

# 2019 ARCHITECTURAL MANUAL

## IV. REHABILITATION GUIDE FOR EXISTING PROPERTIES

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Applicable Forms:

- Fannie Mae Physical Needs Assessment Forms
  1. Terms of Reference
  2. (All) Systems and Conditions
  3. Immediate Physical Needs
  4. Capital Replacement Reserve Study
  5. Expected Useful Life Tables
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  1. Fair Housing Units Checklist
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  3. Site & Common Area Accessibility Checklist
- DCA Rehabilitation Work Scope

## 1. **Introduction**

The purpose of this Rehabilitation Guide is to standardize DCA's expectations for the longevity and marketability of completed rehabilitation of existing rental properties.

Unless waived (see below), all provisions in the Architectural Standards, Architectural Submission Requirements, Accessibility Manual, and Amenities Guide along with the Core and Threshold sections of the QAP apply to rehabilitation properties.

The Fannie Mae Expected Useful Life Tables should be used as guide to determine the components and systems that need to be replaced in order to meet the duration of all tax credit program obligations.

### **All work scopes must propose:**

1. A minimum "dwelling unit" per unit hard cost budget of \$25,000.

Hard costs eligible for this requirement are limited only to improvements within the dwelling unit envelope (windows, entry doors, exterior siding, unit insulation and roofing improvements). No site improvements, common building systems, community building improvements, new construction for community buildings, maintenance facilities, other common use structures or interior and exterior amenities will count towards the per unit hard cost minimum calculation.

2. The replacement of any component of the building or site with a Remaining Useful Life, according to Fannie Mae Expected Useful Life Table, of less than 15 years.
3. The replacement of existing exterior stairs, breezeways, and handrails that have no roof cover.
4. Corrective actions for all deficiencies noted in the Physical Needs Assessment.
5. Compliance with the Georgia State Minimum Standard Codes and Life Safety Code regarding stairs, handrails, guardrails, smoke detectors, fire alarms, and unit fire separation (attic draft stops, fire separation, rated party walls and floor/ceiling components, and caulking of all penetrations in the fire assemblies).
6. Substantially the same scope of work in all units.
7. Compliance with the Architectural Manual, all current building codes, DCA accessibility requirements, and UPCS upon completion of work.

Any variance from these requirements will require the submission of a DCA Architectural Waiver Request at \pre-application.

DCA may grant an architectural waiver only if there is an overriding public policy need based on the physical needs assessment, a certification from the architect and, where applicable, the appropriately-licensed engineer (civil, structural, mechanical, plumbing, electrical) documenting that completed project will be viable and meet the DCA useful life requirements. All waiver requests should be accompanied by the DCA Rehabilitation Work Scope form, Physical Needs Assessment and any other substantiating documentation.

DCA may require, as a condition of the waiver, full funding of the capital replacement reserve. The capital replacement reserve must clearly schedule all component/system replacements required according to the **Fannie Mae Expected Useful Life Table**.

DCA may perform its own Physical Needs Assessment (PNA).

Owners may request waivers for:

- Architectural Standards
- Central HVAC in a multi-floor building where it can be demonstrated that the existing central system is the most efficient and economical system for conditioning the indoor spaces
- Flat roofs
- Room and unit size, closet and cabinet/counter requirements, number of bathrooms only if documentation of the marketability of existing conditions is provided
- One bedroom units where the bathroom is accessed through the bedroom
- The \$25,000 per unit minimum

DCA may deny waivers if the completed rehabilitation will not result in safe and decent housing that is equal to comparable housing in the marketplace. In no case will DCA waive

- federal, state or local building or accessibility laws or codes;
- state energy conservation codes;
- health and safety requirements;
- room layouts that do not meet architectural standards requirements for
  - bathrooms that open from areas of food preparation, or
  - a sole passageway to a habitable room or hall unless egress is provided according to applicable fire codes.

The application for funding shall include a **NAPNA** and comprehensive **DCA Rehabilitation Work Scope** outlined below. Rehabilitation projects selected for funding must submit all pre-construction due diligence documentation outlined in the Architectural Submittals Instructions, including a complete set of plans and specifications produced by an architect licensed in Georgia. The DCA Rehabilitation Work Scope form submitted at application may not be changed between application submission and Final Allocation without DCA's consent. All work proposed must be completed.

