DEPARTMENT OF AGRICULTURE

Rural Housing Service

[Docket No.: RHS–22–MFH–0003]

Section 514 Off-Farm Labor Housing Loans and Section 516 Off-Farm Labor Housing Grants To Improve, Repair, or Make Modifications to Existing Off-Farm Labor Housing Properties for Fiscal Year 2022

AGENCY: Rural Housing Service, USDA.

ACTION: Notice of Funds Availability (NOFA).

SUMMARY: The Rural Housing Service (RHS), a Rural Development agency of the United States Department of Agriculture, announces that it is accepting pre-applications for subsequent Section 514 Off-Farm Labor Housing (Off-FLH) loans and subsequent Section 516 Off-FLH grants to improve, repair, or make modifications to existing Off-Farm Labor Housing Properties for fiscal year 2022. Funds made available under this notice are $5,500,000 for Section 514 loans and $17,000,000 for Section 516 grants. This Notice describes the method used to distribute funds, the pre-application and final application process, and submission requirements.

DATES: Eligible pre-applications submitted to the Production and Preservation Division, Processing and Report Review Branch, for this Notice will be accepted until April 25, 2022, 12 p.m., Eastern Standard Time. Pre-applications that are deemed eligible but are not selected for further processing, will be withdrawn from processing. RHS will not consider any application that is received after the established deadlines unless the date and time are extended by another Notice published in the **Federal Register**. The RHS may at any time supplement, extend, amend, modify, or supersede this Notice by publishing another Notice in the **Federal Register**. Additional information about this funding opportunity can be found on the *Grants.gov* website at *https://www.grants.gov.*

The application deadlines are as follows:

1. Pre-applications must be submitted by April 25, 2022, 12 p.m., Eastern Standard Time.
2. RHS notification to applicants by June 27, 2022.
3. Final applications must be submitted by August 29, 2022, 12 p.m., Eastern Standard Time.
4. Awards communicated to applicants by October 31, 2022.
5. Awards posted to the RHS website by November 30, 2022.

ADDRESSES: Applications to this Notice must be submitted electronically to the Production and Preservation Division, Processing and Report Review Branch.

At least two business days prior to the application deadline, the applicant must email the RHS a request to create a shared folder in CloudVault. The email must be sent to the following address: *Off-FLHapplication@usda.gov.* The email must contain the following information:

1. Subject line: ''Off-FLH Repair Application Submission.''
2. Body of email: Borrower Name, Project Name, Borrower Contact Information, Project State.
3. Request language: ''Please create a shared CloudVault folder so that we may submit our application documents.''

Once the email request to create a shared CloudVault folder has been received, a shared folder will be created within 2 business days. When the shared CloudVault folder is created by the RHS, the system will automatically send an email to the applicant's submission email with a link to the shared folder. All required application documents in accordance with this Notice must be loaded into the shared CloudVault folder. When the submission deadline is reached the applicant's access to the shared CloudVault folder will be removed. Any document uploaded to the shared CloudVault folder after the application deadline will not be reviewed or considered.

For further instructions, please refer to Section C. Pre-Application and Submission Information of this Notice.

FOR FURTHER INFORMATION CONTACT: Jonathan Bell, Director, Processing and Report Review Branches, Production and Preservation Division, Multifamily Housing Programs, Rural Development, United States Department of Agriculture, via email: *MFHprocessing1@usda.gov* or telephone: (254) 742–9764.

For information regarding the Addendum: Capital Needs Assessment Process located at the end of this notice, contact: Jonathan Bell, Director, Processing and Report Review Branches, Production and Preservation Division, Multifamily Housing Programs, Rural Development, United States Department of Agriculture, via email: *MFHprocessing1@usda.gov* or telephone: (254) 742–9764.

SUPPLEMENTARY INFORMATION:

Authority

This solicitation is authorized pursuant to the Title V of the Housing Act of 1949 (Pub. L. 81–171), as amended; 7 CFR 3560, subpart L; 42 U.S.C. 1484; 42 U.S.C. 1486(h); and 42 U.S.C. 1480.

Rural Development: Key Priorities

The RHS encourages applicants to consider projects that will advance the following key priorities:

- Assisting Rural communities recover economically from the impacts of the COVID–19 pandemic, particularly disadvantaged communities;
- Ensuring all rural residents have equitable access to RD programs and benefits from RD funded projects; and
- Reducing climate pollution and increasing resilience to the impacts of climate change through economic support to rural communities.

For further information, visit *https://www.rd.usda.gov/priority-points.*

Background

USDA's Rural Development Agencies, comprising the Rural Business-Cooperative Service (RB–CS), Rural Housing Service (RHS), and the Rural Utilities Service (RUS), are leading the way in helping rural America improve the quality of life and increase the economic opportunities for rural people. RHS offers a variety of programs to build or improve housing and essential community facilities in rural areas. The Agency also offers loans, grants, and loan guarantees for single- and multi-family housing, child-care centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, housing for farm laborers and much more. The Agency also provides technical assistance loans and grants in partnership with non-profit organizations, Indian tribes, state and Federal government agencies, and local communities.

Sections 514 and 516 of the Housing Act of 1949 allows the RHS to provide competitive financing and grants, respectively, for affordable multi-family rental housing. The program objective is to better administer repair funds in a fair, equitable, and transparent manner. Funds will be used to improve, repair, or make modifications to existing Off-FLH properties currently financed by the RHS that serve domestic farm laborers, retired domestic farm laborers, or disabled domestic farm laborers.

To focus investments in areas where the need for increased prosperity is greatest, the RHS will set aside 10 percent of the available funds for

applications that will serve persistent poverty counties. Persistent poverty counties are areas where at least 20 percent of the population is living in poverty over the last 30 years (measured by the 1980, 1990, 2000 and 2010 decennial censuses and 2007–2011 American Community Survey 5-year estimates) according to the American Community Survey census tract data. Information on which counties are considered persistent poverty counties can be found through the United States Department of Agriculture's (USDA) Economic Research Service (ERS) (*https://ers.usda.gov/*). ERS is the main source of economic information and research for USDA and a principal agency of the U.S. Federal Statistical System located in Washington, DC. Set-aside funds will be awarded in the order of receipt of pre-applications. Once the set-aside funds are exhausted, any further set-aside applications will be evaluated and ranked with the other applications submitted in response to this Notice. If the RHS does not receive enough eligible applications to fully utilize the 10 percent set aside in the service of these areas, the RHS will award any unused set aside funds to other eligible applicants.

Overview

Federal Agency: Rural Housing Service.

Funding Opportunity Title: Section 514 Off-Farm Labor Housing Loans and Subsequent Section 516 Off-Farm Labor Housing Grants to Improve, Repair, or Make Modifications to existing Off-Farm Labor Housing Properties for Fiscal Year 2022.

Funding Opportunity Number: USDA–RD–HCFP–FLH–2022.

Available Funds: Section 514 Loans: $5,500,000; Section 516 Grants: $17,000,000.

Maximum Award: Award may not exceed $15,000 per unit (total loan and grant). There is no minimum award.

Announcement Type: Request for applications from qualified applicants for Fiscal Year 2022.

Assistance Listing Numbers (formerly CFDA): 10.405.

Please Note: Expenses incurred in developing pre-applications and final applications will be at the applicant's sole risk.

A. Federal Award Description

(1) Pre-applications will only be accepted through the date and time listed in this Notice. The maximum award per selected project may not exceed $15,000 per unit (total loan and grant). There is no minimum award requirement. Substantial rehabilitation or proposals for limited improvements, repairs, or modifications such as accessibility compliance and health and safety issues will be considered under this Notice.

(2) A State will not receive more than 50 percent of the Off-FLH funding unless there are remaining Section 514 and Section 516 funds after all eligible applications nationwide have been funded. In this case, funds will be awarded to the next highest-ranking eligible applications among all of the remaining unfunded applications. The allocation of these funds may result in a State or States exceeding the 50 percent limitation.

(3) Section 516 Off-FLH grants may not exceed 90 percent of the total development cost (TDC) of the proposed transaction. TDC is defined in 7 CFR 3560.11. Section 514 Off-FLH loans may not exceed the limits set forth in 7 CFR 3560.562(b).

(4) Applications that propose the use of Low-Income Housing Tax Credits (LIHTC), will not be considered and are not eligible under this Notice.

(5) Any proposed leveraged funds must be in the form of a grant or similar funding source with no debt service. No other source of leveraged funds is acceptable. Pre-applications that propose the use of leveraged funds must include firm commitment letters within their final application, if available. If the applicant is unable to secure a third-party firm commitment letter within 180 calendar days from the issuance of the award letter under this NOFA, the application will be deemed incomplete, and the award letter will be considered null and void.

(6) A firm commitment letter is defined as a grantor's unqualified pledge to the applicant that they meet their guidelines, and they are willing to offer the applicant a grant under specified terms. The letter validates that the applicant's grant has been fully approved and that the grantor is prepared to close the transaction. Preliminary commitment letters, term sheets, or any other letter from the grantor that does not meet the definition above will not be considered a firm commitment letter and will not meet the requirements specified in this Notice. Rental Assistance (RA) and Operating Assistance (OA) are not available for this Notice.

(7) To maximize the use of the limited supply of FLH funds, the RHS may contact eligible applicants selected for an award in point score order starting with the highest score, with proposals to modify the transaction's proportions of loan and grant funds. In addition, if funds remain after the highest scoring eligible applications are selected for awards, we may contact those eligible applicants selected for the awards, in point score order starting with the highest score, to ascertain whether those respondents will accept the remaining funds.

(8) To enhance customer service and the transparency of this program, the RHS will publish a list of awardees including the project name and location and the loan and/or grant amounts of their respective awards in accordance with the date listed in this Notice. This information can be found at: *https://www.rd.usda.gov/programs-services/farm-labor-housing-direct-loans-grants.* The RHS reserves the right to post all information submitted as part of the pre-application and final application package, which is not protected under the Privacy Act, on a public website with free and open access to any member of the public.

B. Eligibility Information

(1) Housing Eligibility

(a) Housing that is improved, repaired, or modified with subsequent Off-FLH loan and/or grant funds must meet the standards contained in 7 CFR part 1924, subparts A and C. Off-FLH must be managed in accordance with 7 CFR part 3560.

(b) Off-FLH must be operated on a non-profit basis and tenancy must be open to all qualified domestic farm laborers, regardless of which farm they work at.

(c) Section 514(f)(3) of the Housing Act of 1949, as amended (42 U.S.C. 1484(f)(3)) defines domestic farm laborers to include any person regardless of the person's source of employment, who receives a substantial portion of his/her income from the primary production of agricultural or aqua cultural commodities in the unprocessed or processed stage, and also includes the person's family.

(2) Tenant Eligibility

(a) Tenant eligibility is limited to persons who meet the definition of a ''domestic farm laborer,'' or a ''disabled domestic farm laborer,'' or a ''retired domestic farm laborer'' as defined in Section 514(f)(3) of the Housing Act of 1949, as amended (42 U.S.C. 1484(f)(3)).

