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TERMS AND CONDITIONS

CONSTITUTING PART TWO OF AN ANNUAL CONTRIBUTIONS CONTRACT

between

LOCAL AUTHORITY

and

PUBLIC HOUSING ADMINISTRATION



IN THE HOUSE
OF REPRESENTATIVES

APR 1977

RECEIVED



HOUSING AND HOME FINANCE AGENCY
PUBLIC HOUSING ADMINISTRATION
WASHINGTON, D. C.

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TABLE OF CONTENTS

ARTICLE I. DEVELOPMENT

Sec.

101. Efficiency and Economy in Development
102. Conformity with Development Program
103. Acquisition of Project Sites
104. Relocation of Site Occupants
105. Elimination of Substandard Structures on Project Sites
106. Architectural and Engineering Services
107. Main Construction Contract and Other Contracts
108. Contract Documents
109. Taking of Bids
110. Award of Contracts
111. Execution of Contracts and Notices to Proceed
112. Performance and Payment Bonds
113. Liquidated Damages
114. Subcontracts and Assignments
115. Prevailing Salaries or Wages During Development
116. Anti-Kickback Act
117. Wage Claims and Adjustments
118. Payrolls and Related Reports
119. Other Labor Provisions
120. Retention of Contract Rights and Change Orders
121. Construction Inspection and Review
122. Fees for PHA Representatives at Project Sites
123. Payment to Contractors
124. Acceptance of Contract Work and Completion of Contracts
125. Completion of Development Work and Payment Therefor

ARTICLE II. OPERATION

201. Use of Projects
202. Low-Rent Character of Projects
203. Leases
204. Maximum Income Limits
205. Rents
206. Eligibility for Admission
207. Eligibility for Continued Occupancy
208. Tenant Selection
209. Preferences in Selection of Tenants
210. Re-examination of Tenant Status
211. Interim Redetermination of Net Family Income
212. Applications, Verifications, and Reports as to Admissions and Continued Occupancy
213. Repair, Maintenance, and Replacement
214. Reconstruction and Restoration
215. Labor Provisions Applicable to Operation
216. Retention of Contract Rights

ARTICLE III. PROVISIONS COMMON TO DEVELOPMENT AND OPERATION

301. Compliance with Cooperation Agreement and Payments in Lieu of Taxes
302. Equivalent Elimination Reports and Notices
303. Domestic and Foreign Materials
304. Non-discrimination in Employment
305. Insurance and Fidelity Bond Coverage
306. Procurement
307. Personnel
308. Disposition of Excess Property
309. Books of Account and Records

- 310. Financial and Operating Statements
- 311. Access to Records and Projects; Audits
- 312. Property Included in a Project
- 313. Covenant Against Conveyance or Encumbrance

ARTICLE IV. FISCAL PROVISIONS GOVERNING DEVELOPMENT AND OPERATION

- 401. General Depositary Agreement and General Fund
- 402. Pooling of Funds under Special Conditions and Revolving Fund
- 403. Development Cost
- 404. Development Cost Budgets
- 405. Actual Development Cost
- 406. Operating Receipts and Expenditures, Reserves, and Residual Receipts
- 407. Operating Budgets and Control of Operating Expenditures
- 408. Advances by PHA
- 409. Temporary Notes
- 410. Maximum Loan Commitment
- 411. Establishment of Fiscal Years and Description of Bonds
- 412. Offering of Bonds and Establishment of Minimum Development Cost
- 413. Bond Resolutions and Fiscal Agent
- 414. Delivery of Bonds
- 415. Annual Contributions for Permanently Financed Projects
- 416. Debt Service Fund
- 417. Advance Amortization Fund
- 418. Annual Contributions for Projects not Permanently Financed and Use Therefor
- 419. General Limitations on Annual Contributions
- 420. Pledge of Annual Contributions and Residual Receipts
- 421. Mortgage and Declaration of Trust
- 422. Refunding of Bonds
- 423. Prohibition of Other Loans
- 424. Faith of United States Pledged to Payment of Annual Contributions
- 425. Repayment of Annual and Local Contributions

ARTICLE V. DEFAULTS, BREACHES, REMEDIES, AND GENERAL PROVISIONS

- 501. Conveyance of Title or Delivery of Possession in Event of Substantial Default
- 502. Delivery of Possession in Event of Substantial Breach
- 503. Reconveyance or Redelivery
- 504. Continuance of Annual Contributions
- 505. Rights and Obligations of PHA During Tenure Under Sec. 501 or Sec. 502
- 506. Definition of Substantial Default
- 507. Definition of Substantial Breach
- 508. Other Defaults or Breaches, and Other Remedies
- 509. Right of PHA to Terminate Contract
- 510. Rights of Third Parties
- 511. Approvals and Notices
- 512. Waiver or Amendment
- 513. Titles, Table of Contents, and Index
- 514. Severability of Provisions
- 515. Interest of Members, Officers, or Employees of Local Authority
- 516. Members of Local Authority not Individually Liable
- 517. Interest of Member of or Delegate to Congress
- 518. Termination of Obligations

ARTICLE I

DEVELOPMENT

Sec. 101. Efficiency and Economy in Development

Each Project shall be undertaken in such a manner that it will not be of elaborate or extravagant design or materials, and will be developed and administered to promote serviceability, efficiency, economy, and stability.

Sec. 102. Conformity With Development Program

(A) Each Project shall be developed in accordance with the applicable Development Program, and with plans, drawings, specifications, and other documents which subsequently supplement or modify such Development Program.

(B) The Local Authority shall diligently prosecute the development of each Project.

Sec. 103. Acquisition of Project Sites

(A) The Local Authority, unless the PHA otherwise approves, shall provide by contract for necessary services of experts in their respective fields for land surveys, title information and legal services for land acquisition, appraisals, and option negotiations. Approval of such contracts by the PHA will be required if the fees provided therein exceed the maximum amounts then prescribed by the PHA.

(B) The Local Authority, unless the PHA otherwise approves, shall obtain a formal appraisal on each parcel and obtain PHA approval thereof before taking an option, instituting condemnation proceedings, or acquiring title thereto. In no case shall persons who have made such appraisals be employed to negotiate options.

(C) The Local Authority shall not accept any option for, institute, accept awards under (except as required by applicable law), or appeal any condemnation proceedings for, or otherwise acquire any portion of the site for any Project until it has submitted such data with respect thereto as the PHA may require, and has obtained the approval of the PHA of such action. The Local Authority shall appeal any condemnation award if requested to do so by the PHA.

(D) The Local Authority shall acquire good and valid title to the site of each Project free and clear of any mortgage, lease, lien, or encumbrance of any nature whatsoever, other than such leases, use restrictions, zoning ordinances, building restrictions, easements, or rights-of-way as will not, in the determination of the Local Authority approved by the PHA, adversely affect the value or usefulness of such site for the Project.

(E) Upon the vesting of title to the site of each Project in the Local Authority and the due recording of deeds or other documents required to be recorded in order to protect such title, the Local Authority shall furnish to the PHA a final report on completed land acquisition, together with three copies of (1) title insurance policies, or (2) title certificates, or (3) attorney's opinions, showing that the Local

Authority has good and valid title, as described in subsection (D) hereof, to the entire site of such Project, and that such deeds or other documents have been duly recorded or filed for record wherever necessary to protect such title.

Sec. 104. Relocation of Site Occupants

(A) The Local Authority (1) shall undertake all steps necessary to carry out any relocation plan described in the applicable Development Program, and (2) may pay as part of Development Cost the expense thereof, except that no costs of direct financial assistance to site occupants shall be included in Development Cost other than those approved by the PHA.

(B) The Local Authority shall make and preserve a record of the families displaced by the development of the Projects.

Sec. 105. Elimination of Substandard Structures on Project Sites

All substandard dwelling structures on the site of each Project shall be eliminated by the Local Authority.

Sec. 106. Architectural and Engineering Services

(A) Unless otherwise approved by the PHA, the Local Authority shall provide by contract in form and substance approved by the PHA for the services of qualified architects and engineers for the preparation of plans, drawings, specifications, and related documents, and for the general supervision and for the inspection of the construction of each Project.

(B) The Local Authority shall submit to the PHA for its approval plans, drawings, specifications, and itemized estimates of Development Cost for each Project, in such form, at such stages, and at such times as the PHA may require.

(C) Plans, drawings, and specifications for materials, products, or equipment to be supplied shall permit and encourage full and free competition.

(D) The Local Authority shall furnish the PHA, at such time or times as the PHA may require, and in any event prior to the release of any document for the taking of bids, evidence satisfactory to the PHA, showing that the plans, drawings, specifications, and related documents are in accordance with the provisions of this Contract and with all applicable laws, ordinances, and regulations, except to the extent that valid waivers have been obtained from the appropriate authorities. The Local Authority shall obtain all necessary permits or approvals of State and local housing, planning, zoning, building, and other boards, bodies, or officers having jurisdiction, and shall furnish to the PHA a certificate listing such approvals before any Main Construction Contract is let.

Sec. 107. Main Construction Contract and Other Contracts

(A) "Main Construction Work" for any Project shall mean all physical construction work, materials, and equipment in connection with such Project except demolition, lawns and planting, and the furnishing of movable equipment. "Main Construction Contract" shall mean any contract covering all or any part of the Main Construction Work. "Construction or Equipment Contract" shall mean any contract covering all or any part of the Main Construction Work, or cov-

ering demolition, lawns and planting, or the furnishing of movable equipment.

(B) Unless otherwise required by applicable State laws, the Main Construction Work for each Project shall be performed under one contract, except that the PHA, upon submission of evidence satisfactory to it that such action is in the best interest of the development of the Project, may approve (1) separate contracts for foundations or for any or all elements of site improvements, to be entered into prior to the execution of contracts for the remainder of the Main Construction Work; (2) separate contracts for any or all of the mechanical trades, to be entered into at the same time as the contracts for the remainder of the Main Construction Work; or (3) separate contracts for specific buildings or groups of buildings to be developed concurrently or consecutively.

(C) Demolition, lawns and planting, and the furnishing of movable equipment, may be performed under separate contracts or may be included in the same contract or contracts as the Main Construction Work.

(D) All Main Construction Work and demolition, lawns and planting, and the furnishing of movable equipment shall be performed under lump-sum contracts, and no part of such work shall, unless approved in advance by the PHA, be performed by force account: *Provided*, That the furnishing of any type of movable equipment, the aggregate cost of which for a Project will amount to less than \$500 may be made by purchase orders, and such purchase orders shall not be considered as being Construction or Equipment Contracts.

Sec. 108. Contract Documents

(A) For each Construction or Equipment Contract, the Local Authority shall submit to the PHA for its approval complete plans, drawings, specifications, and related documents, including invitations for bids, bid forms, forms for bonds, contract forms, general conditions, special conditions, and schedules of prevailing salary and wage rates, all as required under this Contract. Each such Construction or Equipment Contract entered into by the Local Authority shall be in the form so approved.

(B) The Local Authority shall file with the PHA, promptly after their execution, such copies of such contracts entered into in connection with the development of any Project as may be required by the PHA.

Sec. 109. Taking of Bids

(A) The Local Authority shall not release any documents for the taking of bids for any Construction or Equipment Contract, except addenda merely clarifying documents previously approved by the PHA, unless (1) the PHA has approved the plans, drawings, specifications, and related documents therefor, and (2) the Local Authority has acquired title to and possession of the site of the Project, or has shown to the satisfaction of the PHA that it can and will acquire title, possession, or right of entry in sufficient time so as not to interfere unduly with the progress of the work required by such Construction or Equipment Contract. All clarifying addenda shall be submitted to the PHA for approval simultaneously with their release.

(B) In connection with each Construction or Equipment Contract, the Local Authority shall give full opportunity for open and competitive bidding. The Local Authority shall give such publicity to advertisements for bids as will assure adequate competition. The bids shall be opened publicly at the time and place stated in the advertisement for bids, or at such other time or place as may be publicly announced by the Local Authority. The Local Authority shall not be required to comply with the provisions of this subsection (B) with respect to (1) contracts between it and other public bodies, or (2) contracts between it and public utility companies for the installation, relocation, replacement, or removal of their facilities.

(C) No alternate bids of any kind shall be taken in connection with any Construction or Equipment Contract, except as approved by the PHA.

(D) Each bidder for any of the Construction or Equipment Contracts (except demolition contracts) shall, unless the PHA otherwise approves, be required to furnish a bid bond or equivalent guarantee in an amount not less than five percent of his bid. Bidders for demolition contracts shall, unless the PHA otherwise approves, be required to furnish a bid bond or equivalent guarantee in an amount not less than ten percent of the cost of labor, materials, hauling, and all other incidental expenses, as estimated by the Local Authority, necessary to perform the work under the demolition contract, without regard to the value of salvage.

Sec. 110. Award of Contracts

(A) The Local Authority shall not award any Construction or Equipment Contract to other than the lowest responsible bidder.

(B) The Local Authority shall not award any Main Construction Contract unless (1) the Development Cost Budget referred to in subsection (B) of Sec. 404 has been submitted to the PHA, (2) the PHA, taking into account the level of construction costs prevailing in the locality where the Project is to be located, shall have specifically approved the amount of such Main Construction Contract, and (3) the PHA, taking into account all applicable provisions of the Act and of this Contract, shall have authorized the award of such Main Construction Contract.

(C) The Local Authority shall not award any Construction or Equipment Contract other than the Main Construction Contract without approval by the PHA, if the amount of such Construction or Equipment Contract exceeds \$5,000 or exceeds the amount therefor included in the latest Development Cost Budget approved by the PHA.

(D) The Local Authority shall not award any Construction or Equipment Contract to any contractor, or approve the assignment of any such contract to any contractor, whose name appears on the list (furnished by the PHA) of contractors ineligible, under the provisions of any regulations issued by the Secretary of Labor of the United States, to receive an award of such Construction or Equipment Contract.

Sec. 111. Execution of Contracts and Notices to Proceed

After the award of each Construction or Equipment Contract and after the contractor has furnished to the Local Authority any required performance and payment bond or bonds, the Local Authority shall

execute such Construction or Equipment Contract. Promptly after the execution of such Construction or Equipment Contract the Local Authority shall issue a notice to proceed with the performance thereof.

Sec. 112. Performance and Payment Bonds

(A) Each Construction or Equipment Contract for \$2,000 or more for the furnishing of material or equipment and not involving work normally done at the site of any Project other than in the delivery of such material or equipment shall require the contractor to furnish a performance bond in an amount not less than the contract price. All other Construction or Equipment Contracts for \$2,000 or more shall require the contractor to furnish either a combined performance and payment bond in an amount not less than the contract price or separate performance and payment bonds each in an amount not less than one-half of the contract price: *Provided*, That for demolition contracts a performance and payment bond or bonds shall be required regardless of the amount of the contract and the amount of such bond or bonds shall be in a stated amount to be set forth in the demolition specifications which amount, in the case of a combined bond, shall be not less than the total cost of labor, materials, hauling and all other incidental expenses, as estimated by the Local Authority, necessary to perform the work under the demolition contract, without regard to the value of salvage, or, in the case of separate bonds, the amount of each shall be not less than one-half of such cost. Each such bond shall be required to be furnished by a financially responsible bonding or surety company or companies, licensed to do business in the State.

(B) The documents in connection with each Construction or Equipment Contract shall provide that failure by the contractor to furnish such bond or bonds within a prescribed period shall constitute a default by the contractor and leave the Local Authority free to make the award to the next lowest responsible bidder or to readvertise for new bids and to collect from the contractor any damages thereby sustained by the Local Authority.

Sec. 113. Liquidated Damages

Each Construction or Equipment Contract shall include provisions, in form and substance satisfactory to the PHA, for liquidated damages in the event of delay in the performance of such Construction or Equipment Contract, unless the PHA approves the omission of such provisions.

Sec. 114. Subcontracts and Assignments

(A) Each Construction or Equipment Contract shall provide that no part of the work shall be subcontracted, nor shall any subcontracted work be assigned to another subcontractor, unless the Local Authority shall have first approved the subcontractor. The Local Authority shall not approve any subcontractor, or assignee of any such subcontractor, whose name appears on the list (furnished by the PHA) of contractors ineligible under the provisions of any regulations issued by the Secretary of Labor of the United States to receive an award of such subcontract.

(B) Each Construction or Equipment Contract shall provide (1) that the contractor shall make no assignment thereof (other than an assignment of the monies due or to become due thereunder to a bank or

financial institution) without the prior approval of the Local Authority, which approval may be given only with respect to a responsible assignee who shall furnish performance and payment bonds in accordance with Sec. 112 hereof, and (2) that such Construction or Equipment Contract may be assigned by the Local Authority to any corporation, agency, or instrumentality authorized to accept such assignment.

Sec. 115. Prevailing Salaries or Wages During Development

(A) Each contract entered into by the Local Authority in connection with the development of any Project under which any architects, technical engineers, draftsmen, or technicians are employed in such development shall require that there shall be paid, and the Local Authority shall itself pay, to all such employees not less than the salaries or wages prevailing in the locality of such Project, as determined or adopted (subsequent to a determination under applicable State or local law) by the PHA.

(B) Each contract entered into by the Local Authority in connection with the development of any Project under which any laborers or mechanics are employed in such development (other than contracts for less than \$2,000 or for the furnishing of material or equipment and not involving work normally done at the site of any Project other than the delivery of such material or equipment) shall require that there shall be paid, and the Local Authority shall itself pay, to all such laborers and mechanics not less than the wages prevailing in the locality of such Project, as predetermined by the Secretary of Labor of the United States pursuant to the Davis-Bacon Act (Title 40, U. S. C., Secs. 276a-5).

(C) Each contract identified in subsection (B) of this Sec. 115 shall contain the following provision:

"All laborers and mechanics employed in the development of the Project will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by the Anti-Kickback Regulations (29 CFR Part 3)), the full amounts due at time of payment computed at wage rates not less than those contained in the wage determination decision of the Secretary of Labor of the United States which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor or subcontractor and such laborers and mechanics; and the wage determination decision shall be posted by the contractor at the site of the work in a prominent place where it can be easily seen by the workers."

(D) Each contract identified in subsections (A) and (B) of this Sec. 115 shall provide that the Local Authority will not make any payment under such contract unless and until the Local Authority has received an affidavit from the contractor that such contractor and each of his subcontractors has made payment to each class of employees in compliance with the applicable provisions of subsections (A), (B), and (C) of this Sec. 115. The Local Authority shall not make any such payment unless and until it has received such affidavit.

(E) Each contract identified in subsections (A) and (B) of this Sec. 115 shall require that if the contractor or any of his subcontractors

finds it necessary or desirable to exceed the prevailing salary or wage rates specified in his contract, any expense incurred by the contractor or subcontractors because of the payment of salaries or wages in excess of such amounts shall not be cause for any increase in the amount payable under his contract. The Local Authority shall not consider or allow any claim for additional compensation made by the contractor or subcontractors because of such payments.

Sec. 116. Anti-Kickback Act

All work in connection with the construction, prosecution, completion, or repair of the Projects is subject to the so-called Anti-Kickback Act (Title 18, U. S. C., Sec. 874 and Title 40, U. S. C., Sec. 276c), and to all regulations, rulings, and interpretations (including any amendments or modifications thereof) issued pursuant thereto by the Secretary of Labor of the United States, and the Local Authority shall observe and abide by said statute, and said regulations, rulings, and interpretations. The Local Authority shall incorporate in each contract entered into by it in connection with such construction, prosecution, completion or repair of the Projects the following:

"Anti-Kickback Act. The contractor agrees to comply with the regulations, rulings, and interpretations of the Secretary of Labor of the United States pursuant to the Anti-Kickback Act (Title 18, U. S. C., Sec. 874 and Title 40, U. S. C., Sec. 276c) which makes it unlawful to induce any person employed in the construction or repair of public buildings or public works to give up any part of the compensation to which he is entitled under his contract of employment; and the contractor agrees to insert a like provision in all subcontracts hereunder."

Sec. 117. Wage Claims and Adjustments

Each contract identified in subsections (A) and (B) of Sec. 115 shall provide that in cases of underpayment of salaries or wages to any architects, technical engineers, draftsmen, technicians, laborers, or mechanics by the contractor or any of his subcontractors, the Local Authority may withhold from such contractor out of payments due, an amount sufficient to pay persons employed on the work covered by the contract the difference between the salaries or wages required to be paid under the contract and the salaries or wages actually paid such employees for the total number of hours worked, and shall further provide that the amounts withheld may be disbursed by the Local Authority for and on account of the contractor or the subcontractor to the respective employees to whom they are due. The Local Authority shall in cases of such underpayment withhold such monies: *Provided*, That the Local Authority shall not be considered in default under this sentence if it has in good faith made payments to the contractor in reliance upon an affidavit of the contractor that the salaries and wages required under his contract have actually been paid.

Sec. 118. Payrolls and Related Reports

Each contract identified in subsection (B) of Sec. 115 shall also require that payroll records be maintained during the course of the work and preserved by the contractor and his subcontractors for a period of three years thereafter for all laborers and mechanics employed in the development of the Project. Such records shall contain

the name and address of each such employee, his correct classification, rate of pay, daily and weekly number of hours worked, deductions made, and actual wages paid. The contractor shall be required to submit weekly to the Local Authority such copies and summaries (on forms prescribed by the PHA and furnished by the Local Authority) of all his payrolls and those of each of his subcontractors, as the Local Authority or the PHA may require. Each such payroll and summary shall be accompanied by an affidavit to the effect that (1) such payroll is correct and complete, (2) the wage rates contained therein are not less than those determined by the Secretary of Labor of the United States, and (3) the classifications set forth for each laborer or mechanic conform with the work performed. The contractor shall be required to make his employment records available for inspection by authorized representatives of the Local Authority, the PHA, and the United States Department of Labor, and to permit such representatives to interview employees during working hours on the job.