## **2. Physical Needs Assessments**

The PNA is required at Application for all rehabilitation, adaptive reuse, and Historic Preservation properties applications. The PNA, including an on-site investigation, narrative report, and Fannie Mae forms, must be conducted by a Qualified Consultant, who meets the following experience requirements and qualifications:

- Independent from the Applicant/Developer and have the capacity to render a report in accordance with Rehabilitation Guide.
- Have no less than five (5) years of experience performing physical needs assessments for affordable rental housing projects.
- Not be presently debarred, suspended, proposed for debarment or suspension, declared ineligible or excluded from participation by any state or federal department, agency, or program.
- Agrees to comply with all applicable laws, including, but not, limited to federal, state and local laws, codes, regulations, ordinances, rules and orders, including all laws concerning fair housing and equal opportunity that protect individuals and groups

against discrimination on the basis of race, color, national origin, religion, disability, familial status, or sex.

- Agree to comply with the Immigration Reform and Control Act of 1986 (IRCA), D.L. 99-603, the Georgia Security and Immigration Compliance Act, the Illegal Immigration Reform and Enforcement Act of 2011 (O.C.G.A. §13-10- 90 et. seq.), and any other applicable state or federal immigration laws. Consultant must be registered with and using E-Verify.
- Consultant must comply with Drug Free Workplace requirements..

Developers must contact the Qualified Consultant directly and contract to provide the PNA services. The report must include a certification that the report was prepared by an individual who meets the above-listed experience requirements and qualifications to be considered a Qualified Consultant.

The PNA must be no more than six (6) months old at the time the Application is submitted. The report must include a signed statement from the Consultant with the following language inserted in the Consultant's signature block:

"The investigation has been completed in accordance with DCA requirements, is accurate, and can be relied upon by DCA as a true evaluation of the existing property conditions."

DCA may verify all information contained in the report with an on-site inspection of the property conducted during the application process.

The Consultant shall inspect:

- A. All vacant and down units
- B. At least 10% of the occupied units
- C. One unit in each building
- D. One of each type of the accessible units (where they exist);
- E. One of each unit configuration type; and
- F. All other community/common areas and maintenance spaces.

The report is not expected to identify regular maintenance items that are part of the property owner's operating responsibility such as occasional window glazing replacement and/or caulking, minor plumbing repairs, annual HVAC and appliance servicing. However, the Consultant must comment on such items if they do not appear to be routinely addressed or in need of immediate repair, as well as report any observed or documented building code violations.

The NAPNA must include descriptions of the condition of the following items and identification of the Remaining Useful Life in the **Fannie Mae** forms format of the following items:

#### **SITE SYSTEMS AND CONDITIONS**

- Landscaping
- Irrigation
- Grading/storm water drainage
- Lighting - building mounted
- Lighting - pole mounted
- Parking
- Pedestrian paving (sidewalks)

- Utilities (piping & equipment such as pumps etc.)
  - Water
  - Fire
  - Gas
  - Electrical
  - Sanitary
  - Storm water drainage structures & piping
  - Cable/Phone/Communications
- Mailboxes
- Property sign
- Traffic signage
- Retaining walls
- Fencing
- Exterior stairs
- Exterior railings
- Site amenities

### **COMMON AREAS/COMMUNITY BUILDING**

- Common area amenities
- Common area doors
  - Interior
  - exterior
- Common area floors
- Common area ceilings
- Common area walls
- Common area kitchens
  - Countertop
  - Cabinets
  - Sink
  - appliances
- Common area HVAC
  - Ductwork
  - equipment
- Common area/public bathrooms
  - fixtures
  - hot water heating
  - water piping
  - waste/vent piping
  - bathroom accessories
- Sprinklers
- Electrical
  - light fixtures
  - outlets/switches
  - wiring
  - equipment (panels/breakers)
- Life safety
  - smoke alarms
  - fire alarms

## **BUILDING ARCHITECTURE**

- Foundations
- Crawl Spaces/Basements
- Framing
  - wall
  - floor
  - ceiling/roof
- Exterior wall sheathing
- Exterior cladding
- Roof sheathing
- Roofing
- Gutters & downspouts
- Soffits
- Windows
- Insulation
  - wall
  - floor
  - attic

## **DWELLING UNITS**

- Cabinets
- Countertops
- Interior doors
- Exterior doors
- Floor underlayment
- Floor finishes
- Interior wall sheathing (gypsum wall board)
- Wall finishes
- Ceilings
- Bathroom vanities
- Bathtubs/showers
- Tub/shower surrounds
- HVAC
  - ductwork
  - equipment
  - bath fans & ventilation
- Plumbing
  - fixtures (faucets, shower valves, toilets, sinks)
  - hot water heating
  - water piping
  - waste/vent piping
    - wall
    - under slab
- Appliances
- Elevators
- Sprinklers
- Electrical
  - light fixtures
  - outlets/switches
  - wiring
  - equipment (panels/breakers)

- Life safety
  - smoke alarms
  - fire alarm system
  - Attic draft stop/fire walls

The PNA must also include a discussion of known building code violations.

