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| **Commercial Leased Space Checklist—Additions or Alterations**Section 232  | **U.S. Department of Housing****and Urban Development**Office of Residential Care Facilities |

**Warning**: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

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| **Project Name:**       |
| **Project Number:**       |
| **Applicant Name:**       |

This form should only be used to obtain HUD approval for **Additions or Alteration to Commercial Leased Space** as discussed in the *232 Handbook 4232.1, Section III Asset Management, Chapter 3.9.4.*

The commercial space limits are a maximum of 20% of the total gross floor area of the project and 20% of the effective gross income (EGI) of the project.  However, commercial space that is intended to exclusively serve the residents of the facility is not counted toward the 20% space and income limitations.  Non-resident adult day care space will not be considered commercial space. However, the adult day care space may not be located on a separate site, the space may not exceed 20% of the gross floor area of the facility, and the income may not exceed 20% of gross income (provide a Certificate of Need or operating license, if applicable).

Limited waivers of commercial income and space limits may be considered for mitigating circumstances that clearly justify a waiver. Examples include, but are not limted to:

* A long-term lease with a creditworthy tenant, such as a government agency.
* Tenants that have a long history of occupancy (5 or more years) and full occupancy of this space is not needed to provide a breakeven cash flow for the project.
* There is substantial borrower equity and/or local government funds that mitigate risk.
* Demonstration that the additional space will not negatively impact the use of the project by its residential tenants and will not create a nuisance to the surrounding community.
* There is ample market support to assure occupancy of the space within the projected absorption period.

Any issues involving easements, liability insurance, parking, and zoning must be resolved prior to granting the waiver.

**SUBMISSION REQUIREMENTS:**

* Lender shall transmit the checklist documents via the HUD Healthcare Portal (link [here](https://www.hud232portal.com/)). In the Portal, select *Asset Management > Project Request Form* > *Commercial Lease.*
* It is **critical** that you name each file according to the naming convention provided in the checklist **highlighted in green.** These highlighted numbers are important codes that “guide” the Portal system to recognize the type of transaction submitted, section number of the checklist, and the identity of the document. Therefore, appropriate file names for this submission package would include **99901-a\_Lender’s Narrative [OR] 99901-a\_LendersNarrative [OR] 99901-a\_LNarrative.** In all three examples, the critically important portion of the file name is the five-digit number, dash, letter, and underscore that have been highlighted in green on the checklist. Do not use the following characters in your file names: Less than: (<), Greater than: (>), Colon: (:), Double quote: ("), Forward slash: (/), Backslash: (\), Vertical bar or pipe: (|), Question mark: (?), Asterisk: (\*).

| **No.** | **Item** | **Incl.** | **N/A** |
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|  | **90901-a\_**Copy of completed **Commercial Leased Space Checklist**  | [ ]  |  |
|  | **90902-a\_**Brief Narrative Describing the Commercial Lease Transaction The narrative must describe the proposed additions and/or alterations to the commercial lease, why it is proposed, how it will be completed, income generated, who will benefit, and any special characteristics or other relevant information regarding the transaction. Please also include a list of the primary contact person(s) relevant to this transaction (i.e., Lender, Borrower, Operator, proposed Lessee, and all Attorneys). | [ ]  |  |
|  | **90903-a\_**Consent by the Mortgagee  | [ ]  | [ ]  |
|  | **90904-a\_**Consent by the Mortgagor *(as applicable)*  | [ ]  | [ ]  |
|  | **90905-a\_**Consent by Lessee *(as applicable)*  | [ ]  | [ ]  |
|  | **90906-a\_**Consent by Master Lessee *(as applicable)*  | [ ]  | [ ]  |
| **7a.** | **90907-a\_**Subordination, Non-Disturbance and Attornment Agreement (SNDA) *(if requested)* If SDNA is requested, the detailed explanation of why it would be in HUD’s best interest to permit must be provided. A sample SNDA is located in Housing Notice 2011-07. | [ ]  | [ ]  |
| **7b.** | **90907-b\_**Attorney’s Certification on Execution and Recordation (*See ORCF Loan Serving Guidance home page*)  | [ ]  | [ ]  |
|  | **90908-a\_**Copy of Lease Agreement All non-residential leases, including renewals or extensions of existing leases, shall specifically provide that:1. Leases are subordinate to the lien of this Security Instrument
	* The tenant shall, upon receipt after the occurrence of an Event of Default of a written request from Lender, pay all Rents payable under the Lease to Lender; and
	* The tenant shall attorn to Lender and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Mortgaged Property by any purchaser at a foreclosure sale or by Lender in any manner; and
2. The tenant agrees to execute such further evidences of attornment as Lender or any purchaser at a foreclosure sale may from time to time request;
3. The Lease shall not be terminated by foreclosure or any other transfer of the Mortgaged Property; and after a foreclosure sale of the Mortgaged Property or after transfer of the Mortgaged Property to Lender by a deed-in-lieu of foreclosure, Lender or any purchaser at such foreclosure sale may, at Lender's or such purchaser's option, accept or terminate such Lease;
4. Borrower shall not receive or accept rent under any Lease (whether residential or non-residential) for more than two months in advance.
 | [ ]  | [ ]  |
|  | **90909-a\_**Description of the Business Activities to be Performed in the Commercial Leased Space Advise if these activities will be for the exclusive use by the residents of the facility. | [ ]  | [ ]  |
|  | **90910-a\_**Final Submission Documents *(as applicable)*   | [ ]  | [ ]  |