Section 514(f)(3)(A) of the Housing Act of 1949 (42 U.S.C. 1484(f)(3)(A)) has been amended to extend FLH tenant eligibility to agricultural workers legally admitted to the United States and authorized to work in agriculture. It is important to note, that persons admitted legally for agricultural work remain ineligible for RA as set forth in 7 CFR

3560.254(c). In addition, under no circumstance may any currently eligible FLH tenants be displaced from their homes as a result of this statutory change.

(b) Owners are responsible for verifying tenant income eligibility. Only very low or low-income households are eligible for operating or rental assistance rents. Households with incomes above the low-income limits, moderate income households, must pay the full rent.

(c) Migrant or migrant agricultural laborer is a person (and the family of such person) who receives a substantial portion of his or her income from farm labor employment and who establishes a residence in a location on a seasonal or temporary basis, in an attempt to receive farm labor employment at one or more locations away from their home base state, excluding day-haul agricultural workers whose travels are limited to work areas within one day of their residence.

(d) Seasonal housing is housing that is operated on a seasonal basis, typically for migrants or migrant agricultural laborers as opposed to year-round. Off-FLH subsequent loan and grant funds may be used to improve, repair, or modify existing properties currently financed by the RHS for seasonal or temporary residential use. A temporary residence is a dwelling which is used for occupancy, usually for a short period of time, but is not the legal residence for the occupant.

(e) The requirements established in § 3560.60 apply to all applications for Off-FLH loans and grants except that seasonal Off-FLH that will be occupied for eight months or less per year by migrant farmworkers while they are away from their residence, may be improved in accordance with Exhibit I of 7 CFR part 1924, subpart A.

(f) For Off-FLH operating on a seasonal basis, the management plan must establish specific opening and closing dates. During the off-season, Off-FLH may be used as defined in 7 CFR 3560, subpart A, under short-term lease provisions. Where rents are charged on a per-unit basis and family income qualifies the household for rental assistance, rental assistance may be used.

(g) Off-FLH is subject to the tenant contribution and rental unit rent requirements for Plan II housing established under 7 CFR 3560, subpart E, except where seasonal housing will be occupied for less than a 3-month period. In such instances the best available and practical income verification methods may be used with prior approval of the RHS.

(h) Actual dollars earned from farm labor by domestic farm laborers other than migrant farmworkers must equal at least 65 percent of the annual income limits indicated for the Standard Federal regions as published by the RHS for their particular region of the country. For migrant farmworkers living in seasonal housing the actual dollars earned from farm labor by a domestic farm laborer must equal at least 50 percent of annual income limits indicated for the Standard Federal regions, as published by the RHS.

(3) Applicant Eligibility

All eligible applicants must meet the following requirements:

(a) To be eligible to receive a subsequent Section 514 loan for Off-FLH, the applicant must meet the requirements of 7 CFR 3560.555(a) and be a broad-based nonprofit organization, a nonprofit organization of farmworkers, a federally recognized Indian tribe, a community organization, or an agency or political subdivision of State or local government, and must meet the requirements of § 3560.55, excluding § 3560.55(a)(6). A broad-based nonprofit organization is a nonprofit organization that has a membership that reflects a variety of interests in the area where the housing will be located; or a limited partnership with a non-profit general partner which meets the requirements of § 3560.55(d).

(b) To be eligible to receive a subsequent Section 516 grant for Off-FLH, the applicant must meet the requirements of 7 CFR 3560.555(b) and be a broad-based nonprofit organization, a nonprofit organization of farmworkers, a federally recognized Indian tribe, a community organization, or an agency or political subdivision of State or local government, and must meet the requirements of § 3560.55, excluding § 3560.55(a)(6). A broad-based nonprofit organization is a nonprofit organization that has a membership that reflects a variety of interests in the area where the housing will be located and be able to contribute at least one-tenth of the total farm labor housing development cost from its own or other resources. The applicant's contribution must be available at the time of the grant closing. An Off-FLH loan financed by the RHS may be used to meet this requirement, however, an RHS grant cannot be used to meet this requirement. Limited partnerships with a non-profit general partner are eligible for Section 514 loans, however, they are not eligible for Section 516 grants.

(c) The applicant must be unable to obtain similar credit elsewhere at rates that would allow for rents within the payment ability of eligible residents. (Note: not applicable for State or local public agencies or Indian tribes.)

(d) Possess the legal and financial capacity to carry out the obligations required for the subsequent loan and/or grant.

(e) Broad-based non-profit organizations must have a membership that reflects a variety of interests in the area where the housing will be located.

(f) Be able to maintain, manage, and operate the Off-FLH for its intended purpose and in accordance with all RHS requirements as demonstrated with its compliance with RHS servicing requirements. Non-compliance with RHS servicing requirements with other projects owned and/or managed by natural person(s) managing/controlling (whether directly or indirectly through other entities) the borrowing entity, will render the applicant ineligible to participate in this Notice nationwide until the non-compliance event(s) is/are remedied or are in compliance with an RHS approved workout plan.

(g) With the exception of applicants who are a non-profit organization, housing cooperative or public body, be able to provide the borrower contribution from their own resources (this contribution must be in the form of cash).

(h) Not be suspended, debarred, or otherwise excluded from, or ineligible for, participation in Federal assistance programs under 2 CFR parts 180 and 417.

(i) Not be delinquent on Federal debt or a Federal judgment debtor, with the exception of those debtors described in 7 CFR 3560.55 (b).

(j) Be in compliance with the requirements of the Improper Payments Elimination and Recovery Improvement Act (IPERIA) as applied by RHS.

(k) Additional requirements for applicants: If an applicant, the managing general partner, managing member, or key principal in the organization decision-making and operational authority that have control of the applicant and any sub-applicant entities involved including the actual natural person(s) of any sub-entity (*i.e.,* other organizations, partnerships, etc.) exercising management and/or financial control of an applicant borrower, as well as any affiliated entity having a 10 percent or more ownership interest, having a prior or existing RHS debt, the following additional requirements must be met:

(*i*) The applicant must be in compliance with any existing loan or grant agreements and with all legal and regulatory requirements or be compliant with an RHS approved workout plan.

The RHS may require that applicants with monetary or non-monetary deficiencies be in compliance with an RHS approved workout plan for a minimum of six (6) consecutive months before becoming eligible for further assistance, as determined by the RHS.

(*ii*) The applicant must be in compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and all other applicable civil rights laws. Under this Notice, the project will also be considered eligible to apply if there is a current and accepted Self-Evaluation Transition Plan for the project.

(l) Additional requirements for non-profit organizations. In addition to the eligibility requirements of the paragraphs above, non-profit organizations must meet the following criteria:

(*i*) The applicant must have received a tax-exempt ruling from the IRS designating the applicant as a 501(c)(3) or 501(c)(4) organization.

(*ii*) The applicant must have in its charter the provision of affordable housing.

(*iii*) No part of the applicant's earnings may benefit any of its members, founders, or contributors.

(*iv*) The applicant must be legally organized under State and local law.

(2) Additional requirements for limited partnerships. In addition to the applicant eligibility requirements of the paragraphs above, limited partnership loan applicants must meet the following criteria:

(*i*) The general partners must be able to meet the borrower contribution requirements if the partnership is not able to do so at the time of loan request.

(*ii*) The general partners must maintain a minimum 5 percent financial interest in the residuals or refinancing proceeds in accordance with the partnership organizational documents.

(*iii*) The partnership must agree that new general partners can be brought into the organization only with the prior written consent of the RHS.

(m*)* This Notice requires selected applicants to make the required equity contribution as outlined in 3560.63(c) for any new Section 514 loan. Applicants may be eligible to receive additional Return to Owner (RTO) for this required contribution, if applicable.

(n) Eligibility also includes the continued ability of the borrower/applicant to provide acceptable management and will include an evaluation of any current outstanding deficiencies. Any outstanding violations or extended open operational findings associated with the applicant/borrower or any affiliated entity having an identity of interest (IOI) with the project ownership and which are recorded in the RHS's automated Multi-Family Information System (MFIS), will preclude further processing of any application unless there is a current and approved RHS workout plan and the applicant is in compliance with the provisions of the workout plan. The RHS may require that applicants with deficiencies be in compliance with an RHS approved workout plan for a minimum of six (6) consecutive months, as determined by the RHS.

(4) Project Eligibility

This Notice solicits pre-applications from the current borrowers/owners of existing Off-FLH projects currently participating in the RHS's Section 514/516 Off-FLH portfolio for the purpose of improving, repairing, modifying, revitalizing, and preserving the facility to ensure that it will continue to provide decent, safe, and sanitary housing. Any Off-FLH project that is not already participating in the RHS's Section 514/516 Off-FLH portfolio as evidenced by currently having an outstanding Section 514 Off-FLH loan is not eligible under this Notice.

(a) On-Farm Labor Housing projects are not eligible under this Notice.

(b) This Notice is for stay in owner transactions only where the current owner, with an outstanding Section 514 Off-FLH loan, may apply for subsequent loan and/or grant funds to improve, repair, or make modifications to their Off-FLH property. Proposals that are for a transfer of ownership, to sell the property, to complete a recapitalization, or for an IOI or third-party acquisition transaction will not be considered and are not eligible under this Notice.

(c) Applications that propose the use of LIHTC, will not be considered and are not eligible under this Notice as stated above.

(d) Any Off-FLH property that currently has an RHS approved Diminished Needs Waiver (DNW) or is in the process of applying for a DNW, is not eligible under this Notice. All of the tenants residing in the project must be eligible farm labor tenants as defined in this Notice. A DNW allows non-farm labor tenants to reside in farm labor housing if the diminished need for such housing has been determined and accepted by RHS.

(e) The average physical vacancy rate for the twelve (12) months preceding this Notice's pre-application submission due date of February 1, 2022, can be no more than ten (10) percent for projects consisting of sixteen (16) or more revenue units and no more than fifteen (15) percent for projects with less than sixteen (16) revenue units unless the project is seasonal Off-FLH or unless the applicant has an RHS approved workout plan and is in compliance with the provisions of the workout plan and provides sufficient market documentation or a market study that clearly demonstrates to the RHS that sufficient market demand exists. If the project is seasonal Off-FLH, the applicant must provide detailed documentation for the twenty-four (24) months preceding this Notice's pre-application submission due date that verifies the project's operations including information regarding the open and close date, lease-up, vacancy, rent rolls, operating budgets, and any other information the applicant can provide to document the need for the seasonal Off-FLH project. All of the tenants in the project must be eligible farm labor tenants as defined in this Notice.

(f) A positive cash flow for the previous full three (3) years of operations is required unless an exception applies for projects with an RHS approved workout plan where the applicant is in compliance with the provisions of the workout plan. The RHS may require that applicants with monetary or non-monetary deficiencies be in compliance with the RHS approved workout plan for a minimum of six (6) consecutive months before becoming eligible for a loan and/or grant under this Notice. Additionally, an exception may apply to projects that have a negative cash flow in operations if surplus cash exists in either the general operating account as defined in 7 CFR 3560.306(d)(1) or the reserve account. Surplus cash exists when the balance is greater than the required deposits minus authorized withdrawals. The applicant must provide the project's annual financial report(s) to document the project complies with this exception for each year the project has a negative cash flow, if applicable. Seasonal Off-FLH properties that receive OA may also be exempt from this requirement at the sole discretion of the RHS, if applicable.

