

UNDERSTANDING OCCUPANCY

# PHA Physical Needs Assessment (PNA)

# Introduction & Learning Objectives

- HUD TA providers
  - IEM (Innovative Emergency Management), Olvin Vargas
  - Sieglinde Chambliss
- Interactive training – please participate in polls and ask questions
- Learning Objectives
  - Participants will understand how to improve Public Housing Agency (PHA) grantee knowledge about HUD Physical Needs Assessment (PNA) resources to help house more families
  - Participants will learn about tools and best practices to gather the information needed to compile PNA and how to fund the PNA
  - Participants will learn how to use a PNA to assist with repositioning efforts and identify capital needs.

# Housekeeping

- **Remain muted during the webinar unless invited to unmute.**
- **Questions can be entered in the Q&A section throughout the presentation and will be addressed at intervals during the webinar or at the end.**
- **This webinar is being recorded and will be posted on the HUD Exchange website at a later date.**



# Glossary

**CNA** – Capital Needs Assessment

**EPC** – Energy Performance Contract

**FCI** – Facility Conditions Index

**FHA** – Federal Housing Administration

**HUD** – U.S Department of Housing and Urban Development

**HQS** – Housing Quality Standard

**PHA** – Public Housing Agency

**PNA** – Physical Needs Assessment

**RAD** – Rental Assistance Demonstration

**REAC** – Real Estate Assessment Center



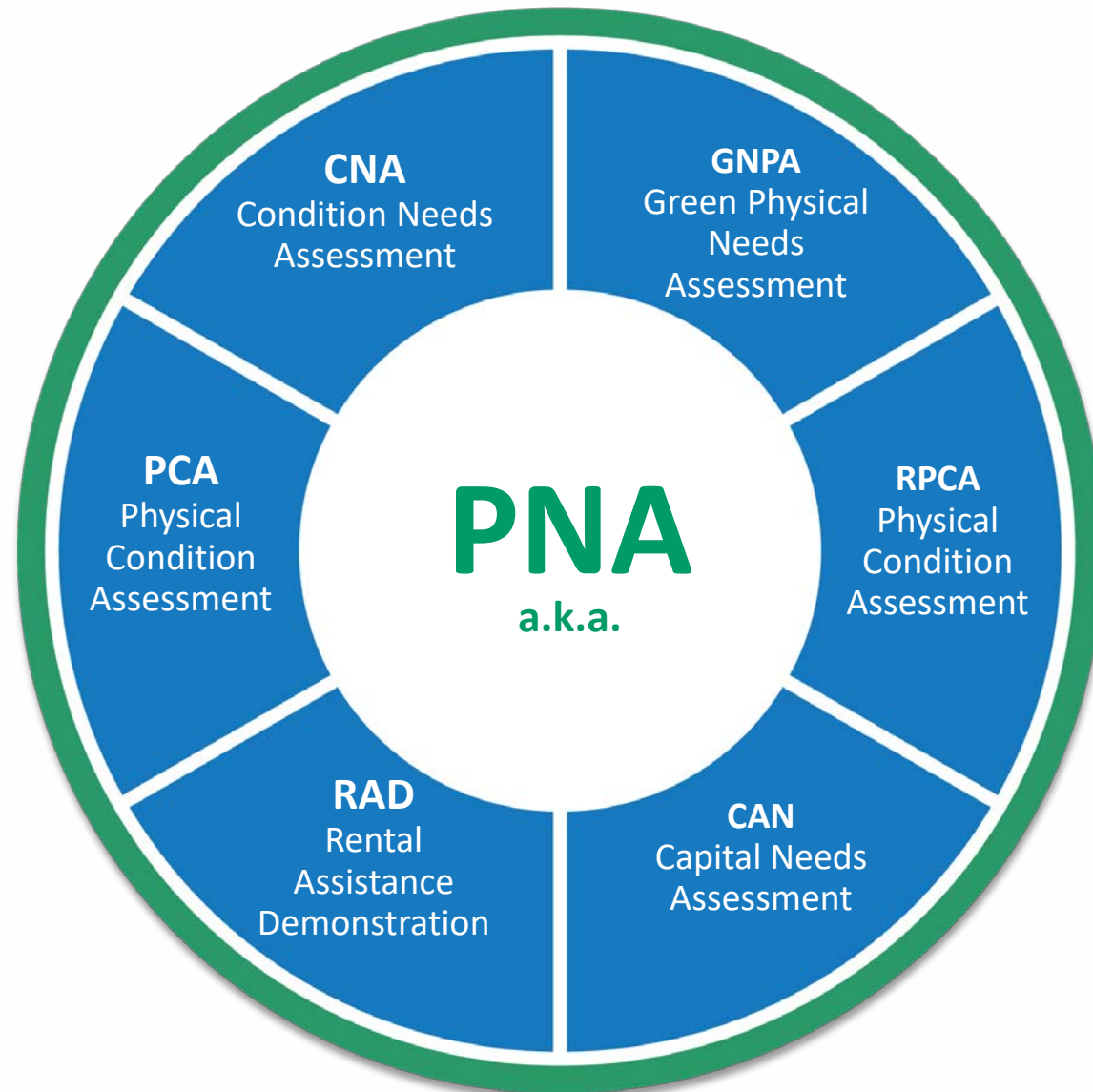
# Physical Needs Assessment (PNA) Overview