Sec. 119. Other Labor Provisions

(A) Each contract identified in subsection (B) of Sec. 115, shall provide that:

(1) Apprentices shall be employed in the development of the Project only under a bona fide apprenticeship program registered with a State Apprenticeship Council which is recognized by the Federal Committee on Apprenticeship, United States Department of Labor, or if no such recognized council exists in a State, under a program registered with the Bureau of Apprenticeship, United States Department of Labor;

(2) No laborer or mechanic employed in the development of any Project shall be discharged or in any other manner discriminated against because such laborer or mechanic has filed any complaint or instituted or caused to be instituted any proceedings or has testified or is about to testify in any proceeding under or relating to the labor standards incorporated in such contract;

(3) It may be terminated by the Local Authority upon default by the contractor of any of the provisions of Secs. 115, 116, 117, or 118, or of subsections (A), (B), or (C) of this Sec. 119; and

(4) The contractor shall insert in each of his subcontracts the provisions (appropriately modified) of Secs. 115, 116, 117, and 118, and subsections (A), (B), and (C) of this Sec. 119.

(B) All disputes concerning prevailing wage rates or classifications arising under this Contract or under any contract identified in subsection (B) of Sec. 115 involving (1) significant sums of money, (2) large groups of employees, or (3) novel or unusual situations shall be promptly reported to the PHA for decision or, at the option of the PHA, referral to the Secretary of Labor of the United States. The decision of the PHA or the Secretary of Labor, as the case may be, shall be final. Each contract identified in subsection (B) of Sec. 115, shall embody the provisions of this subsection.

(C) All questions arising under this Contract or under any contract identified in subsection (A) and (B) of Sec. 115 relating to the application or interpretation of the Anti-Kickback Act or Sec. 16 (2) of the Act shall be referred to the Secretary of Labor of the United States for ruling or interpretation, and such ruling or inter-

pretation shall be final. Each contract identified in subsections (A) and (B) of Sec. 115 shall embody the provisions of this subsection (C).

Sec. 120. Retention of Contract Rights and Change Orders

(A) With respect to all contracts entered into by the Local Authority in connection with the development of any Project, the Local Authority (1) except in an emergency endangering life or property, shall not, without PHA approval, amend, modify, or consent to any change in any such contract or contractual provision which is required by this Contract to be approved by the PHA; (2) shall at all times retain, preserve, and enforce all its rights under all such contracts; and (3) shall not, without the prior approval of the PHA, waive, release, or compromise any right or claim which it may have under any such contract.

(B) Each Construction or Equipment Contract shall contain the following provision:

"Except in any emergency endangering life or property, no change shall be made by the contractor unless he has received a prior written order from the Local Authority approved on its face by the PHA authorizing the change, and no claim for an adjustment of the contract price or time shall be valid unless so ordered."

Sec. 121. Construction Inspection and Review

(A) The Local Authority shall provide competent and adequate architectural and engineering inspection of each Project at all times during the construction thereof. Unless otherwise approved by the PHA, the Local Authority shall provide such inspection through contract with its architects and engineers.

(B) The PHA reserves the right to review the adequacy of the inspection provided by the Local Authority, and the Local Authority shall promptly correct any inadequacy disclosed by such review. The PHA also reserves the right to inspect any construction work, materials, and equipment, and the Local Authority shall promptly require the contractor to correct any noncompliance upon demand by the PHA.

(C) Each Construction or Equipment Contract shall require the contractor and his subcontractors to permit, and the Local Authority shall itself permit, the PHA to review all construction work, materials and equipment, payrolls, and employment conditions, including data and records relevant thereto. The Local Authority shall provide and maintain, or require that there shall be provided and maintained, during the construction of each Project, adequate facilities at the site for the use of the PHA's representatives who may be assigned to the review of such Project.

Sec. 122. Fees for PHA Representatives at Project Sites

The Local Authority shall pay to the PHA a reasonable fixed fee for providing representatives of the PHA at the site of each Project in connection with the construction thereof. Such fixed fee shall be in accordance with a schedule prescribed by the PHA so that such fixed fees in connection with all low-rent housing projects assisted by the PHA shall in the aggregate in relation to the development cost of all such projects suffice to cover the costs of rendering such services.

Sec. 123. Payment to Contractors

(A) Each Construction or Equipment Contract may provide for partial payments by the Local Authority to the contractor. In such event, the Construction or Equipment Contract shall provide that the contractor shall supply to the Local Authority, in a form satisfactory to the PHA, a detailed estimate showing a complete breakdown of the contract price. Partial payment shall be made in accordance with periodic estimates based upon said detailed breakdown and with appropriate supporting data. The periodic estimates shall cover work performed (including materials delivered to and properly stored on the site with the approval of the Local Authority) during the preceding period, and shall be duly certified and approved by persons designated by the Local Authority. In making periodic partial payments, the Local Authority shall retain at least 10 percent of the amount of each periodic estimate until final completion and acceptance of all work covered by the particular contract: *Provided*, That after one-half of the work has been completed, and if the work is progressing satisfactorily and continues to so progress, the Local Authority may make the remaining partial payments in full for the work subsequently completed.

(B) Each Construction or Equipment Contract shall provide that final payment to the contractor by the Local Authority of amounts retained under subsection (A) of this Sec. 123 shall not be made until (1) the contractor has furnished a release, in a form approved by the PHA, of all claims against the Local Authority arising under and by virtue of such Construction or Equipment Contract, other than such claims, if any, (the basis, scope, and amount of each of which are clearly defined and stated) as may be specifically excepted by the contractor from the operation of such release, and (2) the contractor has furnished evidence satisfactory to the Local Authority that the contractor has paid, and that his subcontractors have paid, all sums due to laborers, mechanics, and materialmen.

(C) With the prior approval of the PHA the Local Authority may release to the contractor a portion of the amounts retained under subsection (A) of this Sec. 123 in advance of making final payment, but shall not make final payment to any contractor until the PHA has approved the certificate of completion described in subsection (C) of Sec. 124.

Sec. 124. Acceptance of Contract Work and Completion of Contracts

(A) Each Construction or Equipment Contract shall require that the work covered thereby shall be completed within the time specified therein and such extensions as may be granted by the Local Authority. The Local Authority shall grant no such extension without approval thereof by the PHA.

(B) With respect to each Construction or Equipment Contract, the Local Authority may accept the work thereunder in parts or in its entirety. Such acceptance may be acceptance of the work involved either as (1) fully completed and satisfactory, or (2) completed but with an adjustment in price for noncompliances, or (3) completed subject to the correction of specific minor items. No work shall be so accepted by the Local Authority unless such acceptance is approved

by the PHA or the PHA has waived such approval: *Provided*, That the Local Authority may accept work required in the correction of specific minor items without the approval of the PHA.

(C) After acceptance of all work (including the correction of any specific minor items) under each Construction or Equipment Contract, the Local Authority shall submit for approval by the PHA a certificate of (1) full completion, or (2) full completion but with an adjustment in price for noncompliances, and shall include in such certificate a statement of the final amount due and payable to the contractor.

Sec. 125. Completion of Development Work and Payment Therefor

The Local Authority shall complete all development work in respect to each Project and shall make full payment for the Development Cost of such Project (except for the payment of items of development work which may be disputed, contingent, or unliquidated, and for legal and other costs and expenses in connection with the settlement of such items) within 12 months after the approval of the final Development Cost Budget submitted pursuant to subsection (D) of Sec. 404.

ARTICLE II OPERATION

Sec. 201. Use of Projects

The Local Authority shall at all times operate each Project (1) solely for the purpose of providing decent, safe, and sanitary dwellings (including necessary appurtenances thereto) within the financial reach of Families of Low Income, and (2) in such manner as to promote serviceability, efficiency, economy, and stability.

Sec. 202. Low-Rent Character of Projects

The Local Authority shall at all times maintain the low-rent character of each of the Projects. The low-rent character of each Project shall be deemed to be maintained so long as (1) such Project is used as provided in Sec. 201, and (2) to the knowledge or information of the Local Authority, no persons have been admitted to occupancy in such Project or allowed to continue occupancy therein except as provided in this Contract.

Sec. 203. Leases

(A) The Local Authority shall, unless otherwise approved by PHA, use the dwellings in the Projects solely for the purpose of housing Families of Low Income as provided in this Contract. It may lease at fair rental value any nondwelling space or facilities in the Projects. It shall not, without the approval of the PHA, grant any concessions, licenses, or permits to use any nondwelling space or facility in any Project without adequate compensation, except for programs conducted by or primarily for the occupants of the Project or for temporary public, charitable, or similar use.

(B) The Local Authority shall not permit any family to occupy a dwelling in any Project except pursuant to a written lease for such dwelling executed by a responsible member of such family, which lease shall contain all relevant provisions necessary to meet the requirements of the Act and of this Contract.

Sec. 204. Maximum Income Limits

The Local Authority shall establish for the Projects a schedule of maximum income limits for admission and for continued occupancy of families including as a part thereof a statement of standards for determining the net annual income of families (herein called "Net Family Income"). Such schedule of maximum income limits (including the statement of standards for determining Net Family Income) and all revisions thereof shall be subject to the approval of the PHA. Each such schedule and revision submitted to PHA shall be accompanied by a statement of the exemptions to be allowed pursuant to subsection (A) (2) of Sec. 206 and to subsection (A) (2) of Sec. 207, and the Local Authority shall promptly advise the PHA of any changes in such exemptions. The Local Authority may at any time review and revise such maximum income limits, and shall review and revise such maximum income limits if the PHA determines that

changed conditions in the locality make such revisions necessary in achieving the purposes of the Act.

Sec. 205. Rents

The Local Authority shall establish for the Projects schedules of rents. The rent, including the value or cost to the tenant of water, electricity, gas, other heating and cooking fuels, and other utilities (herein called "Gross Rent"), in such schedules shall be related to Net Family Income, and may also be related to the number of Minors in the family, or the number of persons in the family, or both. The Gross Rent for each family shall be so established as to be within the financial reach of such family, but shall not be less than one-fifth of the Net Family Income at the time of admission or of any redetermination of Net Family Income less an exemption to be established by the Local Authority not in excess of \$100 for each Minor member of the family other than the head of the family and his spouse: *Provided*, That for continued occupancy the Gross Rent may be limited to the Gross Rent of comparable privately owned housing in the locality. Such rent schedules and all revisions thereof shall be subject to the approval of the PHA. The PHA shall approve any schedules of rents which meet the requirements of the Act and of this Contract and which reasonably assure the financial solvency of the Projects.

Sec. 206. Eligibility for Admission

(A) The Local Authority shall admit as tenants of the Projects only Families of Low Income who, at the time of admission, meet all of the following requirements:

(1) Who qualify as a family by virtue of being (a) a group of persons regularly living together which consists of two or more persons related by blood, marriage, or adoption, or (b) a single person sixty-five years of age or over. There may be also considered as part of a family other persons who will live regularly as a part of the family group (including members of the family temporarily absent) and whose income and resources are available for use in meeting the living expenses of the group. A group of unrelated persons under sixty-five years of age living together, or a single person under sixty-five years of age, does not constitute a family, nor may lodgers be included in a family;

(2) Whose Net Family Income less (a) an exemption which may be established by the Local Authority not in excess of \$100 for each Minor member of the family other than the head of the family and his spouse, and (b) an exemption which may be established by the Local Authority of all or any part of amounts paid by the United States Government for disability or death occurring in connection with military service, does not exceed the applicable income limit for admission established by the Local Authority and approved by the PHA; and

(3) Who are (a) living in unsafe, insanitary, or overcrowded dwellings, or (b) to be displaced by any low-rent housing project or by any public slum-clearance, redevelopment or urban renewal project, or through action of a public body or court, either through the enforcement of housing standards or through the demolition, closing, or improvement of a dwelling unit or units, or (c) actually without housing, due to causes other than the fault of the tenant, or (d) about

to be without housing as the result of a court order of eviction, due to causes other than the fault of the tenant: *Provided*, That the requirements in this subsection (A) (3) shall not be applicable in the case of a family of any Veteran or Serviceman (or of any deceased Veteran or Serviceman) where application for admission to such housing is made not later than March 1, 1959: *Provided further*, That the Local Authority may waive the requirements of this subsection (A) (3) for Elderly Families in respect to dwelling units suitable for their needs.

(B) "Minor" as used in this Contract shall mean a person less than twenty-one years of age.

(C) "Serviceman" as used in this Contract shall mean a person in the active military or naval service of the United States who has served therein at any time (i) on or after September 16, 1940, and prior to July 26, 1947, (ii) on or after April 6, 1917, and prior to November 11, 1918, or (iii) on or after June 27, 1950, and prior to February 1, 1955. "Veteran" as used in this Contract shall mean a person who has served in the active military or naval service of the United States at any time (i) on or after September 16, 1940, and prior to July 26, 1947, (ii) on or after April 6, 1917, and prior to November 11, 1918, or (iii) on or after June 27, 1950, and prior to February 1, 1955, and who shall have been discharged or released therefrom under conditions other than dishonorable.

(D) "Elderly Family" as used in this Contract shall mean a family, as defined in subsection (A) (1) of this Sec. 206, the head of which (or his spouse) is sixty-five years of age or over.

Sec. 207. Eligibility for Continued Occupancy

The Local Authority shall allow to continue in occupancy in the Projects only Families of Low Income who, at the time of reexamination, meet all of the following requirements:

(1) Who qualify as a family, as defined in subsection (A) (1) of Sec. 206, or who is the remaining member of a tenant family; and

(2) Whose Net Family Income less (a) an exemption which may be established by the Local Authority of either (i) an amount not in excess of \$100 for each Minor member of the family other than the head of the family and his spouse, or (ii) an amount equal to all or any part of the income of such Minor less any deductions in connection with such Minor's income which were taken into account in determining the Net Family Income, and (b) an exemption which may be established by the Local Authority of all or any part of amounts paid by the United States Government for disability or death occurring in connection with military service, does not exceed the applicable income limit for continued occupancy established by the Local Authority and approved by the PHA.

Sec. 208. Tenant Selection

The Local Authority shall select tenants and assign to them dwellings in accordance with its established procedure which shall in all respects conform to the requirements of the Act and of this Contract. In the selection of tenants the Local Authority shall not discriminate against families, otherwise eligible for admission to the Projects, because their incomes are derived in whole or in part from public

assistance; and in initially selecting families for admission to dwellings of given sizes and at specified rents the Local Authority shall (subject to the preferences prescribed in Sec. 209) give preference to families having the most urgent housing needs, and thereafter, in selecting families for admission to such dwellings, shall give due consideration to the urgency of the families' housing needs. The Local Authority shall assign to tenants dwelling accommodations consisting of the number of rooms necessary (but no greater than necessary) to provide decent, safe, and sanitary accommodations for the proposed occupants thereof without overcrowding.

Sec. 209. Preferences in Selection of Tenants

(A) The Local Authority, as among Families of Low Income which are eligible applicants for occupancy in dwellings of given sizes and at specified rents, shall extend the following preferences in the selection of tenants:

(1) First, to families which are to be displaced by any low-rent housing project or by any public slum-clearance, redevelopment or urban renewal project, or through action of a public body or court, either through the enforcement of housing standards or through the demolition, closing, or improvement of dwelling units, or which were so displaced within three years prior to making application to the Local Authority for admission to any low-rent housing: *Provided*, That as among such projects or actions the Local Authority may from time to time extend a prior preference or preferences: *Provided further*, That as among families within any such preference group first preference shall be given to families of disabled Veterans whose disability has been determined by the Veterans' Administration to be service-connected, and second preference shall be given to families of deceased Veterans and Servicemen whose death has been determined by the Veterans' Administration to be service-connected, and third preference shall be given to families of other Veterans and Servicemen;

(2) Second, to families of other Veterans and Servicemen and as among such families first preference shall be given to families of disabled Veterans whose disability has been determined by the Veterans' Administration to be service-connected, and second preference shall be given to families of deceased Veterans and Servicemen whose death has been determined by the Veterans' Administration to be service-connected.

Notwithstanding the provisions of clauses (1) and (2) of this subsection (A), the Local Authority may extend a prior preference to Elderly Families in respect to dwelling units suitable to their needs: *Provided*, That as among such Elderly Families the preferences of clause (1) of this subsection (A) shall apply.

(B) The requirements in Sec. 208 and in subsection (A) of this Sec. 209, that preferences shall be given "at specified rents" shall be taken to mean that the Local Authority may initially establish two or more ranges of specified rents within which such preferences are to be applied, and the total number of units in the Projects shall be allocated among such ranges so as to serve as nearly as possible a representative cross section of eligible Families of Low Income in the locality with due regard to the financial solvency of the Projects: *Provided*, That if the Local Authority does not initially establish two

or more such specified ranges of rents, it must establish two or more appropriate ranges in the event that, due to the exercise of the preferences, (1) the Projects are not being occupied by a representative cross section of eligible Families of Low Income in the locality, or (2) the financial solvency of the Projects is jeopardized.

Sec. 210. Re-examination of Tenant Status

(A) The Local Authority shall at least once a year re-examine the status of each tenant family in order to redetermine the Net Family Income and the size and composition of the family: *Provided*, That the length of time between the admission of a family and the first re-examination of such family may be extended to not more than eighteen months if necessary to fit a re-examination schedule established by the Local Authority.

(B) If, upon such re-examination, it is found that the family is not eligible for continued occupancy, the Local Authority shall require such family to move from the Project.

(C) If, upon such re-examination, it is found that the rent being charged the family no longer conforms to the approved rent schedule, the rent shall be adjusted appropriately.

(D) If, upon such re-examination, it is found that the size or composition of the family has changed so that the dwelling occupied by the family contains a number of rooms less or greater than necessary to provide decent, safe, and sanitary accommodations for the occupants thereof without overcrowding, the family shall be required to move into a dwelling of appropriate size as soon as such a dwelling becomes available.

Sec. 211. Interim Redeterminations of Net Family Income

If the Local Authority adopts a policy of adjusting, between re-examinations, the rents of families in relation to changes in their income, it shall require all tenant families to report all substantial changes in income as they occur. Upon receipt of any such report the Local Authority shall redetermine the Net Family Income and adjust the rent as necessary to conform to the approved rent schedule. Such redetermination of Net Family Income and adjustment of rent shall not be in lieu of the re-examination required by Sec. 210 unless at the same time the Local Authority makes all of the redeterminations and takes action pursuant thereto as specified in Sec. 210. If the Local Authority requires tenant families to report substantial changes of income as they occur, it shall, upon discovery that a tenant family failed to so report a substantial increase, back charge such tenant family for the additional rent, and take such other action as the Local Authority deems advisable.

Sec. 212. Applications, Verifications, and Reports as to Admissions and Continued Occupancy

(A) Prior to the admission of each family as a tenant and in each year thereafter on the date established by the Local Authority for the re-examination of the status of such family, the Local Authority shall obtain a written application, signed by a responsible member of such family for admission or for continued occupancy, as the case may be, which application shall set forth in adequate detail all data and information necessary to enable the Local Authority to determine (1) whether the family meets the conditions of eligibility for admission or

for continued occupancy, as the case may be, (2) the rent to be charged, (3) the size of the dwelling required, and (4) the preference for admission, if any, to which such family is entitled.

(B) The Local Authority shall verify each such application by such methods as may be needed to reasonably assure the Local Authority that such statement is full, true, and complete as of the time of admission or re-examination, as the case may be.

(C) A duly authorized official of the Local Authority shall, with respect to each Project, make periodic written statements to the PHA that an investigation has been made by the Local Authority of each family admitted to such Project during the period covered by such statement, and that, on the basis of the report of said investigation, such official has found that each such family at the time of its admission, (1) had a Net Family Income (less exemptions pursuant to subsection (A) (2) of Sec. 206) not exceeding the maximum income limits theretofore fixed by the Local Authority and approved by the PHA for admission of Families of Low Income to such housing; and (2) either (a) lived in an unsafe, insanitary or overcrowded dwelling, or (b) was to be displaced by any low-rent housing project or by any public slum-clearance, redevelopment or urban renewal project, or through action of a public body or court, either through the enforcement of housing standards or through the demolition, closing, or improvement of a dwelling unit or units, or (c) actually was without housing due to causes other than the fault of the tenant, or (d) was about to be without housing as the result of a court order of eviction, due to causes other than the fault of the tenant, or (e) was the family of a Veteran or Serviceman (or of a deceased Veteran or Serviceman) and its application for admission to such housing was made not later than March 1, 1959, or (f) was an Elderly Family. The first of such statements with respect to each Project shall cover the Initial Operating Period for such Project and be submitted within thirty days after the end of such Period. Thereafter such statements shall cover successive periods following the Initial Operating Period. No such statement shall cover a period longer than one year, and each such statement shall be submitted within thirty days after the end of the period covered thereby.

(D) The statement made next following the one covering the Initial Operating Period for each Project and each such statement thereafter shall also set forth that, in accordance with the requirement in Sec. 210 hereof, there was made during the period covered by such statement a re-examination of the status of each tenant family occupying a dwelling in the Project, other than families admitted during such period, and that all tenant families found to be ineligible for continued occupancy at the time of such re-examination have moved from the Project or that the Local Authority has taken action to secure their removal. If any such ineligible families have not moved from the Project, the statement shall contain a detailed description of the action taken and proposed to be taken by the Local Authority to secure their removal.

(E) Each statement referred to in subsection (C) of this Sec. 212 shall also include a statement to the effect that each family admitted to the Project or re-examined pursuant to Sec. 210 or whose income was redetermined under the provisions of Sec. 211 during the period covered by such statement has been charged the rent appropriate for

such family as prescribed in the then approved rent schedule for the Project.

(F) The Local Authority shall at such times as may be required by the PHA, but not more often than quarterly, furnish the PHA with reports showing the rents charged and the income, size, composition, previous housing conditions, and other data relating to the eligibility and preferences of the families admitted to the Projects or re-examined during the period covered by such report.

Sec. 213. Repair, Maintenance, and Replacement

The Local Authority shall at all times maintain each Project in good repair, order, and condition.

Sec. 214. Reconstruction and Restoration

(A) Whenever in any manner whatsoever, a Project, or any part thereof, shall have been damaged or destroyed, the Local Authority shall proceed promptly (1) to establish (either by settlement approved by the Local Authority and the PHA, or by litigation) and collect all valid claims which may have arisen against insurers or others based upon any such damage or destruction; and (2) except as hereinafter in this Sec. 214 provided, to reconstruct, restore, or repair such Project.