(g) An RHS approved As-Is Capital Needs Assessment (CNA) and an RHS financial evaluation and analysis must be conducted to ensure that utilization of the subsequent loan and/or grant funds are financially feasible and necessary to improve, repair, modify, and preserve the project as affordable housing.

Specifically, a CNA provides a repair schedule for the property in its present condition, indicating repairs and replacements necessary for a property to function properly and efficiently over a

span of 20 years. At the end of this funding Notice, a CNA Addendum is provided with detailed instructions to assist the applicant in completing CNA reports, expected useful life tables, and forms. Additionally, there are six attachments which accompany the CNA addendum identified as followed: A CNA is comprised of nine main sections:

- Definitions;
- Contract Addendum;
- Requirements and Statement of Work (SOW) for a CNA;
- The CNA Review Process;
- Guidance for the Multi-Family Housing (MFH) CNA Recipient Regarding Contracting for a CNA;
- Revising an Accepted CNA During Underwriting;
- Updating a CNA;
- Incorporating a Property's Rehabilitation into a CNA; and
- Repair and Replacement Schedule.

Additionally, there are seven attachments which accompany the CNA addendum identified as follows:

- Attachment A, ADDENDUM TO THE CAPITAL NEEDS ASSESSMENT CONTRACT.
- (B) Attachment B, CAPITAL NEEDS ASSESSMENT STATEMENT OF WORK.
- (C) Attachment C, FANNIE MAE PHYSICAL NEEDS ASSESSMENT GUIDANCE TO THE PROPERTY EVALUATOR.
- (D) Attachment D, CNA e-Tool Estimated Useful Life Table.
- (E) Attachment E, CAPITAL NEEDS ASSESSMENT REPORT.
- (F) Attachment F, SAMPLE CAPITAL NEEDS ASSESSMENT REVIEW REPORT.
- (G) Attachment G, CAPITAL NEEDS ASSESSMENT GUIDANCE TO THE REVIEWER.

The CNA may be submitted with the final application. The Agency suggests that this information should be made available to RD MFH Off-Farm Labor Housing (FLH) property owners, applicants and CNA Providers who are or are planning to submit transactions for the Off-FLH program.

(h) Initial eligibility for any processing will be determined as of the pre-application submission due date of February 1, 2022. The RHS reserves the right to discontinue the processing of any application due to material changes in the applicant's status occurring any time after the initial eligibility determination.

(5) Priority of Funding

(a) Subsequent Section 514 loan and subsequent Section 516 grant funds will be awarded under this Notice in accordance with the following priorities:

- Health and Safety deficiencies.
- Deferred maintenance and Fair Housing compliance.
- Repairs that are needed to improve the sustained rental marketability of the property.

(b) Proposals to build community rooms, playgrounds, or laundry rooms may be considered and are eligible under this Notice. Furthermore, proposals to develop or construct additional units within the existing building envelope to comply with accessibility requirements will be considered and are eligible under this Notice. Funds may be used to repair or renovate existing project items identified in the CNA and to satisfy accessibility transition plans and fair housing requirements. Additional items may be added to the scope of work, if practical and feasible, at the sole discretion of the RHS, which could include accessibility, energy efficiency or energy generation items.

(c) Subsequent Section 514 Off-FLH loan funds may be used to establish a tenant protection account, if applicable and if required by the RHS, for existing unsubsidized tenants residing at the property on the day the transaction closes, to the extent necessary to reduce the rental payment to the pre-transaction rent, or thirty (30) percent of adjusted income, if higher. If applicable and if required by the RHS, the applicant will only be required to subsidize the difference in rents that exists at the time of the transaction closing for any unsubsidized tenant that is negatively impacted by the post-transaction rents. If applicable and if required by the RHS:

- This analysis and the required tenant protection amount will be evaluated and calculated by the RHS.
- all tenant protection costs must be included in the Sources and Uses analysis for the full amount needed to fund the initial two-year minimum period following the transaction closing date.
- the applicant must agree to protect currently eligible tenants affected by the rent increase as long as the tenant resides in the project. The obligation with respect to each unsubsidized tenant in place at the time of the transaction closing will end when the tenant receives rental assistance, receives a housing voucher, voluntarily leaves the property, is evicted for proper cause, or has income increased to pay the post-transaction basic rent without being rent over-burdened. The tenant protection account will be applicable and required at the sole discretion of the RHS.

(d) Grant Limit—the amount of any Off-FLH grant must not exceed 90 percent of the TDC as provided in 7 CFR 3560.562(c)(1).

(e) Other Requirements—the following requirements apply to subsequent loans and grants made in response to this Notice:

(i) 7 CFR part 1901, subpart E, regarding equal opportunity requirements.

(ii) For grants only, 2 CFR parts 200 and 400, which establishes the uniform administrative and audit requirements for grants and cooperative agreements to State and local Governments and to non-profit organizations.

(iii) 7 CFR part 1901, subpart F, regarding historical and archaeological properties.

(iv) 7 CFR 1970.11, Timing of the environmental review process. Please note, the environmental information must be submitted by the applicant to the RHS. The RHS must review and determine that the environmental information is acceptable before the obligation of funds.

(v) 7 CFR part 3560, subpart L, regarding the loan and grant authorities of the Off-FLH program.

(vi) 7 CFR part 1924, subpart A, regarding planning and performing construction and other development.

(vii) 7 CFR part 1924, subpart C, regarding the planning and performing of site development work.

(viii) For construction financed with a Section 516 grant, the provisions of the Davis-Bacon Act (40 U.S.C. 276(a)–276(a)–5) and implementing regulations published at 29 CFR parts 1, 3, and 5.

(ix) Current (not older than six months from the date of issuance) combination comprehensive credit reports for the applicant, entity and principals must be submitted and considered during the Agency's review for eligibility determination. In the past, the Agency has required the applicant to submit the credit report fee. In lieu of the applicant submitting the fee, the Agency will require the applicant to provide the credit report. It is the Agency's expectation that this change will create an efficiency in the application process that did not exist, which should assist with streamlining the application process for the applicant. Only Credit reports provided by accredited major credit bureaus will be accepted.

(x) Borrowers and grantees must take reasonable steps to ensure that tenants receive the language assistance necessary to afford them meaningful access to USDA programs and activities,

free of charge. Failure to provide this assistance to tenants who can effectively participate in or benefit from Federally assisted programs or activities may violate the prohibition under Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d *et seq.* and Title VI regulations against national origin discrimination.

(xi) In accordance with 7 CFR 3560.60, the housing must be economical to construct, operate, and maintain and must not be of elaborate design or materials.

(xii) All other requirements contained in 7 CFR part 3560, regarding the Sections 514/516 Off-FLH programs.

(xiii) System for Awards Management. All program applicants must be registered in the System for Awards Management (SAM) prior to submitting an application, unless determined exempt under 2 CFR 25.110. Federal award recipients must maintain an active SAM registration with current information at all times during which it has an active Federal award or an application under consideration by the RHS. The applicant must ensure that the information in the database is current, accurate, and complete. Applicants must ensure they complete the Financial Assistance General Certifications and Representations in SAM.

(6) Dun and Bradstreet Data Universal Numbering System (DUNS) for Award Management (SAM)

A Dun and Bradstreet Data Universal Numbering System (DUNS) number must be obtained and registered in the System for Award Management (SAM) prior to submitting an application pursuant to 2 CFR 25.200(b). In addition, an entity applicant must maintain registration in SAM at all times during which it has an active Federal award or an application or plan under consideration by the Agency. The applicant must ensure that the information in the database is current, accurate, and complete. Applicants must ensure they complete the Financial Assistance General Certifications and Representations in SAM. Similarly, all recipients of Federal financial assistance are required to report information about first-tier subawards and executive compensation in accordance to 2 CFR part 170. So long as an entity applicant does not have an exception under 2 CFR 170.110(b), the applicant must have the necessary processes and systems in place to comply with the reporting requirements should the applicant receive funding. See 2 CFR 170.200(b). An applicant, unless excepted under 2 CFR 25.110(b), (c), or (d), is required to:

(a) Be registered in SAM before submitting its application;

(b) Provide a valid DUNS number or unique entity identifier (UEI) in its application; and

(c) Continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency. The Federal awarding agency may not make a federal award to an applicant until the applicant has complied with all applicable DUNS and SAM requirements and, if an applicant has not fully complied with the requirements by the time the Federal awarding agency is ready to make a Federal award, the Federal awarding agency may determine that the applicant is not qualified to receive a Federal award and use that determination as a basis for making a Federal award to another applicant. As required by the Office of Management and Budget (OMB), all applications must provide a DUNS number when applying for Federal assistance, on or after November 12, 2020. Organizations can receive a DUNS number at no cost by calling the dedicated toll-free number at 1–866–705–5711 or via internet at *https://fedgov.dnb.com/webform.* Additional information concerning this requirement can be obtained on the *Grants.gov* website at *https://www.grants.gov.* Similarly, applicants may register for SAM at *https://www.sam.gov* or by calling 1–866–606–8220. The applicant must provide documentation that they are registered in SAM and their DUNS or UEI number. If the applicant does not provide documentation that they are registered in SAM and their DUNS or UEI number, the application will not be considered for funding. The following forms for acceptance of a federal award are now collected through your registration or annual recertification in *SAM.gov* in the Financial Assistance General Certifications and Representations section:

- Form AD–1047, ''Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions.''
- Form AD–1048, ''Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion. Lower Tier Covered Transactions.''
- Form AD–1049, ''Certification Regarding Drug-Free Workplace Requirements (Grants).''
- Form AD–3031, ''Assurance Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants.''
- Form AD–3030, ''Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.''

C. Pre-Application and Submission Information

(1) Pre-Application Submission

The application process will be in two phases: The initial pre-application and the submission of a final application. Only those pre-applications that are selected for further processing will be invited to submit a final application. In the event that a pre-application is selected for further processing and the applicant declines, the next highest ranked pre-application will be selected for further processing. All pre-applications for Section 514 and 516 funds must meet the requirements of this Notice. Incomplete pre-applications will be rejected and returned to the applicant. No pre-application will be accepted after the deadline unless the date and time are extended by another Notice published in the **Federal Register**.

(a) Pre-applications must be submitted electronically. The process for submitting an electronic application to the RHS is as follows:

(i) At least two business days prior to the application deadline, the applicant must email the RHS a request to create a shared folder in CloudVault. The email must be sent to the following address: *Off-FLHapplication@usda.gov.* The email must contain the following information:

a. Subject line: ''Off-FLH Repair Application Submission.''

b. Body of email: Borrower Name, Project Name, Borrower Contact Information, Project State.

c. Request language: ''Please create a shared CloudVault folder so that we may submit our application documents.''

