

HOUSING AUTHORITY OF SNOHOMISH COUNTY

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To: Capital Needs Assessment Provider

From: Housing Authority of Snohomish County

Re: Request for Proposal (RFP) for Capital Needs Assessment

Date: July 2, 2010

The Housing Authority of Snohomish County (HASCO) requests proposals to complete a capital needs assessment for an existing United States Department of Agriculture (USDA) Rural Development-financed housing property that HASCO is proposing to acquire as part of HASCO's due diligence and USDA property transfer approval requirements. This assessment will help HASCO develop a scope of work for any rehab that would take place as part of the transfer. The work will be completed in two phases.

Any questions about this RFP can be directed to Janinna Richardson, Policy Analyst, at janinna@hasco.org or at 425-293-0556.

Submission of Proposal

Proposals are due by Friday, July 16, 2010 by 4:00pm via e-mail to janinna@hasco.org.

Property Information

The property for which HASCO is requesting a CNA is the 46-unit Glenwood Apartments, located at 9808 4th St NE, Lake Stevens, WA 98258. The property, constructed in 1989, serves elderly and disabled persons. It has 40, 1 bedroom/1 bath units and 6, 2 bedroom/1 bath units in 13 one-story buildings, which each contain 2 or 4 units, as well as a community building.

Scope of Services

HASCO is requesting two phases of service under this RFP. HASCO plans to select the same firm for both phases but will execute separate contracts for each phase. The work to be completed under Phase 1 will begin as soon as a firm is selected. The work under Phase 2 will begin as soon as the selected firm can execute the required Addendum with USDA and the current Owner of the property.

Phase 1 consists of providing capital needs assessment and cost estimating services to HASCO as part of our due diligence for the potential acquisition of the Glenwood Apartments and submission of a funding application to Snohomish County (expected application deadline is September 15). For

the work to be completed in Phase 1, HASCO is requesting that respondents provide two separate costs in their proposal: One based on an inspection of every unit in the property, and one based on inspecting only a sample of 12 units. The sample of units would be the same ones selected for Phase 2.

Phase 2 consists of preparation of a capital needs assessment (CNA) that meets the requirements of USDA according to USDA's Guidance on Capital Needs Assessment Process (attached). The USDA Guidance includes a required Addendum that must be executed between the selected CNA Provider, the current Owner of the property, and the USDA Rural Development Department, before the work can begin. This form can be found on pages B-1 to B-7.

Requirements for Property Due Diligence (Phase 1)

The scope of work for Phase 1 will include the following:

- Inspection of the property, including dwelling units (either all of the units or a sample of 12 units, as discussed above), site improvements, common facilities, building exteriors, and infrastructure.
- A capital needs assessment of the property including a 20-year life-cycle cost analysis and unit replacement schedule for all building systems, building exteriors, unit interiors, and interior and exterior common areas, including an estimate of the annual replacement reserve contribution needed. The unit replacement schedule should clearly show which items should be replaced during rehab and which should be replaced over the next 20 years.
- A detailed construction cost estimate for completion of the rehab scope identified, including hard construction costs and all soft costs broken out by line item (general conditions, profit and overhead, etc). The cost estimate should assume State Prevailing Wages will be paid.

The documents prepared in Phase 1 will be used by HASCO to develop a rehab scope of work and construction cost estimate.

An example of a unit inspection sheet that HASCO has previously used is attached. This form or one that contains substantially the same information can be used to document the needs of each unit.

Requirements for Capital Needs Assessment to Meet USDA Requirements (Phase 2)

Phase 2 consists of preparation of a Capital Needs Assessment in accordance with the most current USDA Rural Development guidance for Capital Needs Assessments, to be submitted to USDA as part of an application for the transfer of property ownership. The attached Capital Needs Assessment Statement of Work is attached to provide guidance but the selected firm will be responsible for providing a final Capital Needs Assessment that is acceptable to USDA.

USDA requires that the CNA Provider, property owner/seller, and USDA execute an Addendum to the contract for performing the Capital Needs Assessment. A copy of the Addendum is attached.

Note that for purposes of preparing the Capital Needs Assessment for USDA, USDA only requires that planned rehabilitation work be included in the CNA if the funding for the work is firmly committed and the work will happen within the next 12 months. Since HASCO's anticipated rehabilitation work will not take place for over a year, and there is no funding committed for this purpose, the CNA prepared under Phase 2 will be based on the existing condition of the property.