(B) All proceeds of any such claims and any other monies provided for the reconstruction, restoration, or repair of any such Project, shall be deposited in the General Fund, and be reserved for such purpose. The Local Authority shall not, unless the PHA otherwise approves, use the monies so reserved except (1) to pay the cost of such reconstruction, restoration, or repair or (2) for application as provided in subsection (D) of this Sec. 214.

(C) Whenever any such reconstruction, restoration, or repair can be accomplished substantially as one operation, and is not to be performed by the normal staff of the Local Authority, and the estimated cost thereof is in excess of \$10,000, the Local Authority shall accomplish such reconstruction, restoration, or repair in compliance with the provisions (appropriately modified) of the following sections and subsections: 106 (B) (C) (D), 107 (D), 108, 109, 110 (A) (B) (D), 111, 112, 113, 114, 115 (D) (E), 116, 117, 118, 119, 120, 121, 123, 124, 215 (A), 303, and 304.

(D) Any balance of the monies so reserved which remains upon the completion of such work and payment of all costs incurred therefore shall be applied: First, to the payment of indebtedness, if any, which the Local Authority may have incurred to provide such monies; Second, to the reimbursement of any other reserve or other account, to the extent that such monies were provided from such reserve or account; and Third, as unreserved Operating Receipts.

(E) The Local Authority, with the approval of the PHA, may determine that all or any part of any such damage to or destruction of a Project shall not be reconstructed, restored, or repaired, and in such event, the proceeds of any claims against insurers or others arising out of such damage or destruction, to the extent not used for such reconstruction, restoration, or repair shall be deposited in the Advance Amortization Fund.

Sec. 215. Labor Provisions Applicable to Operation

(A) Each contract entered into by the Local Authority in connec-

tion with any Project under which any laborers or mechanics are employed in such operation (other than contracts for the furnishing of materials or equipment and not involving work normally done at the site of any Project other than the delivery of any such material or equipment) shall require that there shall be paid, and the Local Authority shall itself pay, to all such maintenance laborers and mechanics, not less than the salaries or wages prevailing in the locality of such Project, as determined or adopted (subsequent to a determination under applicable State or local law) by the PHA.

(B) The provisions of Sec. 116 and of subsections (B) and (C) of Sec. 119 (appropriately modified) shall apply to the Local Authority in connection with the repair of the Projects and to all contracts in connection with the repair of the Projects.

(C) Each contract entered into by the Local Authority for any repair, alteration, remodeling, painting or decorating of any Project under which any laborers or mechanics are employed in such operation (other than contracts for the furnishing of materials or equipment and not involving work normally done at the site of any Project other than the delivery of such material or equipment), the amount of which contract is in excess of \$10,000, shall be subject to the provisions (appropriately modified) of the following sections and subsections: 110 (D), 114 (A), 115 (D) (E), 116, 117, 118, 119, and 215 (A).

Sec. 216. Retention of Contract Rights

The Local Authority shall at all times retain, preserve, and enforce all its rights under all contracts entered into in connection with the operation of any Project.

ARTICLE III

PROVISIONS COMMON TO DEVELOPMENT AND
OPERATIONSec. 301. Compliance With Cooperation Agreement and Payments
in Lieu of Taxes

(A) During the development and operation of the Projects the Local Authority shall perform and comply with all applicable provisions of the Cooperation Agreement, including the making of payments in lieu of taxes as provided therein, shall at all times retain, preserve, and enforce its rights thereunder, and shall not terminate, amend, or modify the same in any manner, except with the approval of the PHA.

(B) The Local Authority shall not, without the approval of the PHA, make or agree to make any payments in lieu of taxes in excess of those provided in the Cooperation Agreement.

(C) The Local Authority shall include in its annual reports a statement of the amounts of payments in lieu of taxes made with respect to each Project for the Fiscal Year or other 12-month period for which such payments were made next preceding the date of each such annual report, together with a statement of the amount of taxes which would have been levied against such Project for such period if it were privately owned.

Sec. 302. Equivalent Elimination Reports and Notices

(A) If, under the provisions of the Cooperation Agreement, elimination of unsafe or insanitary dwellings is required with respect to any Project, the Local Authority, on the Date of Full Availability of such Project and at least annually thereafter, shall furnish to the PHA a report, in such form as may be prescribed by the PHA, with respect to the unsafe or insanitary dwellings situated in the locality or metropolitan area in which such Project is located that have been eliminated in accordance with the Cooperation Agreement. Not later than the expiration of the period prescribed for such elimination in the Cooperation Agreement, the Local Authority shall furnish to the PHA a report signed by a duly authorized officer of the Local Authority stating whether unsafe or insanitary dwellings have been eliminated to the extent that elimination, under the terms of the Act, must be provided for in the Cooperation Agreement. If such report and accompanying data do not evidence that such elimination of unsafe or insanitary dwellings has been accomplished, the Local Authority shall furnish quarterly thereafter a similar report showing the progress made in respect to such elimination until such elimination has been accomplished.

(B) When unsafe or insanitary dwellings have been eliminated to the extent that elimination, under the terms of the Act, must be provided for in the Cooperation Agreement, the PHA shall promptly give notice of its finding of that fact to the Local Authority; and the

giving of such notice shall conclusively evidence the finding by the PHA that such equivalent elimination has been fully performed and accomplished.

Sec. 303. Domestic and Foreign Materials

Each contract entered into by the Local Authority in connection with the construction, alteration, or repair of any Project shall require that there shall be used, and the Local Authority shall itself use, in the construction, alteration, and repair of any Project only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States. The PHA reserves the right, upon request of the Local Authority, to waive the foregoing restrictions if the PHA determines that the use of domestic articles, materials, or supplies is impracticable, or that the cost thereof as determined by the PHA is unreasonable.

Sec. 304. Non-discrimination in Employment

(A) In connection with the development or operation of any Project, the Local Authority shall not discriminate against any employee or applicant for employment because of race, religion, color, or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Local Authority shall insert the foregoing provision (modified only to show the particular contractual relationship) in all its contracts in connection with the development or operation of any Project, except contracts for standard commercial supplies or raw materials, and shall require all such contractors to insert a similar provision in all subcontracts, except subcontracts for standard commercial supplies or raw materials. The Local Authority shall post at the Projects, in conspicuous places available for employees and applicants for employment, notices to be provided by the PHA setting forth the provisions of this nondiscrimination clause.

(B) In order to give effect to subsection (A) of this Sec. 304, insofar as it may affect Negro employees on construction work, the Local Authority shall insert in all Construction or Equipment Contracts for the performance of work on the site of a Project a provision that if the contractor pays to Negro skilled labor not less than a stipulated percentage of the total amount paid in any period of 4 weeks under such Construction or Equipment Contract for all skilled labor (irrespective of individual trades), and if the contractor pays to Negro unskilled labor not less than a stipulated percentage of the total amount paid in any period of 4 weeks under such Construction or Equipment Contract for all unskilled labor, it shall be considered as prima facie evidence that the contractor has not discriminated against Negro labor during said period. The stipulated percentages shall be based upon the number of Negro skilled and unskilled workers, respectively, employed in construction work in the locality of the Projects in relation to the total number of skilled and unskilled workers so

employed, as reflected by the latest Federal Census and other relevant data.

Sec. 305. Insurance and Fidelity Bond Coverages

(A) All of the insurable property and equipment from time to time constituting each Project shall be insured by fire and extended coverage insurance, and be insured against such additional risks with respect to which insurance is commonly carried on similar property and equipment in the locality of such Project. Such insurance shall be in amounts sufficient to prevent the Local Authority from becoming a co-insurer and, in any event, in amounts not less than eighty percent of the current insurable value of such property or equipment: *Provided*, That the amount of insurance, if any, on buildings to be demolished shall be determined by the Local Authority.

(B) The Local Authority also shall carry adequate (1) owners', landlords', and tenants' public liability insurance (excluding property damage), (2) manufacturers' and contractors' public liability insurance (excluding property damage), (3) workmen's compensation coverage (statutory or voluntary), (4) automobile liability insurance against property damage and bodily injury (owned and non-owned), (5) burglary and inside robbery insurance, (6) outside robbery insurance unless armored car service is used for the transportation of cash, (7) boiler insurance (if steam boilers have been installed), and (8), if prescribed by PHA, war damage insurance.

(C) The Local Authority shall obtain or provide for the obtaining of adequate fidelity bond coverage of its officers, agents, or employees handling cash or authorized to sign checks or certify vouchers.

(D) Each insurance policy or bond shall be written to become effective at the time the Local Authority becomes subject to the risk or hazard covered thereby, and shall be continued in full force and effect for such period as the Local Authority is subject to such risk or hazard. Such insurance and bonds shall (1) be payable in such manner, (2) be in such form, and (3) be for such amounts, all as may be determined by the Local Authority and approved by the PHA, and shall be obtained from financially sound and responsible insurance companies.

(E) In connection with each policy, including renewals, for fire and extended coverage insurance and for owners', landlords' and tenants' public liability insurance the Local Authority shall give full opportunity for open and competitive bidding. The Local Authority shall give such publicity to advertisements for bids as will assure adequate competition and shall afford an opportunity to bid to all insurers who have indicated in writing to the Local Authority their desire to submit a bid and who are licensed to do business in the State. Such insurance shall be awarded to the lowest responsible bidder. The lowest bid shall be determined upon the basis of net cost to the Local Authority. Net cost, for the purposes of this subsection (E), shall mean the gross deposit premium, plus the cost of insurance against the hazards, if any, of assessments, less any anticipated dividend based on the dividend payment and assessment record of the insurer for the previous ten years. Nothing in this subsection (E) shall have the effect of requiring the Local Authority to purchase insur-

ance from any insurer not licensed to do business in the State or to purchase insurance which involves any hazard of assessment unless insurance against such hazard is available.

(F) The Local Authority shall require that each liability insurance policy prohibit the insurer from defending any tort claim on the ground of immunity of the Local Authority from suit.

(G) The Local Authority shall submit certified duplicate copies of all insurance policies and bonds to the PHA not less than forty-five days before the effective date thereof for review to determine compliance with this Contract. Unless disapproved by the PHA within thirty days of the date submitted, the policies and bonds submitted shall be considered as approved by the PHA.

(H) If the Local Authority shall fail at any time to obtain and maintain insurance as required by subsections (A), (B), (C), and (D) of this Sec. 305, the PHA may obtain such insurance on behalf of the Local Authority and the Local Authority shall promptly reimburse the PHA for the cost thereof together with interest at the PHA Loan Interest Rate.

Sec. 306. Procurement

In the purchasing of equipment, materials, and supplies, and in the award of contracts for services or for repairs, maintenance, and replacements, the Local Authority shall comply with all applicable State and local laws, and in any event shall make such purchases and award such contracts only to the lowest responsible bidder after advertising a sufficient time previously for proposals, except:

(1) When the amount involved in any one case does not exceed \$500; or

(2) When the public exigencies require the immediate delivery of the articles or performance of the service; or

(3) When only one source of supply is available and the purchasing or contracting officer of the Local Authority shall so certify; or

(4) When the services required are (a) of a technical and professional nature, or (b) to be performed under Local Authority supervision and paid for on a time basis.

Sec. 307. Personnel

(A) The Local Authority shall adopt and comply with a statement of personnel policies comparable with pertinent local practice. Such statement shall cover job titles and classifications, salary and wage rates for employees other than those whose salaries or wages are determined pursuant to Sec. 115 and Sec. 215, weekly hours of work, qualification standards, leave regulations, and payment of expenses of employees in travel status.

(B) The Local Authority may charge contributions for participation in a retirement plan for its employees to Development Costs or Operating Expenditures where such plan has been approved by the PHA or is required by law.

(C) The Local Authority shall maintain complete records with respect to employees' leave, authorizations of overtime and official travel, and vouchers supporting reimbursement of travel expense.

(D) No funds of any Project may be used to pay any compensation for the services of members of the Local Authority.

Sec. 308. Disposition of Excess Property

(A) At the time of the award of the first Main Construction Contract for each Project any real property theretofore acquired in connection with such Project which is not necessary to the development or operation of such Project shall be determined to be excess to the needs of such Project. The Local Authority at any time may determine any personal property, and, with the approval of the PHA, any real property, constituting a part of any Project, which is no longer useful or necessary to the development or operation of such Project, to be excess to the needs of such Project.

(B) Excess real property shall be sold as soon as practicable at public sale for not less than the fair value thereof, unless other disposition or method of disposition is approved by the PHA. The proceeds of any such sale or other disposition of any real property constituting a part of or acquired in connection with any Project, shall be applied as follows: (1) if the property is disposed of before the determination of Minimum Development Cost for such Project, such proceeds shall be deposited in the General Fund as a credit to Development Cost, or (2) if the property is disposed of after the determination of such Minimum Development Cost such proceeds shall be deposited in the Advance Amortization Fund.

(C) Personal property shall not be sold or exchanged for less than its fair value. Personal property of the value of \$500 or more which is to be sold to other than a public body for a public use shall be sold at public sale. The proceeds of any sale of personal property shall be used as follows: (1) if the property is sold before the determination of the Minimum Development Cost of the Project with respect to which such property was acquired, such proceeds shall be deposited in the General Fund as a credit to Development Cost, or (2) if the property is sold after the determination of such Minimum Development Cost such proceeds shall be deposited in the General Fund as an Operating Receipt. If it is determined to replace any such personal property, the Local Authority may reserve such proceeds for the purpose of paying the cost of such replacement: *Provided*, That any balance of any funds so reserved remaining after the replacement of such personal property and the payment of all costs incurred therefor shall be treated as an unreserved Operating Receipt.

(D) For the purposes of subsections (B) and (C) of this Sec. 308, a determination pursuant to Sec. 418 of the amount below which the Development Cost of any Project will in no event fall, shall constitute a determination of Minimum Development Cost.

Sec. 309. Books of Account and Records

The Local Authority shall maintain complete and accurate books of account and records, as may be prescribed from time to time by the PHA, in connection with the development and operation of the Projects, including but not limited to (1) books of account and other fiscal records in accordance with a classification of accounts prescribed by the PHA, (2) operation records which shall include applications for admission to, and continued occupancy in, the Projects and the evidence (or notations thereof) used by the Local Authority to verify such applications, and (3) personal property records which shall include an annual inventory of all equipment.

Sec. 310. Financial and Operating Statements

The Local Authority shall furnish the PHA such financial, operating, and statistical reports, records, statements, and documents at such times, in such form, and accompanied by such supporting data, all as may reasonably be required from time to time by the PHA.

Sec. 311. Access to Records and Projects; Audits

(A) The PHA and the Comptroller General of the United States, or his duly authorized representatives, shall have full and free access to the Projects and to all the books, documents, papers, and records of the Local Authority that are pertinent to its operations with respect to financial assistance under the Act, including the right to audit, and to make excerpts and transcripts from such books and records.

(B) The Local Authority shall not charge as an item of Development Cost or as an Operating Expenditure the cost or expense of any audit with respect to any Project for any Fiscal Year unless (1) the PHA has approved such audit, or (2) such audit is required by law, or (3) the PHA has failed to furnish the Local Authority with a report of its fiscal audit of the Local Authority's books of account for such Fiscal Year within six months after the end thereof and, subsequent to a notice by the Local Authority of such failure, the PHA has failed to submit its report of such audit within three months after receipt of such notice.

Sec. 312. Property Included in a Project

Each Project shall include (1) all real property or interest therein which is acquired and held in connection with such Project, together with all easements, rights-of-way, and all incorporeal hereditaments thereunto belonging or in anywise appertaining, and (2) all personal property, tangible and intangible, or interest therein which is acquired and held in connection with such Projects, including (but not limited to) equipment and supplies, monies on hand and on deposit, reserves, securities, accounts receivable, choses in action, leases, contracts, books of account, papers, and records. All such property immediately upon acquisition (whether before or after issuance of the Actual Development Cost Certificate) by the Local Authority shall become a part of such Project and shall be subject to the terms, covenants, and conditions of this Contract.

Sec. 313. Covenant Against Conveyance or Encumbrance

Unless and until all Temporary Notes, Advance Notes, Permanent Notes, and all other indebtedness of the Local Authority to the PHA arising under this Contract or in connection with the Projects have been fully paid (except repayment of annual contributions as provided in Sec. 425), and all Bonds issued in connection with the Projects have been fully paid and retired, or monies sufficient for the payment and retirement thereof have, in accordance with the terms of such Bonds, been deposited in trust for such purpose with the Fiscal Agent, the Local Authority shall not transfer, convey, assign, lease, mortgage, pledge, or otherwise encumber, or permit or suffer any transfer, conveyance, assignment, leasing, mortgage, pledge, or other encumbrance of any Project, any appurtenances thereto, any rent, revenues, income, or receipts therefrom or in connection therewith, or any of the benefits or contributions granted to it by or pursu-

ant to this Contract, or any interest in any of the same: *Provided*, That the Local Authority may (1) lease dwellings and other spaces and facilities in the Projects in accordance with the provisions of Sec. 203, or (2) as provided in Sec. 308, convey or otherwise dispose of any real or personal property which is determined to be excess to the needs of the Projects, or (3) to the extent approved by the PHA, convey or dedicate land for use as streets, alleys, or other public rights-of-way, and grant easements for the establishment, operation, and maintenance of public utilities. Nothing in this Sec. 318 shall be construed as prohibiting (1) the adoption of the Bond Resolutions, or the execution and delivery of any instrument pursuant to Sec. 421, or the creation of any lien or encumbrance in any such instrument, or (2) the conveyance of title to or delivery of possession of the Projects pursuant to Sec. 501 or Sec. 502.

ARTICLE IV

FISCAL PROVISIONS GOVERNING DEVELOPMENT AND OPERATION

Sec. 401. General Depositary Agreement and General Fund

(A) Promptly after the execution of this Contract, the Local Authority shall enter into, and thereafter maintain, one or more agreements, which are herein collectively called the "General Depositary Agreement," in substantially the form of Form PHA-1999, Rev. April 1955, with one or more banks (each of which shall be, and continue to be, a member of the Federal Deposit Insurance Corporation) selected as depositary by the Local Authority. Immediately upon the execution of any General Depositary Agreement the Local Authority shall furnish to the PHA such executed or conformed copies thereof as the PHA may require. No such General Depositary Agreement shall be terminated except after thirty days' notice to the PHA.

(B) All monies and investment securities received by or held for account of the Local Authority in connection with the Projects, except such monies as are deposited with the Fiscal Agent, or with paying agents for the payment of Temporary Notes, pursuant to this Contract, shall constitute the "General Fund."

(C) The Local Authority shall, except as otherwise provided in this Contract, deposit promptly with such bank or banks, under the terms of the General Depositary Agreement, all monies and investment securities constituting the General Fund.

(D) The Local Authority may withdraw monies from the General Fund only for (1) the payment of Development Costs, (2) the payment of Operating Expenditures, (3) the purchase of investment securities as approved by the PHA, (4) other purposes specified in this Contract, and (5) other purposes specifically approved by the PHA. Monies borrowed or otherwise provided to pay the Development Cost of any Project shall be used only for (1) payment of Development Costs of such Project, (2) the purchase in connection with such Project of investment securities as approved by the PHA, or (3) other purposes specifically approved by the PHA. No withdrawals shall be made except in accordance with a voucher or vouchers then on file in the office of the Local Authority stating in proper detail the purpose for which such withdrawal is made.

(E) If at any time the Local Authority has monies on deposit in the General Fund in excess of its prudently estimated needs for the next ninety days, such excess monies shall be invested in investment securities selected by the Local Authority and approved by the PHA. Such securities shall be purchased, held, and disposed of from time to time, by the depositary of the General Fund under the terms of the General Depositary Agreement.

(F) If the Local Authority (1) in the determination of the PHA, is in Substantial Default or Substantial Breach, or (2) makes or has made any fraudulent or willful misrepresentation of any material fact in any of the documents or data submitted to the PHA pursuant

to this Contract or the Bond Resolutions or in any document or data submitted to the PHA as a basis for this Contract or as an inducement to the PHA to enter into this Contract, then the PHA shall have the right to require any bank or other depository which holds any monies or securities of the General Fund, to refuse to permit any withdrawals of such monies or securities: *Provided*, That upon the curing of such default or breach the PHA shall promptly rescind such requirement.

Sec. 402. Pooling of Funds Under Special Conditions and Revolving Fund

(A) The Local Authority may deposit under the terms of the General Depository Agreement monies and securities received or held by the Local Authority in connection with any other housing project developed or operated by the Local Authority pursuant to the provisions of any contract for annual contributions, administration, or lease between the Local Authority and the PHA.

(B) The Local Authority may also deposit under the terms of the General Depository Agreement amounts necessary for current expenditures of any other project or enterprise of the Local Authority, including any project or enterprise in which the PHA has no financial interest: *Provided*, That such deposits shall be lump-sum transfers from the depositories of such other projects or enterprises, and shall in no event be deposits of the direct revenues or receipts of such other projects or enterprises. The amounts so deposited each month shall not exceed a reasonable and prudent estimate of expenditures for such month with respect to such other projects or enterprises less any balance remaining under the terms of the General Depository Agreement in connection with such other projects or enterprises.

(C) If the Local Authority operates other projects or enterprises in which the PHA has no financial interest it may, from time to time, withdraw such amounts as the PHA may approve from monies on deposit under the General Depository Agreement for deposit in and disbursement from a revolving fund provided for the payment of items chargeable in part to the Projects and in part to other projects or enterprises of the Local Authority: *Provided*, That all deposits in such revolving fund shall be lump-sum transfers from the depositories of the related projects or enterprises and shall in no event be deposits of the direct revenues or receipts.

(D) The Local Authority may establish petty cash or change funds in reasonable amounts, from monies on deposit under the General Depository Agreement.

(E) In no event shall the Local Authority withdraw from any of the funds or accounts authorized under this Sec. 402 amounts for the Projects or for any other project or enterprise in excess of the amount then on deposit in respect thereto.