(ii) Once the email request to create a shared CloudVault folder has been received, a shared folder will be created within 2 business days. When the shared CloudVault folder is created by the RHS, the system will automatically send an email to the applicant's submission email with a link to the shared folder. All required application documents in accordance with this Notice must be loaded into the shared CloudVault folder. When the submission deadline is reached the applicant's access to the shared CloudVault folder will be removed. Any document uploaded to the shared CloudVault folder after the application deadline will not be reviewed or considered.

(iii) The applicant should upload a Table of Contents of all of the documents that have been uploaded to the shared CloudVault folder. Last-minute requests and submissions may not allow adequate time for the submission process to take place prior to the deadline. **Note:** *Applicants are reminded that all submissions must be received by the deadline and the application will be rejected if it is not received by the deadline date and time, regardless of when the application was submitted.*

(b) The RHS plans to host a workshop to discuss this Notice, the application process and the borrower's responsibilities, among other topics. Further information regarding the date and time of this workshop as well as information on how to participate will be issued at a later date via a public notice.

(c) If a pre-application is accepted for further processing, the applicant must submit a final application, acceptable to the RHS, by June 30, 2022, 12 p.m., Eastern Daylight Savings Time. If the pre-application is not accepted for further processing due to being incomplete or ineligible, the applicant will be notified of appeal rights under 7 CFR part 11. Pre-applications that are deemed eligible but are not selected for further processing will be withdrawn from processing and will be encouraged to apply to future Notices, if applicable. This action is not appealable.

2. Pre-Application Requirements

The pre-application must contain the following:

(a) An executed and dated Executive Summary on the applicant's letterhead that must include at least the following:

(i) Brief description of the project and its history. Include the borrower's name, project name, project location, number of units, number of Rental Assistance (RA) or Operating Assistance (OA) units, unit mix, etc. Be sure to address if the project is year-round or seasonal. Also provide the year the property was built and placed in service, the original sources of funding, and the original amounts of funding it received. Include a description of any significant improvements, repairs, or modifications that have been made since the property was placed in service, which would comprise substantial rehabilitations and significant repairs that were needed due to natural disasters, floods, fires, etc. Provide any other information that you may want to disclose regarding the project and its history.

(ii) Brief description of the proposed transaction. Provide a narrative of the loan and/or grant funds that the applicant is seeking from the RHS or any other third-party grant source and a description of what the funds will be utilized for. Describe the scope of work and explain how the transaction will come together overall including information on how the project will absorb any additional debt service, if applicable.

(iii) Description of the current ownership structure with an organizational chart.

(iv) Narrative verifying the applicant's ability to meet the eligibility requirements stated earlier in this Notice.

(v) A statement of the applicant's experience in operating labor housing or other rental housing.

(vi) Description of the applicant's legal and financial capability to carry out the obligation of the subsequent loan and/or grant.

(vii) Current management. A brief description of how the property is currently managed. As stated earlier in this Notice, the housing must be managed in accordance with the management regulations, 7 CFR part 3560.

(viii) Any financial commitments, financial concessions, or other economic benefits proposed to be provided by the RHS.

(ix) Third-party grant funding, if applicable. For each third-party grant funding source, discuss briefly the grant provider, grant amount, including terms, commitment status, timing issues, any restrictions that will be applicable to the project, and whether any accommodation from the RHS is proposed, such as a subordination in lien position. The desired lien position of any third-party grant funding source must be clearly disclosed as well as any proposal for the RHS to subordinate its lien position.

(x) Any proposed compensation to parties having an identity of interest with either the consultant or technical assistance provider, etc.

(xi) Any proposed construction financing, for example, a construction or bridge loan or the use of multiple advances.

(xii) Type and method of construction such as owner builder, negotiated bid, or contractor method.

(xiii) If an FLH grant is desired, a statement concerning the need for an FLH grant. The statement must include estimates of the rents required with a grant and rents required without a grant. Documentation to demonstrate how the rent figures were computed must be provided. Documentation must be in the form of a completed Form RD 3560–7, ''Multiple Family Housing Project Budget/Utility Allowance,'' completed as if a grant were received and another form completed as if a grant would not be received. The RHS will review each budget to determine that the income and expenses are reasonable and customary for the area. The RHS will then verify that the proposed rental rates provided on the budget that considers rents without a grant, are at or above market rate rents or at a level that would overburden the residents.

(xiv) Statement by the applicant that they will pay any cost overruns.

(xv) Estimated development timeline to include estimated start and end date as well as any other important milestones.

(xvi) Description of any required state or local approvals, if applicable.

(xvii) Description of the required and intended applicant contribution, if applicable.

(xviii) Any other pertinent information that the applicant feels should be disclosed as part of this proposal, if applicable.

(b) Form RD 3560–1, ''Application for Partial Release, Subordination, or Consent,'' can be obtained at: *https://formsadmin.sc.egov.usda.gov//efcommon/eFileServices/eFormsAdmin/RD3560-0001.pdf.*

(c) Standard Form 424, ''Application for Federal Assistance,'' can be obtained at: *https://www.grants.gov/.*

(d) Current (within 6 months of this Notice's pre-application submission due date) financial statements for each entity within the ownership structure with the following paragraph certified by the applicant's designated and legally authorized signer:

''*I/we certify the above is a true and accurate reflection of our financial condition as of the date stated herein. This statement is given for the purpose of inducing the United States of America to make a loan or to enable the United States of America to make a determination of continued eligibility of the applicant for a loan as requested in the loan application of which this statement is a part.*''

(e) Evidence that the applicant is unable to obtain credit from other sources. At least two letters from two separate credit institutions which normally provide real estate and repair loans in the area must be obtained and these letters must indicate the rates and terms upon which a loan might be provided. The RHS will review each letter to verify that the applicant is only able to obtain market rate financing, which would include a market rate interest rate and term of less than 30 (thirty) years.

(f) Letter from the IRS indicating the applicant's tax identification number.

(g) Documentation verifying the applicant's DUNS number, if applicable.

(h) Current and fully executed limited partnership agreement and certificates of limited partners, if applicable. (Agency requirements should be contained in one section of the agreement and their location identified by the applicant in a cover sheet.)

(i) If a nonprofit organization:

i. Tax-exempt ruling from the IRS designating them as a 501(c)(3) or 501(c)(4) organization.

ii. Purpose statement, including the provision of low-income housing.

iii. Evidence of organization under state and local law and a copy of the applicant's charter, Articles of Incorporation, and By-laws.

iv. List of Board of Directors including their names, occupations, phone numbers, and addresses.

v. If a member or subsidiary of another organization, the organization's name, address, and nature of business.

(j) Document the need for the project. As provided earlier in this Notice, the applicant must provide documentation that the average physical vacancy rate for the twelve (12) months preceding this Notice's pre-application submission due date has been no more than ten (10) percent for projects consisting of sixteen (16) or more revenue units and no more than fifteen (15) percent for projects with less than sixteen (16) revenue units unless the project is seasonal Off-FLH or unless the applicant has an RHS approved workout plan and is in compliance with the provisions of the workout plan and provides sufficient market documentation or a market study that clearly demonstrates to the RHS that sufficient market demand exists. If the project is seasonal Off-FLH, the applicant must provide detailed documentation for the twenty-four (24) months preceding this Notice's pre-application submission due date that verifies the project's operations including information regarding the open and close date, lease-up, vacancy, rent rolls, operating budgets, and any other information the applicant can provide to document the need for the seasonal Off-FLH project. All of the tenants in the project must be eligible farm labor tenants as defined in this Notice.

(k) If the project does not meet the vacancy requirements above a description of the cause of the vacancy and the plan to increase the occupancy must be submitted. The requested loan or grant funds must be needed in order to stabilize occupancy. In addition, a market study must be submitted to document the need for the project and must meet the following requirements. The market area must be clearly identified and may include only the area from which tenants can reasonably be drawn to the project. Documentation must be provided to justify the need within the primary market area for the housing of domestic farm laborers. The documentation must also consider disabled and retired farm workers and adjusted medium incomes of very-low, low, and moderate. The market study must include the following information:

- A complete description of the proposed site and a map showing the site, location of services, and their distances from the site.
- Names and qualifications of members of the community interviewed during the site visit and a discussion of their comments.
- Major employers in the area and year established.
- Employment opportunities and rates for the area for the past 5 years.
- Services available in the area, including shopping, schools, and medical facilities as well as community services such as recreational, transportation, and day care that are available.
- Population by year plus the annual increase or decrease for the past 5 years.
- Population characteristics by age.
- Number of households by year and number of persons per household for the past 5 years.
- Historical breakdown of households by owners and renters.
- Households by income groups.
- A survey of existing or proposed rental housing, including complex name, location, number of units, bedroom mix, family or elderly type, year built, rent charges, vacancies, waiting lists, amenities, and the availability of RA or other subsidies.
- Available mobile homes, if part of housing stock.
- The existing vacancy rate of all available rental units in the community, including houses.
- Proportionate need for project type.
- Building permits issued per year for the last 3 years for single and multiple unit dwellings.
- For proposals where the applicant is requesting LIHTCs, the number of LIHTC units and the maximum LIHTC incomes and rents by unit size. This information will determine the levels of incomes in the market area, which will support the basic rents while also qualifying the applicant for tax credits.
- The amount of RA necessary to ensure the project's success.
- The annual income level of farmworker families in the area.
- A realistic estimate of the number of farm workers who remain in the area where they harvest and the number of farm workers who normally migrate into the area. Information on migratory workers should indicate the average number of months the migrants reside in the area and an indication of what type of family groups are represented by the migrants (*i.e.,* single individuals as opposed to families).
- General information concerning the type of labor-intensive crops grown in the area and prospects for continued demand for farm laborers.
- The overall occupancy rate for comparable rental units in the area and the rents charged and customary rental practices for these units (*i.e.,* will they rent to large families, do they require annual leases, etc.).
- The number, condition, adequacy, rental rates and ownership of units currently used or available to farm workers.
- Information on any proposed new construction of housing units within the primary market area.
- A description of the project's units, including the number, type, size, rental rates, amenities such as carpets and drapes, related facilities such as a laundry room or a community room and other facilities providing supportive services in connection with the housing and the needs of the tenants such as a health clinic or day care facility.
- The applicant must also include documentation of the following applicable elements and provide the page number of the report which contains the information that satisfies each element:
- Services available in the area include shopping, schools, and medical facilities as well as community services such as recreational, transportation, and day care. Services appear to be appropriate for the project type and within reasonable proximity of the site.
- Building permits issued during the past 3 years and new employment opportunities show the community to be growing, rather than declining.
- Major employers in the area provide employment opportunities sufficient to support a population base of renters for the proposed project.
- Employment rates for the area have been high over the past 5 years.
- The analyst makes realistic recommendations supported by the statistical information provided:
- Population characteristics and household data for the community are stable or show an increase during the past 5 years.
- Population characteristics by age shows support for the type of project

being proposed and the type of complex proposed reflects the greater proportionate need and demand of the community. To establish this, compare the share or percentage of the community's total rental units that are designated for the elderly (62 years or older or disabled) to the community's share of elderly households, and the share of total rental units for families to the share of family households in the community.

