

MISSOURI HOUSING DEVELOPMENT COMMISSION
PHYSICAL NEEDS ASSESSMENT GUIDELINES

MHDC Form 1201
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MHDC Physical Needs Assessment Guidelines

MHDC requires a detailed Physical Needs Assessment (PNA) for proposed multifamily rehabilitation projects. The PNA is an evaluation of a property in terms of existing physical condition, future physical needs, and the estimated timeline and cost of the replacement of systems and components. The PNA must identify deferred maintenance, physical needs, remaining useful life of key components, building material deficiencies and material building code violations that affect the property's use, structural and mechanical integrity, and future physical and financial needs. The results of the PNA will be examined by MHDC with respect to the scope of the rehabilitation proposal, construction cost budget, and the determination of replacement reserve requirements.

MHDC has developed the following standards for the preparation and submittal of PNA reports. PNAs are subject to the review, acceptance, and approval of MHDC staff. Abbreviated PNA reports are allowed on small developments as outlined below.

PNA reports must:

- be submitted with the initial tax credit or financing application for **all** developments that include the acquisition and rehabilitation of existing multifamily housing developments. Proposals for adaptive reuse (conversion) developments are not required to submit a PNA.
- be completed and dated within six months of its submission for an application or firm submission review. Outdated PNA reports may be refreshed through a review and update of the original report by the author within six months of the submission date.
- be prepared by an architect or engineer licensed in the state of Missouri.
- be based upon the inspection of all vacant units and a minimum percentage of occupied units:

<u>Project Size</u>	<u>Percentage of Occupied Units Inspected</u>
Fewer than 25 units	50% inspected
25-49 units	35% inspected
50-100 units	25% inspected
101+ units	15% inspected

At least one unit must be inspected in each building.

- include the author's observations and assessments based upon physical observations and assessment of the building exterior and interior including interior

public, mechanical and accessible spaces. The scope of the inspection should include all spaces that are reasonably accessed, including a thorough walk-through of all attics, roofs, crawl spaces, etc. All building exteriors and common areas must be inspected. Any inaccessible spaces must be noted in the report.

- include a narrative description of the development.

For developments of 50 units or greater:

The narrative must include the evaluator's overall assessment of the property condition, addressing the property's location, age, physical attributes (including number of units and bedrooms), number of units inspected, and the physical condition of the units inspected. The assessment must address the presence or suspected presence of environmental hazards such as asbestos, lead paint or mold. The narrative should further examine and analyze the following:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, and gas and electric utilities and lines;
- Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
- Interiors, including unit and common areas, existing finishes (carpeting, tile, walls, paint condition, etc.), cabinets, appliances, fixtures and common area lobbies and corridors;
- Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection systems, and elevators; and
- Any non-compliant component or issue relative to the applicable accessibility code or guidelines of ADA, Section 504, and/or Fair Housing Guidelines.

For developments of 49 units or fewer:

The narrative must include the following:

- Number of units inspected;
 - Systems inspected;
 - List of all parties present during the inspection;
 - Presence or suspected presence of environmental hazards such as asbestos, lead paint or mold;
 - Description of records researched and information obtained to determine the condition of all systems; and
 - Any non-compliant component or issue relative to the applicable accessibility code or guidelines of ADA, Section 504, and/or Fair Housing Guidelines.
- include an interview with available on-site property management and maintenance personnel to gain knowledge of past repairs/improvements, pending repairs, and

existing defects or chronic physical deficiencies in the development. The PNA preparer should obtain and review a five-year history of capital and major repair expenditures for the development.

If the inspector encounters a resident, he/she should inquire about the resident's experience of the general unit condition and utility costs.

- include photographs of typical building characteristics and deficiencies.
- include the developer's proposed expenditures/costs for extraordinary property improvements which may affect the project's future marketability. Such improvements may include: adding parking garages or other covered parking structures to the site, adding central air conditioning for units, elevators or community room additions, etc.
- include a property inspection and evaluation section in spreadsheet format. The information contained in the spreadsheet portion of the PNA *must follow the format and contain the information* included in the Freddie Mac form 1105, "Multifamily Engineering and Property Condition Report," which may be found at <https://mf.freddie.mac.com/lenders/guide/>. The actual Freddie Mac forms do not need to be used. The required sections include:

Section I - Summary

Section II - Property Inspection and Evaluation

Section III - Immediate Repair Needs and Cost Estimate

Section IV - Capital Needs over Loan Term

The minimum term to be used in this portion of the report is twenty (20) years.

Developments with 49 units or fewer are required to complete only Sections I and II, Summary and Property Inspection and Evaluation.

Proposed developments structured with both MHDC and USDA Rural Development financing may satisfy MHDC's requirements with a Capital Needs Assessment prepared according to USDA standards and dated within six months of the application or firm submission.