

## **Physical Needs Assessment Guidelines**

### **Low Income Housing Credits Non-Competitive**

The Physical Needs Assessment (PNA) is required at Initial Application submission for all developments proposing adaptive reuse, preservation, or rehabilitation submitted for potential award of Non-Competitive Housing Credits administered through THDA. The purpose of the PNA is to provide a property description, document the existing condition of the development, to identify existing building code and program violations, identify immediate physical needs and to estimate capital needs over the long term that will be included in the Estimated Scope of Work. The PNA must be prepared by a qualified independent party from members of the development team or Related Parties as defined in the Qualified Allocation Plan and include **Exhibit A-PNA** identifying the applicable page number the information is located within the report.

The PNA must be **no more than six (6) months old** at the time of the Initial Application submission in THOMAS, including the onsite visit date. The PNA onsite review must include at least 25% of the units as the sample size containing all vacant and down units, one unit in each building, one of each unit configuration type, one of each type of accessible unit (if applicable), and all other community/common areas.

A Property Useful Life Table provides an estimate at a specific point in time the condition of the property's systems and component by assessing the current state of each component or system without regard to the year the property was built or the system or component was installed. Any item that is determined to have an Estimated Remaining Life of 15 years or less must be documented in the Estimated Scope of Work or the anticipated Replacement of Capital Needs Schedule as well as the Property Useful Life Table. Items that have an Estimated Remaining Life of 15 years or less that are documented on the anticipated Replacement of Capital Needs Schedule must include an explanation as to why it will not be included in the Estimated Scope of Work to be completed prior to the property placing in service.

It is recognized that the Property Useful Life Table represents one judgment of the expected life of the various components, however having all PNA consultants using [Fannie Mae's Estimated Useful Life Table](#) provides a useful and consistent standard for all evaluators to use.

The completed Property Useful Life Table must be included in the Executive Summary section of the PNA. In completing the Property Useful Life Table, the PNA consultant should use the following definitions:

- “EUL” is the average Estimated Useful Life for the specified system/component, as set forth on Fannie Mae’s Estimated Useful Life (EUL) Reference Table.
- “Effective Age” is the Effective Age of the specified system or component based on the PNA consultant’s assessment of the condition of the system or component.
- “RUL” is the Remaining Useful Life of the specified system or component based on the EUL minus the Effective Age.
- “RUL:EUL Ratio” is the ratio of RUL for the specified system or component divided by the EUL for the specified system or component.

The PNA also must describe in the Property Useful Life Table the condition of the following items as Good, Fair, or Poor:

<b>SITE SYSTEMS AND CONDITIONS</b>		
Foundation	Exterior Walls	Exterior Doors
Windows	Roofing	Elevators (if applicable)

<b>EXTERIOR SITE IMPROVEMENTS</b>		
Landscaping	Irrigation	Grading/Storm Water Drainage
Lighting	Parking Lots	Sidewalks
Mailboxes	Property Sign	Retaining Walls
Fencing	Exterior stairs	Exterior Railings
Site Amenities	Gutters and Downspouts	Soffits and Trims
Refuse Collection Area(s)		

<b>INTERIOR ELEMENTS</b>		
Cabinets	Countertops	Interior doors
Floor underlayment	Floor finishes	Wall finishes
Ceilings	Bathroom vanities	Bathtubs/showers
Tub/Shower Surround	Heating and Air Conditioning Systems	Plumbing
Waste/vent Piping	Appliances	Sprinklers
Electrical	Wiring	Panels/breakers
Life safety		

The PNA should include Immediate Capital Needs and Replacement for Capital Needs Schedule that emphasizes all systems/components with no RUL and those with EUL less than THDA's requirement of fifteen (15) years, all deferred maintenance, and repairs or replacements involving significant expense or outside contracting. The items noted in the Immediate Capital Needs and the Replacement for Capital Needs Schedule should correspond to the Property Useful Life Table.

The PNA must also include a discussion of known building codes and health/life safety violations as well as any upgraded energy efficiency requirements as required by local codes and the QAP.

The PNA consultant is not expected to assume liability for compliance with accessibility regulations during design or post rehabilitation. The consultant is expected to identify potentially costly barriers to required property accessibility, i.e., changes in grade for accessible routes or parking and unit framing changes for required clearances. The PNA must identify major violations of the Americans with Disabilities Act and The Fair Housing Act where these standards are applicable to the existing property.

The PNA consultant must note any suspected environmental hazards seen in the course of the inspection.

### **Estimated Scope of Work**

While the PNA documents the existing conditions and immediate physical needs, the Estimated Scope of Work must include these considerations as well as future property marketability, sustainability, and energy efficiency which will add to the residential quality of life. The Estimated Scope of Work must include materials, quantities and unit costs. The Estimated Scope of Work must be based on:

- Immediate Capital Needs and Replacement for Capital Needs Schedule;
- All applicable threshold and scoring upgrades as indicated in the Initial Application, MTBA Program Description and the QAP including details regarding Limited, Moderate, and Substantial Rehabilitation (**Exhibit B-PNA**);
- Rehabilitation of the applicable components for a period of at least fifteen (15) years from the required placed in service date and will be included in the Final Scope of Work;
- All costs that will be incurred in bringing the property into compliance with federal, state and local accessibility regulations; In the event that the actual cost reflected in THOMAS on the Hard Costs line is different than the Estimated Scope of work, the owner must supply an Actual Scope of Work that is in line with the hard cost line item shown in THOMAS.
  - This document will be uploaded by the applicant in the PNA folder in THOMAS

**Exhibit A-PNA**

**2022 Physical Needs Assessment  
Cover Page**

<b>Introduction</b>	<b>Page Number</b>
<b>A. Executive Summary</b>	
a. General Narrative of Property 1. Site Components 2. Architectural Components 3. Mechanical/Electrical/Plumbing Components 4. Dwelling Unit Components 5. Zoning 6. Building Code Violations	
b. Property Useful Life Table	
c. Description of Existing Condition	
d. Major Capital Needs/Rehab Hard Cost	
e. Immediate Capital Needs	
f. Total Capital Needs Costs	
g. Total Capital Needs Costs Per Unit	
h. Identity of Interest Statement	
<b>B. Physical Inspection and Scope of Work</b>	
a. List of units inspected to determine scope of work	
b. Immediate Deficiencies	
c. Replacement of Capital Needs Schedule	
d. Corrective Actions for all Deficiencies	
e. Color Photos of Exterior and Interior of Property	
f. Fire and Code Enforcement Verifications	

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**Signature**

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**Print Name, Title, and Date**

**Exhibit B-PNA**