- For mixed projects, the unit mix must reflect the proportionate need of each household type.
- Statistical data showing households by income group shows that there are households in the eligible income group that could rent in the project.
- Historical breakdown of households by owners and renters shows that there is a tradition of renters.
- The Market Feasibility Documentation (MFD) addresses the need for more than just one and two bedroom units.
- The bedroom mix of the proposed units is proportional to the need in the market area based on renter household size and the bedroom mix of existing units.
- The bedroom mix of fully accessible units (5 percent) is comparable to the bedroom mix of non-accessible units.
- The MFD shows evidence of need for the housing in that there are rent overburdened households and/or households in substandard housing.
- A discussion of existing housing supply includes reference to the single-family housing rental and sale units available and shows these to be inadequate.
- Temporary residents of a community, including college students, military personnel, or others not claiming their current residence as their legal domicile, have not been included in determining need and project size.
- The MFD includes a discussion on the current market for single-family houses and how sales, or the lack of sales, will affect the demand for elderly rental units. If the market study discusses how elderly homeowners reinforce the need for rental housing, it does so only as a secondary market and not as the primary market.
- The vacancy rates in existing rental housing, including available single-family housing and mobile homes, is 5 percent (or the State-approved vacancy standard, if different) or less, or there is an acceptable explanation where higher rates occur. Existing rental complexes should also show waiting lists.
- The Conventional Rents for Comparable Units (CRCU) shown is less than or equal to the rents proposed for the project.

The market study must be obtained from and performed by an independent third-party provider that has no identity of interest with the property owner, management agent, applicant or any other principle or affiliate.

Project funds may be used to obtain the market study if there are adequate funds available and the request to use project funds is approved by the Field Operations Division servicing official.

(l) Document the project has a positive cash flow. As provided earlier in this Notice, the applicant must provide documentation that the project had a positive cash flow for the previous full three (3) years of operations preceding this Notice's pre-application submission due date unless an exception applies for projects with an RHS approved workout plan where the applicant is in compliance with the provisions of the workout plan. The RHS may require that applicants with monetary or non-monetary deficiencies be in compliance with the RHS approved workout plan for a minimum of six (6) consecutive months before becoming eligible for a loan and/or grant under this Notice. Additionally, an exception may apply to projects that have a negative cash flow in operations if surplus cash exists in either the general operating account as defined in 7 CFR 3560.306(d)(1) or the reserve account. Surplus cash exists when the balance is greater than the required deposits minus authorized withdrawals. The applicant must provide the project's annual financial report(s) to document the project complies with this exception for each year the project has a negative cash flow, if applicable. Seasonal Off-FLH properties that receive OA may also be exempt from this requirement at the sole discretion of the RHS, if applicable.

(m) Current tenant supportive services plan which describes services that are currently provided on-site or made available to tenants through cooperative agreements with service providers in the community, such as a health clinic or day care facility, if applicable. Off-site services must be accessible and affordable to farm workers and their families. A map showing the location of support services must be included in the plan, if applicable. Letters of commitment from the current service providers must also be submitted with the plan, if applicable. The plan must describe how the services are funded. Project funds may not be used to pay for these services, however, costs associated with a Resident Services Coordinator or coordination of resident services are an eligible expense and could be included in the project budget, if applicable.

(n) Preliminary plans and specifications, including type of construction and materials, if available. The preliminary plans and specifications, including type of construction and materials may be submitted with the final application. The housing must meet RHS's design and construction standards contained in 7 CFR part 1924, subparts A and C and must also meet all applicable Federal, State, and local accessibility standards. Also, applications for Off-FLH loans and grants must meet the design requirements in 7 CFR 3560.559.

For projects that do not currently have interior/exterior washing facilities, applicants should consider incorporating interior/exterior washing facilities for tenants, as necessary to protect the asset and the tenants from excess dirt and chemical exposure. Such facilities might include a boot washing station or hose bibs, among others.

(o) The applicant must submit a checklist, certification, and signed affidavit by the project architect or engineer, as applicable, for any energy programs the applicant intends to participate in.

(p) A Sources and Uses Statement which shows all sources of funding included in the proposed transaction. The terms and schedules of all sources included in the project should be included in the Sources and Uses Statement. (Note: A Section 516 grant may not exceed 90 percent of the TDC of the transaction)

(q) Evidence of the submission of the project description to the applicable State Housing Preservation Office (SHPO), and/or Tribal Historic Preservation Officer (THPO) with the request for comments, if applicable.

(r) Evidence of compliance with Executive Order 12372. The applicant must send a copy of Form SF–424, ''Application for Federal Assistance,'' to the applicant's State clearinghouse for intergovernmental review. If the applicant is located in a State that does not have a clearinghouse, the applicant is not required to submit the form. However, evidence that the State does not have a clearinghouse must be submitted. Applications from Federally recognized Indian tribes are not subject to this requirement.

(s) Comments regarding relevant offsite conditions.

(t) The following forms are required to be submitted with the pre-application:

(i) Awards made under this Notice are subject to the provisions contained in the Consolidated Appropriations Act, 2019 (Pub. L. 116–6) sections 745 and

746 regarding felony convictions and corporate Federal tax delinquencies. To comply with these provisions, applicants that are or propose to be corporations will submit form AD–3030, ''Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants,'' as part of their pre-application. This form is now collected through your registration or annual recertification in *SAM.gov* in the Financial Assistance General Certifications and Representations section.

(ii) Form HUD–935.2A, ''Affirmative Fair Housing Marketing Plan (AFHMP)-Multifamily Housing,'' in accordance with 7 CFR 1901.203(c). The AFHMP will reflect that occupancy is open to all qualified ''domestic farm laborers,'' regardless of which farming operation they work and that they will not discriminate on the basis of race, color, sex, age, disability, marital or familial status or National origin in regard to the occupancy or use of the units. The AFHMP must include all attachments and supporting documentation. The form can be found at: *https://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.PDF.*

If the project has a current AFHMP in place that is approved by the RHS, the applicant may submit the current approved AFHMP as part of their pre-application.

The Native American Housing Enhancement Act of 2005 (NAHEA), Public Law 109–136, Codified at 25 U.S.C. 4101 et seq., amended Title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.) which created the housing programs administered by the U.S. Department of Agriculture, Rural Housing Service. The NAHEA excludes Indian Tribes, including instrumentalities of such Indian Tribes, from the requirement to comply with Title VI of the Civil Rights Act of 1964, and Title VIII of the Civil Rights Act of 1968, allowing members of Indian Tribes to be given preference for housing in accordance to the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4101 et seq.)

The NAHEA does not exempt Indian Tribes from complying with other laws that apply to recipients of federal financial assistance. Therefore, federally recognized Indian Tribes must continue to comply with Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Title IX of the Education Amendments Act of 1972, where applicable. The NAHEA also did not exempt the Indian Tribes from complying with the accessibility requirements of the Fair Housing Amendments Act (FHAA) of 1988. This Act amended Title VIII of the Fair Housing Act of 1968, to include disability and familial status. Therefore, the NAHEA did not specifically exempt Indian Tribes from the accessibility requirements of the FHAA. The requirements to construct multi-family housing properties accessible to or adaptable for persons with disabilities are to be followed. This requirement shall be consistent with RD Instructions 7 CFR 3560, Section 3560.60, Design Requirements.

(iii) A proposed post-transaction operating budget utilizing Form RD 3560–7, ''Multiple Family Housing Project Budget/Utility Allowance,'' can be found at: *https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3560-7.PDF.* The budget must include the debt service of the new RHS loan, if applicable. This will be a post transaction budget that must include a narrative that provides justification for any changes between the current budget and proposed budget.

The RHS will review the budget to determine that the income and expenses are reasonable and customary for the area. The RHS will also verify that the budget reflects the new RHS loan debt service, if applicable, the existing RHS loan debt service, the number of units, unit mix, and rents. Overall, the RHS must review the budget for feasibility, accuracy, and reasonableness.

(iv) An estimate of development costs utilizing Form RD 1924–13, ''Estimate and Certificate of Actual Cost,'' can be found at: *https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD1924-13.PDF.*

(v) Form RD 3560–30, ''Certification of no Identity of Interest (IOI),'' can be found at: *https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3560-30.PDF.*

(vi) Form RD 3560–31, ''Identity of Interest Disclosure/Qualification Certification,'' can be found at: *https://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3560-31.PDF.*

An IOI is defined in 7 CFR 3560.11. The RHS must review Form RD 3560–30 and Form RD 3560–31, as applicable, to determine if they are completed in accordance with the Forms Manual Insert and to determine that all IOI's have been disclosed. Technical assistance will not be funded by the RHS when an IOI exists between the technical assistance provider and the loan or grant applicant.

(vii) Form HUD 2530, ''Previous Participation Certification,'' if applicable, can be found at: *https://www.hud.gov/sites/dfiles/OCHCO/documents/2530.pdf.*

Applicants are strongly encouraged to use the Active Partners Performance System (APPS) available on HUD's website to electronically submit the Form HUD 2530 for HUD staff review and approval, if applicable. If obtained, the applicant would submit the review from HUD indicating approval in the application. The website can be found at: *https://www.hud.gov/program_offices/housing/mfh/apps/appsmfhm.*

(viii) Form RD 400–4, ''Assurance Agreement,'' can be found at: *http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD400-4.PDF.*

(ix) RD Instruction 1940–Q, Exhibit A–1, ''Certification for contracts, grants and loans,'' can be found at: *https://www.rd.usda.gov/files/1940q.pdf.*

(u) A separate one-page information sheet listing each of the pre-application scoring criteria contained in this Notice, followed by a reference to the page numbers of all relevant material and documentation that is contained in the proposal that supports the criteria.

Applicants are encouraged to include a checklist of all of the application requirements and to have their application indexed and tabbed to facilitate the review process.

If any of the required items listed above are not submitted within the pre-application in accordance with this Notice or are incomplete, the pre-application will be considered incomplete and will not be considered for funding.

The RHS will not consider information from the applicant after the pre-application deadline. The RHS may contact the applicant to clarify other items in its application. The RHS will uniformly notify applicants of each curable deficiency. A curable deficiency is an error or oversight that if corrected it would not alter, in a positive or negative fashion, the review and rating of the application. An example of a curable (correctable) deficiency would be inconsistencies in the amount of the funding request. Non-curable deficiencies are threshold components that effect the review and rating of the application, including but not limited to, evidence of an eligible entity and evidence of the need for the project.

D. Pre-Application Review Information

The RHS will accept, review, and score pre-applications in accordance with this Notice.