The PNA consultant is not expected to assume liability for compliance with accessibility regulations during design of post-rehabilitation. The consultant will identify any potentially costly barriers to the required property accessibility, i.e., changes in grade for accessible routes or parking and unit framing changes for required clearances. The PNA must identify major violations of The Americans with Disabilities Act, The Fair Housing Act, and The Uniform Federal Accessibility Standards (UFAS).

The Capital Replacement Reserve study shall extend for 20 years with no capital replacements within the first five years (apart from regular maintenance and turnkey operations that are part of operation and management ). The Capital Replacement Reserve shall reflect the condition of the property “As Improved” by the entire DCA Rehabilitation Work Scope proposed by the Owner, not just the needs identified by the Physical Needs consultant.

Any item that is determined to have an Effective Remaining Life of less than 15 years must be replaced as part of the work scope. Applicants may request a waiver where major systems (roofing, HVAC equipment, windows, doors, etc.) have been replaced within the last 5 years. DCA may allow for replacement in the 15-year term if the cost is clearly documented in the Capital Replacement Reserve study. Replacement Reserves must exceed the DCA QAP minimum contributions and the project underwriting shall propose full funding of the Reserve.

The applicant must provide adequate documentation substantiating any differences between the Effective Remaining Life as a calculated difference between Effective Useful Life and Age and the Evaluator’s opinion of the remaining useful life. The report should emphasize all systems/components with no Effective Remaining Life and those with Effective Remaining Life less than DCA requirements, all deferred maintenance, and repairs or replacements involving significant expense or outside contracting.

The Consultant must note any suspected environmental hazards. Confirmation of suspected environment-related hazards, such as mold, lead-based paint, or asbestos containing materials, must be addressed in a separate environmental engineer’s report.

### **3. The DCA Rehabilitation Work Scope Form**

The DCA Rehabilitation Work Scope form must address future property marketability, durability, and energy efficiency which will add to the residential quality of life.

The DCA Rehabilitation Work Scope form shall be based on:

- Requirements for the replacement of components with an Effective Remaining Useful Life of less than 15 years, building code and health/safety violations, and immediate needs from the NAPNA;
- Requirements for the replacement of components in order to comply with DCA’s Architectural Standards and Specific Systems Replacement Guidance;
- All applicable Threshold and Scoring upgrades as indicated in the DCA Application including amenities construction;
- All costs that will be incurred in bringing the property into compliance with federal,

- state, local, and DCA accessibility regulations;
- Remediation of all issues identified in the Phase I and II environmental reports.

DCA must be able to determine that all major issues identified in the PNA and Environmental Reports are addressed in the DCA Rehabilitation Work Scope form.

#### **4. Specific Systems Replacement Guidance**

##### Site Utilities

The DCA Rehabilitation Work Scope form must contain a budget line item to investigate (including with remote imaging) and repair or replace all main utility lines on the property, regardless of age. If more than 50% identifies as failed, the entire line must be replaced. Owners must submit a copy of the sewer investigation to DCA with the final inspection documentation.

##### Site Utilities – Special Considerations: Polybutylene Piping

The Consultant must investigate any polybutylene piping and provide an opinion on whether it should be repaired or replaced. In all cases the last 3'-0" of polybutylene hot water lines must be replaced with copper piping.

##### Landscaping/Storm Water Drainage/Erosion

All areas of washout, exposed dirt, dead trees and overgrown landscaping must be corrected. DCA may require, as a condition of funding, that a civil engineer be engaged to address the issue.

##### Site Improvements

Broken or un-useable amenities equipment, non-compliant site stairs and handrails, failed/deteriorated sidewalks, paving, and retaining walls must be corrected. Sidewalks and paving must meet the minimum UPCS and accessibility standards

##### Foundations

All cracking or settling of concrete foundations and masonry must be addressed. DCA may require, as a condition of funding, that a structural engineer be engaged to address the issue.

##### Crawlspaces

All crawlspaces must be investigated and assessed for the presence of mold, plumbing leaks, and deteriorating structures. All crawl spaces must meet minimum energy and fire code requirements.

##### Rough Carpentry

Deteriorated subfloor, wall sheathing, roof sheathing, and structural framing must be addressed and allowances for the quantity of this work must be substantiated.

##### EIFS & Stucco

EIFS (synthetic stucco) may not be repaired but must be replaced by a DCA-approved material. Hard-coat stucco (cement stucco) must be replaced if more than 25% of the existing material has failed. DCA must approve any repair or replacement of hard-coat stucco.