Qualifications

The CNA Provider must:

1. Possess valid and current licenses and certifications necessary to comply with the Statement of Work and as regulated by all applicable state, county and/or local laws and/or ordinances.
2. Have no identity of interest as defined in 7 C.F.R. part 3560, with Owner or Owner's property. (An architectural firm performing a CNA and involved in the rehabilitation of the property would be considered an Identity of Interest.)
3. Be properly trained and experience in evaluating 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. (This applies to the CNA provider or any of the CNA Provider's personnel who will have actual responsibility for the property inspection and preparation of the CNA.)
4. Be professionally experienced in preparing and providing CNAs for multifamily housing properties that are similar in scope and operation to those typically financed in USDA Rural Development's Section 515 Program. (This applies to the CNA provider or any of the CNA Provider's personnel who will have actual responsibility for the property inspection and preparation of the CNA.) Ideally the provider would have previous experience preparing Capital Needs Assessments for USDA Section 515-financed properties.
5. Be knowledgeable about applicable site and building standards and codes including federal, state and local requirements on environmental and accessibility issues. (This applies to the CNA provider or any of the CNA Provider's personnel who will have actual responsibility for the property inspection and preparation of the CNA.)
6. Not be debarred or suspended from participating in federally assisted programs and will comply with the requirements of 7 C.F.R. part 3017, pertaining to debarment or suspension of a person from participating in a Federal program or activity.

Proposal Content

Proposal should include:

1. A detailed description of the scope of services to be provided and time line and costs for completion of work. Separate costs should be provided for Phase 1 assuming all units inspected, Phase 1 assuming only a sample of 12 units inspected, and Phase 2.
2. Statement that the CNA Provider meets all of the Qualifications listed above.

3. Identification of lead staff and any staff who will work on projects. Please include a description of individual experience and qualifications. Any subcontractors should be identified and qualifications included.
4. Description of the overall experience of the firm, including a list of similar previous projects with services performed, project location and size, name of owner and contact information.
5. References.
6. A sample Capital Needs Assessment prepared within the last year by your firm. Ideally this would be for a USDA property, but should at least be based on a comparable scope of work.
7. Confirmation of whether or not your firm qualifies for the following designations: a) Minority-Owned Business, b) Women-Owned Business and/or c) Section 3 Business.

Proposal Selection Criteria

HASCO will select a CNA Provider from the proposals received based on the quality of the responses to the items above, experience of the firm, cost, and timing for completion of the work.

Minority-owned businesses, women-owned businesses and Section 3 businesses are encouraged to respond.

Rehab Survey Report

Date: _____
 Location: _____
 Unit Number: _____

**COMPLETE ONE SURVEY REPORT
 FORM FOR EACH UNIT**

GENERAL INTERIOR ELEMENTS

Passage Lock	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Single Cylinder Deadbolt	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Hallway Light Fixture	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Carpet	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Vinyl	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Hotwater Tank	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Doorstops	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Switch/Receptacle Plates	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Front Entry Door	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>

LIVING ROOM

Wall Heater	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Blinds	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>

BATHROOM

GFI Receptacle	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Exhaust Fan	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Toilet	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Shower Head	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Sink	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Vanity	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Faucet	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Door	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Door Lock	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Overhead Light	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Tub Surround	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Mirror	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>

BEDROOM

Overhead Light	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Wall Heater	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Blinds	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Door	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Door Lock	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>

KITCHEN

Sink	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Faucet	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Countertops	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Cabinets	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Stove - 24"	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Refrigerator	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Overhead Light	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
GFI Receptacle	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>
Disposal	Excellent	Good	Average	Poor	<i>Turnover</i>	<i>Immediate</i>	<i>Rehab</i>

Notes:

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ADDENDUM
TO CAPITAL NEEDS ASSESSMENT CONTRACT

(Between Owner and CNA Provider)

This ADDENDUM to the CAPITAL NEEDS ASSESSMENT (CNA) CONTRACT between _____ (“**CNA Provider**”) and _____ (“**Owner**”) is entered into this ____ day of _____, 2009 (the “Effective Date”) for the property known as _____ (“**Property**”)

DEFINITIONS

“**Acceptance**” means the act of an authorized representative of the United States Department of Agriculture, Rural Development by which the representative approves the Agreement and this Addendum.

“**Agreement**” means the contract entered into between the Owner and the CNA Provider to provide a Capital Needs Assessment of the property. It includes the original document entered into between the parties, this addendum, and any other document incorporated by the agreement.

“**CNA Report**” means a report in general conformance with the *Statement of Work* that is attached hereto and the *Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator*.

“**CNA Reviewer**” means a person assigned to review the CNA report on behalf of the U.S. Department of Agriculture, Rural Development.

“**CNA Provider**” means the person or entity entering into the Agreement with the Owner to perform all work required to provide a CNA of the property.

“**Owner**” means the person or persons who have or will have legal title and/or ownership of a property participating under the U.S. Department of Agriculture, Rural Development programs.

“**Program**” means any Multifamily Housing program administered by the U.S. Department of Agriculture, Rural Development.

“**Property**” means any structure(s), dwelling(s) and/or land that is the subject of any Multifamily Housing program administered by the U.S. Department of Agriculture, Rural Development, and for which a Capital Needs Assessment is required by U.S. Department of Agriculture, Rural Development.