# What is a Physical Needs Assessment (PNA)?

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



# What is a PNA also known as?



# When is a PNA/CNA required?

- When Public Housing Authorities (PHAs) plan a conversion under the Rental Assistance Demonstration Program (RAD)
  - Can be Project Based Vouchers (PBV) or RAD PBV
  - Can be Project Based Rental Assistance (PBRA)
- When an owner of projects funded under the Rent Supplement (Rent Supp), Rental Assistance Program (RAP), and Mod Rehab programs converts to PBV or PBRA contracts.

➤ Project Conversion Planning Requirements are outlined under 1.4 A of H-2019-09 PIH-2019-23 HA Rental Assistance Demonstration REV-4 – Final Implementation:  
<https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-23.pdf>



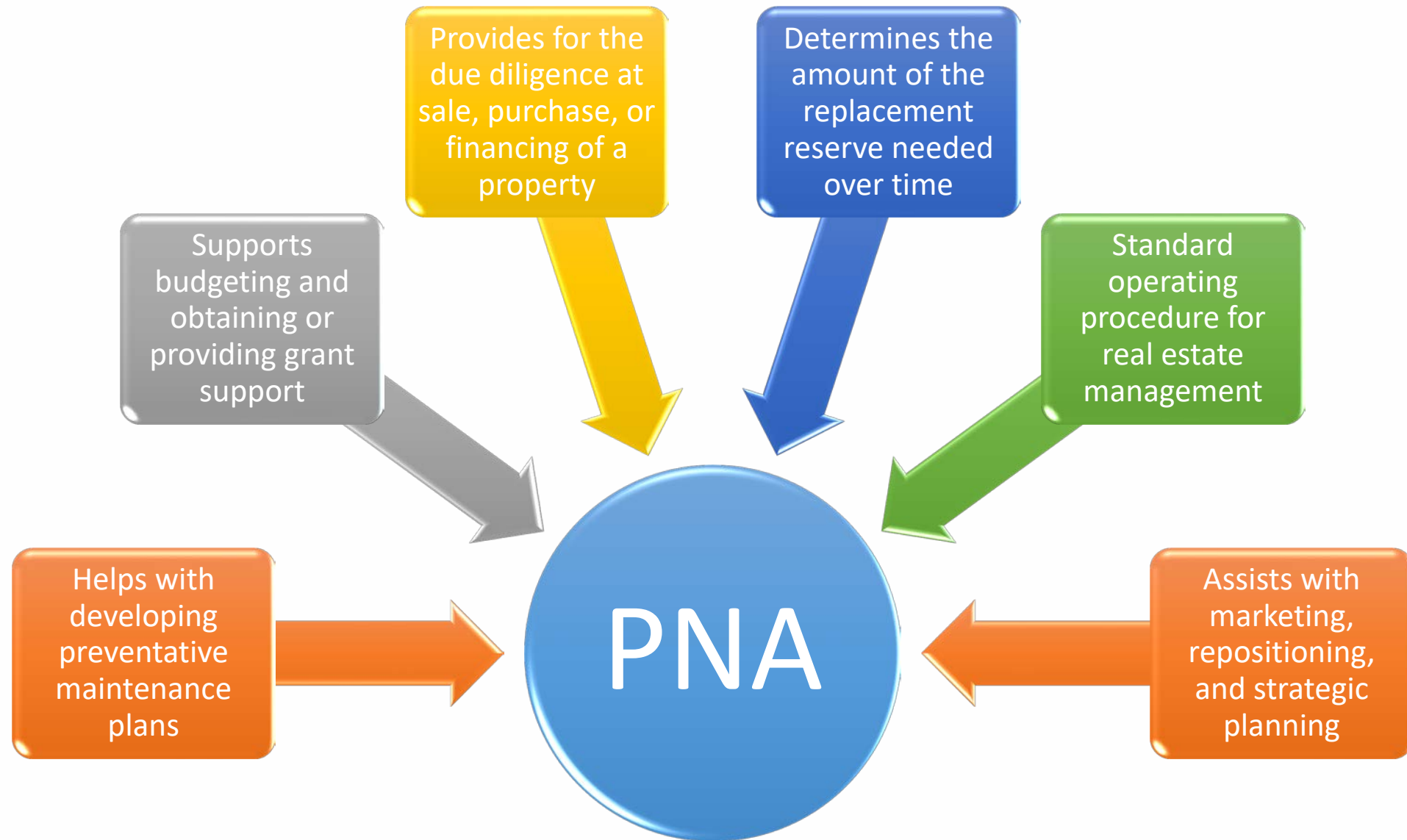


# Who Requires PNAs?

- HUD for RAD Conversion
- 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)



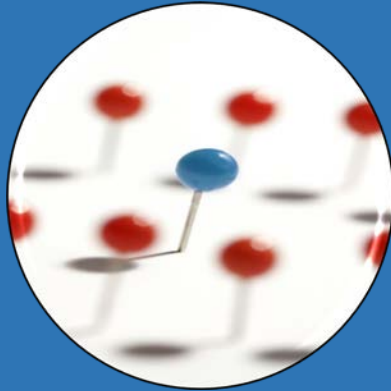
# How is a PNA used?



# What are the benefits of a PNA?



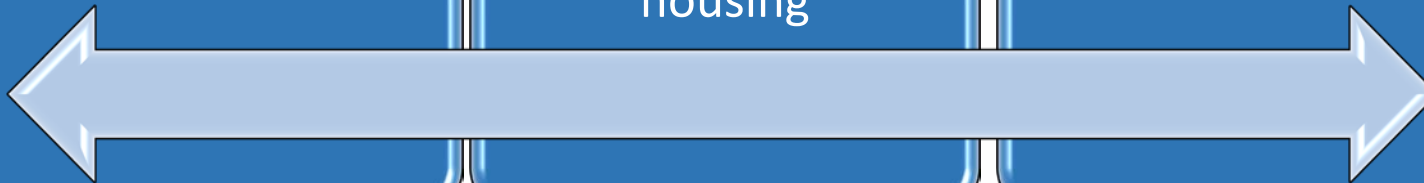
PNA provides data to evaluate whether real estate is viable enough to continue serving its intended purpose



HUD assesses the capital needs of public housing inventory to estimate the condition backlog that exists in public housing