##### Acoustical Isolation

The work must meet the Architectural Standards for acoustical isolation wherever party and exterior wall structures and ceiling and floor construction are exposed during the course of construction.



### Drywall

The Work Scope must indicate the approximate percentage of drywall to be removed and replaced. Allowances must be substantiated.

### HVAC

Heating, ventilating, and air conditioning systems must be replaced if they do not meet the applicable building codes, do not meet Threshold Section Building Sustainability, or do not have the required Effective Remaining Life. The duct system must be replaced if necessary to meet applicable codes and DCA required life expectancy. If ductwork is not replaced, it must be cleaned and sealed in accordance with the Georgia State Minimum Standard Energy Code.

### Plumbing

Plumbing components must be replaced if they do not meet the requirements of applicable building codes, do not meet Threshold Section Building Sustainability, do not have the required Effective Remaining Life, 50% of the plumbing system needs replacement, or if lead in water testing results from the Phase I Environmental Site Assessment exceeds regulated levels.

### Electrical

The existing electrical system must be upgraded to meet all applicable codes. If 50% of the system needs replacement, the entire system must be replaced, including all wiring.

### Building Sustainability

Rehabilitation projects will meet the sustainability requirements outlined in the 2019 QAP regardless of local code enforcement.

### Accessibility

All Work Scopes must meet applicable federal, state, local, and DCA requirements. DCA requires 5% of the units to be fully accessible, 40% of mobility units to have roll-in showers, and an additional 2% equipped for the hearing and sight impaired. DCA maintains the same accessibility standard for new construction and rehabilitation.

### Fire and Life Safety

Compliance with the Life Safety Code for new construction for the following:

- Stairs, handrails, and guardrails.
- Smoke detectors, carbon monoxide detectors and fire alarms.
- Unit fire separation (attic draft stops, fire/smoke separations, rated party walls and floor/ceiling components, and caulking of all penetrations in the fire assemblies).

Life Safety items that do not meet current codes will not be 'grandfathered' in. DCA may allow an outcome at a standard lower than new construction based on documentation from the authorized local code enforcement official(s).

## **5. Historic Rehabilitation**

### Rehabilitation

Applicants must follow the *Secretary of the Interior's Standards for Rehabilitation* (36 CFR Part 68) to rehabilitate the property's interior and exterior features and complete DCA's environmental requirements, including the testing and abatement (encapsulation) of lead.

### Summary

If a Preservation Professional, as defined in the Environmental Manual, determines that the proposed project has an adverse effect or is a contributing structure which is either listed in the National Register or is eligible for listing in the National Register (or a lot within such a listed or eligible district) and Georgia State Historic Preservation Office (SHPO) has cleared the proposed activities to proceed, the general rehabilitation standards may not apply. However, DCA still requires that the completed rehabilitation results in housing that will meet the duration of all tax credit program obligations.

### Review the Historical Significance of the Property

Applicants must review documentation on file with the National Register of Historic Places or local preservation commissions and supplemented with a physical investigation to identify which character defining features and spaces must be protected.

### Reconstruction (demolition and replacement) of Historic Properties

Applicants must consult with a Preservation Professional to develop a set of historically compatible model replacement building plans and construction drawings (including elevations) in advance of any planned reconstruction activities, which must then be approved by the SHPO before beginning construction.

**Any modifications of the historic rehabilitation work scope must be approved in writing by DCA in advance of the project start-up.**

## Appendix I

### The Fannie Mae Physical Needs Assessment Guidelines

Below is a reproduction of the directions for completing the **Fannie Mae forms**. Note that DCA may have detailed specific guidance above which **overrides these boiler-plate directions**.

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The standard format forms are to help the Consultant conduct a comprehensive and accurate assessment. However, the forms should not constrain the Consultant from fully addressing other findings and may be supplemented as necessary to create a thorough record of the property's physical needs. The forms may be altered to serve the Consultants' needs if the basic format is maintained and the same information is presented.

#### **SPECIFIC GUIDANCE TO THE PROPERTY EVALUATOR**

##### Purpose

The purpose of the Physical Needs Assessment is to identify and provide cost estimates for the following key items:

Immediate Physical Needs - repairs, replacements and significant maintenance items which should be done immediately.

Physical Needs Over the Term - repairs, replacements and significant maintenance items which will be needed over the term of the mortgage and two years beyond. As part of the process, instances of deferred maintenance are also identified. The assessment is based on the evaluator's judgment of the actual condition of the improvements and the expected useful life of those improvements. It is understood that the conclusions presented are based upon the evaluator's professional judgment and that the actual performance of individual components may vary from a reasonably expected standard and will be affected by circumstances which occur after the date of the evaluation.