“**USDA RD**” means the United States Department of Agriculture, Rural Development.

“**Work**” means the *CNA Statement of Work* as attached hereto.

RECITALS

WHEREAS, the property known as _____ (“**Property**”) is included in the Multifamily Housing Program (hereinafter referred to as the “**Program**”) being administered by the United States Department of Agriculture, Rural Development (hereinafter referred to as “**USDA RD**”).

WHEREAS, as a condition of participating in the Program, the Owner is required to obtain a CNA for the property which has been prepared in accordance with the Statement of Work; Owner and CNA Provider must agree to a contract to prepare a CNA for the property.

WHEREAS, CNA Provider and Owner are parties to that certain CNA Contract, dated, _____, ____ (hereinafter referred to as “**Agreement**”), pursuant to which Owner has retained the services of CNA Provider to provide a CNA for that property identified as _____, for the amount of \$ _____.

WHEREAS, the parties hereby wish to incorporate into the Agreement and its Exhibits certain additional provisions as set forth below.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to the following additional terms and conditions as follows:

ADDITIONS TO THE AGREEMENT

(Between Owner and CNA Provider)

I. OWNERS OBLIGATIONS -

a. SUBMISSION OF CONTRACT FOR CONCURRENCE BY USDA RD

Owner will promptly submit to USDA RD for review and concurrence a copy of the executed Agreement and this Addendum.

b. NOTIFICATION OF CONCURRENCE OF AGREEMENT BY USDA RD

Upon receiving notification from USDA RD of its concurrence of the Agreement, Owner will promptly furnish CNA Provider with evidence of this acceptance.

c. ACCESS TO THE PROPERTY

Owner shall allow CNA Provider and, if requested, the CNA Reviewer, complete, timely and unconditional access to the property and its premises for the purpose of conducting the inspections that are required for preparing the CNA.

d. FURNISHING PROPERTY INFORMATION

At least _____ (number) days prior to the commencement of the CNA inspection, Owner shall furnish to the CNA Provider all information on any recent and/or immediate planned capital improvements to the property, any recent and/or scheduled repairs, finalized maintenance schedules, and information on the existence of any known environmental hazards at the property. In addition, Owner shall provide any available information on any “Transition Plan” or “Self Evaluation” addressing proposals for complying with any federal accessibility requirements and other matters relevant to the CNA Statement of Work.

Specific items the Owner should provide the CNA Provider include:

1. Contact information for the Owner’s representative at USDA RD (Name, address, telephone number, email address, etc.)
2. Building-by-building breakdown of units by bedroom count and type (i.e. garden, townhouse, fully accessible) to aid in selection of units at time of inspection
3. Any available plans or blueprints of development (as-built drawings preferred)
4. Listing of capital expenditures for the property over the past three to five years and maintenance expenditures over the last 12 months.
5. Maintenance logs to help identify any significant or systemic areas of concern.
6. Copies of invoices for any recently completed capital improvements and/or copies of quotes for any pending/planned capital improvements.
7. Any available Section 504 / Accessibility Self Evaluation or Transition Plans.
8. Any available capital/physical needs assessments (CNA’s/PNA’s) that were previously completed.
9. Any available structural or engineering studies that were previously completed.
10. Any available reports related to lead-based paint testing or other environmental hazards (i.e. asbestos, mold, underground storage tanks, etc.) that were previously completed and/or related certifications if environmental remediation has been completed.
11. Reports including but not limited to: local Health Department inspections, soils analysis, USDA’s last compliance review, or USDA’s last security inspection.
12. If the Owner certifies below that (a) 3rd party funds have been committed for use in the transaction for which the CNA is required; and (b) USDA RD has communicated its acceptance or acknowledgement of the availability of these funds (whether by an award of points in a portfolio revitalization program or otherwise); and (c) these funds are to be used towards a rehabilitation program at the property, the Owner will provide the CNA Provider with a copy of the proposed rehabilitation scope and budget.

II. OWNER'S CERTIFICATIONS -

Owner hereby certifies as follows:

a. STATUS OF PROPOSED CNA (check correct box):

- Owner **has** received a **commitment** for 3rd party funding for the revitalization transaction for which application was made. The CNA Provider will create the CNA based on existing conditions (“as is”). Owner is responsible for the scope of work and budget for the proposed rehabilitation of the property (typically obtained from a project architect), incorporating any requirements of the 3rd party lender. The CNA Provider will then revise their CNA based on the anticipated conditions (“post rehab”) of the property after the rehabilitation. Both CNAs will be provided to Rural Development.
- Owner **has requested or will request** 3rd party funds but has no commitment. (USDA RD will not award Owner points in the pre-application for 3rd party funds to be used towards the cost of revitalizing the property within the Multi-Family Housing Revitalization Demonstration Program unless funds are committed.) If Owner does not have a commitment of 3rd party funds, Owner agrees that it is within USDA RD’s sole discretion to determine whether the CNA Provider should consider any rehabilitation scope of work and budget for a “post rehabilitation” CNA after conducting a CNA based on the property’s “as is” condition. USDA RD will make such a determination on the likelihood of 3rd party funds being made available. CNA Provider should verify this decision with RD prior to performing a “post rehabilitation” CNA.
- Owner does not anticipate 3rd party funds being utilized, or does not anticipate a rehabilitation at this time. In this case, the CNA Provider will conduct a normal review of the property, not including / anticipating any rehabilitation, and base the CNA on the existing conditions at the property.