Sec. 403. Development Cost

(A) The "Development Cost" of each Project shall comprise all costs incurred by the Local Authority in any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, and their necessary financing (including the payment of carrying charges, but not beyond the point of physical completion), and in otherwise carrying out the development of such Project. De-

velopment Cost shall include, among other items, (1) approved costs of preliminary surveys and planning with interest on approved loans therefor, (2) the Initial Operating Deficit, if any, and (3) net interest on that portion of the borrowed monies allocable to such Project only for the period ending with the Date of Full Availability of such Project, or such later date as may be approved by the PHA. There shall be applied to the reduction of the Development Cost of each Project (1) the net income, if any, received from the temporary use of the site or structures existing thereon at time of acquisition up to the end of the Initial Operating Period, (2) net earnings, if any, up to the Date of Full Availability from the investment of monies available for the payment of Development Costs, (3) proceeds of the disposition of real or personal property (including any proceeds of demolition) to the extent provided in Sec. 308, and (4) cash donations, if any. No amount representing property or services donated to any Project shall be included in the Development Cost thereof.

(B) "Date of Full Availability" with respect to each Project shall mean the last day of the month in which substantially all dwelling units in such Project become available for occupancy.

(C) "Initial Operating Period" with respect to each Project shall mean the period commencing with the date of initiation of such Project and ending with either (1) the end of the calendar quarter in which ninety-five percent of the dwelling units in such Project are occupied, or (2) the end of the calendar quarter which is six, seven, or eight months after the Date of Full Availability of such Project, or (3) the end of the calendar quarter next preceding the date of physical completion of such Project, whichever is the earlier.

(D) "Initial Operating Deficit" of any Project as of the end of the Initial Operating Period thereof shall mean the amount, if any, by which the Operating Expenditures thereof to such date exceeded the Operating Receipts.

Sec. 404. Development Cost Budgets

(A) Until such time as a budget of Development Cost (herein called "Development Cost Budget") pursuant to this Sec. 404 is approved by the PHA for any Project, the breakdown of the Maximum Development Cost set forth in the applicable Development Program shall constitute the approved Development Cost Budget for such Project.

(B) At the time the Local Authority requests PHA approval of the award of contracts for the Main Construction Work of any Project, it shall submit for approval of the PHA a Development Cost Budget for such Project which shall be based upon (1) the amount of the proposed award or awards, (2) costs and obligations incurred to such date, (3) the estimated amount of costs and obligations not yet incurred, and (4) an allowance for contingencies equal to five percent (or such lesser percent as may be approved by PHA) of all items (other than contingencies) of the Development Cost Budget. In the event the Main Construction Work for any Project is let in parts or in stages, the PHA may require at each such part or stage a Development Cost Budget subject to similar conditions.

(C) In the event that in the judgment of the Local Authority it appears necessary with respect to any Project to incur Development Cost in excess of the total amount shown in the last previously ap-

proved Development Cost Budget for such Project, or that it appears necessary with respect to any of the main classifications of Development Cost to incur costs in excess of the amount shown therefor in the last previously approved Development Cost Budget for such Project plus the share of the allowance for contingencies allocated to such main classification, or if for any other reason the Local Authority deems it advisable, it may prepare and submit to the PHA for its approval a revised Development Cost Budget for such Project.

(D) Not earlier than six months nor later than twenty-four months after the Date of Full Availability of each Project the Local Authority shall submit for approval of the PHA a final Development Cost Budget for such Project which shall be based upon (1) costs and obligations incurred to such date including a reasonable allowance for disputed, contingent, or unliquidated liabilities, and for legal and other costs and expenses in connection with the settlement of such liabilities, and (2) the estimated amount of costs and obligations not yet incurred for work, equipment, and services deemed necessary for the completion of such Project. No other allowance for contingencies shall be included in such final Development Cost Budget.

(E) The PHA shall promptly review each proposed Development Cost Budget and notify the Local Authority of its approval or disapproval thereof. If the PHA disapproves any proposed Development Cost Budget, the Local Authority shall be so notified in writing and be furnished with a detailed explanation of the reasons for such disapproval. Upon approval by the PHA of any Development Cost Budget for any Project such Budget shall supersede all previously approved Budgets for such Project, and the total of such Budget shall thereafter and for all purposes of this Contract be the Maximum Development Cost of such Project in lieu of the specific amount stated in Part One of this Contract, and shall for all purposes of this Contract correspondingly revise the aggregate Maximum Development Cost of all the Projects as stated in Part One of this Contract: *Provided*, That at no time shall the total of all Development Cost Budgets for all of the Projects exceed the aggregate Maximum Development Cost specified in Part One of this Contract.

(F) The Local Authority shall not with respect to any Project incur costs in excess of: (1) the total amount shown in the last previously approved Development Cost Budget, or (2) the amount shown in the last previously approved Development Cost Budget for any of the following main classifications of Development Cost, namely, (a) overhead, (b) planning, (c) site acquisition, and (d) construction and equipment, plus the share of the allowance for contingencies allocated to such main classification, or (3) the amount shown in the last previously approved Development Cost Budget for miscellaneous authority expense.

Sec. 405. Actual Development Cost

(A) The Local Authority shall, as promptly as possible consistent with the maintenance of its rights against its contractors, settle and pay all disputed, contingent, or unliquidated items of Development Cost on all Projects.

(B) Whenever the Local Authority shall be satisfied that all the development work on each Project has been properly completed, and

that the entire Development Cost on such Project (including all items which may have theretofore been disputed, contingent, or unliquidated) has been fully paid, the Local Authority shall submit to the PHA for its approval a certificate setting forth the total amount of the Development Cost of such Project (herein called the "Actual Development Cost"), stating: (1) that all such development work has been completed, (2) that the entire Development Cost or liabilities therefor incurred by the Local Authority have been fully paid, (3) that there are no undischarged mechanics', laborers', contractors', or materialmen's liens on such Project on file in any public office where the same should be filed in order to be valid liens against such Project, and (4) that the time in which such liens could be filed has expired. Upon approval by the PHA such certificate shall be known as the "Actual Development Cost Certificate." The determination of the amount of the Actual Development Cost contained in such Actual Development Cost Certificate so approved by the PHA shall be final and conclusive for all purposes of this Contract.

(C) If the Local Authority shall unduly delay in the submission of the Actual Development Cost Certificate for any Project the PHA may give notice to the Local Authority that the amount of the Minimum Development Cost of such Project as of the date of such notice (or, if no Minimum Development Cost has been established, then such amount as the PHA may reasonably determine) shall be considered to be the Actual Development Cost, and such notice shall constitute the Actual Development Cost Certificate for all the purposes of this Contract.

(D) Promptly after the issuance of the Actual Development Cost Certificate for any Project the Local Authority shall, (1) if such Project is then Permanently Financed, deposit any remaining balance of the monies theretofore received for the purpose of the development of such Project in the Advance Amortization Fund, or (2) if such Project is not then Permanently Financed, apply any such remaining balance to the payment of outstanding Advance Notes or Temporary Notes issued in connection with such Project.

(E) Subsequent to the issuance of the Actual Development Cost Certificate for any Project, no cost for additional development work shall be incurred by the Local Authority without the approval of the PHA. In the event that the Local Authority and the PHA agree that additional development work is necessary, the Actual Development Cost Certificate shall be amended to include the cost of such additional development work.

Sec. 406. Operating Receipts and Expenditures, Reserves, and Residual Receipts

(A) "Operating Receipts" with respect to each Project shall mean all rents, revenues, income, and receipts accruing from, out of, or in connection with the ownership or operation of such Project, from whatever source derived: *Provided*, That Operating Receipts shall not include (1) any monies received for the development of such Project, (2) annual contributions, (3) premiums and accrued interest received in connection with the sale of Bonds or Temporary Notes, (4) proceeds from the disposition of real property, (5) proceeds from the disposition of personal property to the extent provided in clause (1)

of subsection (C) of Sec. 308, or (6) the proceeds of claims against insurers or others arising out of damage to or destruction of such Project to the extent provided in Sec. 214.

(B) "Operating Expenditures" with respect to each Project shall mean all costs incurred by the Local Authority for administration, maintenance, establishment of reserves (as provided in subsection (C) of this Sec. 406), and other costs and charges (including, but not limited to, payments in lieu of taxes and operating improvements) which are necessary for the operation of such Project in such a manner as to provide decent, safe, and sanitary dwellings within the financial reach of Families of Low Income, and to promote serviceability, efficiency, economy, and stability: *Provided*, That Operating Expenditures shall not include any costs incurred as a part of the Development Cost, nor the payment of principal of the Bonds or Notes, nor, unless approved by the PHA, interest on the Bonds or Notes.

(C) The Local Authority may establish out of the Operating Receipts of the Permanently Financed Projects, and maintain in the General Fund, reserves for such purposes and in such reasonable amounts as may be required in the prudent operation of such Projects and as may be approved by the PHA; and similarly, may establish and maintain reserves, as may be approved by the PHA, for each Project which has not been Permanently Financed: *Provided*, That no part of the Operating Receipts of any Project accruing during the Initial Operating Period thereof shall be used for establishing any reserve. All amounts for the establishment of reserves, including all increases or decreases therein, shall be taken into account in the determination of Residual Receipts; and all such amounts, including all increases or decreases therein (except in respect to the reserves authorized by Sec. 214 and Sec. 308) shall be included in the Operating Budgets.

(D) "Residual Receipts" of any Project as of the end of the Initial Operating Period thereof shall mean the amount, if any, by which the Operating Receipts thereof to such date exceeded the Operating Expenditures. "Residual Receipts" as of the end of any subsequent period for any Project not then Permanently Financed shall mean the amount by which the Operating Receipts thereof for such period exceeded the Operating Expenditures. "Residual Receipts" for all Permanently Financed Projects as of the end of any Fiscal Year shall mean the amount by which the aggregate Operating Receipts of all such Projects for such Year exceeded the aggregate Operating Expenditures for all such Projects for such Year: *Provided*, That if the end of the Initial Operating Period of any such Project occurred in such Fiscal Year, the Operating Receipts and Operating Expenditures of such Project during such Initial Operating Period shall be excluded from the computation, except that any Residual Receipts of any such Project as of the end of such Initial Operating Period shall be included in the computation.

Sec. 407. Operating Budgets and Control of Operating Expenditures

(A) The term "Operating Budget" shall mean a realistic estimate of the Operating Expenditures to be incurred in connection with the prudent operation of any Project during a specified period, broken down according to a classification of accounts prescribed by the PHA.

(B) Not later than one hundred twenty days before the estimated date of initial occupancy of any Project, the Local Authority shall submit to the PHA for approval a proposed first Operating Budget for such Project. Such first Budget shall be prepared on the basis of the first twelve months of operation after the end of the Initial Operating Period for such Project. Upon approval by the PHA such first Budget, upon a prorated basis and with appropriate seasonal adjustments, shall govern the operation of such Project from the end of such Initial Operating Period to the beginning of the next Fiscal Year; and, if less than twelve months have elapsed between the end of the Initial Operating Period and the beginning of such next Fiscal Year, such first Budget shall also govern the operation of such Project during such next Fiscal Year: *Provided*, That if a Fiscal Year has not been established on or before the end of the Initial Operating Period of such Project, such first Budget shall govern for twelve months, and thereafter the Local Authority shall submit and, upon PHA approval thereof, be governed by Operating Budgets for annual periods beginning on the anniversaries of the end of such Initial Operating Period in the same manner as is provided for Fiscal Year Budgets in this Sec. 407, until a Fiscal Year is established.

(C) Not earlier than one hundred fifty days nor later than ninety days before the expiration of the Fiscal Year covered by any approved Operating Budget for any Project, the Local Authority shall submit to the PHA for approval a proposed Operating Budget for the next Fiscal Year for such Project, which upon approval by the PHA shall govern the operation of such Project for such Fiscal Year.

(D) Not later than sixty days after delivery of the first issue of Bonds, the Local Authority shall submit to the PHA an estimate of the first Accruing Annual Contribution. Thereafter the Local Authority, not less than ninety days before the beginning of each Fiscal Year, shall submit to the PHA an estimate of the Accruing Annual Contribution payable next after the end of such Fiscal Year. Each such estimate shall be known as a "Contribution Estimate," and shall comprise a summary consolidation of the Operating Budgets for all Permanently Financed Projects, together with an estimate of the Operating Receipts and the Fixed Annual Contribution with respect to such Projects.

(E) The PHA will promptly approve each proposed Operating Budget, if the plan of operation and the amounts included therein are reasonable. Reasonableness of a proposed Operating Budget shall be determined in the light of the necessity for (1) incurring the proposed Operating Expenditures in the efficient and economical operation of the Project for the purpose of serving Families of Low Income in the locality thereof, and (2) limiting annual contributions to the amounts necessary to assure the low-rent character of the Project. If the PHA disapproves any proposed Operating Budget, or approves such Budget with modified amounts, the Local Authority shall be so notified in writing and be furnished with an explanation of the reasons for such disapproval or modified approval. In the event of modified approval, the Operating Budget, subject to such modifications, shall constitute the approved Operating Budget unless the Local Authority shall elect to consider such modified approval as a disapproval and within fourteen days after receipt thereof so

notifies the PHA in writing, in which event the modified approval shall constitute disapproval of the Budget.

(F) Failure of the PHA to notify the Local Authority of its approval, modified approval, or disapproval of any proposed first Operating Budget submitted pursuant to subsection (B) of this Sec. 407 within (1) forty-five days after the receipt thereof, or (2) forty-five days after the last day specified for its submission, whichever is the later shall constitute an approval thereof. Failure of the PHA to notify the Local Authority of its approval, modified approval, or disapproval of any proposed Operating Budget for any Fiscal Year submitted pursuant to subsection (C) of this Sec. 407 within (1) forty-five days after the receipt of all the Budgets and the Contribution Estimate required for such Fiscal Year pursuant to subsections (C) and (D) of this Sec. 407, or (2) forty-five days prior to the beginning of such Fiscal Year, whichever is the later, shall constitute approval thereof. The provisions of this subsection (F) shall not be applicable to the resubmission of a disapproved Budget, the resubmission of a modified budget which the Local Authority has elected to consider disapproved, or to the submission of a proposed revision of an approved Budget.

(G) The Local Authority may at any time submit to the PHA a proposed revision of any approved Operating Budget. In such case the proposed revision shall be subject to all of the provisions of subsection (E) of this Sec. 407.

(H) The Local Authority shall not (1) at any time after the end of the Initial Operating Period for any Project incur any Operating Expenditures with respect to such Project except pursuant to and in accordance with an approved Operating Budget for such Project, nor (2) during any Fiscal Year or other budget period, incur with respect to any Project total Operating Expenditures, nor expenditures for management expense, miscellaneous authority expense, establishment of reserves, or operating improvements in excess of the respective amounts therefor shown in an approved Operating Budget (including revisions thereof) governing such Fiscal Year or other budget period: *Provided*, That nothing in this subsection (H) shall preclude the incurring of expenditures in emergencies where necessary to eliminate an immediate serious hazard to life, health, or safety of the occupants of a Project, and that the amount of any such emergency expenditures shall be reported promptly to the PHA and the Operating Budget shall be amended accordingly.

Sec. 408. Advances by PHA

(A) The PHA will from time to time advance monies to the Local Authority on account of the loan provided for in this Contract upon a showing satisfactory to the PHA that there is then need for such monies for the development of the Projects.

(B) Each advance shall be evidenced by an obligation duly issued and delivered by the Local Authority in a form satisfactory to the PHA, which obligation shall bear interest at the PHA Loan Interest Rate from the date the advance is made, and shall otherwise conform to the following:

(1) Each obligation (herein called "Advance Note") evidencing an advance made for the Development Cost of any Project not Permanently Financed, together with interest on such Note, shall be due and payable on demand.

(2) Each obligation (herein called "Permanent Note") evidencing an advance made for the Development Cost of any Permanently Financed Project, together with interest on such Note, shall (subject to the right of the Local Authority to pay same in whole or in part at earlier dates) be payable as follows: (a) beginning with the first day of the month next following the first Annual Contribution Date on which an annual contribution is due and payable with respect to the increase in Minimum Development Cost represented by the amount of such Note, and annually thereafter, there shall be due and payable an amount (applicable first to interest and then to principal) equal to the Maximum Contribution Percentage of the original principal amount of such Note, and (b) the final balance, if any, of principal and interest shall be due and payable not later than the first day of the month next following the last Annual Contribution Date on which an annual contribution is due and payable with respect to such Project: *Provided*, That all Permanent Notes issued with respect to Projects Permanently Financed by an issue of Bonds in an amount less than the first established aggregate Minimum Development Cost of such Projects shall be payable by the application equally and ratably thereto (a) on the first day of the month next following each Annual Contribution Date on which an annual contribution is due and payable with respect to such Projects, until all of the Bonds of such issue have matured, an amount (applicable first to interest and then to principal) equal to the portion of the Fixed Annual Contribution with respect to such Projects less the Level Debt Service of such issue of Bonds, and (b) on the first day of the month next following each Annual Contribution Date thereafter an amount (applicable first to interest and then to principal) equal to the portion of the Fixed Annual Contribution with respect to such Projects, and the final balance, if any, of principal and interest shall be due and payable not later than the first day of the month next following the last Annual Contribution Date on which an annual contribution is due and payable with respect to such Projects. Each Permanent Note issued to refund or renew other Permanent Notes in whole or in part shall be payable in installments equal to the installments payable upon the Notes so refunded or renewed. Each Permanent Note shall further provide that the holder thereof may declare such Note to be due and payable in full at any time (a) when there is any default in the payment of any installment of principal or interest, or (b) when the Local Authority is in Substantial Default or Substantial Breach, or (c) upon the termination of this Contract.

(C) The PHA shall not be obligated to make any advance against delivery of Advance Notes or Permanent Notes:

(1) Unless a requisition therefor is filed by the Local Authority accompanied by (a) a signed statement demonstrating the need at such time for the monies requested and stating the amount to be used for each of the Projects, and (b) a certificate as to compliance with the provisions of Sec. 16 (2) of the Act relating to the payment of prevailing salaries and wages; or

(2) If the total of the advance requested plus the sum of the principal amount of all Advance Notes and Permanent Notes then outstanding and the amount of advances which the PHA has agreed to make as security for Temporary Notes would exceed the Maximum Loan Commitment; or

(3) If the Local Authority is then in default under any of the provisions of this Contract; or

(4) If any litigation is pending or threatened which would materially affect the development, operation, or financing of any Project.

(D) The PHA shall not be obligated to make any advance against delivery of Permanent Notes except in accordance with subsection (C) of Sec. 412.

(E) No Permanent Note may be issued by the Local Authority unless such Note can be fully amortized (both as to principal and interest) by the application of the amounts and on the dates specified in subsection (B) (2) of this Sec. 408.

(F) The PHA shall not demand payment of, nor pledge, sell, or otherwise dispose of any Advance Note unless (1) the Local Authority is in Substantial Default or Substantial Breach or (2) the PHA has given notice of the termination of this Contract pursuant to Sec. 509.

Sec. 409. Temporary Notes

(A) At any time and from time to time the Local Authority may, as approved by the PHA, obtain loans from others than the PHA in anticipation of the delivery of Advance Notes or Permanent Notes (as the case may be), which loans shall be evidenced by notes of the Local Authority (each of which is herein called a "Temporary Note"). In obtaining such loans, the Local Authority shall comply with all the applicable conditions precedent to the obtaining of advances from the PHA.

(B) At the time of delivery of any Temporary Note, the proceeds of such Note (excepting only (1) the amounts referred to in subsection (C) of this Sec. 409, and (2) such amounts as shall be used to pay Advance Notes, Permanent Notes, or other Temporary Notes) shall be deposited under the General Depositary Agreement.

(C) At the time of delivery of any Temporary Note issued in connection with any Project which has been Permanently Financed, all amounts paid by the purchasers of such Temporary Notes on account of (1) accrued interest shall be paid to the Fiscal Agent for deposit in the Debt Service Fund, and (2) premiums shall be paid to the Fiscal Agent for deposit in the Advance Amortization Fund: *Provided*, That all or any part of such amounts may, with the approval of the PHA, be used to pay Permanent Notes or Temporary Notes issued in connection with such Projects.

Sec. 410. Maximum Loan Commitment

The Maximum Loan Commitment under this Contract shall at all times be equal to the sum of the amounts determined as follows for the respective Projects. For each Project not Permanently Financed, such amount shall be either the Initial Loan Commitment for such Project specified in Part One or such greater amount which the PHA, in its sole discretion, shall agree to advance to assist the development or financing of such Project, less the amount of any retirement of Advance Notes or Temporary Notes (issued for such Project) from funds other than the proceeds of any loan obtained by the Local Authority. For each Permanently Financed Project, such amount shall be equal to the Maximum Development Cost or Actual Development Cost of such Project, less the amount of Bonds issued, and less the amount of

any retirement of Permanent Notes or Temporary Notes (issued for such Project) from funds other than (a) the proceeds of any loan obtained by the Local Authority and (b) amounts applied to the reduction of Development Cost pursuant to subsection (A) of Sec. 403. The Maximum Loan Commitment under this Contract for all the Projects shall in no event (a) be less than the sum of the principal amount of Advance Notes and Permanent Notes outstanding and the amount of advances which the PHA has agreed to make as security for Temporary Notes, nor (b) exceed 90 percent of the sum of the Maximum Development Cost or Actual Development Cost of the Projects.

Sec. 411. Establishment of Fiscal Years and Description of Bonds

(A) Before offering the first issue of Bonds for sale the Local Authority shall, with the approval of the PHA, select a 12-month period beginning either on a January 1, April 1, July 1, or October 1, which period (as established upon the delivery of the first issue of Bonds) and each succeeding 12-month period shall be known as a "Fiscal Year," which Fiscal Year shall be applicable to all the Projects. The date to be borne by the first issue of Bonds shall be the date of the beginning of a Fiscal Year or the first day of the first or second month preceding the beginning of a Fiscal Year; all subsequent issues of Bonds shall be dated as of such date or an anniversary thereof. The date as of which any issue of Bonds is dated shall be known as the "Bond Date" of such issue.