This package explains how to use the set of forms provided by Fannie Mae. It is important to recognize that the forms are intended to help the evaluator conduct a comprehensive and accurate assessment. They also present the results of that assessment in a relatively standard format which will be useful to the lender in making underwriting decisions. However, the forms should not constrain the evaluator from fully presenting concerns and findings. The forms should be used and supplemented in ways which facilitate the preparation and presentation of information useful to the lender regarding the physical needs of the property.

The Systems and Conditions forms may be altered and/or computerized to serve the evaluators' needs so long as information is provided on the condition and Effective Remaining Life of all components and the Effective Remaining Life is compared to the standard Expected Useful Life (EUL). The Summary forms may also be extended or computerized so long as the basic format is maintained.

##### Terms of Reference Form

The lender's inspector completes this form for the evaluator, as part of the needs assessment form. It serves as a reference point for the assessment and provides the evaluator with basic information about the property and the term of the loan. Four additional

topics are covered:

1. Sampling Expectations - The lender's expectations about the number and/or percentage of dwelling units, buildings and specialized systems to evaluate may be stated. If there is no stated expectation, the evaluator should inspect sufficient units, buildings, and numbers of specialized systems to state with confidence the present and probable future condition of each system at the property. The evaluator should provide a separate statement indicating the sampling systems used to ensure a determination of conditions and costs with acceptable accuracy.

If a Sampling Expectation is provided by the lender which is not adequate to achieve the requisite level of confidence, the evaluator should so advise the lender. Considerations in determining an adequate sample size are age and number of buildings (especially if the property was developed in phases), total number of units, and variations in size, type and occupancy of units.

Effective sampling is based on observing a sufficient number of each significant category. Using the above criteria, categories could include buildings by age of each building (e.g. inspect buildings in the 8-year-old phase and in the 11-year-old phase), buildings by type (e.g. row house, L-shaped row house, walkup, elevator) and/or buildings by construction materials (e.g. inspect the garden/flat roof/brick walls section and the garden/pitched roof/clapboard walls section).

Dwelling units are separate categories from buildings. At a minimum, sampling is by unit size (0/1/2/3/4 bedrooms). There may be further categories if units are differently configured or equipped, or have different occupants (especially family or elderly). Systems which are not unit specific, such as boilers, compactors, elevators and roofs, will often have a 100% sample.

The objective is to see enough of each unit type and system to determine the present and probably future condition.

2. Market Issues - In certain instances, market conditions may necessitate action on certain systems. Examples are early appliance replacement or re-carpeting, new entry paving, special plantings, and redecorated lobbies. If the owner or lender has identified such an action, the evaluator should include cost estimation for such action and indicate what, if any, other costs would be eliminated by such action.
3. Work in Progress - In some instances, work may be underway (which can be observed) or under contract. When known by the lender, this will be noted. For purposes of the report, such work should be assumed to be complete, unless observed to be unacceptable in quality or scope.
4. Management-Reported Replacements - In some instances, the property ownership or management will provide the lender with information about prior repairs or replacements which have been completed in recent years. The lender may provide this information to the evaluator to assist in the assessment of these components. The evaluator should include enough units, buildings, or systems in the sample to reasonably verify the reported repairs or replacements.

#### Systems and Conditions Forms

It is the responsibility of the evaluator to assess the condition of every system which is present at a property. All conditions, except as noted below, requiring action during the life of the loan must be addressed regardless of whether the action anticipated is a capital or operating expense.

To assist evaluators in reviewing all systems at a property, four Systems and Conditions Forms are provided. Each lists a group of systems typically related by trade and/or location. The four forms are Site, Architectural, Mechanical and Electrical, and Dwelling Units. While the forms have several columns in which information may be recorded, in many instances only the first three columns will be completed. If the condition of a system is acceptable, the Effective Remaining Life exceeds the term of the mortgage by two years, and no action is required, no other columns need to be completed.

The report is not expected to identify minor, inexpensive repairs or other maintenance items which are clearly part of the property owner's current operating pattern and budget so long as these items appear to be taken care of on a regular basis. Examples of such minor operating items are occasional window glazing replacement and/or caulking, modest plumbing repairs, and annual boiler servicing, however, the evaluator should comment on such items in the report if they do not appear to be routinely addressed or are in need of immediate repair.

The report is expected to address infrequently occurring "big ticket" maintenance items, such as exterior painting, all deferred maintenance of any kind, and repairs or replacements which normally involve significant expense or outside contracting. While the evaluator should note any environmental hazards seen in the course of the inspection, environment-related actions, such as removal of lead-based paint, will be addressed in a separate report prepared by an environmental consultant.

