



Capital Needs Assessment (CNA) Policy & Standards

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This information will be made available in alternative format upon request.

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Overview

The Capital Needs Assessment (CNA) is a qualified professional's opinion of a property's current physical condition. It identifies deferred maintenance, physical needs, remaining useful life of key components, building material deficiencies and material building code violations that affect the property use, structural and mechanical integrity, and the future physical and financial needs.

The purpose of a Capital Needs Assessment (CNA) is to determine a property's physical capital needs over the next 20 years based upon the observed current physical conditions of a property. It is based upon Minnesota Housing's desire to see a more standardized approach in assessing the physical needs of properties that will be securing our loans and resources.

The CNA shall compliment and supplement the Minnesota Housing Rental Housing Design/ Construction Standards (RHD/CS). Reference to Chapter 3 – General Occupancy Rental Housing Minimum Rehabilitation Standards shall be included throughout the CNA process.

Policy

1. Step One: Physical Needs Assessment (PNA)

- a. A Property Physical Needs Assessment, prepared by an Architect or Qualified Rehab Specialist must be provided for all developments at the time of Consolidated RFP (and Pipeline Application) submittal. A completed Minnesota Housing [“Property Inspection Template”](#) may be submitted as the Property Physical Needs Assessment, or the preparer may use their own document with a similar format. The inspection shall be conducted to identify deficiencies under the applicable state and local codes, ordinances, Minnesota Housing’s Rental Housing [Minimum Property Maintenance Standards](#), and The Minimum Essential Physical Needs described in Chapter 3 of [Minnesota Housing’s Rental Housing Design/ Construction Standards](#).

2. Step Two: Capital Needs Assessment (CNA)

- a. Upon application approval by Minnesota Housing, a Capital Needs Assessment will be required at least 14 calendar days before the Intake Meeting.
- b. The following types of Multifamily developments shall include a Capital Needs Assessment:
 - i. Existing building and/or site acquisitions
 - ii. Minor, moderate or substantial existing Building Rehabilitation & Renovation
 - iii. Existing Buildings where an addition is proposed
- c. Developments with the following scope of work are exempt:
 - iv. New construction without an existing building component.
 - v. Gut Rehabilitation & Adaptive Re-use (As defined by Minnesota Housing Rental Housing Design/ Construction Standards, Chapter 3)
 - vi. Construction Cost Threshold. Moderate rehab projects without an acquisition and with a total construction costs less than \$500,000 (including contingency) are exempt.

3. One CNA report

- May be provided for a single development with multiple buildings.

4. A [20 year Capital Expenditure Spreadsheet](#)

- Showing Life Expectancy with a 3% annual inflation shall be included in the CNA.

5. Exceptions:

- a. Step One: PNA may only be omitted if a Step: Two CNA is provided at the time of Consolidated RFP or Pipeline Application Submittals.
- b. Projects/ Developments that have received Minnesota Housing’s Mortgage Credit Committee approval prior to the date noted on this version of this document may be exempt from providing a Step Two: CNA if approved by Minnesota Housing.
- c. If a CNA is waived, a Step One: PNA must be provided.

Requirements

1. CNA Providers

- a. CNA Providers (and provider personnel) shall be professionally experienced in preparing and providing CNA's for multifamily housing properties that are similar in scope and operation to those typically financed by Minnesota Housing. This shall include the evaluation of site and building systems, health and safety conditions, physical and structural conditions, environmental and accessibility conditions, and estimating costs for repairing, replacing and improving site and building components.
- b. The CNA Provider cannot have an identity of interest or business association with the Contractor, Owner, Developer, or Appraiser of the property being evaluated.
- c. The Design Architect and/or Architect of Record for the development may be the CNA Provider.

2. CNA Report Standards

- a. Items noted as (Optional) are not required, but may be included at the discretion of the CNA Provider
- b. Executive Summary
 - i. Brief narrative describing a summary of the report.
- c. Project Information Summary
 - i. Date of report
 - ii. Name and location of development including each building (if more than one building)
 - iii. Name and contact information of current property Owner
 - iv. Name and contact information of Developer/ Client
 - v. Name and address of CNA Provider (Firm and Individual(s))
 - vi. List name(s) of individual(s) who prepared the report
- d. Tabulation Schedule
 - i. Lot Area in square feet and acres
 - ii. Building(s) Coverage (foot print) in square feet and acres.
 - iii. Number of parking spaces (garage stalls). Regular and Accessible
 - iv. Gross Building square feet.
 - v. Number, type, gross square feet, floor level of all dwelling units. Summarize by type and floor level.
 - vi. Identify and summarize common use space and other amenities including gross square feet.
 - vii. Gross Square Feet shall be established per the AIA D101-1995 Methods of Calculating Area and Volume of Buildings.
- e. Building Construction & Materials
 - i. Identify type of building; single family home, duplex, townhouse, walk-up, elevator (low, mid, or high rise).
 - ii. Identify type of construction, total number of stories, and building height.
- f. Physical Needs Assessment (see RHD/CS Chapter 3, Section A)
 - i. Completed Minnesota Housing's ["Property Inspection Template"](#)
- g. Site Information
 - i. (Optional) Vicinity Map
 - ii. (Optional) Provide an aerial site map or survey showing property lines, neighboring streets and properties, and other information deemed necessary.
- h. Dwelling Unit (DU) Inspections
 - i. Number of Inspections.
 1. At least 50% of dwelling units in a development if there are up to (49) DU's.
 2. At least 40% of dwelling units in a development if there are (50) or more DU's.
 3. Additional Dwelling Unit inspection may be required by Minnesota Housing.