NOTE: The Owner will not instruct the CNA Provider to perform a “post rehabilitation” CNA without approval from RD.

b. AVAILABILITY

Owner shall be available to promptly discuss any draft or preliminary CNA Report with the CNA Provider and shall address in writing to the CNA Reviewer any desired revisions, comments or concerns the Owner may have relating to such Report.

c. ADDRESSING DEFICIENCIES

Owner shall promptly furnish to the CNA Provider the USDA RD’s Capital Needs Assessment Review Report. Owner will discuss any deficiencies observed by the CNA Reviewer and request that the deficiencies be addressed within five (5) days. Should deficiencies not be addressed within five (5) working days, Owner may order the CNA Provider in writing to suspend, delay, or interrupt all or any part of the work under the Agreement that remains to be performed for such period of time until deficiencies identified by the CNA Reviewer have been satisfied.

d. PAYMENT

Upon approval by the CNA Reviewer of the CNA Provider’s final Report, Owner will promptly satisfy and pay any remaining fees and/or dues owed to the CNA Provider pursuant to the terms of the Agreement. Other payments shall be subject to the schedule identified in the Agreement.

III. CNA PROVIDER’S OBLIGATIONS -

a. CNA PROVIDER’S RESPONSIBILITY FOR WORK

The CNA Provider shall furnish all necessary labor, materials, tools, equipment, and transportation necessary for performance of the work as described in the Statement of Work, which is attached hereto. The format utilized for this report shall be _____. (Write in “USDA RD CNA Template in Microsoft Excel format” or similar electronic format.)

b. COMPLIANCE WITH STATEMENT OF WORK

CNA Provider will comply with the Statement of Work by creating and developing a CNA Report that will incorporate and meet all terms, conditions and requirements as set forth in the attached Statement of Work.

c. DELIVERY OF PRELIMINARY CNA REPORT

CNA Provider shall promptly provide to the Owner and USDA RD a preliminary CNA Report.

d. AVAILABILITY TO DISCUSS CNA REPORT FINDINGS

CNA Provider shall take any reasonable measures to be readily available to discuss and respond to any findings, concerns, comments, or revisions the CNA Reviewer may have regarding the preliminary CNA Report.

e. SUBMISSION OF FINAL CNA REPORT

After receipt of the CNA Reviewer’s Report, the CNA Provider shall promptly provide the Owner and USDA RD with a finalized CNA Report. The finalized report will incorporate observations, comments and/or changes identified by the CNA Reviewer.

IV. CNA PROVIDER’S CERTIFICATIONS

CNA Provider hereby certifies as follows:

a. LICENSING AND COMPLIANCE

CNA Provider possesses valid and current licenses and certifications necessary to comply with the Statement of Work and as regulated by all applicable state, county, and/or local laws and/or ordinances.

b. CONFLICTS OF INTEREST

CNA Provider has no identity of interest as defined in 7 C.F.R. part 3560 with Owner or Owner's property or the management agency / company for the property.

c. PROPERLY TRAINED

CNA Provider and any Provider personnel who will have actual responsibility for the property inspection and preparation of the CNA are properly trained and experienced in evaluating 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.

d. PROFESSIONALLY EXPERIENCED

CNA Provider and any Provider personnel who will have actual responsibility for the property inspection and preparation of the CNA are professionally experienced in preparing and providing CNA's for multifamily housing properties that are similar in scope and operation to those typically financed in USDA RD's MultiFamily Housing Program.

e. KNOWLEDGEABLE OF CODES

CNA Provider and any Provider personnel who will have actual responsibility for the property inspection and preparation of the CNA are knowledgeable about applicable site and building standards and codes, including federal, state and local requirements on environmental and accessibility issues.

f. DEBARMENT AND SUSPENSION

CNA Provider is not debarred or suspended from participating in Federally assisted programs and will comply with the requirements of 7 C.F.R. part 3017, pertaining to debarment or suspension of a person from participating in a Federal program or activity.

g. SIGNED CERTIFICATION

Include a written and signed certification by the CNA Provider that it meets all of the above qualifications for the proposed agreement with the property owner for CNA services. [The CNA Provider's execution of this Addendum will constitute it's "written and signed certification" that it meets these qualifications.]