## **USING THE SYSTEMS AND CONDITIONS FORMS**

### Purpose

The forms can be used both to record actual observations at a specific location and for an overall summary. For example, the Architectural form can be used for a specific building (or group or identical buildings) as well as for summarizing all information for buildings at a property. The same is true for the Dwelling Unit form. An unlabeled form is included which can be used as a second page for any of the Systems and Conditions Forms.

In some instances, the evaluator will note components which, while they may continue to be functional, may reduce marketability of the property. For example, single-door refrigerators or appliances in outmoded colors may have such an impact in some properties. The evaluator should note these items, discuss them with the lender, and provide separate estimates of the cost to replace such items if requested.

Each of the four forms has a number of frequently-occurring systems and components listed. This list represents only the most frequently observed and is not meant to be all inclusive. Every system present at the property must be observed and recorded. Any system not listed on the form may be included in the spaces labeled "Other".

Note that the assessment includes the systems and components in both residential and non-residential structures. Thus, garages, community buildings, management and maintenance offices, cabanas, pools, commercial space, and other non-residential buildings and areas are included.

### Items (EUL)

The Expected Useful Life (EUL) figure which appears in parentheses after the Item is taken from the Expected Useful Life Table provided. This table provides standard useful lives of many components typically found in apartment complexes. Where the parentheses do not contain a number, it is because there are various types of similar components with

differing economic lives.

The evaluator should turn to the Expected Useful Life Table and select, and insert, the appropriate Expected Useful Life (EUL) number. If the Expected Useful Life (EUL) will, without question, far exceed the term of the mortgage plus two years, the Expected Useful Life (EUL) number need not be inserted.

The Expected Useful Life Tables represents only one possible judgment of the expected life of the various components. If we receive substantial material to the effect that one or more of the estimates are inappropriate, we will make adjustments. Until such changes are made, the Tables provide a useful and consistent standard for all evaluators to use. They avoid debate on what the appropriate expected life is and permit focus on the evaluator's judgment of the effective remaining life of the actual component in place, as discussed below.

#### Age

The evaluator should insert the actual Age of the component or may insert "OR" for original. If the actual age is unknown, an estimate is acceptable. If there is a range in Age (for example, components replaced over time), the evaluator may note the range (i.e., 5-7 years) or may use several lines for the same system, putting a different Age of that system on each line.

#### Condition

This space is provided to indicate the Condition of the component, generally excellent, good, fair, or poor, or a similar and consistent qualitative evaluation.

#### Effective Remaining Life

This space is provided for the evaluator to indicate the remaining life of the component as is. For standard components with standard maintenance, the Expected Useful Life Table provided by the Lender could be used to determine Effective Remaining Life by deducting the Age from Expected Useful Life (EUL). However, this should not be done automatically. A component with unusually good original quality or exceptional maintenance could have a longer life.

On the other hand, if the component has been poorly maintained or was of below standard original quality, the useful life could be shorter than expected. The evaluator applies professional judgment in making a determination of the Effective Remaining Life. If the Effective Remaining Life is longer than the term of the loan plus two years, no deferred maintenance exists, and no action needs to be taken during the life of the loan, no other columns need to be filled out.

The only exception may be Diff? (Difference), as discussed below. This should be noted when the evaluator's estimate of the Effective Remaining Life varies by more than two years from the standard estimate.

#### (Difference)

The Age of the component should be deducted from the Expected Useful Life (EUL) in parentheses and the answer compared to the Effective Remaining Life estimated by the evaluator. Where there is a difference of over two years, the evaluator should insert a footnote number in the Diff? (Difference) column and supply in an attached list of footnotes a brief statement of why, in the evaluator's judgment, the Effective Remaining Life of the component varies from the standard estimate. This approach provides consistency among evaluators while making best of the evaluators' professional judgment.

### Action

If any Action is required - immediately, over the life of the loan, or within two years thereafter - the Action should be recorded as repair, replace, or maintain. Repair is used when only a part of an item requires action, such as the hydraulics and/or controls of a compactor. Replace is used when the entire item is replaced. Maintain is used where special, non-routine maintenance is required, such as the sandblasting of a swimming pool. In cases where a repair or maintenance may be needed now, and replacement or further maintenance may be needed later, separate lines may be used to identify the separate actions and timing.

### Now?

If the item involves a threat to the immediate health and safety of the residents, clearly affects curb appeal, will result in more serious problems if not corrected, or should otherwise be accomplished as part of an immediate repair, maintenance or replacement program, this space should be checked. Replacements which may be needed in year one, but do not require immediate attention, need not be checked.

