

FORMAT FOR NOTIFICATION OF SELECTION FOR A SECTION 202 FUND RESERVATION

FOR HOUSING FOR THE ELDERLY

SEND TO: Sponsor

HOW: Must be sent by Certified Mail - Return Receipt Requested

WHEN: Upon authorization by Headquarters and prevalidation of funds

Dear _____:

SUBJECT: Notification of Selection for a Section 202 Fund Reservation
Location: _____ No. of Units _____
Project No. _____
Name of Sponsor: _____
City and State: _____

I am pleased to advise you that your Application, dated _____ to (construct) or (substantially rehabilitate) _____ units of housing for the elderly under the Section 202 Direct Loan Program has been approved for _____ efficiency units and/or _____ one-bedroom units.

Loan authority in the amount of \$ _____ has been reserved for this project, along with Section 8 contract authority of \$ _____ (see condition 5 below).

Please indicate by signing in the space provided whether or not you accept this Notification including the special conditions or requirements that are specified herein and certify to your understanding that the project must be developed in accordance with the terms set forth in this Notification. Return two signed copies to this Office within 14 days from the date you receive this letter.

FUND RESERVATION TERMS AND CONDITIONS

Your acceptance of this Notification constitutes a certification and agreement by the Sponsor that:

- (1) An Application for Conditional Commitment which meets all cost containment and programmatic requirements will be submitted by the Borrower. Cost containment and modest design requirements apply to all projects regardless of the proposed Fair Market Rent level. The design must not include costly features and must be cost efficient.
(2) There will not be made any sale, assignment, conveyance, or any other form of transfer of this Notification, the Fund Reservation, loan, mortgaged property, or any interest therein, except transfer from the Sponsor to an approved single-purpose Borrower organized by it.

4571.1 REV-2 CHG 3

APPENDIX 12 - Page 2

- (3) The Fund Reservation will be cancelled if construction or substantial rehabilitation has not commenced within 18 months from the date of this Notification, unless further extensions beyond the 18 months are approved by HUD. Such extensions will be based upon HUD's determination that the Borrower has established a reasonable schedule and is making sufficient progress toward the start of construction.
- (4) The Section 202 Fund Reservation will not be available for use in connection with a Section 8 project which previously had been processed by the Field Office without regard to the use of Section 8 funds.
- (5) The Sponsor and Borrower are responsible for developing a viable project. The Fund Reservation does not reflect appraised land value or other conclusive cost estimates, operating expense estimates or final credit or financial analysis, which will be made at subsequent stages of processing. Therefore, the Section 202 reservation is estimated and may be reduced or increased, as appropriate, based on firm commitment processing and/or competitive bidding or cancelled if a viable project is not developed.
- (6) The construction contract will be awarded through negotiation or a competitive process, as appropriate.
- (7) This Fund Reservation will be subject to cancellation, at HUD's option, in the event there comes into existence or HUD becomes aware of a pre-existing conflict of interest involving the project on the part of officers or directors of either the Sponsor or Borrower organizations (including affiliates).
- (8) An attempt will be made to obtain exemption from state and/or local real and/or personal property taxes. Evidence of filing, together with the response received from the taxing authority, must be submitted with the Conditional or Firm Commitment application in one of the following forms:
 - (a) Tax Exemption
 - (b) Tax Abatement
 - (c) Payment in Lieu of Taxes (PILOT.)
 - (d) Ineligibility for any tax reliefEligibility for (a), (b) or (c) must be supported by a copy of the appropriate legislation or ordinance.
- (9) Special Conditions or Requirements.

This Notification of Selection is issued subject to:

- a. Formation of a legally acceptable single purpose Borrower corporation.

- b. Evidence that the site is under control of the Borrower corporation at the time the Conditional Commitment Application is submitted.
- c. Clearance of a Form HUD-2530, Previous Participation Certificate, for any officers or board members of the Sponsor and Borrower not previously completed.
- d. Submission of a Conditional Commitment Application in full compliance with cost containment and programmatic policies within 120 days from the date of this letter.
- e. Either deletion of or a commitment to pay for excessive design features listed below:

- f. Submission of Conflict of Interest and Disclosure Certifications for each officer and board member of both the Sponsor and Borrower and Identity of Interest and Disclosure Certifications for all development team members identified with the Conditional Commitment Application.

NOTE: Any time the Sponsor or Borrower changes any officers or board members, Conflict of Interest and Disclosure Certifications must be submitted for the new persons.

To provide you and your architect with assistance in the development of a proposal which meets HUD design requirements, immediately contact (insert name and telephone number), Design Representative, to discuss the design of the proposal. (For proposals involving substantial rehabilitation, insert: "In addition, he/she should be contacted as soon as possible to arrange a mutually convenient time for a joint inspection of the property.") Enclosed is a copy of the approved prototype analysis of utility combinations and fuel types which provide maximum operating economy for buildings of various styles, sizes and types of construction.

If two signed copies of this Notification are not returned within the specified period, or if you accept and a single purpose Borrower corporation fails to submit a Conditional Commitment Application within the specified period, HUD may rescind this Notification and cancel the Fund

Reservation. If you have any questions regarding the requirements for submission of the Conditional Commitment Application, please call (Insert name and telephone number of MHR).

We look forward to working with you toward the successful completion of this project.

Sincerely,

Manager

Enclosure

Accept _____
(Signature of Authorized Officer)

Not Accept _____
(Signature of Authorized Officer)

Title: _____

Date: _____

cc: Housing Consultant