V. MISCELLANEOUS

a. USDA RD PROVISIONS

Upon request of the CNA Provider or Owner, USDA RD will make available pertinent project data such as the reserve replacements for the last 2-3 years, budget summary of the last two years, and copies of Physical Inspections and Supervisory visits for the property, if available.

b. ASSIGNMENT OF CONTRACT

CNA Provider shall not assign or transfer any interest in or performance of this Contract, without written authorization from the Owner and the USDA RD representative.

c. ENTIRE AGREEMENT

If there are inconsistencies between any provision in this Addendum and any provision in the Agreement, the provision in this Addendum shall govern. No oral statements or representations or prior written matter contradicting this instrument shall have any force and effect.

d. GOVERNING LAW

All matters pertaining to this Addendum (including its interpretation, application, validity, performance and breach) in whatever jurisdiction action may be brought, shall be governed by, construed and enforced in accordance with the laws of the state of _____ (location of the "Property")

e. HEADINGS

This Addendum shall be governed by and interpreted as part of the Agreement and its general terms and conditions.

f. TERMS AND CONDITIONS

Except as expressly stated herein, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned who are duly authorized to execute and enter into this Addendum, intending to be legally bound hereby, have executed this Addendum as of the date first written above.

Owner

CNA Provider

By its: _____
(title / position)

By its _____:
(title / position)

Concurred by:

The United States Department of Agriculture, Rural Development

Rural Development Representative

(title / position)

**CAPITAL NEEDS ASSESSMENT
STATEMENT OF WORK**

Nature of the Work -

A Capital Needs Assessment (CNA) is a systematic assessment to determine a property's physical capital needs over the next 20 years based upon the observed current physical conditions of a property. The CNA report provides a year-by-year estimate of capital replacement costs over this 20-year period for use by the property owner and USDA Rural Development (RD) personnel in planning the reserve account for replacements and other funding to cover these costs.

Note: RD will use the CNA report as a key source of information about expected capital needs at the property and the timing of these needs. However, the CNA report is only an estimate of these needs and their timing. It should not be viewed as the formal schedule for actual replacement of capital items. Replacement of capital items should occur when components reach the end of their actual useful life, which may occur earlier or later than estimated in the CNA report.

Qualifications -

The CNA Provider must:

1. Possess valid and current licenses and certifications necessary to comply with the Statement of Work and as regulated by all applicable state, county, and / or local laws and / or ordinances.
2. Have no identity of interest as defined in 7 C.F.R. part 3560, with Owner or Owner's property. (An architectural firm performing a CNA and involved in the rehabilitation of the property would be considered an Identity of Interest.)
3. Be properly trained and experienced in evaluating 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. (This applies to the CNA Provider or any Provider personnel who will have actual responsibility for the property inspection and preparation of the CNA)
4. Be professionally experienced in preparing and providing CNA's for multifamily housing properties that are similar in scope and operation to those typically financed in USDA RD's Section 515 Program. (This applies to the CNA Provider or any Provider personnel who will have actual responsibility for the property inspection and preparation of the CNA)
5. Be knowledgeable about applicable site and building standards and codes including federal, state and local requirements on environmental and accessibility issues. (This applies to the CNA Provider or any Provider personnel who will have actual responsibility for the property inspection and preparation of the CNA)
6. Not be debarred or suspended from participating from participating in Federally assisted programs and will comply with the requirements of 7 C.F.R. part 3017, pertaining to debarment or suspension of a person from participating in a Federal program or activity.

Statement of Work -

The CNA Provider shall:

1. Perform a Capital Needs Assessment (CNA) in general conformance with the document: “Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator,” except as modified herein.
2. Inspect the property. A minimum of 25% (20% if property includes 50 – 99 units, 15% if the property contains 100 or more units) of all dwelling units shall be inspected in a non-intrusive manner. Consideration shall be given to inspecting at least one unit per floor, per building, and per unit type (one-bedroom, two-bedroom, etc.) up to the threshold. CNA Provider shall ultimately be responsible for appropriate unit sampling but is encouraged to consult with site representatives to gather adequate information to help ensure that unit samples represent a cross-section of unit types and current physical conditions at the property, and are reflective of substantive immediate physical condition concerns. All site improvements, common facilities (every central mechanical room, every laundry etc.), and building exteriors shall be inspected. (ASTM guidelines, allowing for “representative observations” of major elements are not adequate in this regard. Although inspections are “non-intrusive”, CNA Provider shall include an inspection of crawlspaces and attics in a number sufficient to formulate an opinion of the condition of those spaces and any work necessary.) All units designated as fully accessible for the handicapped shall be inspected. The inspection shall include interviews with the property owner, management staff, and tenants as needed. It should also include consideration of all relevant property information provided by the owner, including -
 - Contact information for the client’s representative at RD (Name, address, telephone number, email address, etc.)
 - Building-by-building breakdown of units by bedroom count and type (i.e. garden, townhouse, handicap accessible) to aid in selection of units at time of inspection
 - Any available plans or blueprints of development (as-built drawings preferred)
 - Listing of capital expenditures for the property over the past three to five years and maintenance expenditures over the last 12 months
 - Maintenance logs to help identify any significant or systemic areas of concern
 - Copies of invoices for any recently completed capital improvements and/or copies of quotes for any pending/planned capital improvements
 - Any available Section 504/Accessibility Self Evaluation/Transition Plans
 - Any available capital/physical needs assessments (CNAs/PNAs) that were previously completed
 - Any available structural or engineering studies that were previously completed
 - Any available reports related to lead-based paint testing or other environmental hazards (i.e. asbestos, mold, underground storage tanks, etc.) that were previously completed and/or related certifications if environmental remediation has been completed
 - Reports including but not limited to: local Health Department inspections, soils analysis, USDA’s last Civil Rights compliance review, USDA’s last security inspection.
 - If the Owner certifies that (a) 3rd party funds have been committed for use in the transaction for which the CNA is required; and (b) USDA RD has communicated its acceptance or acknowledgement of the availability of these funds (whether by an award of points in a portfolio revitalization program or otherwise); and (c) these funds are to be used towards a rehabilitation program at the property, the Owner will provide the CNA Provider with a copy of the proposed rehabilitation scope and budget.

3. Prepare a report using forms developed by RD or other similar documents. The report shall be on an electronic worksheet commonly used in the industry, or as prescribed elsewhere herein. The report shall contain the following components, as a minimum:
 - a. Project Summary. Identification of the CNA Provider and property owner, and a brief description of the project, including the name, location, occupancy type (family/elderly) and unit mix.
 - b. Narrative. A detailed narrative description of the property, including year the property was constructed or rehabilitated (of each phase if work completed in multiple phases), interior and exterior elements, architectural and structural components, mechanical systems, etc. It shall also include:
 - i. Number, types, and identification of dwelling units inspected and used as a basis for the findings and conclusions in the report;
 - ii. An assessment of how the property meets the requirements for accessibility to persons with disabilities;
 - a) The report shall include any actions and estimated costs necessary to correct deficiencies in order for the property to comply with applicable federal, state, and local laws and requirements on accessibility. The report shall also include an opinion on the adequacy of any existing and approved transition plans for the property in accordance with USDA/Rural Development requirements. CNA Providers shall not assume that a property built in accordance with accessibility standards prevailing at the time of original construction is “grandfathered” on accessibility requirements.
 - b) Attached is a checklist (Attachment F) setting out those items that should be included in any accessibility evaluation. It is meant to provide guidance to CNA Providers, but is not represented to be all-inclusive (i.e., CNA Providers are expected to be familiar with applicable federal accessibility requirements and standards and are required to ensure that the accessibility evaluation is based on such requirements and standards). Also attached are some frequently asked questions and answers regarding RD policies and expectations with respect to certain accessibility matters. Finally, CNA Providers are strongly encouraged to review Appendix 5 to USDA Rural Development Handbook HB-2-3560.
 - iii. An assessment of observed or potential on-site environmental hazards (e.g., above or below ground fuel storage tanks, leaking electrical transformers);

Note: The narrative portion of the report must address and include any existing testing results for the presence of radon, lead in water, lead based paint, and other environmental concerns. CNA Providers are not expected to conduct or commission any testing themselves. However, where test results provided by the owner affirmatively point to hazards, the CNA Provider should inquire about subsequent remediation steps and include cost allowances for any identified hazards not yet remediated.
 - iv. Recommendations for any additional professional reports as deemed necessary by the CNA Provider, such as additional investigations on potential structural defects or environmental hazards;

Note: The narrative portion of the report must address each study or report necessary, why, and what expertise is needed so that the owner can alleviate that issue, including estimates for repairs, prior to underwriting. It is not the CNA Provider’s responsibility to estimate the cost of the study or repairs / remediation necessary.
 - v. Needs being or to be funded from a third party (if any), such as tax credits, including a brief description of the work, the source of funding, the year(s) the work is planned to be completed, and the total estimated costs in current dollars; and

Note: For projects where the property owner advises the CNA Provider that third party funding for rehabilitation is committed and the work will begin within 12 months, the CNA should address the existing conditions at the property, and the post-rehabilitation needs at the property. An example would be a property owner who has submitted a pre-application to RD for the Multifamily Portfolio Revitalization (MPR) Demonstration where RD has awarded points to the application for third party funding, and it has committed third party funding. Under the MPR, an owner who has applied for third party funding for rehabilitation but does not have a commitment for this funding should have the CNA prepared based on conditions at the property “as is,” not post rehabilitation. In these cases, consult with RD as to whether a “post rehab” CNA should be done. When a property owner receives the funding commitment, and rehabilitation is planned within the next 12 months, the CNA contract must be renegotiated to indicate that rehabilitation is planned and specify that a post-rehabilitation CNA should be prepared.

