

**U.S. Department of Housing and Urban Development
Office of Housing**

Special Attention of:

Notice H 2001-10 (HUD)

Multifamily HUB Directors
Program Center Directors
Production Chiefs

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Cross References: Handbooks

4450.1

4465.1

Subject: Cost Not Attributable to Dwelling Use and Site Not Attributable to Dwelling Use
in Underwriting FHA Multifamily Mortgages

The Department has revised the definitions of cost and site not attributable to dwelling use and set standards for field office approval. These revisions apply to all FHA multifamily mortgage insurance programs for new construction or substantial rehabilitation and have already been published in the Multifamily Accelerated Processing (MAP) Guide.

1. Cost Not Attributable to Dwelling Use (CNA) consists of certain project amenities and uses other than dwelling uses. CNA is calculated by the cost analyst and used by the appraiser to increase the maximum mortgage amount under Criterion 4 of Form HUD-92264-A. Include these costs within the estimate of total structures and land improvements; also itemize the costs and report separately in Form HUD-92326 and Section M of Form HUD-92264.
 - a. How CNA is calculated.
 - (1) CNA is calculated as a percentage. The CNA percentage consists of the ratio of the cost of the non-attributable spaces and facilities (abbreviated "B") to the total cost of land improvements and structures (abbreviated "A"), known as the B over A ratio, or simply B over A.
 - (2) B over A Ratio. Costs are generally based on gross floor area of the building, area of exterior site improvements, and/or lump sums.
 - (a) To calculate "B" costs:

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- i. Prepare a worksheet describing by category each item considered in CNA, showing the calculation of the cost of each item.
 - ii. Show the basis of measurement and the unit price.
 - iii. Summarize the categories and total in Form HUD-92326 and Section M of Form HUD-92264.
 - (b) To calculate "A" costs:
 - i. "A" is the sum of Total Structures and Total Land Improvements, before General Requirements or fees are added. To calculate "A" add the amounts in lines 36c and 41 in Section G of Form HUD-92264.
 - (c) To calculate B over A:
 - i. Divide the "B" costs by the "A" costs. Express as a percentage and enter in Section M of Form HUD-92264.
- b. CNA categories. There are two main CNA categories, Residential and Commercial. Each is calculated independently of the other and each has a maximum limit of 15 percent, resulting in a total CNA of up to 30 percent. (See the Example below.)
 - (1) Residential CNA. This consists of items solely for the use of residents of the project. Items to consider as not attributable to dwelling use are:
 - (a) Parking areas and the walks and driveways specifically leading to them and serving them. Do not include public roads and streets, or walks and driveways that lead to and serve the building entrance.
 - (b) Garages, garage spaces, and covered parking, and the walks and driveways leading to them, excluding public roads and streets.
 - (c) Other improvements include:
 - i. Community space, such as: multipurpose rooms, game rooms, lounges, libraries, and hobby or craft rooms, with related equipment such as television sets.

- ii. Project administrative and maintenance spaces, such as: offices (with related equipment such as computers), repair shops, employees' toilets, and janitor or cleaning closets.
 - iii. Storage facilities not for occupant use.
 - iv. Recreational facilities, such as: swimming pools, tennis courts, basketball courts, and tot lots, with related and necessary equipment.
 - v. Interior works of art.
- (d) Special Exterior Land Improvements are features unusual or in excess of those typical in projects for similar occupancy.
- i. Include such items as patios, sitting areas, and gazebos for the use of all project occupants. Include fountains and pools, exterior works of art, unusual trees and shrubs, and ornamental lighting and fencing.
 - ii. Do not include typical earthwork, roads and walks leading to and serving the dwellings, typical lawns and plantings, private balconies and patios, utility lines, retaining walls, or security lighting and fencing.

(2) Commercial CNA

This consists of areas or buildings and improvements intended for the use of the public as well as project residents. The most common commercial uses in residential developments are:

- (a) Shops,
- (b) Offices, and
- (c) Public parking.

Include only the basic and permanent structural improvements typical in vacant commercial space. Do not including equipment, fixtures, movable partitions, special finishes, etc., for a specific business.

c. Limitation on CNA

- (1) Residential CNA: The B over A ratio for residential CNA should not exceed 15 percent. This is exclusive of any commercial space in the project.
- (2) Commercial CNA. Commercial CNA applies to commercial space as defined above. This is calculated separately from residential CNA. The B over A ratio for commercial CNA should not exceed 15 percent. HUD staff should be aware of the higher risk inherent in commercial space and take special care to evaluate the commercial market in order to determine the maximum commercial space that can be included in the project without imposing undue risk.

Example: A project has residential CNA of 12 percent, and commercial CNA of 7 percent. Each CNA category is within the 15 percent guidelines. Total CNA for the project is 12 percent residential plus 7 percent commercial, equaling 19 percent.

d. Items not to be included in CNA:

- (1) Dwelling units. No portion of any dwelling unit, or any balcony or patio solely for the private use of the resident of the individual dwelling unit, is to be included in CNA.
- (2) Utility rooms. Do not include utility rooms or portions of basements devoted to utilities such as boilers or furnaces, hot water heaters, water and sewer mains, gas mains, or electrical panels or closets.
- (3) Circulation elements. Do not include entrances, lobbies, halls, corridors, stairs, and elevators used by the occupants to enter and leave dwelling units. Do not include roads and walks that lead to and serve the dwellings.
- (4) Proration of circulation elements. A proration of circulation elements between dwelling use and any category in CNA is not permitted.
- (5) For commercial CNA, do not include equipment, fixtures, movable partitions, special finishes, etc., for a specific business.

e. CNA for substantial rehabilitation. See attached format.

2. Site Not Attributable to Dwelling Use (SNA)

- a. SNA is an extension of CNA. The value of the land containing a non-attributable use will be added to the CNA amount to increase Criterion 4 of Form HUD-92264-A. The SNA value equals the non-attributable site area multiplied by the Warranted Price of Land (line G.73 of Form HUD92264). The non-attributable site area is calculated by the cost analyst and provided to the appraiser who determines the SNA (See instructions for Form HUD-92264) Steps:
 - (1) The cost analyst will calculate the area of each CNA element.
 - (a) Itemize interior and exterior uses, such as community rooms and parking lots, in the area calculations.
 - (b) Items such as fences, benches, tables, and ornamental planting should not be included in area calculations.
 - (2) Itemize the areas in Section M of Form HUD-92264.
 - b. The appraiser will calculate the site not attributable based on the square footage estimate of the Cost not attributable to Land developed by the cost analyst. For simplification designate this amount as A.
 - c. The appraiser next takes the total site square footage from his estimate on the front of the HUD-92264 or HUD-92264HCF. For simplification designate this amount as B.
 - d. The appraiser next takes the value estimate for the total site from the front of the HUD-92264 or HUD-92264HCF. For simplification purposes designate this amount as C.
 - e. To calculate the (SNA) the appraiser uses the Following formula: $SNA = (A/B) \times C$
 - f. The appraiser will then enter the SNA cost on line 4.c. of the trial HUD-92264-A.
3. Waivers. A Hub Director is authorized to waive the above limitations on Cost Not Attributable (CNA) or Site Not Attributable (SNA) only in those instances where it can be documented that the project will produce affordable housing through the use of bond financing, tax credits, tax abatement, CDGB, HOME, HOPE VI, or similar local funds.
4. Applicability. These instructions already apply to all MAP transactions. This Notice applies to all non-MAP applications for mortgage insurance for which a

SAMA or Feasibility Letter has not been issued or a Firm Commitment has not been issued for applications which skipped the SAMA or Feasibility stage.

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