(B) The Bonds of each issue shall be in such denomination, be payable at such place or places, and be subject to such terms of redemption as may be prescribed by the Bond Resolutions, and shall otherwise in all respects conform to the provisions of such Bond Resolutions.

(C) Interest on the Bonds of each issue shall be payable semi-annually.

(D) The first maturity of any Bonds of each issue shall be two years after the Bond Date of such issue, and thereafter Bonds shall mature annually over such period as shall be established pursuant to the Bond Resolutions, but ending, in any event, on the first day of the seventh month after the last Annual Contribution Date as fixed pursuant to Sec. 415 and Sec. 419. The first maturity of each issue of Bonds shall be in an amount to be agreed upon between the Local Authority and the PHA: *Provided*, That such amount together with the interest payable twelve, eighteen, and twenty-four months after the Bond Date of such issue shall not exceed the Level Debt Service of such issue. The second and subsequent maturities of each issue of Bonds shall be so arranged that the aggregate payments of principal and interest due in each twelve months period following an Annual Contribution Date will be substantially equal in amount. "Level Debt Service" with respect to each issue of Bonds shall mean the smallest uniform amount (rounded upwards to the next multiple of ten dollars) which when made available on each Annual Contribution Date (except the Annual Contribution Date which occurs seventeen months and fourteen days after the Bond Date of such issue) will provide for the payment of the principal and interest scheduled to become due within the twelve months period following each such Annual Contribution Date, on the basis that any portion (herein called

the "Bond Service Carry-Over") of such Level Debt Service not needed for the payment of principal and interest in any such twelve months period will be carried over and used to supplement the Level Debt Service in the next and succeeding twelve months periods.

Sec. 412. Offering of Bonds and Establishment of Minimum Development Cost

(A) At such time as the Local Authority and the PHA shall determine to be appropriate, and in any event at times early enough to assure that the monies which must be secured from others than the PHA will be available when needed, the Local Authority shall offer and sell issues of its Bonds. The Local Authority shall in no event offer or sell any issue of Bonds without the prior approval of the PHA. No issue of Bonds to finance any part of the Development Cost of any Project shall be offered for sale prior to the award of construction contracts for all of the superstructures of such Project. No issue of Bonds shall be delivered:

(1) Prior to the Bond Date thereof; nor

(2) Prior to the date which is six months after the Bond Date thereof if the Date of Full Availability of any Project financed in whole or in part by such issue of Bonds has occurred or will occur prior to the date which is six months after such Bond Date, unless (pursuant to approval of the PHA under subsection (G) of Sec. 416 or pursuant to subsection (F) of Sec. 418) monies will be available to pay the interest upon such Bonds from the date of delivery thereof to the date six months after the Bond Date thereof.

(B) The Local Authority shall sell Bonds in an aggregate principal amount at least equal to an amount which, together with the monies advanced and to be advanced by the PHA pursuant to this Contract, will be sufficient to pay the aggregate Development Cost of the Projects.

(C) Prior to the offering of the first issue of Bonds to finance any part of the Development Cost of any Project the Local Authority shall determine and submit to the PHA for its approval the amount below which the Development Cost of such Project will in no event fall. Upon approval thereof by the PHA the Local Authority shall offer Bonds for sale in such amount as the Local Authority with the approval of the PHA may determine. The amount below which the Development Cost of such Project will in no event fall, as established upon the delivery of an issue of Bonds shall constitute and be known as the "Minimum Development Cost" of such Project. If the first established Minimum Development Cost of such Project exceeds the amount of such issue of Bonds the Local Authority shall issue a Permanent or Temporary Note or Notes, as funds are required to meet the Development Cost of such Project, in amounts which in the aggregate do not exceed the difference between such Minimum Development Cost and the amount of such issue of Bonds. If at any time it appears that the Development Cost of any Project will exceed the Minimum Development Cost theretofore established for such Project the Local Authority shall determine and submit to the PHA for its approval a revised amount below which the Development Cost of such Project will in no event fall. Upon approval of such revised amount

the Local Authority shall issue an additional issue of Bonds, or a Permanent Note, or a Temporary Note for the difference between such revised amount and the Minimum Development Cost theretofore established, and upon delivery of such Bonds, Permanent Note, or Temporary Note such revised amount shall thereafter constitute the Minimum Development Cost of such Project.

(D) At any time after the issuance of the Actual Development Cost Certificate for all Projects the Local Authority, in order to refund, in whole or in part, outstanding Advance Notes, Permanent Notes, or Temporary Notes, may offer and sell an issue of Bonds for such purpose.

(E) Each issue of Bonds shall be sold at public sale unless otherwise determined by the Local Authority and approved by the PHA.

(F) Prior to the offering of each issue of Bonds the Local Authority shall submit to the PHA for its approval the forms of proposed Bond Resolutions, advertisements, explanatory literature, and other documents to be made available to prospective purchasers of such Bonds. Promptly after the award of such Bonds the Local Authority shall furnish the PHA a complete transcript of the proceedings and documents necessary to evidence the validity thereof.

Sec. 413. Bond Resolutions and Fiscal Agent

(A) In connection with each issue of Bonds, the Local Authority shall adopt appropriate resolutions or ordinances approved by the PHA (herein called the "Bond Resolutions"). By such Bond Resolutions the Local Authority, among other provisions, shall:

(1) Ratify the offering of such issue of Bonds;

(2) Authorize such issue of Bonds in the aggregate principal amount to be sold pursuant to the offering;

(3) Establish (a) the interest to be borne by such issue of Bonds, and (b) a schedule showing (i) the maturities of the Bonds and (ii) the amount of the Bond Service Carry-Over for each year;

(4) Designate a bank (herein called the "Fiscal Agent") which shall have trust powers, and shall be and continue to be a member of the Federal Deposit Insurance Corporation;

(5) Provide for the establishment of a trust fund (herein called the "Debt Service Fund") with the Fiscal Agent for the receipt, deposit, and disbursement of the annual contributions and other monies in connection with the Permanently Financed Projects as provided in this Contract; and

(6) Provide for the establishment and maintenance of a fund (herein called the "Advance Amortization Fund") with the Fiscal Agent for the receipt, deposit, and disbursement of monies in connection with Permanently Financed Projects, as provided in this Contract.

(B) Prior to the delivery of the first issue of Bonds the Local Authority shall enter into, and thereafter maintain, a fiscal agency agreement, in substantially the form of Form PHA-2173, Rev. January 1952, with the Fiscal Agent. Immediately upon the execution of such agreement the Local Authority shall furnish the PHA such executed or conformed copies thereof as the PHA may require.

(C) The Fiscal Agent named in the Bond Resolutions in connection with the first issue of Bonds shall also be named as Fiscal Agent

in all subsequent Bond Resolutions; and shall administer the Debt Service Fund and the Advance Amortization Fund. The Local Authority shall require the Fiscal Agent to furnish the PHA such reports and other data relating to accounts under this Contract as may reasonably be required by the PHA.

Sec. 414. Delivery of Bonds

(A) Delivery of (which shall include payment for) each issue of Bonds shall be made at the time and place fixed pursuant to the terms of the offering.

(B) At such time all amounts paid by the purchasers of the Bonds on account of accrued interest shall be paid to the Fiscal Agent for deposit in the Debt Service Fund, and all amounts paid on account of premiums shall be paid to the Fiscal Agent for deposit in the Advance Amortization Fund or with the approval of the PHA used for the repurchase of Bonds.

(C) At such time, and as a condition precedent to the delivery of such Bonds, the Local Authority shall deposit, or cause to be deposited, from the proceeds of the Bonds (or from any other monies of the Local Authority, including monies available for such purpose pursuant to subsection (F) of Sec. 418) with the Fiscal Agent in the Debt Service Fund an amount equal to (1) the interest on such issue of Bonds becoming due and payable six months after the Bond Date of such issue, less (2) any portion thereof deposited in the Debt Service Fund on account of accrued interest, and less (3) any amount which may then be on deposit in the Debt Service Fund for such purpose.

(D) At such time, and as a condition precedent to the delivery of such Bonds, the Local Authority shall advance, or cause to be advanced, from the proceeds of the Bonds (or from any other monies of the Local Authority) to the Fiscal Agent for deposit in the Debt Service Fund an amount equal to (1) the interest on such issue of Bonds becoming due and payable twelve months after the Bond Date of such issue, less (2) any portion thereof deposited in the Debt Service Fund on account of accrued interest. The Local Authority shall at a later date be reimbursed by the Fiscal Agent for such advance in accordance with subsection (F) of Sec. 416.

(E) At such time the Local Authority shall pay, or cause to be paid, from the proceeds of the Bonds (or from other monies of the Local Authority) the principal of and interest on all outstanding Advance Notes, Permanent Notes, and Temporary Notes to the extent that the principal of such Notes includes an amount for any part of the Development Cost financed by such issue of Bonds.

(F) Upon the delivery of the first issue of Bonds to finance any part of the Development Cost of a Project, such Project shall be considered to be "Permanently Financed."

Sec. 415. Annual Contributions for Permanently Financed Projects

(A) The PHA shall make annual contributions to the Local Authority for Permanently Financed Projects as provided in this Sec. 415. The date upon which the first annual contribution is payable and every anniversary thereof shall be known as an "Annual Contribution Date."

(B) The first such annual contribution shall be due and payable seventeen months and fourteen days after the Bond Date of the first issue of Bonds. Subsequent annual contributions shall be due and payable on the same day of the same month of each year thereafter, subject to the provisions of subsection (A) of Sec. 419.

(C) On each Annual Contribution Date the PHA shall pay (subject to reduction as hereinafter in this Sec. 415 provided) a fixed and uniform annual contribution (herein called the "Fixed Annual Contribution") for all Projects which have then been Permanently Financed by an issue of Bonds bearing a Bond Date not later than seventeen months and fourteen days prior to such Annual Contribution Date. The amount of the Fixed Annual Contribution shall be equal to the sum of the Level Debt Services of all such issues of Bonds as specified in the applicable Bond Resolutions, plus an amount or amounts, as follows:

(1) With respect to Projects Permanently Financed by issues of Bonds equal to the amount of the Minimum Development Cost first established for such Projects, an amount equal to the Maximum Contribution Percentage of the amount by which the aggregate Minimum Development Cost of such Projects exceeded, as of the last day of the Fiscal Year next preceding such Annual Contribution Date, the aggregate principal amount of such issues of Bonds; and

(2) With respect to Projects Permanently Financed by issues of Bonds in amounts less than the amount of the Minimum Development Cost first established for such Projects, an amount equal to (i) the PHA Loan Interest Rate times the amount by which the aggregate Minimum Development Cost of such Projects as first established for each of such Projects exceeds the aggregate principal amount of such issues of Bonds, plus (ii) the Maximum Contribution Percentage of the amount by which the aggregate Minimum Development Cost of such Projects exceeded, as of the last day of the Fiscal Year next preceding such Annual Contribution Date, the aggregate Minimum Development Cost of such Projects as first established for each of such Projects: *Provided*, That the Fixed Annual Contribution shall not exceed the Maximum Contribution Percentage of the latest established aggregate Minimum Development Cost of all Permanently Financed Projects.

(D) On each Annual Contribution Date the actual amount of the annual contribution to be paid (herein called the "Accruing Annual Contribution") shall be an amount equal to the Fixed Annual Contribution less (1) the amount then on deposit in the Debt Service Fund for the reduction of annual contributions pursuant to subsection (C) of Sec. 416, and (2) any amount then on deposit in the Debt Service Fund, pursuant to subsection (B) of Sec. 414, on account of interest accrued on any issue of Bonds after a date which is six months after the Bond Date of such issue.

(E) The PHA, notwithstanding any other provision of this Contract, may make payment of any Accruing Annual Contribution in semi-annual installments as follows: (1) the first installment shall be paid on the Annual Contribution Date in the amount, if any, by which (a) the Accruing Annual Contribution exceeds (b) the amount

of principal and interest which will become due and payable on the next following anniversary of the Bond Date on all Bonds outstanding at the end of the preceding Fiscal Year and which bear a Bond Date not later than seventeen months and fourteen days prior to such Annual Contribution Date; (2) the balance of such Accruing Annual Contribution shall be paid on the date six months after such Annual Contribution Date.

(F) At least thirty days prior to each Annual Contribution Date, the Fiscal Agent shall file with the PHA a report showing the amount of each deposit made into the Debt Service Fund since the next preceding Annual Contribution Date and the balance in the Debt Service Fund as of the date of such report.

(G) At least fifteen days prior to each Annual Contribution Date, the Local Authority shall file with the PHA a requisition and voucher for the payment of the current Accruing Annual Contribution.

(H) The PHA shall pay each Accruing Annual Contribution, or installment thereof, to the Fiscal Agent for deposit in the Debt Service Fund: *Provided*, That on each Annual Contribution Date on which any Permanent Notes or Temporary Notes issued with respect to Permanently Financed Projects remain outstanding such portion of the Accruing Annual Contribution, which if deposited in the Debt Service Fund would (together with the monies then on deposit in said Fund for the reduction of annual contributions pursuant to this Contract plus the amount of the second installment, if any, of such Accruing Annual Contribution) exceed the sum of (1) an amount equal to the principal and interest becoming due and payable during the twelve months period following such Annual Contribution Date on each issue of Bonds bearing a Bond Date not later than seventeen months and fourteen days prior to such Annual Contribution Date, plus (2) an amount equal to the aggregate Bond Service Carry-Over required to be on deposit in the Debt Service Fund on the next succeeding Annual Contribution Date, may be withheld by the PHA and applied to the full extent thereof, first, to reimbursement of the Local Authority for any advance (not theretofore reimbursed) made pursuant to Sec. 414 (D) and, second, to the payment of interest and principal of Permanent Notes or of Temporary Notes issued in connection with Projects which were Permanently Financed on or before the end of the preceding Fiscal Year. The PHA, at the time of such payment, shall furnish to the Local Authority and to the Fiscal Agent a statement showing (in detail and with appropriate explanations) the amount of the Accruing Annual Contribution, and the method by which the Accruing Annual Contribution will be paid. Each such statement shall include a schedule showing, on the basis of the information available to the PHA, the distribution to be made of the funds in the Debt Service Fund pursuant to Sec. 416.

(I) Notwithstanding any other provisions of this Contract, when monies sufficient for the payment and discharge of all Bonds have been deposited with the Fiscal Agent in trust for such purpose, Accruing Annual Contributions, Residual Receipts of all Permanently Financed Projects, and monies otherwise payable to the Debt Service Fund or Advance Amortization Fund shall be applied, as approved by the PHA, to the payment of Permanent Notes or Temporary Notes issued in connection with Permanently Financed Projects. Monies so

applied by the Local Authority during the twelve months period preceding each Annual Contribution Date which, except for the provisions of this subsection (I) would have been on deposit on such Annual Contribution Date in the Debt Service Fund for the reduction of annual contributions, shall, for the purposes of subsection (D) of this Sec. 415, be deemed to have been on deposit in the Debt Service Fund on such Annual Contribution Date.

(J) No Accruing Annual Contribution shall be paid or made available by the PHA pursuant to this Sec. 415 in an amount in excess of an amount which together with all monies then on deposit in the Debt Service Fund will be sufficient to fully pay and retire the outstanding Bonds, Permanent Notes, and Temporary Notes issued in connection with the Permanently Financed Projects. The obligation of the PHA to pay or make available annual contributions pursuant to this Sec. 415 shall terminate when all of the Bonds, Permanent Notes, and Temporary Notes issued in connection with the Permanently Financed Projects have been fully paid and retired, or when monies sufficient for the payment and retirement thereof have, in accordance with the terms of such Bonds or Notes, been deposited in trust for such purpose.

Sec. 416. Debt Service Fund

(A) Upon the delivery of any issue of Bonds, there shall be deposited in the Debt Service Fund the amounts required pursuant to subsections (B), (C), and (D) of Sec. 414.

(B) Upon the delivery of any Temporary Note issued in connection with any Project which has been Permanently Financed, there shall, except as otherwise approved by the PHA, be deposited in the Debt Service Fund any accrued interest pursuant to subsection (C) of Sec. 409.

(C) Within sixty days after the end of each Fiscal Year, the Local Authority shall deposit in the Debt Service Fund for the reduction of annual contributions:

(1) All Residual Receipts (not theretofore deposited in the Debt Service Fund or applied as provided in subsections (E) and (F) of Sec. 418) of all Projects which were Permanently Financed on or before the last day of such Fiscal Year;

(2) The amount of the interest on each issue of Bonds bearing a Bond Date not later than seventeen months and fourteen days prior to the Annual Contribution Date next following the end of such Fiscal Year, which accrued during such Fiscal Year after (a) the date which is six months after the Bond Date of each such issue of Bonds or (b) the date of delivery of such issue, whichever is the later, up to (a) the Date of Full Availability of the Project financed by such issue or (b) the end of such Fiscal Year, whichever is the earlier; and

(3) The amount of any unpaid interest, on Permanent Notes and Temporary Notes issued in connection with any Project which was Permanently Financed on or before the last day of such Fiscal Year by an issue of Bonds bearing a Bond Date not later than seventeen months and fourteen days prior to the Annual Contribution Date next following the end of such Fiscal Year, up to (a) the Date of Full Availability of such Project or (b) the end of such Fiscal Year, whichever is the earlier.

Upon the occurrence of the event specified in subsection (C) of Sec. 417, deposits shall be made into the Debt Service Fund for the reduction of annual contributions as provided in such subsection.

(D) Upon receipt from the PHA of each Accruing Annual Contribution or installment thereof, such amount shall be deposited in the Debt Service Fund.

(E) On each interest payment date of the Bonds the Fiscal Agent shall, out of the Debt Service Fund, pay the principal and interest maturing on the Bonds.

(F) On the first day of the month next after each Annual Contribution Date the Fiscal Agent shall, out of the Debt Service Fund, reimburse the Local Authority for any advance (not theretofore reimbursed) made pursuant to subsection (D) of Sec. 414 on account of interest on issues of Bonds bearing a Bond Date not later than seventeen months and fourteen days prior to such Annual Contribution Date.

(G) On the first day of the month next after each Annual Contribution Date the Fiscal Agent, after (1) paying (or making provision for the payment of) all Bonds and Bond interest which have then become due and payable or will become due and payable on the next succeeding anniversary of the Bond Date, (2) reimbursing the Local Authority for advances as provided in subsection (F) of this Sec. 416, and (3) making provision for the Bond Service Carry-Over, shall, unless otherwise approved by the PHA, apply the balance in the Debt Service Fund in the following order: First, to the payment of interest and principal then due and payable on Permanent Notes; Second, to the payment of interest and principal on Temporary Notes issued in connection with Projects which were Permanently Financed on or before the end of the preceding Fiscal Year; and, Third, to transfer to the Advance Amortization Fund. In making provision for the payment of the Bonds and Bond interest which will become due on the next succeeding anniversary of the Bond Date and for the Bond Service Carry-Over, the Fiscal Agent shall consider the second installment, if any, of the Accruing Annual Contribution as if it had actually been paid on the Annual Contribution Date.

Sec. 417. Advance Amortization Fund

(A) There shall be deposited in the Advance Amortization Fund the following: (1) Bond premiums as provided in subsection (B) of Sec. 414, (2) Temporary Note premiums as provided in subsection (C) of Sec. 409, (3) proceeds of the disposition of real property to the extent provided in subsection (B) of Sec. 308, (4) amounts transferred from the Debt Service Fund as provided in subsection (G) of Sec. 416, (5) proceeds of claims against insurers and others arising out of damage to or destruction of any Project to the extent provided in subsection (E) of Sec. 214, and (6) amounts transferred from the General Fund pursuant to subsection (D) of Sec. 405.

(B) The Fiscal Agent shall as rapidly as possible apply all monies deposited in the Advance Amortization Fund, as directed by the Local Authority with the approval of the PHA, (1) to the payment of Permanent Notes and of Temporary Notes, issued in connection with Permanently Financed Projects, (2) to the purchase, at not more than the cost of redemption, of any outstanding Bonds, and (3) to the redemption of any outstanding Bonds on the terms provided in

the Bond Resolutions. All Bonds purchased or redeemed by or on behalf of the Local Authority shall be immediately cancelled and shall not be reissued.

(C) In the event that, sixty-one days after the end of any Fiscal Year, it appears that the balance then on deposit in the Advance Amortization Fund, together with all monies then on deposit in the Debt Service Fund and together with a Fixed Annual Contribution, would be sufficient to fully pay and retire the outstanding Bonds, Permanent Notes, and Temporary Notes issued in connection with the Permanently Financed Projects, the Fiscal Agent shall on such date deposit in the Debt Service Fund for the reduction of annual contributions the balance then remaining in the Advance Amortization Fund. Thereafter no further deposits shall be made in the Advance Amortization Fund, and any deposits which would, except for this subsection (C), be made to the Advance Amortization Fund shall be made to the Debt Service Fund for the reduction of annual contributions.

Sec. 418. Annual Contributions for Projects Not Permanently Financed and Use Thereof

(A) The PHA shall make annual contributions available for each Project which is not Permanently Financed as provided in this Sec. 418.

(B) The first annual contribution pursuant to this Sec. 418 shall be determined and made available as of the Date of Full Availability of such Project. Subject to the provisions of Sec. 419, subsequent annual contributions shall be determined and made available as of each anniversary of such Date of Full Availability, or, if an Annual Contribution Date is established under this Contract, as of each Annual Contribution Date: *Provided*, That if such Project is later Permanently Financed the last annual contribution pursuant to this Sec. 418 shall be determined and made available as of the last such date which is not less than one year prior to the date on which the first annual contribution pursuant to Sec. 415 will become due and payable for such Project.

(C) The amount of each annual contribution made available for any Project pursuant to this Sec. 418 shall be the Maximum Contribution Percentage less one percent of the amount determined by the PHA to be that below which the Development Cost of such Project will in no event fall, which determination shall be made as of the date upon which such annual contribution is made available: *Provided*, That after the issuance of the Actual Development Cost Certificate for such Project each such annual contribution shall be such percentage of the Actual Development Cost.