### DM (Deferred Maintenance)

The DM (Deferred Maintenance) space is marked in any instances where current management practice is clearly inadequate and the owner's attention should be called to the item, even if no major expenditure or significant labor may be required.

### Quantity

For items requiring action, the evaluator should note the Quantity of the system, with the applicable unit of measure entered (each, unit, square feet, square yards, linear feet, lump sum, etc.).

### Field Notes

This space, as well as attachments may be used to record the type of component (16cf, frost. free, Hotpoint), the problem (valves leaking) or other information (consider replacement for marketing purposes, replace 30% per year, work in progress, etc.) that the evaluator will need to complete the Evaluator's Summary.

### Sample Form

The following example from the Dwelling Unit Systems and Conditions form illustrates how this form is properly used. The example presumes an 11 story building containing 1 and 2 bedroom units. There are 100 units. The age of the building is 9 years. The term of the proposed loan is 7 years.

Countertop/sinks are 9 years old. (The entry could also be "OR"). Condition is excellent, with an Effective Remaining Life of 10 years. This is significantly different from the anticipated Effective Remaining Life of 1 (a EUL of 10 years minus an Age of 9 years). Therefore, there is a footnote entry "1" in the "Diff?" column. The footnote will indicate that this item is made of an exceptionally durable material, along with a top quality stainless steel sink.

The evaluator's estimate of an Effective Remaining Life of 10 years + is beyond the term of +2. No capital need would be reported.

Refrigerators are also original, reported as Hotpoint 16 cf frost free. Replacement is expected around the Effective Remaining Life, noted as 20% annually and beginning in the 5th year of the loan when the refrigerators are 14 years old. Disposals range from new to original (Age = 0-9). 20% per year replacements will be needed starting in year 1. The evaluator notes that disposals appear to be replaced as part of the project's normal

operations.

Bath fixtures are original, and in good condition. No replacement is expected to be required during the term +2 years. The note indicates that they are “dated looking,” which may prompt a market consideration for replacement.

Ceiling is a special entry. The “04” stack of units has experienced water damage to ceilings from a major plumbing leak. This is noted for repair NOW. As this apparently occurs in all 10 units in this stack, and therefore is likely to have more than a modest cost, this action would be reported on the Immediate Physical Needs summary form.

### Evaluator’s Summary Forms

Two separate forms are used to summarize the evaluator’s conclusions from the Systems and Conditions Forms. One summarizes Immediate Physical Needs and the other summarizes the Physical Needs over the Term +2 years.

### Evaluator’s Summary: Immediate Physical Needs

All of the items for which Now? are checked are transferred to this form. This form provides for the listing of Items, Quantity, Unit Cost and Total Cost of each. The Item and Quantity are transferred directly from the Systems and Conditions Form.

Unit Cost: This is the cost per unit (sf, ea, lf, etc.) in current dollars to implement the required action. The source of the cost estimate should be listed in a separate attachment. The sources may include a third-party estimation service (e.g., R.S. Means: Repair and Remodeling Cost Data), actual bid or contract prices for the property, estimates from contractors or vendors, the evaluator’s own cost files, or published supplier sources.

Total Cost: This is the result of multiplying the quantity times the unit cost. It is expressed in current year dollars.

DM (Deferred Maintenance): If the item evidences deferred maintenance, this column is checked.

Comments: the comments column, or an attachment, should clearly provide information on the location and the nature of problem being addressed for each item. The information should be adequate for the owner to begin to implement the action.

### Evaluator’s Summary: Physical Needs Over the Term

Those items not listed on the Immediate Physical Needs form, but for which action is anticipated during the term of the loan plus two years, are listed on the form. The item and Quantity are transferred directly from the Systems and Conditions Form. The Unit Cost is calculated in the same manner as on the Immediate Physical Needs Form.

An attachment should be provided which gives any necessary information on the location of action items and the problem being addressed for each item. The information should be adequate for the owner to begin to implement the action.

Cost by Year: the result of multiplying the quantity times the unit cost, in current dollars, is inserted in the column for the year in which the action is expected to take place. Generally, the Effective Remaining Life estimate provided by the evaluator on the Systems and Conditions will indicate the action year. For example, if the evaluator has indicated that the Effective Remaining Life of the parking lot paving is 4 years, the cost, in current dollars, is inserted in Year 4.

If the items are likely to be done over a number of years, the costs, in current dollars should



be spread over the appropriate period. For example, if the Effective Remaining Life of the Refrigerators is estimated to be 4 years, or 3-5 years, one third of the cost of replacing the refrigerators may appear in each of Years 3, 4, and 5.