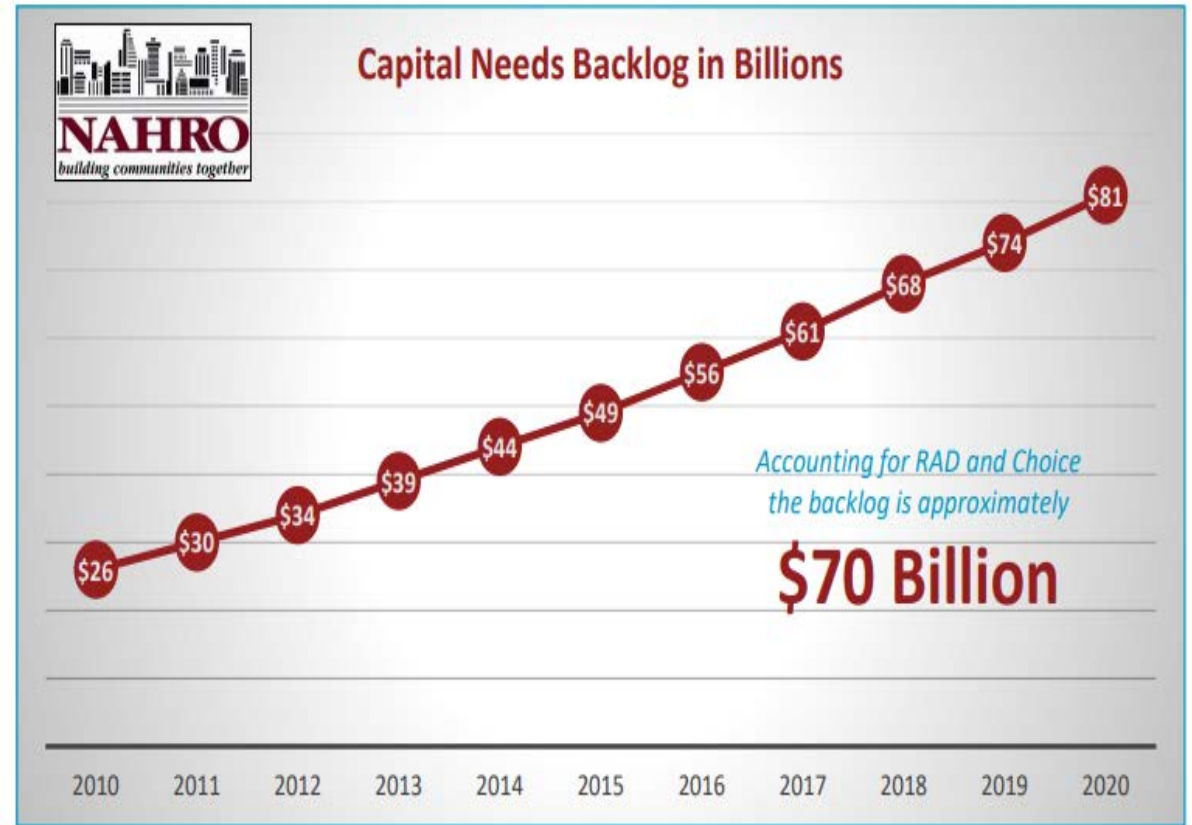
Backlog data have supported RAD Conversion and Choice



# Backlog results to support RAD and Choice

The national Public Housing Capital Needs Assessment in 2010 showed a backlog for public housing capital funding of \$26 billion and projected growth of approximately \$3.4 billion per year.

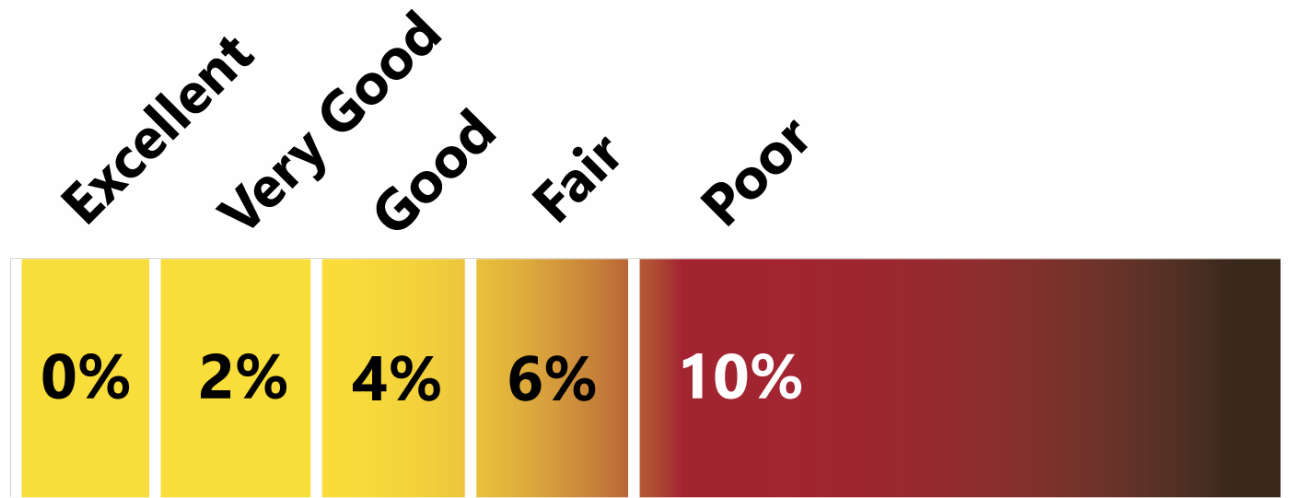
The report also noted that each year the cost of the backlog compounds at a rate of 8.7 percent because of inflation and the increased cost of addressing deferred maintenance



