

### III. Program Description; Eligible Applicants; Eligible Activities

(A) *Program Description.* HUD provides capital advances and contracts for project rental assistance in accordance with 24 CFR part 891. Capital advances may be used for the construction or rehabilitation of a structure, or acquisition of a structure with or without rehabilitation (including structures from the Federal Deposit Insurance Corporation (FDIC)). Capital advance funds bear no interest and are based on development cost limits published in Section IV(D). Repayment of the capital advance is not required as long as the housing remains available for occupancy by very low-income elderly persons for at least 40 years.

Project rental assistance contract (PRAC) funds are used to cover the difference between the tenants' contributions toward rent (30 percent of adjusted income) and the HUD-approved expense to operate the project. PRAC funds may also be used to provide supportive services and to hire a service coordinator in those projects serving frail elderly residents. The supportive services must be appropriate to the category or categories of frail elderly residents to be served.

(B) *Eligible Applicants.* Private nonprofit organizations and nonprofit consumer cooperatives who meet the threshold requirements contained in section V of the General Section of the SuperNOFA are the only eligible applicants under this section 202 Program. Neither a public body nor an instrumentality of a public body is eligible to participate in the program. See section IV(B) regarding limits on the total number of units and projects that an applicant may request.

(C) *Eligible Activities.* Section 202 capital advance funds must be used to finance the development of housing through new construction, rehabilitation, or acquisition of housing with or without rehabilitation. Capital advance funds may also be used in combination with other non-Section 202 funding sources to develop additional units for a mixed-finance project. Project rental assistance funds are provided to cover the difference between the HUD-approved operating costs and the amount the residents pay (each resident pays 30 percent of adjusted income) as well as to provide supportive services to frail elderly residents.

**Note:** For purposes of approving section 202 capital advances, HUD will consider proposals involving mixed-financing for additional units. However, you must obtain

funds to assist the additional units with other than PRAC funds. HUD will not provide PRAC funds for non-section 202 units.

(D) *Ineligible Activities.* Section 202 funds may not be used for nursing homes, infirmaries, medical facilities, mobile home projects, community centers, headquarters for organizations for the elderly, nonhousekeeping accommodations, or refinancing of sponsor-owned facilities without rehabilitation.

**Note:** You may propose to rehabilitate an existing currently owned or leased structure that may or may not already serve elderly persons, except that the refinancing of any Federally funded or assisted project or project insured or guaranteed by a Federal agency is not permissible under this section 202 NOFA. HUD does not consider it appropriate to utilize scarce program resources to refinance projects that have already received some form of assistance under a Federal program. (For example, section 202 or section 202/8 direct loan projects cannot be refinanced with capital advances and project rental assistance.)

### IV. Program Requirements

By signing Form HUD-92015-CA, Application for section 202 Capital Advance, you are certifying that you will comply with all program requirements listed in the General Section of this SuperNOFA as well as the following requirements:

(A) *Statutory and Regulatory Requirements.* In addition to the statutory, regulatory, threshold and public policy requirements listed in section V of the General Section of this SuperNOFA, you must comply with all statutory and regulatory requirements listed in sections III, IV and IX of this program section of the SuperNOFA.

(B) *Application Unit/Project Limits.* A Sponsor or Co-sponsor may not apply for more than 200 units of housing for the elderly in a single Hub or more than 10 percent of the total units allocated to all HUD Offices. Also, no single application may propose more than the number of units allocated to a HUD Office or 125 units, whichever is less. Reservations for projects will not be approved for fewer than 5 units. If the proposed project will be a scattered-site development, the 5-unit minimum requirement will apply to each site. Affiliated entities that submit separate applications are considered to be a single entity for the purpose of these limits.

(C) *HUD/RHS Agreement.* HUD and the Rural Housing Service (RHS) have an agreement to coordinate the administration of the agencies' respective rental assistance programs. As a result, HUD is required to notify

RHS of applications for housing assistance it receives. This notification gives RHS the opportunity to comment if it has concerns about the demand for additional assisted housing and possible harm to existing projects in the same housing market area. HUD will consider RHS' comments in its review and application selection process.

(D) *Development Cost Limits.* (1) The following development cost limits, adjusted by locality as described in section IV(D)(2) of this program section of the SuperNOFA, below, will be used to determine the capital advance amount to be reserved for projects for the elderly:

(a) The total development cost of the property or project attributable to dwelling use (less the incremental development cost and the capitalized operating costs associated with any excess amenities and design features you must pay for) may not exceed:

#### Nonelevator Structures

\$41,238 per family unit without a bedroom;  
\$47,548 per family unit with one bedroom;  
\$57,344 per family unit with two bedrooms;

#### For Elevator Structures

\$43,398 per family unit without a bedroom;  
\$49,748 per family unit with one bedroom;  
\$60,493 per family unit with two bedrooms.

(b) These cost limits reflect those costs reasonable and necessary to develop a project of modest design that complies with HUD minimum property standards; the accessibility requirements of § 891.120(b); and the project design and cost standards of § 891.120 and § 891.210.

(2) Increased development cost limits.

(a) HUD may increase the development cost limits set forth in Section IV(D)(1) of this program section of the SuperNOFA, above, by up to 140 percent in any geographic area where the cost levels require, and may increase the development cost limits by up to 160 percent on a project-by-project basis. This increase may include covering additional costs to make dwelling units accessible through rehabilitation.

(b) If HUD finds that high construction costs in Alaska, Guam, the Virgin Islands, or Hawaii make it infeasible to construct dwellings, without the sacrifice of sound standards of construction, design, and livability, within the development cost limits provided in Section IV(D)(1) of this