Total Un-inflated: After inserting all of the appropriate action items, the evaluator should total the items for each year.

Total Inflated: The evaluator should multiply the Total Un-inflated times the factor provided to produce the Total Inflated.

Total Inflated All Pages: On the last sheet, the evaluator should include the Total Inflated Dollars for that page and all prior pages.

Cumulative Total All Pages: On the last sheet, the evaluator should insert the Total Inflated Dollars of that year and all prior years.

### Special Repair and Replacement Requirements

While performing a property inspection, the evaluator must be aware that certain building materials and construction practices may cause properties to experience (or to develop in a short time period) problems that can be corrected only with major repairs or replacements.

The following identifies some specific construction related problems; however, the evaluator must be aware that other construction related problems may be found in any property and should be identified. If any of the following requirements are not met or if the evaluator determines that the following conditions or others are present, the evaluator must contact the lender immediately to discuss the timing as well as the cost of the repairs or replacements. The evaluator should ensure that any of these conditions are thoroughly addressed in the Physical Needs Assessment.

Minimum Electrical Capacity: Each apartment unit must have sufficient electrical capacity (amperage) to handle the number of electrical circuits and their use within an apartment. Therefore, the evaluator must determine, based on referencing the National Electric Code as well as local building codes, what is the minimum electrical service needed. In any event, that service must not be less than **100 amperes (This specific requirement is a DCA amendment to this section of the Fannie Mae Guidelines).**

Electrical Circuit Overload Protection - All apartment unit circuits, as well as electrical circuits elsewhere in an apartment complex, must have circuit breakers as opposed to fuses as circuit overload protection.

Aluminum Wiring: In all cases, where aluminum wiring runs from the panel to the outlets of a unit, the evaluator's inspection should ascertain that the aluminum wiring connections (outlets, switches, appliances, etc.) are made to receptacles rated to accept aluminum wiring or that corrective repair can be done immediately by the owner.

Fire Retardant Treated Plywood: While performing the roof inspection, the evaluator should investigate whether there is any indication that fire-retardant treated plywood was used in the construction of the roof (primarily roof sheathing). This inspection should focus on sections of the roof that are subjected to the greatest amount of heat (e.g., areas that are not shaded or that are poorly ventilated) and, if possible, to inspect the attic for signs of deteriorating fire-retardant treated plywood or plywood that is stamped with a fire rating.

## **Appendix II**

## Resident Engagement for Occupied Rehabilitation Guide

The engagement may be conducted by a third party. The third party could include a non-profit, civic/community design lab, advocacy group, graduate student group (such as urban/city planning or social work), relocation specialist or Local Government. The individuals must have prior experience in face-to-face community engagement among the proposed tenancy.

### Specific questions include, but are not limited to:

- (1) CURRENT DEVELOPMENT: What do you think of the following?
  - a. Physical property. For example, the quality, design (interior and external, such as common areas, landscaping, sidewalks), and internal layout of your home and building.
  - b. Amenities. For example, (*list current amenities*). Do you use these amenities? Why or why not?
  - c. Management and maintenance. For example, how long does it take for repairs after you've notified management? Do you feel welcome and heard by management?
  - d. Services. For example, (*list any services*). Do you use these services? Why or why not?
- (2) IDEAL DEVELOPMENT: What would you like to see? How would you change the following?
  - a. Physical property
  - b. Amenities: Are there amenities that you would like to have?
  - c. Management and maintenance
  - d. Services: Are there services you would like to have? Are there services or activities you could help provide?

### Engagement Tools and Guides

- [Community Planning Toolkit](#): Guide for designing and planning community engagement
- [Community Engagement Techniques](#): Additional summaries of methods
- [Analyzing Community Problems and Designing and Adapting Community Interventions](#): Toolkit and theory
- [Assessing Community Needs and Resources](#): Toolkit
- Enterprise's [Community Engagement Toolkit](#): Contains a variety of resources and tools
- [Community Needs Assessment and Organizing Scenarios](#) (pg.25-301): Method for leveraging resident energy and small group problem-solving

### Post-Engagement Update

In order to manage resident expectations, at a minimum post the following update in public areas around the development. Provide the 2019 Resident Engagement for Occupied Rehabilitation Form to DCA at the Sixty (60) Day Construction Submission and with requests for a waiver or project concept change. (As with all such requests, determination of financial and logistic feasibility of proposed changes is at owner's discretion. If a waiver or project concept change is required, then DCA will make a determination.)

- (1) Methods used and attendance/response rate
- (2) Summary of resident feedback. Include how many residents said what and provide photo documentation.

(3) Whether resident feedback will be incorporated into the project plan, and if not then why.