[Microsoft Word - PAH Cap Needs Main Report 11-24-10 REV Final.doc \(hud.gov\)](#)

# Facility Conditions Index (FCI) and Ratios

**FCI** is a ratio of the total deferred maintenance for a building to its estimated replacement value



- The focus of the FCI is to determine the capital costs an owner may need to incur in the future compared to building new
- The higher the ratio, the larger the capital needed to keep the building in a functioning state
- A building with an FCI of 10% or below has an acceptable level of deficiencies to asset value
- An FCI above 10% suggests the building is beginning to deteriorate, with components reaching the end of their lifecycle

# How to Calculate FCI

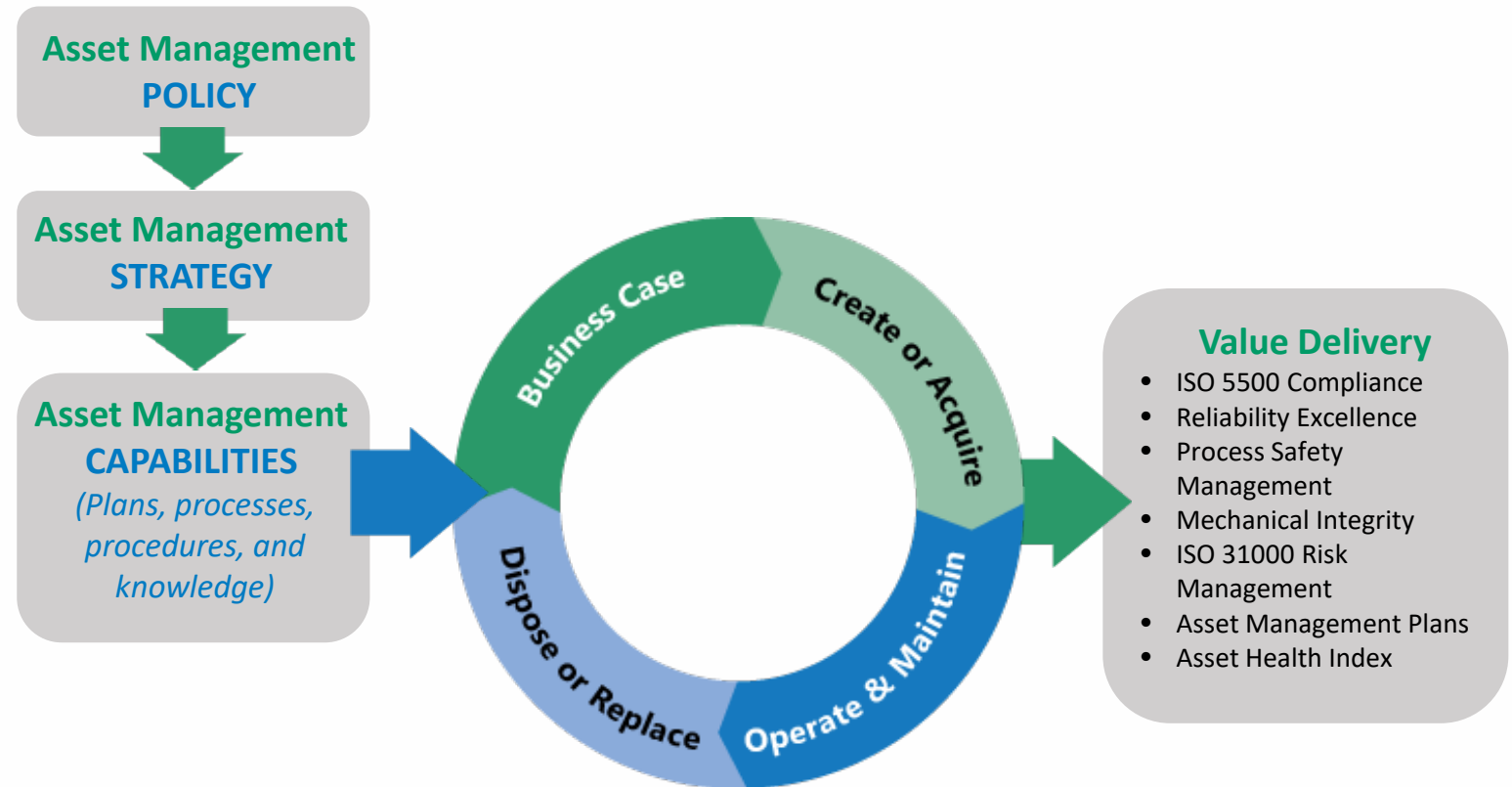
Cost of Total  
Deferred  
Maintenance

Divided by

Estimated  
Replacement  
Value

- International Organization for Standardization (ISO):

- The ISO 55000 family is the first set of International Standards for Asset Management
- It includes:
  - ISO 55000 provides an overview of the subject of asset management and the standard terms and definitions.
  - ISO 55001 specifies the requirements for an integrated, effective system for asset management.
  - ISO 55002 provides guidance for implementing such a management system



[Asset Management Consulting \(ISO 55000\)](https://www.iso.org/standard/55000.html) — Life Cycle Engineering ([lce.com](http://lce.com))

# Poll Questions



# Poll Questions (1)

1. Have you performed a PNA or CNA in 2022?  
Yes/No
2. Have you performed a PNA or CNA in 2021?  
Yes/No
3. Did you outsource the assessment?  
Yes/No
4. Were you surprised at the results of the report?  
Yes/No

# Goals and Objectives of a PNA

# Goals and Objectives of a PNA (1)

- **Legislation**
  - Supports funding increase or continued funding for annual appropriations
  - Supports the Energy Policy Act of 2005 to maximize energy conservation and efficiency
- **HUD and PHAs Level**
  - Provides input for strategic planning
  - Prioritizes budget needs in a limited funding environment
  - Recognizes synergies and efficiencies
  - Communicates to stakeholders and helps manage risk
  - Organizes the physical data of a project
  - Helps to develop preventative maintenance strategies
  - Models alternatives
  - Assesses the long-term viability of the property in its current program structure