- ii. DU inspections shall include items noted in Minnesota Housing's RHD/CS Chapter 3, General Occupancy Rental Housing Minimum Rehabilitation Standards.
- i. Management & Maintenance Staff Interviews
 - i. Interview current management and maintenance staff to:
 - 1. Understand a five-year history of capital and major repair expenditures.
 - 2. Identify known future capital improvement needs or other deferred maintenance needs.
- j. Capital Needs Scope of Work
 - i. Provide an itemized description of capital improvements needed over a 20 year term including cost estimate in today's current dollars (inflation will be calculated in the 20 year Capital Expenditure Spread Sheet).
 - ii. Sub categorize the Scope of Work into the following:
 - 1. Site and Garages
 - 2. Building Envelope
 - 3. Common Areas
 - 4. Mechanical, Electrical & Plumbing (MEP) Systems
 - 5. Dwelling Units
- k. Overall Assessment Narrative
 - i. (Optional) The narrative portion should include a more detailed description of the development and overall property conditions.
- l. Life Expectancy
 - i. Provide a life expectancy analysis of key building systems and assemblies. Note for each item material/ assembly type, estimated age, expected useful life (EUL), & effective remaining life (ERL).
 - ii. Include at a minimum the following:
 - 1. Roofing, Siding/Walls, windows, exterior doors, plumbing fixtures, HVAC systems, kitchen cabinets, and kitchen appliances.
 - iii. Identify source and/or method for establishing Expected Useful Life (EUL) timetables.
 - iv. A spread sheet from another CNA format or one generated by the provider may be used if it adequately provides the information being requested.
- m. 20 Year Capital Expenditures
 - i. Tabulate and include Appendix B – Minnesota Housing's [20 Year Capital Expenditures Template](#)
 - ii. A Capital Expenditure form from a another CNA format or one generated by the Provider may be used if it adequately provides the information being requested
 - iii. Photographs
 - 1. Include photos necessary to document and support findings.
 - 2. General building exterior.
 - 3. Site conditions.
 - 4. Typical dwelling unit kitchens and bathrooms.
 - 5. Typical common corridor and entry.

3. Approved Report Substitutions

- a. To avoid duplication of work prepared under similar formats, Minnesota Housing will allow CNA reports prepared under other similar formats (USDA Rural Development, Fannie Mae or Freddie Mac) to be submitted in lieu of the standards required herein.
- b. Other formats not mentioned must receive Minnesota Housing approval.
- c. Minnesota Housing reserves the right to request additional information or to reject a report if it does satisfactorily meet our standards.

4. Submittals

- a. To assure CNA reports can be disseminated as needed for review and final submission, the following submittal requirements shall apply.
 - i. Format. The CNA report shall be formatted to a standard 8 ½"x11" letter size page. 11"x17" and 8 ½" x 14" (legal) page inserts may be included, if when folded, fit into the 8 ½"x11" document.
 - ii. Draft Copies. Although not required, a draft version of the CNA Report may be submitted to Minnesota Housing for review and comment prior to final submittal.
 - iii. Final Report Certification
 - 1. The final CNA Report must be signed, dated, and certified by the CNA Provider (Firm and Individual) responsible for preparing the report.
 - 2. Identity of Interest. The CNA provider must include and certify within the final report the following:
 - a. "I certify that neither (*insert firm name*), nor any partner, director, stockholder, officer, employee, or agent associated with the Firm, nor any person or entity, having a financial interest in the affairs of the Firm: 1)has or will ever have an affiliation with any other person or entity providing services for the development including but not limited to Contractor, Owner, Developer, or Appraiser; 2) has not received nor will receive any benefit from the acquisition of the subject property in this report, including but not limited to profit from the sale of the land, rebates, commissions or fees, except as hereunder disclosed (insert if applicable)"
 - iv. Deliverables. Deliver (1) hard copy of the final report and an electronic copy in a PDF format to Minnesota Housing.
 - v. Expiration. CNA Reports prepared and dated more than 12 months before formal application are not allowed unless approved by Minnesota Housing.

5. Attachments

- a. Minnesota Housing [Property Inspection Template](#)
- b. Minnesota Housing [20 Year Capital Expenditures Template](#)

End of Capital Needs Assessment Policy & Standards