(D) Each annual contribution made available for any Project pursuant to this Sec. 418 shall be applied immediately to the repayment, with interest, of all monies borrowed by the Local Authority pursuant to this Contract for the development of such Project, and the repayment, with interest at the PHA Loan Interest Rate, of all expenditures, if any, made by the PHA in connection with the development of such Project pursuant to Sec. 505 hereof, in the following order: First, to the payment of interest on all such obligations and such expenditures by the PHA; Second, to the repayment of such expendi-

tures by the PHA; Third, to the payment of the principal of Advance Notes issued in connection with such Project; and Fourth, to the payment of the principal of Temporary Notes issued in connection with such Project.

(E) As of the end of the Initial Operating Period of each Project which is not then Permanently Financed, and as of each anniversary thereof, or, if a Fiscal Year is established under this Contract as of the end of each such Fiscal Year (and in any event within 60 days after each of such dates), all Residual Receipts of such Project not theretofore applied as in this subsection provided shall be applied to the same purposes and in the same manner as are provided for the application of annual contributions pursuant to subsection (D) of this Sec. 418: *Provided*, That if such Project is later Permanently Financed all Residual Receipts of such Project shall thereafter be deposited in the Debt Service Fund as provided in subsection (C) of Sec. 416.

(F) Notwithstanding the provisions of subsections (D) and (E) of this Sec. 418, all or any portion of any annual contribution made available pursuant to this Sec. 418 which would otherwise be applied to the repayment of principal under the Second, Third, and Fourth clauses of such subsection (D) or all or any portion of the Residual Receipts which would otherwise be so applied, may be withheld (for not more than twelve months) and be used for (1) the payment of interest on the obligations and expenditures referred to in such subsection (D) to the date of delivery of any Bonds which may be subsequently issued to refund such obligations and expenditures and (2) deposit with the Fiscal Agent for the payment of interest on such Bonds from the date of delivery thereof to the date six months after the Bond Date thereof.

(G) The PHA hereby determines that the application of Residual Receipts as provided in subsections (E) and (F) of this Sec. 418 will effect a reduction in the amount of subsequent annual contributions.

(H) No annual contribution shall be paid or made available by the PHA pursuant to this Sec. 418 with respect to any Project in an amount in excess of an amount which together with all Residual Receipts of such Project then available will be sufficient to fully pay and retire the outstanding obligations and expenditures referred to in subsection (D) of this Sec. 418. The obligation of the PHA to pay or make available annual contributions pursuant to this Sec. 418 with respect to any Project shall terminate when all such obligations and expenditures have been fully paid and retired, or when monies sufficient for the payment and retirement thereof have been deposited in trust for such purpose, or when such Project has been Permanently Financed.

Sec. 419. General Limitations on Annual Contributions

(A) Notwithstanding any other provision of this Contract, not more than forty annual contributions (whether pursuant to Sec. 415 or Sec. 418 of this Contract or pursuant to the provisions of any other contract under authority of the Act) shall be paid or made available by the PHA for any Project; nor shall any such annual contribution be paid or made available for any such Project subsequent to forty years from the date on which the first such annual contribution for

such Project was paid or made available; nor shall any two such annual contributions be paid or made available for any such Project for or on account of any twelve-month period or any Fiscal Year.

(B) The maximum sum which may be paid or made available as annual contributions pursuant to this Contract in any one year shall not exceed the sum of (1) the Fixed Annual Contribution determined pursuant to subsection (C) of Sec. 415 for Permanently Financed Projects and (2) the annual contributions determined pursuant to subsection (C) of Sec. 418 for Projects which have not been Permanently Financed.

(C) The Local Authority shall certify as to compliance with the provisions of Sec. 16 (2) of the Act relating to the payment of prevailing salaries and wages prior to the payment of each annual contribution.

(D) No annual contribution shall be paid or made available by the PHA for any Project (except as provided in subsection (B) of Sec. 504) unless such Project is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision.

(E) No annual contributions shall be paid or made available by the PHA for any Project (except as provided in subsection (B) of Sec. 504) in the event of the acquisition of such Project by a third party in any manner including a bona fide foreclosure under a mortgage or other lien.

Sec. 420. Pledge of Annual Contributions and Residual Receipts

(A) The amounts required by subsections (B), (C), and (D) of Sec. 414 to be deposited in the Debt Service Fund upon the delivery of each issue of Bonds on account of the interest on such issue of Bonds which becomes due and payable six months and twelve months, respectively, from the Bond Date of such issue shall be pledged to the payment of such interest.

(B) The Accruing Annual Contribution which is due and payable on each Annual Contribution Date (including the second installment thereof if any) together with (1) the Residual Receipts as of the end of the next preceding Fiscal Year for all Projects which were Permanently Financed on or before the last day of such Fiscal Year, (2) the aggregate Bond Service Carry-Over, if any, required to be on deposit in the Debt Service Fund on such Annual Contribution Date, and (3) all other amounts required to be deposited in the Debt Service Fund for the reduction of annual contributions during the twelve months period ending with such Annual Contribution Date, shall be pledged as follows:

(1) An amount equal to the principal and interest becoming due and payable during the twelve months period following such Annual Contribution Date on each issue of Bonds bearing a Bond Date not later than seventeen months and fourteen days prior to such Annual Contribution Date shall be pledged for the payment of such principal and interest;

(2) An amount equal to the aggregate Bond Service Carry-Over required to be on deposit in the Debt Service Fund on the next succeeding Annual Contribution Date shall be pledged for the purpose of providing such Carry-Over; and

(3) An amount equal to the installments of principal and interest becoming due and payable during the twelve months period following such Annual Contribution Date on all Permanent Notes shall be pledged for the payment of such installments of principal and interest.

(C) The annual contributions made available pursuant to Sec. 418 with respect to any Project, together with the Residual Receipts of such Project, shall be pledged for the payment of the interest on and principal of all Advance Notes issued in connection with such Project.

(D) Neither the annual contributions to be made available by the PHA hereunder nor the Residual Receipts of the Projects shall, without the approval of the PHA, be pledged for any purpose other than as specifically provided in this Contract.

Sec. 421. Mortgage and Declaration of Trust

(A) Each Advance Note and each Permanent Note issued in connection with any Project shall be secured, to the extent authorized or permitted by law, by a mortgage, deed of trust, or other equivalent lien upon such Project.

(B) Promptly upon the acquisition of the site of any Project and in any event prior to the delivery of any issue of Bonds the Local Authority shall execute and deliver an instrument (which may be in the form of a declaration of trust, a trust indenture, or such other document as may be approved by the PHA), confirming and further evidencing, among other things, the covenant of the Local Authority not to convey or encumber the Projects except as in this Contract expressly authorized, and shall cause such instrument and all amendments thereof to be duly recorded or filed for record wherever necessary to give public notice of the provisions thereof and to protect the rights and interests of the PHA and of the holders from time to time of any of the Bonds. The Local Authority shall furnish the PHA appropriate evidence that such recording or filing has been duly effected in accordance with the provisions hereof. From time to time as additional real property is acquired by the Local Authority in connection with the Projects the Local Authority shall promptly amend such instrument to incorporate all such real property under the terms thereof and shall cause such instrument as amended to be recorded or filed for record as aforesaid.

Sec. 422. Refunding of Bonds

The Local Authority may, with the approval of the PHA, refund any outstanding issue of Bonds upon such terms and conditions as may be mutually agreed upon between the Local Authority and the PHA.

Sec. 423. Prohibition of Other Loans

The Local Authority shall not, without the approval of the PHA, obtain, from any source whatsoever, any loan in connection with the Projects other than those specifically provided for under this Contract.

Sec. 424. Faith of the United States Pledged to Payment of Annual Contributions

As set forth in the Act, the faith of the United States is solemnly pledged to the payment of all annual contributions contracted for in this Contract, and by the provisions of the Act there is authorized to be appropriated in each Federal fiscal year, out of any money in

the Treasury of the United States not otherwise appropriated, the amounts necessary to provide for such payment.

Sec. 425. Repayment of Annual and Local Contributions

In respect to any Project not covered by an annual contributions contract prior to August 2, 1954, (the effective date of the Housing Act of 1954):

(1) After payment in full of all obligations of the Local Authority in connection with such Project for which any annual contributions are pledged, and until the total amount of annual contributions paid by the PHA in respect to such Project has been repaid pursuant to this Sec. 425, (a) all receipts in connection with such Project in excess of expenditures necessary for the management, operation, maintenance, or financing, and for reasonable reserves therefor, shall be paid annually to the PHA and to local public bodies which have contributed to such Project in the form of tax exemption or otherwise, in proportion to the aggregate contribution which the PHA and such local public bodies have made to such Project, and (b) no debt in respect to such Project, except for necessary expenditures for such Project, shall be incurred by the Local Authority;

(2) If, at any time, such Project or any part thereof is sold, such sale shall be to the highest responsible bidder after advertising, or at fair market value as approved by the PHA, and the proceeds of such sale together with any reserves, after application to any outstanding debt of the Local Authority in respect to such Project, shall be paid to the PHA and local public bodies as provided in clause 1 (a) of this Sec. 425: *Provided*, That the amounts to be paid to the PHA and the local public bodies shall not exceed their respective total contribution to such Project;

(3) The Local Authority, upon payment of the last Accruing Annual Contribution pursuant to this Contract, shall issue and deliver to the PHA its bond or note, as the PHA may require, evidencing the obligation of the Local Authority to pay to the PHA the amount and on the terms specified in clauses (1) and (2) of this Sec. 425.

ARTICLE V

DEFAULTS, BREACHES, REMEDIES, AND GENERAL PROVISIONS

Sec. 501. Conveyance of Title or Delivery of Possession in Event of Substantial Default

Upon the occurrence of a Substantial Default (as hereinafter in Sec. 506 defined) in respect to the covenants or conditions to which the Local Authority is subject hereunder, the Local Authority shall, at the option of the PHA, either (a) convey to the PHA title to the Projects as then constituted if, in the determination of the PHA (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of the Act, or (b) deliver possession to the PHA of the Projects as then constituted.

Sec. 502. Delivery of Possession in Event of Substantial Breach

Upon the occurrence of a Substantial Breach (as hereinafter in Sec. 507 defined) in respect to the covenants or conditions to which the Local Authority is subject hereunder, the Local Authority shall, upon demand by the PHA, deliver possession to the PHA of the Projects as then constituted.

Sec. 503. Reconveyance or Redelivery

(A) If the PHA shall acquire title to or possession of the Projects pursuant to Sec. 501 or Sec. 502, the PHA shall reconvey or redeliver possession of the Projects, as constituted at the time of such reconveyance or redelivery, to the Local Authority (if it then exists) or to its successor (if a successor exists at the time of such reconveyance or such redelivery) as soon as practicable: (1) after the PHA shall be satisfied that all defaults and breaches with respect to the Projects have been cured and that the Projects will, in order to fulfill the purposes of the Act, thereafter be operated in accordance with the terms of this Contract; or (2) after the termination of the obligation of the PHA to make annual contributions available unless there are any obligations or covenants of the Local Authority to the PHA which are then in default.

(B) Upon any reconveyance or redelivery of the Projects to the Local Authority the PHA shall account for all monies which it has received or expended in connection therewith. If during the period in which the PHA has held title to or possession of the Projects, the PHA has expended any of its funds in connection with development or improvement of the Projects, the Local Authority at the time of the reconveyance or redelivery of the Projects shall pay to the PHA the amount of any such expenditures with interest thereon at the PHA Loan Interest Rate to the extent that the PHA has not theretofore been reimbursed for such amount or interest: *Provided*, That if the obligation of the PHA to make annual contributions under this Contract has not terminated and if any portion of the amount which the Local Authority is obligated to pay to the PHA upon such recon-

veyance or redelivery constitutes Development Cost, the PHA shall accept, in lieu of payment in cash, an Advance Note or Permanent Note for such portion.

(C) No conveyance of title and reconveyance thereof, or delivery of possession and redelivery thereof, shall exhaust the right to require a conveyance of title or delivery of possession of the Projects to the PHA pursuant to Sec. 501 or Sec. 502 upon the subsequent occurrence of a Substantial Default or a Substantial Breach, as the case may be.

Sec. 504. Continuance of Annual Contributions

(A) The PHA hereby determines that Sec. 501 and Sec. 503 of this Contract include provisions that are in accordance with subsection (a) of Sec. 22 of the Act.

(B) Whenever the annual contributions, pursuant to this Contract, have been pledged by the Local Authority as security for the payment of the principal and interest on the Bonds or other obligations issued pursuant to this Contract, the PHA (notwithstanding any other provisions of this Contract) shall continue to make the annual contributions provided in this Contract available for the Projects so long as any of such Bonds or obligations remain outstanding; and, in any event, such annual contributions shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the Projects for the purpose at the time such annual contribution is made, will suffice for the payment of all installments, falling due within the next succeeding twelve months, of principal and interest on the Bonds or other obligations for which the annual contributions provided for in this Contract have been pledged as security: *Provided*, That in no case shall such annual contributions be in excess of the maximum sum specified in this Contract, nor for longer than the remainder of the maximum period fixed by this Contract.

Sec. 505. Rights and Obligations of PHA During Tenure Under Sec. 501 or Sec. 502

(A) During any period in which the PHA holds title to or possession of the Projects pursuant to Sec. 501 or Sec. 502, it shall (1) exercise diligence in the protection of the Projects, (2) complete the development of any Project or part thereof which is substantially completed at the time of acquisition by the PHA of such title or possession, as nearly as practicable in accordance with the provisions of this Contract, and (3) operate all completed Projects or parts thereof (including Projects or parts thereof which may be completed by the PHA) as nearly as practicable in accordance with the provisions of this Contract, including the carrying of insurance as described in subsections (A) and (B) of Sec. 305. The PHA, at its option, may complete the development of any Project or any part thereof.

(B) During any period in which the PHA holds title to or possession of the Projects pursuant to Sec. 501 or Sec. 502, it may, in the name of and on behalf of the Local Authority or in its own name and on its own behalf, exercise any or all of the rights and privileges of the Local Authority pursuant to this Contract and perform any or all of the obligations and responsibilities of the Local Authority pursuant to this Contract.

(C) Neither the conveyance of title to or the delivery of possession of the Projects by the Local Authority pursuant to Sec. 501 or Sec. 502, nor the acceptance of such title or possession by the PHA, shall abrogate or affect in any way any indebtedness of the Local Authority to the PHA arising under this Contract, and in no event shall any such conveyance or delivery or any such acceptance be deemed to constitute payment or cancellation of any such indebtedness.

Sec. 506. Definition of Substantial Default

For the purposes of this Contract a "Substantial Default" is defined to be the occurrence of any of the following events:

(1) If any Project shall cease to be exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivisions, or if the Local Authority without the approval of the PHA shall make or agree to make any payments in lieu of taxes in excess of those provided in the Cooperation Agreement; or

(2) If the Local Authority shall default in the observance of any of the provisions of Sec. 313, or if any Project shall be acquired by any third party in any manner including a bona fide foreclosure under a mortgage or other lien held by a third party; or

(3) If the Local Authority shall fail to furnish certification as to compliance with the provisions of Sec. 16 (2) of the Act relating to the payment of prevailing salaries and wages as required by subsection (C) of Sec. 419; or

(4) If the Local Authority shall (a) refuse or neglect to issue and sell its Bonds in the amounts and at the time required by this Contract, or (b) fail to maintain the low-rent character of each Project as required by Sec. 202, or (c) fail to prosecute diligently the reconstruction, restoration, or repair of any Project as required by Sec. 214; and such refusal, neglect, or failure is not remedied within three months after the PHA has notified the Local Authority thereof; or

(5) If the Local Authority is in default in the performance or observance of any of the provisions of this Contract or of the Act, which default (except for the provisions of Sec. 504) would have the effect of preventing the PHA from paying or making available the annual contributions provided for in this Contract; or

(6) If the Local Authority shall abandon any Project, or if the powers of the Local Authority to operate the Projects in accordance with the provisions of this Contract are curtailed or limited to an extent which will prevent accomplishment of the objectives of this Contract.

Sec. 507. Definition of Substantial Breach

For the purposes of this Contract a "Substantial Breach" is defined to be the occurrence of any of the following events:

(1) If the Local Authority in the development of any Project has violated, or takes any action which threatens to violate, (a) any of the provisions of Part One of this Contract relating to the limitation on the cost for construction and equipment of such Project, or (b) any of the provisions of subsection (F) of Sec. 404; or

(2) If the Local Authority, in violation of subsection (H) of Sec. 407, has (a) at any time after the end of the Initial Operating Period for any Project incurred any Operating Expenditures with respect

to such Project except pursuant to and in accordance with an approved Operating Budget for such Project, or (b) during any Fiscal Year or other budget period incurred with respect to any Project total Operating Expenditures in excess of the amount therefor shown in an approved Operating Budget (including revisions thereof) governing such Fiscal Year or other budget period; or

(3) If the Local Authority has violated any of the provisions of subsection (C) or (D) of Sec. 401; or

(4) If there is a breach of any of the provisions relating to the payment of prevailing salaries and wages which are required by this Contract to be included in contracts of the Local Authority in connection with the Projects; and such breach is not remedied or appropriate action to remedy the same initiated by the Local Authority within thirty days after the PHA has notified the Local Authority of such breach, or if such remedial action is not thereafter diligently prosecuted to conclusion; or

(5) If the Local Authority shall fail to prosecute diligently the development of each Project as required by subsection (B) of Sec. 102; and such failure is not remedied within three months after the PHA has notified the Local Authority of such failure; or

(6) If, through any action, failure to act, or fault of the Local Authority, its officers, agents, or employees (including the Fiscal Agent), there shall be a default in the payment of any installment of the principal of or interest on any of the Bonds when the same shall become due (whether at the maturity thereof or by call for redemption or otherwise); and such default shall continue for a period of sixty days; or

(7) If there is a flagrant default or breach by the Local Authority in the performance or observance of any term, covenant, or condition of this Contract; or

(8) If there is any default or breach by the Local Authority in the performance or observance of any term, covenant, or condition of this Contract other than the defaults or breaches enumerated in Sec. 506 or in subsections (1) through (7) of this Sec. 507; and if such default or breach has not been remedied within thirty days (or such longer period as may be set by the PHA) after the PHA has notified the Local Authority thereof.

Sec. 508. Other Defaults or Breaches, and Other Remedies

(A) Neither the provision of the special remedies set forth in Sec. 501 and Sec. 502 in the event of a Substantial Default or a Substantial Breach, as the case may be, nor any exercise thereof, shall affect or abrogate any other remedy which may be available to the PHA in the event of a Substantial Default, Substantial Breach, or any other default or breach; and the PHA may, during any period in which it holds title to or possession of the Projects pursuant to Sec. 501 or Sec. 502, exercise any other remedy available to it. Neither the definition of certain defaults or breaches as Substantial Defaults or Substantial Breaches, nor the provision of special remedies therefor, shall be deemed to constitute an agreement that any other type of default or breach shall be considered insignificant or without remedy.

(B) If the Local Authority shall at any time be in default or breach, or take any action which will result in a default or breach, in the

performance or observance of any of the terms, covenants, and conditions of this Contract, then the PHA shall have, to the fullest extent permitted by law (and the Local Authority hereby confers upon the PHA the right to all remedies both at law and in equity which it is by law authorized to so confer) the right (in addition to any rights or remedies in this Contract specifically provided) to maintain any and all actions at law or in equity against the Local Authority to enforce the correction of any such default or breach or to enjoin any such default or breach.

(C) The remedies of the PHA, whether provided by law or by this Contract, shall be cumulative, and the exercise of any one or more of such remedies shall not preclude the exercise, at the same or different times, of any other such remedies for the same default or breach or for any other default or breach by the Local Authority of any covenant or agreement on its part contained in this Contract.

(D) No act of the PHA (except the issuance of a waiver in writing), nor any omission by the PHA to act, shall constitute or be construed as a waiver of any provision of this Contract or of any default or breach of the Local Authority. No waiver by the PHA of a specific default or breach under this Contract shall constitute a waiver of, or an agreement to waive, or a precedent for waiving, any similar default or breach subsequently occurring hereunder.

Sec. 509. Right of PHA to Terminate Contract

The PHA may at any time by notice to the Local Authority declare this Contract terminated with respect to any Project which at such time has not been Permanently Financed if (1) the Local Authority has made any fraudulent or willful misrepresentation of any material fact in any document or data submitted to the PHA as a basis for this Contract or as an inducement to the PHA to enter into this Contract, or (2) a Substantial Default or Substantial Breach exists in connection with any of the Projects: *Provided*, That no such termination shall affect any obligation of the PHA to make annual contributions available pursuant to subsection (B) of Sec. 504.

Sec. 510. Rights of Third Parties

(A) The PHA covenants and agrees with and for the benefit of the holders from time to time of the Bonds and of interest claims thereunder, that it will pay the annual contributions pledged as security for such Bonds and interest pursuant to this Contract. To enforce the performance by the PHA of this covenant such holders, as well as the Local Authority, shall have the right to proceed against the PHA by action at law or suit in equity.

(B) Nothing in this Contract contained shall be construed as creating or justifying any claim against the PHA by any third party other than as provided in subsection (A) of this Sec. 510.

Sec. 511. Approvals and Notices

(A) Whenever under this Contract approvals, authorizations, determinations, satisfactions, or waivers of the PHA are required, such approvals, authorizations, determinations, satisfactions, or waivers shall be effective and valid only when given either (1) by general orders or regulations duly issued from time to time by the PHA, or (2) in specific cases, in writing, signed by a duly authorized officer of the PHA, and delivered to the Local Authority.

(B) Any notice or demand given under this Contract shall be in writing, and signed by a duly authorized officer of the party giving such notice or demand. Such notice or demand shall be deemed to have been given at the time it shall have been received at the principal office of the party to whom it is directed.

Sec. 512. Waiver or Amendment

Any right or remedy which the PHA may have under this Contract may be waived in writing by the PHA without the execution of a new or supplemental agreement; or by mutual agreement of the parties hereto this Contract may be amended in writing: *Provided*, That none of the provisions of this Contract may be modified or amended so as to impair in any way the obligation of the PHA to pay any annual contributions which have been pledged as security for any obligations of the Local Authority.