## Goals and Objectives of a PNA (2)

- Identifies the physical improvements needed to bring each development to HUD standards for:
  - Modernization
  - Energy conservation
  - Smoke and carbon monoxide detectors
  - Replacement needs of equipment and structural elements
- Assesses the capital needs and facilitates capital planning for the 5-year plan
- Moves PHA's management practices toward development-based capital planning

# Goals and Objectives of a PNA (3)

- Supports long-term re-investment decisions that may entail:
  - Demolition
  - Disposition
  - Conversion
  - Financing of capital improvements or EPC
  - Re-development
  - Repositioning of real estate assets
- Produces data on green activities for the Capital Fund, in support of HUD's Performance Goal to create energy efficient housing
- Enables HUD to measure the impact of annual Capital Fund appropriations on the physical needs of the public housing inventory

# What sources can be used to perform the PNA?



Consultants that specialize in PNAs



PHA Staff or other sources support consultants, including:

- Architects or engineers (including structural engineers)
- Skilled maintenance staff that routinely update the preventative maintenance plan
- City or county staff that perform code enforcement functions
- Staff or contractors that perform Housing Quality Standards (HQS) inspections and report deficiencies
- Reports from REAC inspections can provide valuable information
- Repeat work orders

# Using PNA Report Data as a Capital Planning Tool

PNA provides information about a property's needed repairs and whether they are

- immediate (health/safety)
- short-term
- long-term

It should include an estimate of costs to make the repairs within a specified time-frame

# Using PNA Report Data as a Capital Planning Tool – Cont.

## Identifies:

- Deficient conditions and/or deferred maintenance
- Non-compliance with health and safety codes
- Work required to return vacant and off-line units to occupied status
- Work required to meet long-term and market-driven needs
- Work required to comply with state and federal regulations (e.g., accessibility regulations)
- Potential for increased energy efficiency
- Long-term viability
- Cost analysis

Allows you to plan ahead

Strengthens internal routines for preventative maintenance





# What PNA Tools are Available?

- Download PHA PIC data from the HUD EPIC system and load in compatible software
- Use HUD form 52829

