

CNA Friend or Foe?

By Mel Cywinski

Before we can answer the question whether or not a CNA is a friend or foe we first must ask ourselves what is a CNA and what is not a CNA. **Typically**, a CNA is a Capital Needs Assessment -- a snap shot at one brief moment in time addressing the "Capital" needs of a complex.

The key word here is "Capital." The word "capital" means the "brick and mortar" of a complex (the walls, ceilings, roofs, floors, appliances, sidewalks, parking areas, etc). It does not mean architectural fees, utility costs, rents, operating budgets, salaries and expenses paid to workers, etc.

A CNA is a report that presents the current condition of each major building component and projects the remaining useful life of these components over a specified period of time. The remaining useful life is a function of knowing the expected useful life of each building component which is based on the Expected Useful Life Tables (EUL) published by Fannie Mae. The specified period of time typically is 20 years which is sometimes referred to as "the Term".

The CNA preparer looks at each component and presents in very broad terms when in future years a particular component would need to be replaced, repaired or maybe just maintained. The report shows estimated costs for each item using established cost estimating databases.

Also included in a CNA report is a narrative section that presents a written explanation of the condition and possible future expectations of each building component. A CNA report should not be misconstrued as being a scope of work or a set of construction specifications to be used for the remodeling or repairing of a complex. A Scope of Work and/or Construction Specification typically will be prepared by a design professional hired by the Owner to oversee the preparations of specific contract documents which then brings into play other legal ramifications.

Another key component of a well-prepared CNA is the need to address accessibility issues. In order for a CNA to include accessibility issues, a 504 Transition Plan must be prepared. A 504 Transition Plan is a report prepared by a professional organization knowledgeable in Section 504, ADA and the Fair Housing Accessibility Guidelines. The 504 Transition Plan identifies specific areas of a complex that will need to be corrected to bring the property into compliance. These deficiencies are then incorporated into the CNA report, thereby providing the Owner and Agency with one complete document that outlines the future of the development.

Keep in mind this article addresses a "typical" CNA. There can be exceptions to this format based upon requirements levied by the lender and/or owner or both.

Getting back to the basic question, is a CNA a Friend or Foe, you might think that it would depend on what side of the fence you are sitting on, (i.e. lender or owner). If the CNA report is properly prepared and correctly used, it can be a friend to both parties. From the lender's perspective the CNA report helps the lender in making better financial decisions. It provides the lender with what the long term needs of a complex might be thereby enabling them to more accurately determine what future costs will be required to maintain the viability of the complex.

From the owner's point of view, the CNA can become a much-needed tool for the owner to project what they will need to do to maintain or improve the complex over the next 20 years. It provides the owner with a 20-year road map showing when any building component will need to be replaced or actions taken. This will eliminate "getting blind sided" with an unexpected cost because the owner can now literally see into the future.

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