Sec. 513. Titles, Table of Contents, and Index

The titles of the several Articles and Sections of this Contract and the table of contents and index to this Contract are inserted for convenience of reference only, and shall be disregarded in construing or interpreting any of the provisions of this Contract.

Sec. 514. Severability of Provisions

If any provision of this Contract is held invalid, the remainder of this Contract shall not be affected thereby if such remainder of this Contract would then continue to conform to the terms of the Act.

Sec. 515. Interest of Members, Officers, or Employees of Local Authority

(A) Neither the Local Authority nor any of its contractors or their subcontractors shall enter into any contract, subcontract, or arrangement, in connection with any Project or any property included or planned to be included in any Project, in which any member, officer, or employee of the Local Authority during his tenure or for one year thereafter has any interest, direct or indirect. If any such present or former member, officer, or employee involuntarily acquires or had acquired prior to the beginning of his tenure any such interest, and if such interest is immediately disclosed to the Local Authority and such disclosure is entered upon the minutes of the Local Authority, the Local Authority, with the prior approval of the PHA, may waive the prohibition contained in this subsection: *Provided*, That any such present member, officer, or employee shall not participate in any action by the Local Authority relating to such contract, subcontract, or arrangement.

(B) The Local Authority shall insert in all contracts entered into in connection with any Project or any property included or planned to be included in any Project, and shall require its contractors to insert in each of its subcontracts, the following provision:

"No member, officer, or employee of the Local Authority during his tenure or for one year thereafter shall have any interest, direct or indirect, in this contract or the proceeds thereof."

(C) The provisions of the foregoing subsections (A) and (B) of this Sec. 515 shall not be applicable to the purchase or sale of Temporary Notes or the Bonds, or to the General Depositary Agreement,

fiscal agency agreements, the trusteeships authorized under this Contract, or utility services the rates for which are fixed or controlled by a governmental agency.

Sec. 516. Members of Local Authority Not Individually Liable

No member or officer of the Local Authority shall be individually liable on any obligation assumed by the Local Authority hereunder.

Sec. 517. Interest of Member of or Delegate to Congress

No member of or Delegate to the Congress of the United States of America or Resident Commissioner, shall be admitted to any share or part of this Contract or to any benefits which may arise therefrom.

Sec. 518. Termination of Obligations

Upon payment in full of all indebtedness of the Local Authority in connection with the Projects for which annual contributions are pledged, and upon the payment of any other indebtedness of the Local Authority in connection with the Projects to the PHA (except indebtedness arising under Sec. 425), all obligations of the PHA and the Local Authority under this Contract shall cease and determine except the obligations of the Local Authority pursuant to Sec. 425.

INDEX, INCLUDING DEFINED TERMS

	Page
Abandonment of Project constitutes Substantial Default.....	52
Acceptance of work under Construction or Equipment Contracts.....	10, 11
Access to records and Projects.....	25
Accounts, books of. <i>See</i> Books of accounts and records.	
Accruing Annual Contribution, defined.....	41
Amount of.....	41
Estimates of amount to be submitted by LA.....	33
<i>See also</i> Annual contributions.	
Acquisition of Project site.....	1, 2
Approvals by PHA.....	1
Act, defined.....	Part One
Actual Development Cost, defined.....	31
Determination of.....	30, 31
PHA may determine, in case of LA delay.....	31
Actual Development Cost Certificate, defined.....	31
Amendment, if additional work approved by PHA.....	31
Conclusively establishes Actual Development Cost.....	31
PHA determination serves as Certificate.....	31
Additional Projects, Bonds for.....	Part One
Additional provisions of Contract.....	Part One
Admission of tenants:	
Applications and verification thereof.....	16, 17
Assignment of dwellings based on family characteristics.....	15
Discrimination prohibited because of relief.....	14
Eligibility.....	13, 14
Financial solvency to be maintained.....	15, 16
Leases required.....	12
Preferences in selection.....	15, 16
Records and reports to PHA.....	17, 18, 24
Representative cross-section of Families of Low Income.....	15, 16
Selection of tenants.....	14, 15
Advance Amortization Fund, defined.....	39
Bond premiums to be deposited in.....	40, 44
Debt Service Fund balances to be deposited in.....	44
Development moneys unexpended, to be deposited in.....	31, 44
Excess real property proceeds, when deposited in.....	24, 44
Fiscal Agent to administer.....	39
Insurance proceeds, when deposited in.....	18, 44
Payment of notes or purchase of Bonds.....	44, 45
Temporary Note premiums to be deposited in.....	36, 44
Termination and payment of balance to Debt Service Fund.....	45
Advance Note, defined.....	34, 35
Annual contributions and Residual Receipts on non-Permanently Financed Projects used for payment.....	46
Bond proceeds used for payment.....	39, 40
Conditions precedent to issuance.....	35, 36
Conveyance or encumbrance of Project prohibited until paid.....	25
Development moneys unexpended, used for payment.....	31
Forms and terms of Advance Notes.....	34, 35
Mortgage or deed of trust to secure.....	48
PHA shall not demand payment or dispose of, except in case of certain defaults or Contract termination.....	36
PHA to accept on reconveyance or redelivery of Project.....	51
Pledge of annual contributions and Residual Receipts on non-Permanently Financed Projects.....	48
Temporary Notes in lieu of Advance Notes, and payment of proceeds.....	36

References in arabic numerals are to pages in the Terms and Conditions constituting Part Two of the Annual Contributions Contract. The reference "Part One" refers to Part One of the Contract.
 "LA" is an abbreviation for "Local Authority."

	Page
Advance of funds by PHA:	
Conditions precedent to advances.....	34, 35, 36
Form of obligations securing advances.....	34, 35
Interest at PHA Loan Interest Rate.....	34
<i>See also</i> Advance Notes, Permanent Notes.	
Advertisement for bids. <i>See</i> Bidding.	
Alterations. <i>See</i> Repairs.	
Alternate bids on Construction or Equipment Contracts prohibited.....	4
Annual contributions:	
Agreement of PHA to pay.....	Part One, 40
Amount of Fixed and Accruing Annual Contributions.....	41
Bondholders may enforce payment of.....	54
Bond interest advanced by LA, repayment from annual contributions.....	42
Conditions precedent to payment.....	47
Continuance, whenever pledged to Bonds or other obligations.....	51, 54, 55
Dates of payment.....	40, 41, 42
Deposit of contributions in Debt Service Fund and elsewhere.....	42, 44
Estimate of amount to be submitted by LA.....	33
Faith of U. S. pledged to payment of.....	48, 49
Fixed Annual Contribution.....	41
Installment payment on semiannual basis.....	41, 42
LA action prejudicing payment constitutes Substantial Default.....	52
Limitation to amount necessary to pay Bonds and notes.....	43, 46
Limitation on amount, period, and number of payments.....	46, 47
Non-permanently Financed Projects, special provisions.....	45, 46
Operating Budgets, reasonableness depends on minimizing and annual contributions.....	33
Operating Receipts do not include annual contributions.....	31
Payment of contributions to Fiscal Agent for Debt Service Fund.....	42
Permanent Notes, payment from annual contributions.....	42
Pledged for Bonds, notes and other stated purposes.....	47, 48, 51
PHA may retain in part for making certain payments.....	42
PHA statement as to amount and disposition of annual contributions.....	42
Repayment of contributions by LA after all obligations liquidated or after sale of Project.....	49
Requisition and voucher required from LA.....	42
Temporary Notes, payment from annual contributions.....	42
Termination of PHA obligation to pay.....	43, 46, 56
<i>See also</i> Accruing Annual Contribution.	
Annual Contributions Contract. <i>See</i> Contract.	
Annual Contribution Date, defined.....	40
Anti-Kickback Act, in development.....	7, 8
<i>See also</i> Labor provisions.	
Applications for admission. <i>See</i> Admission of tenants.	
Applications for continued occupancy. <i>See</i> Continued occupancy of tenants.	
Appraisals for site acquisition.....	1
Apprentices.....	8
Approvals and authorizations under Contract, how given.....	54
Architectural and engineering services:	
Construction inspection and review.....	2, 9
Contracts for.....	2
Prevailing salaries and wages. <i>See</i> Prevailing salaries and wages.	
Services to be performed.....	2
Assignments of Construction or Equipment Contracts.....	5, 6
At Specified Rents, defined.....	15
Ranges of rents and their use.....	15, 16
Audits.....	25
Award of Construction or Equipment Contracts.....	4
Bid bonds.....	3, 4
Bidding, open and competitive required:	
Bond sales.....	39
Construction or Equipment Contracts, except with public bodies and public utilities.....	3, 4
Insurance coverages.....	22, 23
Procurement and service contracts.....	23

	Page
Bond Date, defined.....	37
Bond Resolutions, defined.....	39
Adoption does not constitute a prohibited encumbrance.....	26
Bonds must conform to.....	37
Bonds, defined.....	Part One
Accrued interest.....	31, 40, 43
Advance Amortization Fund used for purchase or redemption of Bonds.....	44, 45
Approval of PHA required.....	38
Bondholders may enforce payment of annual contributions.....	54
Bond sales for additional Project costs.....	38, 39
Bond sales if for less than Minimum Development Cost.....	38
Cancellation and destruction of Bonds purchased by LA.....	45
Conditions precedent to delivery of Bonds.....	38
Conveyance or encumbrance of Project prohibited until paid.....	25
Date of.....	37
Debt Service Fund used for payment of Bonds.....	44
Declaration of trust to secure Bonds.....	48
Delivery of Bonds.....	40
Description and provisions of Bonds.....	37, 38
Disposition of proceeds.....	40
Failure to pay principal or interest constitutes Substantial Breach.....	53
Failure to sell constitutes Substantial Default.....	52
Interest advances by LA and repayment from annual contributions.....	40, 42, 43, 47
LA required to issue Bonds for Projects and additional projects. <i>Part One</i> , 38	
Offering of Bonds.....	38, 39
Pledge of annual contributions and Residual Receipts and other amounts.....	47, 48
Premiums. <i>See</i> Premiums on Bonds.	
Refunding.....	48
Bond Service Carry-Over, defined.....	38
Pledged to provide carry-over.....	47
Provision for, in Debt Service Fund.....	44
Bonds (surety):	
Bid bonds.....	3, 4
Fidelity bonds.....	22
Performance and payment bonds.....	3, 4, 5, 6
Books of account and records:	
Access by PHA and Comptroller General.....	25
Classification and recording, as prescribed by PHA.....	24, 25
Constitute Project property.....	25
Breaches by LA. <i>See</i> Defaults or breaches by LA.	
Budgets. <i>See</i> Development Cost Budget, Operating Budget.	
Buildings or groups, separate contracts may be approved by PHA.....	3
Cash donations. <i>See</i> Donations to Project.	
Change orders.....	9
Codes, housing, planning, zoning, etc., conformity to.....	2
Commissioners of LA. <i>See</i> Local Authority.	
Competition in bidding. <i>See</i> Bidding.	
Competition in products and equipment to be encouraged.....	2
Completion of Construction or Equipment Contracts.....	10, 11
Completion of development work and payment therefor.....	11, 30, 31
Condemnation in site acquisition.....	1
Conflicts of interest prohibited.....	55, 56
Congressmen, interest in Contract prohibited.....	56
Construction and equipment cost limit per room. <i>See</i> cost limits.	
Construction inspection and review.....	9
Construction or Equipment Contract, defined.....	2, 3
Acceptance of contract work and completion of contracts.....	10, 11
Alternate bids not permitted.....	4
Anti-Kickback Act.....	7, 8
Assignments and approval by LA.....	5, 6
Award of contracts and PHA approval thereof.....	4
Bid bonds.....	3, 4
Certificate of completion.....	10, 11

	Page
Construction or Equipment Contract, defined—Continued	
Change orders	9
Contract documents and addenda thereof, and PHA approval	3
Corrections, right of PHA to require	9
Discrimination in employment prohibited	21, 22
Domestic and foreign materials	21
Execution of contracts	4, 5
Extension of time for completion	10
Inspection and review	9
Interest by members, officers, or employees of LA prohibited	55, 56
Labor provisions	6, 7, 8, 9
Liquidated damages for delays	5
Lump-sum contracts required	3
Main Construction Work under one contract, unless otherwise approved	3
Notices to proceed	5
Payment to contractors	10
Payrolls and related reports	7, 8
Performance and payment bonds	3, 4, 5, 6
PHA representatives at Project site	9
Prevailing salaries and wages. <i>See</i> Prevailing salaries and wages.	
Purchase orders for movable equipment less than \$500 not considered as	3
Retention of contract rights required	9
Subcontracts and approval by LA	5, 8
Taking of bids	3, 4
Termination of contract by LA	8
Wage claims and adjustments	7
Work covered under one or more contracts	3
Contingencies, allowance for in Development Cost Budgets	29, 30
Continuance of annual contributions	51, 54, 55
Continued occupancy of tenants:	
Applications and verifications thereof	16, 17
Dwelling changed if necessary	16
Eligibility	14
Interim redeterminations of income	16
Records and reports to PHA	17, 18, 24
Re-examination of status	16
Removal if ineligible	16, 17
Rent changed if necessary	16
Contract (annual contributions), defined	Part One
Additional provisions	Part One
Approvals and authorizations thereunder	54
Comprises Part One and Part Two	Part One
Conditions precedent complied with	Part One
Date of	Part One
Defaults or breaches. <i>See</i> Defaults or breaches.	
Interest by members of Congress prohibited	56
Interest by members, officers or employees of LA prohibited	55, 56
Notices and demands thereunder	55
Severability of provisions	55
Termination by PHA, if Project not Permanently Financed	54
Termination by performance of obligations	56
Titles, Table of Contents, and Index disregarded	55
Waivers or amendments of provisions	54, 55
Contract documents. <i>See</i> Construction or Equipment Contract.	
Contractors, ineligible	
For Construction or Equipment Contracts	4
For subcontracts	5
Contract rights, retention by LA required	9, 19
Contribution Estimate, defined	33
Contributions. <i>See</i> Annual contributions.	
Conveyance of Project to other than PHA:	
Annual contributions prohibited in case of	47
Constitutes Substantial Default	52
Covenant against	25, 26, 48

	Page
Conveyance of Project to PHA:	
Does not constitute a prohibited encumbrance	26
Does not constitute payment of indebtedness	52
In event of Substantial Default	50
Reconveyance after Substantial Default cured	50, 51
Rights and obligations of PHA during its tenure	51, 52
Cooperation Agreement, defined	Part One
Compliance with	20
Date of, and governing body	Part One
Enforcement of rights under	20
Equivalent Elimination provisions	20
Cost limit on construction and equipment, per room	Part One
Finding of need to exceed limit of \$1,750 (or \$2,250 for Elderly Families).	Part One
Maximum amount, per room	Part One
Violation of limit constitutes Substantial Breach	52
Covenant against conveyance or encumbrance of Project	25, 26, 48
Damaged Project. <i>See</i> Reconstruction and restoration.	
Date of Full Availability, defined	29
Date of This Contract, defined	Part One
Debt Service Fund, defined	39
Accrued interest on Bonds to be deposited in	40, 43
Accrued interest on Temporary Notes to be deposited in	36, 43
Advance Amortization Fund, balances transferred to	44
Advance Amortization Fund to be deposited in, for final payment	44, 45
Annual contributions to be deposited in	42, 44
Bonds paid from	44
Difference between Fixed and Accruing Annual Contributions determined by deposits in	41
Fiscal Agent to administer	39
Interest advances by LA to be deposited in	40, 43
Interest advances by LA repaid from	40, 44
Interest unpaid on notes to be deposited in	43
Permanent Notes paid from balances	44
Pledges of amounts to be deposited in	47, 48
Reports on deposits by Fiscal Agent	42
Residual Receipts to be deposited in	43
Temporary Notes paid from balances	44
Declaration of trust to protect PHA and bondholders	26, 48
Dedication of land for streets, etc.	26
Defaults or breaches of Contract by LA	
Advance of funds by PHA not required in case of	36
Failure to remedy within 30 days of notice constitutes Substantial Breach	53
Flagrant default or breach constitutes Substantial Breach	53
PHA may enforce rights of LA in case of	53, 54
Remedies in case of	53, 54
<i>See also</i> Substantial Default, Substantial Breach.	
Delivery of bonds	40
Delivery of possession of Project to PHA:	
Does not constitute a prohibited encumbrance	26
Does not constitute payment of indebtedness	52
In event of Substantial Default or Breach	50
Redelivery after Substantial Default a Breach cured	50, 51
Rights and obligations of PHA during its tenure	51, 52
Demolition:	
Construction or Equipment Contract provisions applicable to	2, 3
Lump-sum contracts required	3
Not in Main Construction Work	2
Proceeds applied to reduce Development Cost	29
Separate contracts permitted	3
<i>See also</i> Construction or Equipment Contracts.	
Depository. <i>See</i> General Depository Agreement.	
Destroyed Project. <i>See</i> Reconstruction and restoration.	

	Page
Development:	
Completion of development work and payment therefor	11, 30, 31
Conformity with Contract and Act	Part One, 2
Conformity with Development Program	Part One, 1
Conformity with laws, ordinances, and regulations	2
Diligent prosecution	1
Efficiency and economy in	1
Failure to prosecute diligently constitutes Substantial Breach	53
PHA may continue development during its tenure	45, 50, 51
See also Construction or Equipment Contracts.	
Development Cost, defined	28
Carrying charges included, but not beyond physical completion	28
Controlled by Development Cost Budgets	30
Cost limits on construction and equipment, per room	Part One
Cost limits, violation constitutes Substantial Breach	52
Development moneys to be used only for development or investment	27
Donations not included in	29
Estimated Total Development Cost. See Estimated Total Development Cost.	
Estimates required at various stages	2
Excess property proceeds as credit to	24
Items included in, and credits to	28, 29
Lowest possible cost to be achieved	Part One
Maximum amount. See Maximum Development Cost.	
Operating Expenditures must not include any Development Cost	32
Prohibition on incurring after Actual Development Cost Certificate, except with PHA approval	31
Relocation costs as part of	2
Retirement plan contributions as part of	23
Settlement required promptly	30
Unexpended development money, disposition of	31, 44
See also Actual Development Cost, Development Cost Budget, Estimated Total Development Cost, Maximum Development Cost, Minimum Development Cost.	
Development Cost Budget, defined	29
Amount of approved budget constitutes Maximum Development Cost	30
Approval by PHA required	30
Breakdown in Development Program used as first budget	29
Contingencies, allowance for	29, 30
Development Costs controlled by budgets	30
Final budget after Date of Full Availability	11, 30
Main Construction Contract, budget required prior to award	4, 29
Revisions at other times	29, 30
Violation of budget constitutes Substantial Breach	52
Development Program, defined	Part One
Development in accordance with	1
Does not constitute approval of plans or specifications	Part One
Relocation and relocation costs in accordance with	2
Subsequent supplementation or modification	1
Disability or death benefits from U. S., exempted from Net Family Income	13, 14
Discrimination prohibited:	
Against laborers or mechanics	8
In employment, by LA, its contractors or subcontractors	21, 22
In tenant selection because of relief	14
Displaced families, by slum clearance, low-rent housing, or other governmental action:	
Eligibility for admission	13
Need of Project for, as condition precedent to Contract under Housing Act of 1954	Part One
Preference in admission	15
Records of families displaced by Project	2
Relocation of families displaced by Project	2
Reports to PHA	17, 18
Disposition of excess property. See Excess property.	
Domestic and foreign materials	21

	Page
Donations to Projects:	
Cash donations applied to reduce Development Cost	29
Property or services donated are not included in Development Cost	29
Dwelling units, estimated number of	Part One
Estimated number not to be exceeded	Part One
Dwelling size as basis for assignment to families	15, 16, 17
Earnings during development used to reduce Development Cost	29
Easements for public utilities	26
Efficiency and economy in development	1
Elderly Family, defined	14
Cost limits on construction and equipment of units designed for	Part One
Preference in admission may be given by LA	15
Reports to PHA	17, 18
Substandard housing may be waived by LA as condition of eligibility	14
Eligibility for admission. See Admission of tenants.	
Eligibility for continued occupancy. See Continued occupancy of tenants.	
Elimination of substandard dwellings. See Equivalent elimination.	
Elimination of substandard structures on Project sites	2
Emergency:	
Development work authorized in event of	9
Operating Budget may be exceeded	34
Emergency, national, provisions in connection with	Part One
Eminent domain in acquisition of sites	1
Employees of LA. See Local Authority.	
Encumbrance of Project, covenants against	25, 26, 48
Site to be free of encumbrances	1
Violation of covenant constitutes Substantial Default	52
Engineering services. See Architectural and engineering services.	
Equipment. See Movable equipment.	
Equivalent elimination of substandard dwellings:	
Cooperation Agreement provides for	20
Date of accomplishment	20
Reports and notices	20, 21
Estimated Total Development Cost, defined	Part One
Aggregate for all Projects not to be exceeded	Part One, 30
Amount of	Part One
See also Development Cost, Development Cost Budgets.	
Eviction. See Removal of ineligible tenants.	
Excess property:	
Disposition of	24, 26
Proceeds, when applied as an Operating Receipt	24, 31, 32
Proceeds, when applied to reduce Development Cost	24, 29
Proceeds, when deposited in Advance Amortization Fund	24, 44
Proceeds, when reserved	24
Exemptions from Net Family Income:	
Statements as to	12
Use in determining eligibility for admission	13
Use in determining eligibility for continued occupancy	14
Use in determining rents	13
Extension of time for completion of contracts	10
Faith of United States pledged to payment of annual contributions	48, 49
Family, defined	13
Assignment of dwelling units based on family characteristics	15, 16
Elderly Family	14
Eligibility for admission limited to families	13
Eligibility for continued occupancy limited to families	14
Reexamination of tenant status in respect to family characteristics	15
Remaining member of tenant family	14
Reports to PHA	17, 18
Single person over 65 years constitutes a family	13
Families of Low Income, defined	Part One
Dwellings in Projects to be within their reach	12, 32
Fee for PHA representatives at Project sites	9