The screenshot shows the top navigation bar of the HUD EPIC system. On the right, there are links for 'HUD.gov' and 'Help System'. The main header contains the 'Energy and Performance Information Center (EPIC)' logo and the user name 'MAZX74, Welcome back!'. Below the header is a navigation menu with items: Home, Core Activity/Energy Module, Development of New Housing, Activity Planning (CFP grant planning), EPC, PNA (highlighted), and User and Group Tools. On the right side of the header, there is a user profile for 'MAZX74' with a 'Logout' button. Below the navigation menu, there are two boxes: 'Selected PHA: Housing Authority of the City of Fort Myers' and 'OMB CONTROL NUMBER: 2577-0274 EXPIRATION DATE: 03/31/2015'.

## PNA1 » Physical Needs Assessment File Management

[Help?](#)

[Download PIC/IMS Data](#)

### PHA Download History

Show  entries

Search:

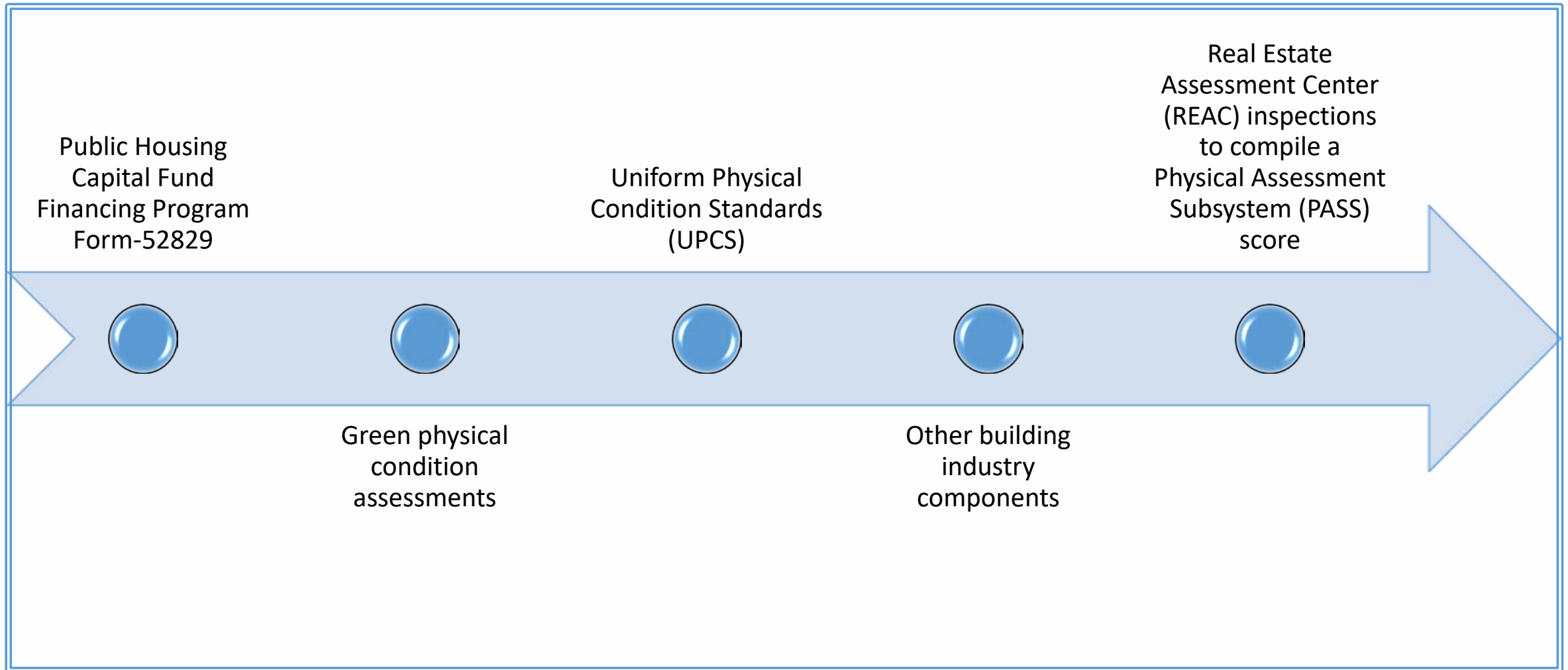
PHA Code	File Name	File Generated Date & Time	
FL047	FL047_10102022.xml	10/10/2022 09:17 PM	<a href="#">Download Document</a>

# REAC Physical Conditions Standards

The background of the slide features a close-up photograph of a person's hands holding a key. The hands are positioned as if about to turn a key in a lock. The image is semi-transparent and overlaid on a blue-to-green gradient background with white diagonal lines.

