____

Sworn to me this _____ day of _____ 20____

Notary Public

**ATTACH
CONTRACTOR'S AND/OR MORTGAGOR'S
COST BREAKDOWN
FORM HUD-2328 (5/95)
REF. HANDBOOK 4450.1 & 4460.1**