Section 514 Off-FLH subsequent loan funds and Section 516 Off-FLH subsequent grant funds will be distributed based on a national competition, as follows:

(1) Updates or enhancements (12 points). This factor is for applications that include updates or enhancements to existing plans to meet current tenant needs and enhance the marketability of the property. The updated or revised tenant supportive services plan must be submitted and describe the existing supportive services and the proposed new or enhanced tenant services, including a description of the public or private funds that are expected to fund the new services as well as the way the services will be delivered, who will administer them, and where they will be administered. All tenant supportive services plans must include letters of commitment that clearly state the service that will be provided at the project for the benefit of the residents from any party administering each service, including the applicant. These services may include, but are not limited to, transportation related services, on-site English as a Second Language classes, move-in funds, emergency assistance funds, homeownership counseling, food pantries, after school tutoring, and computer learning centers. The tenant supportive services plan must describe how the new or enhanced services will meet the identified needs of the tenants and how the services will be provided on a consistent, long-term basis to support the tenants. The plan must clearly state how the services will be funded. Project funds may not be used to pay for these services, however, costs associated with a Resident Services Coordinator or coordination of resident services are an eligible expense and could be included in the project budget, if applicable. Applicants must provide a detailed tenant supportive services plan and clearly document and outline at least two new or enhanced services in relation to the services already being provided in order to receive the maximum amount of points.

(2) Owner and management capacity (25 points). This factor addresses the extent to which the applicant, or a member of the applicant's team, and the management agent has the experience and organizational resources to successfully implement the proposed activities in a timely manner. In this rating factor, the RHS will consider the extent to which the application demonstrates the applicant's and management agent's ability to develop, operate, and manage FLH on a long-term basis. In the case of co-sponsored applications, the rating will be based upon the combination of the experience of all co-sponsors in the area under review.

A firm resume must be provided for the applicant and all Sponsors/Co-Sponsors, including the management agent. Each resume must include evidence of development experience and services experience, as applicable. In addition, the resume should include a description of all similar projects that the applicant and Sponsors/Co-Sponsors have been involved with, to include whether they were federal housing projects, and information regarding the success of the projects.

(3) Development Experience (15 points). Applicants should demonstrate how the scope, extent, and quality of the Sponsor's and/or their consultant team's recent experience in developing, operating and managing housing is consistent with the details of the proposed project. The evaluation will consider experience with utilizing federal financing programs and experience that shows familiarity with FLH and experience operating federally assisted housing, which may be demonstrated by providing supporting data related to actual performance. Also, the evaluation will consider if funds that were received for previous transactions were spent within the regulatory timeframes of the funding source. The description or firm resumes must include any rental housing projects and supportive services facilities that the applicant sponsored, owns or operates.

The RHS will make a determination on the level of experience of the applicant, all Sponsors/Co-Sponsors, if applicable, and the management agent based on the information and documentation presented within the pre-application. Points will be awarded as follows:

- No development experience (0 points)
- Low level of development experience—less than 50 units (2 points)
- Medium level of development experience—more than 50 units (5 points)
- High level of development experience—over 100 units (15 points)

To score the highest number of points for this factor, applicants must describe significant previous experience in providing housing to farm laborer's generally and significant previous experience implementing development activities with the type of financing proposed.

(4) Supportive Services Experience (10 points). Applicants should demonstrate how the scope, extent, and quality of the applicant's experience and/or the experience of committed partners, including property managers, in providing services is consistent with the details of the proposed supportive services plan. The description and firm resumes must identify specific services provided. Applicants must explain their experience in RHS subsidy administration and/or their partners' experience in providing property management and coordinating supportive services.

The RHS will make a determination on the level of experience of the applicant and all Sponsors/Co-Sponsors, if applicable, based on the information and documentation presented within the pre-application. Points will be awarded as follows:

- No supportive services experience (0 points)
- Low level of supportive services experience—less than 50 units (2 point)
- Medium level of supportive services experience—more than 50 units (5 points)
- High level of supportive services experience—over 100 units (10 points)

To score the highest number of points for this factor, applicants and/or committed partners must describe and provide evidence of significant previous experience in providing and coordinating supportive services to farm laborers.

(5) Market (18 points). Applicants must demonstrate that the location of the project supports farm labor housing. The applicant must identify the location, the proximity, and ease of access of the project site to amenities important to the residents that supplement the services provided on-site. The site location will be rated on the following:

- Health care and social services (hospital, medical clinic, social service organization that offers services to farm workers) (3 points);
- Grocery stores (*e.g.,* supermarket or other store that sells produce and meat) (3 points);
- Recreational facilities (*e.g.,* parks and green space, community center, gym, health club, or family entertainment venue, library) (3 points);
- Civic facilities (*e.g.,* place of worship, police or fire station, post office) (3 points);
- Other neighborhood-serving amenities (*e.g.,* apparel store, convenience store, pharmacy, bank, hair care, and restaurants) (3 points).
- Educational facilities adequate to meet the spectrum of tenant needs at the property (*e.g.,* higher education institutions, K–12, pre-k, and childcare) (3 points).

Applicants must describe how residents could reasonably access critical amenities. Amenities will generally be considered readily available if they are within one-half mile walking distance or they can be accessed by public transportation (within one-quarter walking mile) including accessible public transportation option, and/or affordable private door-to-door shuttle/van service that is reliable and accessible. Applicants may commit to providing such transportation services if the nature of the commitment and the financing of the commitment is adequately described. Project funds cannot be used for this purpose.

To score the maximum number of points on this factor, applicants must make a compelling argument that the location of the project is well suited with respect to proximate amenities to meet the needs of farm workers. Documentation must be provided that clearly outlines the project site and its proximity to the applicable amenities.

(6) COVID–19 Impacts (5 points). Priority points will be awarded if the project is located in or serving one of the top 10% of counties or county equivalents based upon county risk score in the United States. if the project is located in or serving one of the top 10% of counties or county equivalents based upon the county risk score in the United States. Information on whether your project qualifies for priority points can be found at the following website: *https://www.rd.usda.gov/priority-points.* The US Territories would obtain points by using local data regarding how COVID–19 has impacted the project area. Priority points may be awarded if the project is located in or serving a community with score 0.75 or above on the CDC Social Vulnerability Index. Information on whether your project qualifies for priority points can be found at the following website: *https://www.rd.usda.gov/priority-points.*

(7) Equity (5 points). Priority points will be awarded if the project is located in or servicing a community with a score of 0.75 or above on the CDC Social Vulnerability Index. Information on whether your project qualifies for priority points can be found at the following website: *https://www.rd.usda.gov/priority-points.*

(8) Climate Impacts (5 points). Priority points will be awarded if the project is located in or serving coal, oil and gas, and power plant communities whose economic well-being ranks in the most distressed tier of the Distressed Communities Index. Information on whether your project qualifies for priority points can be found at the following website: *https://www.rd.usda.gov/priority-points.*

(9) Points will be allocated for Energy initiatives (the aggregate points for all the Energy Initiative categories may not exceed (10 points).

(a) Properties may receive points for energy initiatives in the categories of energy conservation, water conservation and green property management. Properties may earn ''energy initiative'' points for rehabilitation.

(b) National energy programs including the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED), National Association of Homebuilders 2020 ICC 700 National Green Building Standard, U.S. Department of Energy (DOE) Zero Energy Ready Homes, International Living Future Institute's Living Building Challenge, U.S. Environmental Protection Agency (EPA) Energy Star for Homes, Passive House Institute's PHIUS +, Enterprise Community Partners Green Communities, and local energy conservation programs, will each have an initial checklist indicating prerequisites for participation in its energy program. The applicable energy program checklist will establish whether prerequisites for the energy program's participation will be met. All checklists must be accompanied by a signed affidavit by the project architect or engineer stating that the goals are achievable, and the project has been enrolled in these programs if enrollment is applicable to that program. These programs evolve and newer versions are published, sometimes annually. Projects must participate in the current version of the programs and must consult with the program provider for the most current, applicable and available programs for their project location. In addition, projects that apply for points under the energy generation category must include calculations of savings of energy. Compare property energy usage of three scenarios: (1) Property built to required code of state with no renewables, to (2) property as-designed with commitments to stated energy conservation programs without the use of renewables and (3) property as-designed with commitments to stated energy conservation programs and the use of proposed renewables. Use local average metrics for weather and utility costs and detail savings in kWh and dollars. Provide payback calculations. These calculations must be done by a licensed engineer or credentialed renewable energy provider. Include with the application, the provider/engineer's credentials including qualifications, recommendations, and proof of previous work. The checklist, affidavit, calculations, and qualifications of the engineer/energy provider must be submitted together with the pre-application.

(c) Enrollment in EPA Portfolio Manager Program. All projects awarded scoring points for energy initiatives must enroll the project in the EPA Portfolio Manager program to track post-construction energy consumption data. More information about this program may be found at: *https://www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/use-portfolio-manager.*

(d) Energy Conservation for rehabilitation. Projects may be eligible for scoring points when the pre-application includes a written certification by the applicant to participate and achieve certification in the following energy efficiency programs.

The points will be allocated as follows:

- Participation in the EPA's Energy Star Multifamily Certification Process (5 points). *https://www.energystar.gov/partner_resources/residential_new/homes_prog_reqs/multifamily_national_page*

or

- Participation in the Green Communities program by the Enterprise Community Partners (2020 Criteria). (5 points) *https://www.enterprisecommunity.org/solutions-and-innovation/green-communities*

or

- Participation in the DOE Zero Energy Ready Homes program. (5 points) *https://www.energy.gov/eere/buildings/zero-energy-ready-homes*

or

- PHIUS+ Passive Building Standard (2018) (5 points) *https://multifamily.phius.org/service-category/phius-within-reach*

or

- International Living Future Institute Living Building Challenge (5 points) *https://living-future.org/lbc/.*

(e) Water Conservation in Irrigation Measures. Projects may be awarded two points (2 points) for the use of an engineered recycled water (gray water or storm water) for landscape irrigation covering 50 percent or more of the property's site landscaping needs.

(f) Property Management Credentials. Projects may be awarded three points (3 points) if the designated property management company or individuals that will assume maintenance and operation responsibilities upon completion of construction work have a Credential for Green Property Management. Credentialing can be

obtained from the National Apartment Association (NAA), National Affordable Housing Management Association, The Institute for Real Estate Management, USGBC LEED for Operations and Maintenance, or another source with a certifiable credentialing program. Credentialing must be illustrated in the resume(s) of the property management team and included with the pre-application.

E. Federal Award Administration Information

(1) Federal Award Notices

(a) Applicants must submit their pre-application by the due date specified in this Notice. The RHS will rank by score, highest to lowest, eligible pre-applications. Based on available funding, the 10 percent persistent poverty counties set-aside, and the 50 percent limitation per State, the RHS will determine which pre-applications will be selected for further processing starting with the highest scoring pre-application. The RHS will notify applicants with pre-applications found eligible and selected for further processing.

(b) Applicants will be notified if there are insufficient funds available for the proposal and such notification is not appealable. For applications found ineligible or incomplete, the RHS will send notices of ineligibility that provide appeal rights under 7 CFR part 11, as appropriate.

(c) The RHS will rank all pre-applications nationwide. When proposals have an equal score and not all pre-applications can be funded, preference will be given first to Indian tribes as defined in § 3560.11, then local non-profit organizations or public bodies whose principal purposes include low-income housing that meet the conditions of § 3560.55(c), and the following conditions:

- Is exempt from Federal income taxes under section 501(c)(3) or 501(c)(4) of the Internal Revenue Service code;
- Is not wholly or partially owned or controlled by a for-profit or limited-profit type entity;
- Whose members, or the entity, do not share an identity of interest with a for-profit or limited-profit type entity;
- Is not co-venturing with another entity; and
- The entity or its members will not be receiving any direct or indirect benefits pursuant to LIHTC.