In preparing CNAs for these properties, the CNA Provider should undertake the CNA on the basis that the third party funded rehabilitation will occur as described in the scope of work for the rehabilitation project provided by the property owner and determine the property’s post-rehabilitation capital needs over the next 20 years. In these cases, the CNA Provider is expected to review and understand the scope of work for planned rehabilitation funded from third party sources, but aside from apparent substantive omissions is not required to comment on the planned rehabilitation.

If there is no evidence that third party funding for rehabilitation has been committed (e.g., if rehabilitation is not indicated in the RD MPR pre-application and/or Rural Development has not awarded points for it), then the CNA Provider should verify with the RD contact prior to performing an “as improved” / post rehabilitation CNA. If no funds are committed, and RD does not agree to a “as improved” CNA, the CNA Provider may note the owner’s rehabilitation proposal in the CNA but the report should be undertaken as though there will be no immediate rehabilitation. In these cases, the CNA should be based on the CNA Provider’s independent professional opinion of current and future needs at the property. (For example, if the owner wishes for a rehabilitation, but has no funds allocated to perform one.)

- vi. Acknowledgments (names and addresses of persons who: performed the inspection, prepared the report, and were interviewed during or as part of the inspection).
- c. Materials and Conditions. This component shall be reported on a Microsoft Office Excel © worksheet. The following major system groups shall be assessed in the report: Site; Architectural; Mechanical and Electrical; and Dwelling Units. ALL materials and systems in the major groups shall be assessed (not every specific material used in the construction of the property), including the following items:
 - i. Item Description;
 - ii. Expected Useful Life (EUL). Data entries must be based on the Expected Useful Life Table included in the “Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator”, unless otherwise explained in the report. Any EUL entry that varies from the table must include explanation in a “Comments” column. Any EUL that varies from the table by 25% or more must be adequately supported separately from spreadsheet (for example, in the Narrative section);
 - iii. Age. The actual age of the material or system;

- iv. Remaining Useful Life (RUL). Any RUL entry that varies from the difference between the EUL and Age must be explained in the “Comments” column. Any RUL entry that varies 2 years or more must be adequately supported separately from the spreadsheet (for example, in the Narrative section). Variances of more than 25% will not be accepted;
 - v. Condition. The current physical condition (excellent – good – fair – poor) of the material or system;
 - vi. Description of action needed (repair – replace – maintain construct – none); and,
 - vii. Comments or field notes that are relevant to the report.
- d. Capital Needs. This component shall be reported on a Microsoft Office Excel © worksheet. This component identifies all materials and systems for each of the four major system groups to be repaired, replaced, or specially maintained. It shall include the following items for such materials or systems:
- i. Year or years when action is needed;
 - ii. Number of years to complete the needed action (duration of the repair work);
 - iii. Quantity and Unit of Measure. Any data entry that is not from a physical property measurement or observation during the inspection shall be explained in the report (contrary to ASTM guidance, lump sum allowances shall be used only for capital projects, such as landscaping, that cannot readily be quantified); and,
 - iv. Estimated repair, replacement, or special maintenance unit cost and total cost in current (un-inflated) dollars for each line item. The report shall identify the source(s) used for the cost data. Entries shall include estimated costs for materials, labor (union or non-union wages, as appropriate), overhead & profit, consultant fees, and all other associated costs likely to be incurred by the property owner. In particular, CNA Provider should be mindful of capital activities (e.g., a major landscaping or site drainage project) that are likely to involve design costs, or the involvement of general contractors, with associated overhead and profit considerations. CNA Providers using such standard cost sources shall use cost allocations that include overhead and profit.

Note: An estimated unit cost that is significantly different from an industry standard cost, such as R.S. Means or equivalent, must be adequately supported.

Generally, replacement actions shall involve “in-kind” materials, unless a different material is more appropriate, approved by the State Historic Preservation Office, if applicable, and explained in the report. Exceptions shall be made for components that are seen as inadequate (e.g. twenty gallon water heaters, prompting resident complaints) or below contemporary design/construction standards (e.g. single-glazed windows in temperate climates). RD also encourages the consideration of alternative technology and materials that offer the promise of reduced future capital and/or operating costs (more durable and or less expensive to maintain over time, reduce utility expenses, etc.). CNA Providers are not expected to conduct quantitative cost-benefit analyses but shall use sound professional judgment in this regard.

