

Physical Needs Assessment (PNA)



What is a PNA?

It is a foundational document for real estate management functions and a periodic examination and evaluation of real estate to determine a long-term schedule and cost for replacing major property components.

PNAs are also known as:

- Green Physical Needs Assessment (GPNA)
- Condition Needs Assessment, or Capital Needs Assessment (CNA)
- Physical Condition Assessment (PCA)
- Rental Assistance Demonstration (RAD) Physical Condition Assessment (RPCA)

Who requires PNAs?

- Although HUD does not currently require the submission of a PNA report for its public housing inventory, there are other entities or institutions that require some form of a PNA or CAN.
- All HUD/FHA multifamily loans including:
 - Non-Recourse, Ground-Up Development and Substantial Rehabilitation Multifamily Financing HUD 221(d)(4),
 - Refinance or Purchase Apartment Building HUD 223(f)
 - Loan to exclusively refinance existing debt on multifamily properties HUD 223 (a)(7)
 - HUD for Rental Assistance Demonstration (RAD) Conversion



How is it used?

- Enables HUD to measure the impact of annual Capital Fund appropriations on the physical needs of the public housing inventory
- Supports long-term reinvestment decision for demolition, disposition, conversion, and redevelopment
- Identifies the physical improvements needed to bring each development to HUD standards
- Helps with developing a preventative maintenance plan
- Provides for the due diligence at sale, purchase, or financing of a property
- Determines the amount of the replacement reserve needed over time
- Assists with marketing, repositioning, and strategic planning

- Supports budgeting and obtaining or providing grant support
- It is a standard operating procedure for real estate management

What is the best practice to compile a PNA?

Follow the GPNA process, which is based on:

- ✓ Public Housing Capital Fund Financing Program Form-52829
- ✓ Green physical condition assessments
- ✓ Uniform Physical Condition Standards (UPCS)
- ✓ Other building industry components
- ✓ Real Estate Assessment Center (REAC) inspections to compile a Physical Assessment Subsystem (PASS) score

How can I pay for my PNA?

- ❖ Capital fund – include in any open unobligated capital fund grant
- ❖ Operating fund
- ❖ Project reserves
- ❖ Development budget
- ❖ Part of refinancing



Can a PNA assist with repositioning efforts and capital needs?

Yes, it can assist and also:

- ✓ Results tell you the financial need to weigh options
- ✓ Financial gap can help with the best asset repositioning strategy
- ✓ Results help you improve preventative and routine maintenance plans
- ✓ It helps train your staff what to look for
- ✓ It is useful for planning and procurement timelines

Additional Resources:

- **Physical Needs Assessment Report:** https://www.hud.gov/sites/documents/2015PNA_CR_FINAL.PDF
- **Physical Needs Assessment Report for the House and Senate Committees on Appropriations:** <https://www.hud.gov/sites/documents/FY14PHYSNEEDSASSEMRPT.PDF>
- **PNA Capital Fund Financing Form 52829:** https://d212jhoszs7d12.cloudfront.net/state/Federal/U.S.%20Department%20of%20Housing%20and%20Urban%20Development/httpswww.hud.govprogram_officesadministrationhudclipsforms/Forms/52829.pdf
- **Asset Repositioning FAQ and handouts:** https://www.hud.gov/program_offices/public_indian_housing/repositioning/faqs