# REAC Physical Condition Standards

Elements are based on:



# Benefit of Following GPNA (cont.)

- Components are divided into five categories, following PASS:
  - Site
  - Building Exterior
  - Building Systems
  - Common Areas
  - Units
- Aggregated capital needs can be identified in several areas:
  - Replacement
  - Refurbishment
  - Accessibility
  - Marketability
  - Sustainability

- Procure for a PNA and based on price, determine how you can pay for the work by using the following options for funding:
  - Capital Fund - Include in any open unobligated Capital Fund Grant
  - Project reserves
  - Development budget
  - Part of refinancing cost or loan costs

Note: Operating funds are not your first source. Refer to: eligible/ineligible uses of Operating Funds under Section 9(3) of the Housing Act of 1937. [Eligible Uses of the Operating Fund Program - Asset Management - HUD | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)



# More Poll Questions

# Poll Questions (2)

1. Are you planning on conducting a PNA?

Yes/No

2. Do you see a benefit for investing in a PNA?

Yes/No

3. Do you have available funds to handle the outcome of the PNA?

Yes/No

4. Estimate the cost of a PNA

1. Less than \$ 5,000
2. Less than \$10,000
3. Less than \$20,000



# **PNA for Repositioning Efforts and Capital Needs**



# PNA for Repositioning Efforts and Capital Needs

1



Improve preventative and routine maintenance plans

2



Use it to train your staff on what physical needs to look for

3



It helps identify needed resources and planning/procurement timelines

4



It helps with obsolescence testing and asset repositioning

5



Financial gap can determine the best asset repositioning strategy

*(PNA won't improve PM planning, but it helps to identify what a good PM plan should focus on)*



# Resources

# Resources (1)

- [Rental Assistance Demonstration – Final Implementation, Revision 4:](https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-23.pdf)  
<https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-23.pdf>
- [Physical Needs Assessment Report:](https://www.hud.gov/sites/documents/2015PNA_CR_FINAL.PDF)  
[https://www.hud.gov/sites/documents/2015PNA\\_CR\\_FINAL.PDF](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/FY14PHYSNEEDSASSEMTTRPT.PDF)  
<https://www.hud.gov/sites/documents/FY14PHYSNEEDSASSEMTTRPT.PDF>
- [PNA Capital Fund Financing Form 52829:](https://d2l2jhoszs7d12.cloudfront.net/state/Federal/U.S.%20Department%20of%20Housing%20and%20Urban%20Development/httpswww.hud.govprogram_officesadministrationhudclipsforms/Forms/52829.pdf)  
[https://d2l2jhoszs7d12.cloudfront.net/state/Federal/U.S.%20Department%20of%20Housing%20and%20Urban%20Development/httpswww.hud.govprogram\\_officesadministrationhudclipsforms/Forms/52829.pdf](https://d2l2jhoszs7d12.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)  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/repositioning/faqs](https://www.hud.gov/program_offices/public_indian_housing/repositioning/faqs)
- [ISO 55000 Standards for Asset Management:](https://www.assetmanagementstandards.com/iso-55000-standards-for-asset-management/)  
<https://www.assetmanagementstandards.com/iso-55000-standards-for-asset-management/>
- [Webinar Series available in class site on HUD Exchange:](https://www.hudexchange.info/news/pha-occupancy-webinar-series/)  
<https://www.hudexchange.info/news/pha-occupancy-webinar-series/>



**Q & A**

# Additional Questions

- Send TA service requests to [hudcc.trainings@iem.com](mailto:hudcc.trainings@iem.com)
- Subject line: PHA OCCUPANCY TA Post-training Follow-up Question
- Include in body of email:
  - Requester name
  - Requester PHA
  - Training topic (training attended)
  - Specific issue and/or question (be brief)
  - Email and phone number



**THANK YOU**