(d) If after all the above evaluations are completed and there are two or more pre-applications that have the same score, and all cannot be funded, a lottery will be used to break the tie. The lottery will consist of the names of each pre-application with equal scores printed onto a same size piece of paper, which will then be placed into a receptacle that fully obstructs the view of the names. The Director of the Production and Preservation Division, in the presence of two witnesses, will draw a piece of paper from the receptacle. The name on the piece of paper drawn will be the applicant to be funded.

If insufficient funds remain for the next ranked proposal, that applicant will be given a chance to modify their pre-application to bring it within the remaining available funding. This will be repeated for each next ranked eligible proposal until an award can be made or the list is exhausted.

(2) Administrative and National Policy

Projects receiving subsequent Off-FLH loans and/or grants are subject to additional restrictive-use provisions contained in 7 CFR 3560.72(a)(2).

(a) An FLH grant agreement, prepared by the RHS, must be dated, and executed by the applicant on the date of closing, if applicable. The form of resolution to be adopted by the applicant must contain policy and procedural requirements that should be read and be fully understood by the applicant's Board of Directors and officers.

(b) The grant agreement will remain in effect for so long as there is a need for the FLH project and will not expire until an official determination has been made by the RHS that there is no longer a need for the FLH project, if applicable.

(3) Reporting

(a) Borrowers must maintain separate financial records for the operation and maintenance of the project and for tenant services.

(b) Project funds may not be used to pay for these services, however, costs associated with a Resident Services Coordinator or coordination of resident services are an eligible expense and could be included in the project budget, if applicable.

(c) Funds allocated to the operation and maintenance of the project may not be used to supplement the cost of tenant services, nor may tenant service funds be used to supplement the project operation and maintenance.

(d) Detailed financial reports regarding tenant services will not be required unless specifically requested by the RHS, and then only to the extent necessary for the RHS and the borrower to discuss the affordability (and competitiveness) of the service provided to the tenant.

(e) The project audit, or verification of accounts on Form RD 3560–10, ''Borrower Balance Sheet,'' together with an accompanying Form RD 3560–7, ''Multiple Family Housing Project Budget/Utility Allowance,'' must allocate revenue and expenses between project operations and the tenant services component.

F. Preliminary Eligibility Assessment

The RHS shall make a preliminary eligibility assessment using the following criteria:

(1) The pre-application was received by the submission deadline specified in this Notice;

(2) The pre-application is complete as specified by this Notice;

(3) The applicant is an eligible entity and is not currently debarred, suspended, or delinquent on any Federal debt; and

(4) The proposal is for authorized purposes.

G. Final Application and Submission Information

(1) Final Application Submission

(a) The pre-applications that are selected for further processing will be invited to submit final applications. If a pre-application is selected for further processing and the applicant declines, the next highest ranked pre-application will be selected for further processing. The final applications will be due by June 30, 2022, 12 p.m., Eastern Standard Time.

(b) All final applications must be filed with the RHS and must meet the requirements of this Notice. Incomplete final applications will be rejected and returned to the applicant. No final applications will be accepted after the deadline unless the date and time are extended by another Notice published in the **Federal Register**.

(c) A final application in accordance with this Notice must be submitted and approved by the RHS prior to the obligation of funds.

(d) The final application submission process will be the same as previously explained and outlined for the pre-application submission process in Section C(1), ''Pre-application and Submission Information.''

(2) Final Application Requirements

The final application must contain the following information in addition to the pre-application documents that were previously submitted:

(a) Description of any changes from the pre-application submission including funding, scope of work, etc.

(b) If any document that was submitted within the pre-application has since changed or needs to be updated with the final application, please submit the updated form(s) with the final application:

(i) Final Form RD 3560–1, ''Application for Partial Release, Subordination, or Consent,'' can be obtained at: *https://formsadmin.sc.egov.usda.gov//efcommon/eFileServices/eFormsAdmin/RD3560-0001.pdf.*

(ii) Final Standard Form 424, ''Application for Federal Assistance.''

(iii) Final proposed Form RD 1924–13, ''Estimate and Certificate of Actual Cost.''

(iv) Final proposed post-transaction operating budget utilizing Form RD 3560–7, ''Multiple Family Housing Project Budget/Utility Allowance.'' The budget must include the debt service of the new RHS loan, if applicable. This will be a post transaction budget that must include a narrative that provides justification for any changes between the current budget and proposed budget.

(c) Updated financial statements, if applicable (must be within 6 months of this Notice's final application submission due date).

(d) Submit a current (no older than six months from the date of issuance) combination comprehensive credit report for both the entity and the actual individual principals, partners, members, etc. within the applicant entity, including any sub-entities, who are responsible for controlling the ownership and operations of the entity. Although a commercial credit report for a new entity may have limited information available, a combination report ties the entity and individual principal(s) together under the applicant/borrower name based on the credit report agency's ability to provide a single reporting source. However, if any of the principals in the applicant entity are not natural persons (*i.e.,* corporations, other limited liability companies, trusts, etc.) separate commercial credit reports must be submitted on those organizations as well. Individual personal consumer credit reports are not required if a combination report is being provided. Only Credit reports provided by accredited major credit bureaus will be accepted. If the credit report(s) is not submitted by the final application deadline, the application will be considered incomplete and will not be considered for funding.

(e) Document the continued need for the project. The applicant must provide documentation that the average physical vacancy rate for the twelve (12) months preceding this Notice's final application submission due date has been no more than ten (10) percent for projects consisting of sixteen (16) or more revenue units and no more than fifteen (15) percent for projects with less than sixteen (16) revenue units unless the project is seasonal Off-FLH or unless the applicant has an RHS approved workout plan and is in compliance with the provisions of the workout plan and provides sufficient market documentation or a market study that clearly demonstrates to the RHS that sufficient market demand exists. If the project is seasonal Off-FLH, the applicant must provide detailed documentation for the twenty-four (24) months preceding this Notice's final application submission due date that verifies the project's operations including information regarding the open and close date, lease-up, vacancy, rent rolls, operating budgets, and any other information the applicant can provide to document the need for the seasonal Off-FLH project. All of the tenants in the project must be eligible farm labor tenants as defined in this Notice.

(f) Document the project has maintained a positive cash flow. The applicant must provide documentation that the project had a positive cash flow for the previous full three (3) years of operations preceding this Notice's final application submission due date unless an exception applies for projects with an RHS approved workout plan where the applicant is in compliance with the provisions of the workout plan and has remained in compliance. The RHS may require that applicants with monetary or non-monetary deficiencies be in compliance with the RHS approved workout plan for a minimum of six (6) consecutive months before becoming eligible for a loan and/or grant under this Notice. Additionally, an exception may apply to projects that have a negative cash flow in operations if surplus cash exists in either the general operating account as defined in 7 CFR 3560.306(d)(1) or the reserve account. Surplus cash exists when the balance is greater than the required deposits minus authorized withdrawals. The applicant must provide the project's annual financial report(s) to document the project complies with this exception for each year the project has a negative cash flow, if applicable. Seasonal Off-FLH properties that receive OA may also be exempt from this requirement at the sole discretion of the RHS, if applicable.

(g) Form RD 1910–11, ''Applicant Certification, Federal Collection Policies for Consumer or Commercial Debts'' can be found at: *https://forms.sc.egov.usda.gov//efcommon/eFileServices/eForms/RD1910-11.PDF.*

(h) Form RD 400–1, ''Equal Opportunity Agreement,'' can be found at: *https://forms.sc.egov.usda.gov/eForms/browseFormsAction.do?pageAction=displayPDF&formIndex=1.*

(i) Form RD 400–6, ''Compliance Statement,'' if available, can be found at: *https://forms.sc.egov.usda.gov/eForms/browseFormsAction.do?pageAction=displayPDF&formIndex=4.*

The following forms for acceptance of a federal award are now collected through your registration or annual recertification in *SAM.gov* in the Financial Assistance General Certifications and Representations section:

(j) Form AD–1047, ''Certification Regarding Debarment, Suspension, and Other Responsibility Matters Primary Covered Transactions,'' can be found at: *https://www.ocio.usda.gov/sites/default/files/docs/2012/AD1047_PrimaryCoveredTransactions_final.pdf.*

(k) Form AD–1048, ''Certification of Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transactions,'' if applicable, can be found at: *https://www.ocio.usda.gov/sites/default/files/docs/2012/AD1048_LowerTierCoveredTransactions_final.pdf.*

(l) Form AD–1049, ''Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I—For Grantees Other Than Individuals,'' can be found at: *https://www.ocio.usda.gov/sites/default/files/docs/2012/AD1049_Alt1_GranteesOtherThanIndividuals_v2_final.pdf. https://www.ocio.usda.gov/sites/default/files/docs/2012/AD1049_Alt1_GranteesOtherThanIndividuals_v2_final.pdf.*

(m) Form RD 3560–13, ''Multi-Family Project Borrower's/Management Agent's Management Certification,'' if applicable, can be found at: *https://forms.sc.egov.usda.gov//efcommon/eFileServices/eForms/RD3560-13.PDF.* This document is required only if the owner is changing the management agent or the management fee as part of this proposal.

(n) Management plan with all attachments including the proposed record keeping system, the proposed lease with an attorney's certification, if applicable, and the proposed occupancy rules. This document is required only if the owner is changing the management agent or revising the management plan and any attachments as part of this proposal.

(o) Management Agreement, if applicable. This document is required only if the owner is changing the

management agent or revising the management agreement and any attachments as part of this proposal.

(p) Certificate of Good Standing.

(q) Attorney Certification. Letter from the applicant's attorney certifying the legal sufficiency of the organizational documents. The attorney must certify:

(1) The applicant's legal capacity to successfully operate the proposed project for the life of the loan and/or grant.

(2) The organizational documents comply with RHS regulations.

(3) For partnership purchasers, that the term of the partnership extends at least through the latest maturity of all proposed RHS debt.

(4) That the organizational documents required prior written RHS approval for any of the following: Withdrawal of a general partner/managing member, admission of a general partner/managing member, amending the organizational documents, and selling all or substantially all of the assets of the purchaser.

(5) That there have been no changes to either the ownership entity or the property that have not been approved by the RHS.

(r) Acceptable appraisal, if applicable. Applicants may contact the RHS to discuss the appraisal requirements including the Appraisal Assignment Guidance prior to engaging an appraiser. Appraisals prepared for any other participants or lenders may not satisfy the RHS Appraisal Assignment Guidance requirements and may require the applicant to incur additional costs. You may contact the RHS at *MFHprocessing1@usda.gov* to obtain Appraisal Assignment Guidance prior to ordering the appraisal.

Project funds may be used to obtain the appraisal if there are adequate funds available and the request to use project funds is approved by the Field Operations Division servicing official. No appraisal is required for subsequent Section 516 Off-FLH grant only requests.

(s) An acceptable As-Is CNA in accordance with the requirements set forth in this funding notice and the addendum to this notice.