	Page
Fidelity bonds for LA officers and employees.....	22
Final payment to contractors.....	10
Financial and operating statements.....	25
Fiscal Agent, defined.....	39
Agreement of LA with, and duties of.....	39, 40
Moneys and securities held by, not part of General Fund.....	27
Reports by.....	40, 42
Fiscal Year, defined.....	37
Fixed Annual Contribution, defined.....	41
<i>See also</i> Annual contributions.....	
Force account work for development, only with PHA approval.....	3
Foreign and domestic materials.....	21
Foundations, separate contracts may be approved by PHA.....	3
General Depositary Agreement, defined.....	27
Pooled funds subject to.....	28
Provisions governing.....	27, 28
General Fund, defined.....	27
Constitutes Project property.....	25
Deposits required to be made.....	27
Development moneys used only for development or investment.....	27
Excess property receipts, when deposited in.....	24, 29
Failure to deposit or make withdrawals pursuant to Contract constitutes Substantial Breach.....	53
Freezing by PHA in case of Substantial Default or Breach, or fraudulent or willful misrepresentation.....	27, 28
Investment of funds excess to current needs.....	27
Moneys held by Fiscal Agent and paying agent, not part of.....	27
Petty cash and change funds.....	28
Pooling of funds and revolving funds.....	28
Proceeds of insurance held in General Fund.....	18
Reserves held in General Fund.....	32
Securities constitute part of General Fund.....	27
Withdrawals authorized.....	27
Governing body, party to Cooperation Agreement.....	Part One
Gross Rent, defined.....	13
Related to Net Family Income and family characteristics.....	13
Housing Need:	
Admission preference in respect to.....	15
Need for low-rent housing in locality.....	Part One
Income limits:	
Eligibility for admission, in relation to.....	13
Eligibility for continued occupancy, in relation to.....	14
Establishment and approval by PHA.....	12, 13
Income of families. <i>See</i> Net Family Income.....	
Ineligible contractors and subcontractors.....	4, 5
Ineligible families:	
Removal of.....	16
Reports to PHA.....	17, 18
Initial Loan Commitment, defined.....	Part One
Amount of.....	Part One
Constitutes Maximum Loan Commitment until increased.....	36
Initial Operating Deficit, defined.....	20
Included in Development Cost.....	29
Initial Operating Period, defined.....	29
Operating Budgets for.....	33
Inspection and review of construction.....	9
Insurance and fidelity bond coverages:	
Collection and disposition of proceeds.....	18, 32, 44
Copies of policies to PHA and approvals by PHA.....	23
Coverages and amounts required.....	22
Defense of tort claims prohibited on basis of immunity.....	23
Open and competitive bidding for.....	22, 23
PHA may obtain in case of LA failure.....	23
PHA to carry during its tenure.....	51

	Page
Interest:	
Not included in Operating Expenditures.....	32
On borrowed monies, when included in Development Cost.....	29
On investments, when used to reduce Development Cost.....	29
<i>See also</i> Bonds, Advance Notes, Permanent Notes, PHA Loan Interest Rate.....	
Interest of Member of, or Delegate to, Congress, prohibited.....	56
Interest of members, officers, or employees of LA, prohibited.....	55, 56
Provisions to be inserted in contracts.....	55
Interim redeterminations of Net Family Income. <i>See</i> Continued occupancy of tenants.....	
Inventories of personal property including equipment.....	24
Investment of moneys in General Fund. <i>See</i> Securities.....	
Justification of Project and financial assistance by PHA.....	Part One
Labor provisions:	
Anti-Kickback Act.....	7
Apprentices.....	8
Discrimination against laborers or mechanics.....	8, 21, 22
Disputes referred to PHA or Department of Labor.....	8, 9
Ineligible contractors and subcontractors.....	4, 5
Other labor provisions.....	8, 9
Payrolls and related reports and affidavits.....	7, 8
Prevailing salaries and wages. <i>See</i> Prevailing salaries and wages.....	
Provisions applicable to operation.....	18, 19
Provisions applicable to reconstruction and restoration.....	18
Provisions to be inserted in contracts and subcontracts.....	6, 7, 8
Termination of contracts for labor violations.....	8
Wage claims and adjustments.....	7
Land acquisition.....	1, 2
Landscaping. <i>See</i> Lawns and planting.....	
Land surveys for site acquisition.....	1
Lawns and planting:	
Construction or Equipment Contract provisions applicable to.....	2, 3
Lump-sum contracts required.....	3
Not in Main Construction Contract.....	2
Separate contracts permitted.....	3
<i>See also</i> Construction or Equipment Contracts.....	
Leases:	
Covenant against leasing Project. <i>See</i> Encumbrance.....	
Dwellings to be leased only to Families of Low Income.....	12, 26
Nondwelling spaces or facilities, leases for.....	12, 26
Written leases required for all dwellings.....	12
Level Debt Service, defined.....	37
Use in determining Fixed Annual Contributions.....	41
Liquidated damages for delays in construction.....	5
Litigation, if pending PHA not required to advance funds.....	36
Loan by PHA, agreement to make.....	Part One
<i>See also</i> Advance of funds by PHA.....	
Loans prohibited, except as provided in contract.....	48
Local Authority, defined.....	Part One
Curtailement of certain powers constitutes Substantial Default.....	52
Discrimination against employees prohibited.....	21, 22
Fidelity bonds for officers and employees.....	22
Interest of members, officers or employees prohibited.....	55, 56
Members not individually liable.....	56
Miscellaneous authority expense.....	30, 34
No compensation to be paid members from Project funds.....	23
Personnel policy.....	23
Retirement plans for employees.....	23
Local contributions to be repaid after all obligations liquidated or after sale of Project.....	49
Lodgers not to be included in family.....	13
Low-Rent Character, defined.....	12
Failure to maintain constitutes Substantial Default.....	52
Obligation to maintain.....	12

	Page
Main Construction Contract, defined.....	2
<i>See also</i> Construction or Equipment Contract.....	2
Main Construction Work, defined.....	34
<i>See also</i> Construction or Equipment Contracts.....	34
Management expense controlled by Operating Budget.....	Part One
Maximum Contribution Percentage, defined.....	Part One
Amount of.....	41, 45
Use in determining annual contributions.....	See Cost limit.
Maximum cost of construction and equipment per room.....	Part One
Maximum Development Cost, defined.....	Part One, 30
Aggregate of Estimated Total Development Cost for all Projects not to be exceeded.....	Part One, 29
Amount in Part One used initially.....	30
Amount of approved budgets used thereafter.....	30
<i>See also</i> Development Cost.....	
Maximum income limits. <i>See</i> Income limits.....	Part One
Maximum Loan Commitment, defined.....	36, 37
Determination of amount of.....	35
Limits advance of funds by PHA.....	37
Not less than total of outstanding notes.....	37
Not more than 90 percent of Maximum or Actual Development Cost.....	3
Mechanical trades, separate contracts may be approved by PHA.....	31
Mechanics and similar liens, Actual Development Cost Certificate not issued if any outstanding.....	38
Members of LA. <i>See</i> Local Authority.....	36
Minimum Development Cost, defined.....	38
Determination before issuance of Permanent Notes.....	24
Determination before offering of Bonds.....	38, 39
Determination of similar amount for non-Permanently Financed Projects.....	31
Increase of.....	14
Use in establishing Actual Development Cost.....	14
Minor, defined.....	13, 14
Exemption from Net Family Income of Minor's income.....	13
Exemption from Net Family Income because of presence of Minors.....	13
Number of Minors, in rent determinations.....	30, 34
Miscellaneous authority expense controlled by budgets.....	27, 28
Misrepresentations by LA, fraudulent or willful:	54
PHA may freeze General Fund.....	26, 48
PHA may terminate Contract if Project not Permanently Financed.....	25, 26
Mortgage or deed of trust to secure notes.....	1
Mortgages to other than PHA:	52
Covenant against.....	25
Site to be free of.....	2, 3
Violation of covenant against, constitutes Substantial Default.....	24
Movable equipment:	3
Constitutes Project property.....	2
Construction or Equipment Contract provisions apply, except under \$500.....	3
Inventories of.....	2
Lump-sum contracts required, except under \$500.....	3
Not in Main Construction Work.....	3
Separate contracts permitted.....	
<i>See also</i> Construction or Equipment Contracts.....	
National emergency, provisions in connection with.....	Part One
Need for housing. <i>See</i> Housing need.....	Part One
Need for Project.....	12
Net Family Income, defined.....	16
Changes to be reported by families if interim redeterminations being made.....	13
Exemptions from. <i>See</i> Exemptions from Net Family Income.....	14
Eligibility for admission depends on.....	16
Eligibility for continued occupancy depends on.....	16
Interim redeterminations of.....	16
Reexamination of tenant status.....	16

	Page
Net Family Income, defined—Continued.....	
Rents determined by.....	13, 16
Reports to PHA.....	17, 18
Standards for determining.....	12
Nondiscrimination. <i>See</i> Discrimination prohibited.....	Part One
Nondwelling Facilities, defined.....	12, 26
Leases, permits, or concessions of.....	55
Notes. <i>See</i> Advance, Permanent, and Temporary Notes.....	5
Notices or demands under Contract, how given.....	38, 39
Notices to proceed with Construction or Equipment Contracts.....	
Offering of Bonds.....	32
Officers of LA. <i>See</i> Local Authority.....	34
Open and competitive bids. <i>See</i> Bidding.....	33
Operating Budget, defined.....	33, 34
Emergency, budget may be exceeded in case of.....	34
Estimates of Accruing Annual Contribution.....	34
Modified approval by PHA.....	34
Operating Expenditures controlled by.....	34
Revisions of.....	33, 34
Submission and approval by PHA.....	52, 53
Violation of, constitutes Substantial Breach.....	32
Operating Expenditures, defined.....	34
Controlled by Operating Budgets.....	33
Reasonableness as budget criteria.....	23
Retirement plans contributions as part of.....	52, 53
Violation of Operating Budget constitutes Substantial Breach.....	
Operating improvements:	34
Controlled by Operating Budget.....	32
Included in Operating Expenditures.....	31, 32
Operating Receipts, defined.....	24, 31, 32
Excess property proceeds, when applied to.....	18, 32
Reconstruction balances, when applied to.....	25
Operating statements.....	
Operation of Projects:	Part One
Conformity with Contract and Act.....	21, 22
Discrimination in employment prohibited.....	18, 19
Labor provisions applicable to.....	25
Operating statements.....	19
Retention of contract rights required.....	12, 32
To promote serviceability, efficiency, economy and stability.....	12, 32
To provide standard housing for Families of Low Income.....	51
While title or possession held by PHA.....	1
Options for site acquisition.....	
Paying agent for Temporary Notes, monies held by, not part of General Fund.....	27
Payments in lieu of taxes:	32
Included in Operating Expenditures.....	20
Limited to amounts specified in Cooperation Agreement.....	Part One
Notification of amount to governing body.....	52
Overpayment constitutes Substantial Default.....	20
Payment of.....	20
Statement to be included in annual report by LA.....	10
Payment to contractors.....	7, 8
Payrolls and related reports.....	3, 4, 5, 6
Performance and payment bonds.....	10
Periodic payments to contractors.....	40
Permanently Financed Project, defined.....	35
Permanent Note, defined.....	44
Advance Amortization Fund balances used for payment.....	42
Annual contributions used for payment.....	39, 40
Bond proceeds used for payment.....	35, 38
Bonds less than Minimum Development Cost, notes in connection with.....	

	Page
Permanent Note, defined—Continued	35, 36
Conditions precedent to issuance	25
Conveyance or encumbrance of Project prohibited until paid	42, 43, 44
Debt Service Fund balances used for payment	35, 36
Form and terms of Permanent Notes	35
Holder may declare due and payable in case of certain defaults or contract termination	35, 38, 39
Minimum Development Cost increased, notes in connection with	48
Mortgage or deed of trust to secure	51
PHA to accept on reconveyance or redelivery of Project	47, 48
Pledge of annual contributions and Residual Receipts to	36
Temporary Notes in lieu of Permanent Notes, and payment of proceeds	2
Permits, building, zoning, etc.	25
Personal property:	24
Constitutes Project property	23
Inventories of	28
Personnel policies of LA	Part One
Petty cash funds	Part One
PHA, defined	Part One
PHA list, approval of Project by President or his delegee	Part One
PHA Loan Interest Rate, defined	Part One
Amount of	Part One
Interest on PHA loans	41
Use in determining Fixed Annual Contributions	9
PHA representatives at Project sites	28, 29
Physical completion of Projects	29
Planning, preliminary, cost included in Development Cost	3
Plans and specifications:	2
Addenda to	2, 3
Competition in products and equipment to be encouraged	47, 48
Conformity to applicable laws and regulations	28
Preparation and approval by PHA	47, 48
Pledge of annual contributions, Residual Receipts, and other amounts	28
Pooling of funds under special conditions and revolving fund	26
Possession of Projects delivered to PHA:	52
Does not constitute a prohibited encumbrance	50
Does not constitute payment of indebtedness	50, 51
In event of Substantial Default or Breach	51, 52
Redelivery after Substantial Default or Breach cured	51, 52
Rights and obligations of PHA during its tenure	29
Preferences in selection of tenants. <i>See</i> Admission of tenants.	
Preliminary survey and planning costs, included in Development Cost	40, 44
Premium on Bonds:	31
Deposited in Advance Amortization Fund	40
Not included in Operating Receipts	31
Used to repurchase Bonds	40
Premiums on Temporary Notes:	36, 44
Deposited in Advance Amortization Fund	31
Not included in Operating Receipts	31
President's or his delegee's approval of Project	Part One
Prevailing salaries and wages:	6
Affidavits as to payment of	53
Breach of certain provisions constitutes Substantial Breach	47
Certification of compliance before payment of annual contributions	35
Certification of compliance before PHA advance of funds	6, 7
Claims by contractors not allowed for payments in excess of	8
Contracts may be terminated by LA for failure to pay	6, 7
Contracts, provisions to be inserted in	6
Determination by Secretary of Labor or PHA	18
Disputes referred to PHA or Secretary of Labor	52
Failure to furnish certification constitutes Substantial Default	6, 7
Payment required during development	19
Payment required during operation	18
Payment required during reconstruction and restoration	3
Schedules included in contract documents	7
Wage claims and adjustments	

	Page
Proceeds of insurance	18, 32, 44
Procurement of equipment, materials, and services	23
Project, Projects, defined	Part One
Access by PHA and Comptroller General	25
Additional Projects	Part One
Need and justification for	Part One
Property included in	25
Project number	Part One
Property included in a Project	25
Public bodies, construction contracts with	4
Public utilities:	
Construction contracts for	4
Easements for	26
Reconstruction and restoration of damages or destroyed Projects:	
Collection and use of insurance proceeds	18, 44
Failure to prosecute constitutes Substantial Default	52
Labor provisions	18
Provisions in respect to	18
Reconveyance or redelivery after curing of Substantial Defaults or Breaches	50, 51
Records. <i>See</i> Books of accounts and records.	
Re-examination of tenant status. <i>See</i> Continued occupancy of tenants.	
Refunding of Bonds	48
Relief, no discrimination against families because of	14
Relocation of site occupants	2
Remaining member of tenant family	14
Remedies for Defaults or Breaches. <i>See</i> Defaults or Breaches, Substantial Defaults, Substantial Breaches.	
Removal of ineligible tenants	16
Reports on	17, 18
Rental gap below rents of private housing	Part One
Rents:	
At specified rents	15, 16
Interim redetermination of Net Family Income	16
Net Family Income and family characteristics determine	13
Ranges of, in connection with tenant admission	15, 16
Re-examination of tenant status	16
Rental gap below rents of private housing	Part One
Reports to PHA	17, 18
Schedules, and approval by PHA	13
<i>See also</i> Gross Rent.	
Repair, maintenance, and replacement	18
Repayment of annual and local contributions	49
Reports, to be furnished as required by PHA	25
Reserves:	
Constitute Project property	25
Establishment out of Operating Expenditures	32
Increases or decreases controlled by Operating Budgets	32, 34
Provisions in connection with	32
Reconstruction and restoration, reserves for	18
Replacement of personal property, reserves for	24
Residual Receipts, defined	32
Deposited in Debt Service Fund	43
Establishment of reserves affects	32
Pledged for Bonds, Notes, and other stated purposes	47, 48
Use for final payment of obligations	42, 43
Use in case of non-Permanently Financed Projects	45, 46
Retention of contract rights by LA required	9, 19
Retirement plans for LA employees	23
Revolving funds permitted under special conditions	28
Rights and obligations of PHA during its tenure	51, 52
Rights of LA under contracts must be retained	9, 19
Rights of third parties	54
Room cost. <i>See</i> Cost limits on construction and equipment.	

	Page
Sale of Project:	
Conditions governing.....	49
Covenant against. <i>See</i> Encumbrances.	
Repayment of contributions.....	49
Securities:	
Constitute part of General Fund.....	27
Constitute Project property.....	25
Failure to deposit in General Fund constitutes Substantial Breach.....	53
Freezing by PHA in case of Substantial Default or Breach, or willful misrepresentation.....	27, 28
Investment of excess funds required.....	27
Selection of tenants. <i>See</i> Admission of tenants.	
Servicemen, defined.....	14
Eligibility for admission, special provisions.....	14
Preference in admission.....	15
Reports to PHA.....	17, 18
Severability of provisions in Contract.....	55
Site improvements, separate contracts may be approved by PHA.....	3
Site occupants:	
Eligibility for admission.....	13
Preference in admission.....	15
Records of.....	2
Relocation of.....	2
Sites:	
Acquisition of.....	1
Elimination of substandard structures on.....	2
Relocation of occupants of.....	2
Size of dwelling assigned, based on family composition.....	15, 16, 17
Slum clearance and urban redevelopment or renewal project, as condition precedent to Contract under Housing Act of 1954.....	Part One
Relocation need as condition precedent.....	Part One
Slum clearance, etc., families displaced by. <i>See</i> Displaced families.	
Specifications. <i>See</i> Plans and specifications.	
Stages, construction in, separate contracts may be approved by PHA.....	3
Statistical records and reports.....	25
Streets, etc., dedication of land for.....	26
Subcontracts under Construction or Equipment Contracts.....	5, 8
Substandard housing:	
Eligibility for admission of tenants coming from.....	13
Equivalent elimination of.....	20, 21
Reports to PHA, in relation to tenant admission.....	17, 18
Substandard structures, elimination on Project sites.....	2
Substantial Breach, defined.....	52, 53
PHA may call Advance Notes.....	36
PHA may freeze General Fund.....	27, 28
PHA may require delivery of possession.....	26, 50
PHA may terminate Contract if Project not Permanently Financed.....	54
PHA or holder may call Permanent Notes.....	35
Remedies, other.....	53, 54
<i>See also</i> Defaults or Breaches by LA.	
Substantial Default, defined.....	52
PHA may call Advance Notes.....	36
PHA may freeze General Fund.....	27, 28
PHA may require conveyance or delivery of possession.....	26, 50
PHA may terminate Contract if Project not Permanently Financed.....	54
PHA or holder may call Permanent Notes.....	35
Remedies, other.....	53, 54
<i>See also</i> Defaults or breaches by LA.	
Surveys for site acquisition.....	1
Surveys, preliminary, cost included in Development Cost.....	29
Taking of bids:	
For construction or Equipment Contracts.....	3, 4
For insurance.....	22, 23
For procurement.....	23

	Page
Taxes, exemption from local:	
Condition precedent to payment of annual contributions.....	47
Exemption provided by State law.....	Part One
Failure of, constitutes Substantial Default.....	52
Notification to governing body of amounts otherwise payable.....	Part One
Statement on taxes otherwise payable to be included in annual report of LA.....	20
<i>See also</i> Payments in lieu of taxes.	
Temporary Note, defined.....	36
Advance Amortization Fund balances used for payment.....	44
Annual contributions and Residual Receipts on non-Permanently Financed Projects used for payment.....	46
Annual contributions on Permanently Financed Projects used for payment.....	42
Bond proceeds used for payment.....	39, 40
Bonds less than Minimum Development Cost, notes in connection with.....	38
Conditions precedent to issuance.....	36
Conveyance or encumbrance of Project prohibited until paid.....	25
Debt Service Fund balances used for payment.....	42, 43, 44
Development monies unexpended, used for payment.....	31, 44
Disposition of proceeds.....	36
Minimum Development Cost increased, notes in connection with.....	38, 39
Monies held by paying agents not part of General Fund.....	27
Premiums. <i>See</i> Premiums on Temporary Notes.	
Tenant eligibility and selection. <i>See</i> Admission of tenants, Continued occupancy of tenants.	
Termination of Contract:	
Obligation of PHA to make annual contributions not affected by.....	54
PHA may call Advance Notes in case of.....	36
PHA or holder may call Permanent Notes in case of.....	36
Right of PHA to terminate if Project not Permanently Financed.....	54
Termination by performance of obligations.....	56
Termination of obligations under Contract.....	56
Terms and Conditions (Part Two) included in Contract.....	Part One
Third parties, no rights except in case of bondholders.....	54
Title information for site acquisition.....	1
Title to Project, conveyance and reconveyance after Substantial Default.....	50, 51
Title to sites:	
Good title required, free of encumbrances.....	1
Recording of title.....	1, 2
Required before taking construction bids.....	3
Title, Table of Contents, and Index of Contract.....	55
Tort claims under insurance not to be defended on basis of immunity.....	23
Travel expenses of LA.....	23
United States, faith pledged to payment of annual contributions.....	48, 49
Use of Projects.....	12
Utilities included in Gross Rent.....	13
Verification of applications for admission and continued occupancy.....	17
Veteran, defined.....	14
Eligibility for admission, special provisions.....	14
Preference in admission.....	15
Reports to PHA.....	17, 18
Wage claims and adjustments.....	7
<i>See also</i> Prevailing salaries and wages.	
Waiver or amendment of Contract.....	55
Obligation of PHA to pay annual contributions may not be impaired.....	55
Waivers, how given.....	54, 55
Without housing, tenants:	
Eligibility for admission because of.....	13, 14
Reports to PHA.....	17, 18
Workable Program as condition precedent to Contract.....	Part One

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