In addition to the exceptions described in the paragraph above, RD may consider the inclusion of market-comparable amenities/upgrades (e.g. air conditioning in warm climates) proposed by the owner when such features are essential to the successful operational and financial performance of the property. Such items should be identified specifically in the CNA report as “owner-recommended upgrades” and include an explanation of why these upgrades are necessary in supporting the financial and

operational performance of the property. Where included, CNA Provider comments on the feasibility and appropriateness of the upgrade are required.

v. The capital needs shall be presented in two time frames:

a) Immediate Capital Needs. All critical health and safety deficiencies (e.g. inoperative elevator or central fire alarm system, missing/unsecured railings, blocked/inadequate fire egress, property-wide pest infestation) requiring corrective action in calendar year 2009. Separately, the owner shall provide any repairs, replacements, and improvements currently being accomplished in a rehabilitation project, regardless of funding source, and anticipated to be completed within 12 months. The owner will include the budget for any planned rehabilitation (e.g., rehabilitation proposed in the property owner's pre-application to the MPR). CNA Provider can, but is not required, to offer comments about the rehabilitation budget. The CNA shall not include minor, inexpensive (aggregated costs for the material line item is less than \$1000) repairs or replacements that are part of a prudent property owner's operating budget.

Where immediate rehabilitation is proposed by the owner using 3rd party funds, the CNA Provider shall note the current condition and remaining effective useful lives of affected systems and components in an "as is" CNA.

b) Capital Needs Over the Term. Such capital needs include significant maintenance, repairs, and replacement items required during calendar years 2010 through 2029 to maintain the property's physical integrity and long term marketability. It shall include repairs, replacements, and significant deferred maintenance items currently being planned and anticipated to be completed after calendar year 2009, and corrections for violations of applicable standards on environmental and accessibility issues. It shall also include the needs described in paragraph 3.b.v. above in the appropriate year(s), if any, if these will not be completed within 12 months from the closing of the program revitalization transaction. Generally, it shall not include minor, inexpensive (annual aggregated costs for the material line item is less than \$1,000) repairs or replacements, or maintenance items that are part of a prudent property owner's operating budget. Exceptions to these exclusions may be appropriate for very small properties, and/or for low cost items that may affect resident health and safety (e.g., a damaged or misaligned boiler flue). For example, in small projects (total of 12 units or less), items exempted would be for material line items less than \$250, not \$1,000. The report shall be realistic and based on due diligence and consideration of the property's condition, welfare of the tenants, and logical construction methods and techniques. The estimated unit costs and total costs to remedy the detailed needs shall be provided in current (un-inflated) dollars.

Capital Needs Over the Term shall be based on the actual remaining useful lives of the components and systems at hand. Aside from formal work that is accounted for in the Immediate Capital Needs section, capital activities shall not be "front-loaded."

Note: New components or upgrades addressed in a property's rehabilitation may have long-term capital needs implications as well. Those items with expected useful lives of less than twenty years (e.g. air conditioners) also will need to be accounted for in Capital Needs Over the Term.

- e. Executive Summary. This component shall be reported on a Microsoft Office Excel © worksheet. It shall include:
 - i. Summary of Immediate Capital Needs – the grand total cost of all major system groups (in current dollars);
 - ii. Summary of Capital Needs Over the Term – the annual costs and grand total cost of all major system groups (in current and inflated dollars). The inflation rate shall be 3 percent; and,
 - iii. Summary of All Capital Needs – the grand total costs for the immediate and over the term capital needs (in current and inflated dollars). The grand total costs (in current and inflated dollars) per dwelling unit shall also be included.
 - f. Appendices. This component shall include a minimum of 10 and a maximum of 25 color digital photographs that describe: the property’s buildings (interior and exterior) and other facilities, specific material or system deficiencies, and the bathrooms and kitchens in the units accessible for the handicapped. Include a property location map and other documents as appropriate to describe the property and support the findings and summaries in the report.
4. Deliver the following:
 - a. A minimum of one electronic copy of the report shall be delivered on a compact disk, or other acceptable electronic media, e.g. e-mail, to both property owner and USDA Rural Development for their review and written acceptance. To the greatest extent possible, delivery should be made within 15 business days of execution of the agreement with the property owner.
 - b. If the report is not acceptable, the CNA Provider shall make the appropriate changes in accordance with the review comments. A minimum of one electronic copy of the revised report shall be delivered on a compact disk or via e-mail to both property owner and USDA Rural Development for their review and written acceptance. The delivery should be made within 5 business days of receiving the review comments.
 - c. If the revised report is still not acceptable, additional revisions will be made and electronic copies delivered on compact disks or via e-mail to the property owner and USDA Rural Development until the report is acceptable to both property owner and USDA Rural Development.
 5. Be available for consultation with the property owner or USDA/Rural Development after written acceptance of the report on any of its contents.
 6. The CNA Provider shall NOT analyze the adequacy of the property’s existing or proposed replacement reserve account nor its deposits as a result of the capital needs described in the report.