- The minimum requirements for a CNA acceptable to the RHS can be found in the Addendum: Capital Needs Assessment Process at the end of this notice, Attachment B, CNA Statement of Work and Attachment C, Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator.
- The CNA report must be obtained by the CNA recipient from an independent third-party CNA provider that has no identity of interest with the property owner, management agent, applicant or any other principle or affiliate.
- The CNA recipient will contract with the CNA provider and is therefore, the client of the provider. However, the CNA recipient must consult with RHS, before contracting with a CNA provider to review Guidance Regarding Contracting for a CNA.
- The RHS CNA reviewer will evaluate a proposed agreement or engagement letter between the CNA recipient and the CNA provider using Attachment D, CNA e-Tool Estimated Useful Life Table, prior to reviewing any CNA report.
- Unacceptable CNA proposals, contracts or reports will be returned to the CNA recipient for appropriate corrections before they will be used for any underwriting determinations.
- The CNA reviewer will also review the cost of the CNA contract. In most cases, the CNA service contract amount has not exceeded $3,500 based on the RHS's most recent cost analysis. Borrowers and applicants are encouraged to obtain multiple bids in all cases. However, there is no RHS requirement to select the ''low bidder.''
- All of the information and requirements, including the CNA Template that the can must be submitted on, can be found at: *https://www.rd.usda.gov/programs-services/multi-family-housing-direct-loans.*

Project funds may be used to obtain the As-Is CNA if there are adequate funds available and the request to use project funds is approved by the Field Operations Division servicing official. The rehabilitation plan should be developed in accordance with the CNA and the applicant should submit documentation of the detailed plan and timeline for completion of the rehabilitation work.

(t) Final plans and specifications along with the proposed manner of construction, if available. The housing must meet RHS's design and construction standards contained in 7 CFR part 1924, subparts A and C and must also meet all applicable Federal, State, and local accessibility standards. The final plans and specifications along with the proposed manner of construction must be submitted prior to the approval of the final application.

(u) Final construction planning, bidding, and contract documents, including the construction contract and architectural agreement, etc., if available. The final construction planning, bidding, and contract documents, including the construction contract and architectural agreement, etc., must be submitted prior to the approval of the final application.

(v) Environmental information in accordance with the requirements in 7 CFR 1970. The applicant may consult with the RHS to determine the appropriate level of environmental review and to obtain publicly available resources at the earliest possible time for guidance in identifying all relevant environmental issues that must be addressed and considered during early project planning and design throughout the process. Requests for a consult can be sent to the following email address: *MFHprocessing1@usda.gov.* The applicant is responsible for preparing and submitting the environmental review document in accordance with the format and standards provided by RHS in 7 CFR 1970. Applicants may employ a design or environmental professional or technical service provider to assist them in the preparation of their environmental review documents at their own expense.

(w) The environmental information must include evidence of compliance with the requirements of the applicable State Housing Preservation Office (SHPO), and/or Tribal Historic Preservation Officer (THPO), if applicable. A letter from the SHPO and/or THPO where the Off-FLH project is located signed by their designee will serve as evidence of compliance, if applicable.

(x) All applications that propose the use of any leveraged grant funds must submit firm commitment letters within their final application, if available. This includes any interim lender commitment letters with evidence of license to do business in the applicable state. If the applicant is unable to secure third-party firm commitment letters within 180 calendar days from the issuance of the award letter under this NOFA, the application will be deemed incomplete, and the award letter will be considered null and void and the applicant will be notified in writing that the application will be rejected.

(y) Description of how the applicant will meet the equity contribution requirement as applicable.

(z) Signed statement from the applicant agreeing to pay cost overruns.

(aa) Tenant relocation plan, if applicable. Subsequent Section 514 Off-FLH loans or subsequent Section 516 Off-FLH grants that are made for major repair and rehabilitation may require the temporary relocation of tenants while the project is undergoing work. The applicant must provide a plan and financial assistance for relocation of displaced persons from a site on which a project will be located. The plan must

meet the requirements of HB–1–3560, Chapter 3, Paragraph 3.19.

(3) Final Application Guidance

The RHS will follow 7 CFR 3560 and this Notice for the processing of final applications. Final applications will need to follow the bidding process as set forth in 7 CFR part 1924.

(4) Documentation of Underwriting and Costs

(a) All final applications including the loan and/or grant requests will be analyzed using an underwriting template that the RHS has developed. A complete analysis and underwriting of the proposed transaction will be completed to ensure all regulatory requirements are met and to ensure overall project feasibility as well as to determine the minimum amount of assistance that is needed for the proposal.

(b) Once the loan and/or grant funds have been obligated, the applicant should be prepared to close the transaction and promptly complete construction within 12–18 months.

(5) Technical Assistance Providers

Please be aware that technical assistance services may not be used to reimburse a nonprofit or public body applicant for technical services provided by a nonprofit organization, with housing and/or community development experience, to assist the nonprofit applicant entity in the development and packaging of its loan/grant docket and project. In addition, technical assistance will not be funded by the RHS when an identity of interest exists between the technical assistance provider and the loan or grant applicant. Identity of interest is defined in 7 CFR 3560.11. In instances where technical assistance is allowed, eligible costs will be limited to those allowed under 2 CFR part 200.

(6) Equal Opportunity Survey

RHS should provide applicants the voluntary OMB 1890–0014 form, ''Survey on Ensuring Equal Opportunity for Applicants'', (or other forms currently being used by RHS) and ask the applicant to complete it and return it to the RHS.

(7) Substantial Portion of Income From Farm Labor

The Notice restates the requirement that domestic farm laborers must receive a substantial portion of their income from ''farm labor.'' Further explanation of this requirement can be found in the regulation at 7 CFR 3560.576(b)(2) and this notice for processing of final applications. The term ''farm labor'' is defined in 7 CFR 3560.11.

G. Paperwork Reduction Act

The information collection requirements contained in this Notice have received approval from the Office of Management and Budget (OMB) under Control Number 0575–0189.

H. Equal Opportunity and Non-Discrimination Requirements

In accordance with Federal civil rights law and the United States Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program. Political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (*e.g.,* Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720–2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877–8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD–3027, found online at: *https://www.ascr.usda.gov/complaint_filing_cust.html,* and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of a complaint form, call, (866) 632–9992. Submit your completed form or letter to USDA by:

(1) *Mail:* United States Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250–9410;

(2) *Fax:* (202) 690–7442; or

(3) *Email at: program.intake@usda.gov.*

USDA is an equal opportunity provider, employer, and lender.

Addendum: Capital Needs Assessment Process

A Capital Needs Assessment (CNA) provides a repair schedule for the property in its present condition, indicating repairs and replacements necessary for a property to function properly and efficiently over a span of 20 years.

The purpose of this Addendum is to provide clarification and guidance on the Rural Development CNA process. The document includes general instructions used in completing CNA reports, specific instructions on how to use the expected useful life tables, and a set of applicable forms including the Terms of Reference form; Systems and Conditions forms; and Evaluator's Summary forms.

1. Definitions

The following definitions are provided to clarify terms used in conjunction with the CNA process:

CNA Recipient: This will be who enters into the contract with the CNA Provider. The Recipient can be either the property owner or applicant/transferee.

''*As-Is*'' *CNA:* This type of CNA is prepared for an existing MFH property and reports the physical condition including all Section 504 Accessibility and Health and Safety items of the property based on that moment in time. This CNA can be useful for many program purposes other than the MPR Demonstration program such as: an ownership transfer, determining whether to offer pre-payment aversion incentive and evaluating or resizing the reserve account. The ''as-is'' report will include all major repairs and likely some minor repairs that are typically associated with the major work: Each major component, system, equipment item, etc. inside and outside; building(s); property; access and amenities in their present condition. A schedule of those items showing the anticipated repair or replacement timeframe and the associated hard costs for the ensuing 20-year term of the CNA serves as the basis or starting point in evaluating the underwriting that will be necessary to determine the feasibility and future viability of the property to continue serving the needs of eligible tenants.

''*Post Rehabilitation*'' *CNA:* This type of CNA builds on the findings of the accepted ''as-is'' CNA and is typically prepared for a project that will be funded for major rehabilitation. The Post Rehabilitation CNA is adjusted to reflect the work intended to be performed during the rehabilitation. The

assessment must be developed from the rehabilitation project plans and any construction contract documents to reflect the full extent of the planned rehabilitation.

Life Cycle Cost Analysis (LCCA): A LCCA is an expanded version of a CNA and is defined at 7 CFR Section 3560.11. The LCCA will determine the initial purchase cost, the operation and maintenance cost, the ''estimated useful life'', and the replacement cost of an item selected for the project. The LCCA provides the borrower with the information on repair or replacement costs and timeframes over a 20-year period. It also provides information that will assist with a more informed component selection and can provide the borrower with a more complete financial plan based on the predictive maintenance needs associated with those components. If the newly constructed project has already been completed without any previous LCCA requirements, either an ''as-is'' CNA or LCCA can be provided to establish program mandated reserve deposits. An Architect or Engineer is the best qualified person(s) to prepare this report.

Consolidation: In some circumstances, RD may permit two or more properties to be consolidated as defined in 7 CFR 3560, § 3560.410 when it is in the best interests of the Government. The CNA Recipient must consult with the RD loan official before engaging the CNA Provider in any case where the CNA intends to encompass more than a single (one) existing RD property to determine if a consolidated CNA may be acceptable for RD underwriting.

2. Contract Addendum

RD uses a Contract Addendum to supplement the basic CNA Agreement or ''Contract'', between the CNA Recipient and CNA Provider, with additional details and conditions. It can be found in *Attachment A, Addendum to Capital Needs Assessment Contract* and must accompany all contracts executed between the CNA Recipient and CNA Provider for CNAs used in RD transactions. If any conflicts arise between the ''Contract'' and ''Contract Addendum'', the ''Contract Addendum'' will supersede.

The Contract Addendum identifies the responsibilities and requirements for both the CNA Recipient and the CNA Provider. To assure proper completion of the contract documents the following key provisions must be completed:

a. The Contract Addendum will include the contract base amount for the CNA Provider's cost for services on page A–2, and provisions for additional services to establish the total price for the CNA.

b. Item I e, will require an itemized listing for any additional anticipated services and their unit costs including future updates and revisions that may be required before the CNA is accepted by RD. *Note: Any cost for updating a CNA must be included, in the ''additional services'' subpart, of the original CNA Contract.*

c. The *selection criteria boxes* in II a, will identify the type of CNA being provided.

d. In III a, the required language for the blank on ''report format'' is: ''*USDA RD CNA Template, current RD version, in Microsoft Excel format*''. This format will import directly into the RD underwriting template for loan underwriting purposes.

3. Requirements and Statement of Work (SOW) for a CNA

Minimum requirements for a CNA acceptable to RD can be found in *Attachment B, Capital Needs Assessment Statement of Work.* This is supplemented by *Attachment C, Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator.* To resolve any inconsistency in the two documents, Attachment B, the CNA SOW, will in all cases prevail over *Attachment C,* Fannie Mae Physical Needs Assessment Guidance to the Property Evaluator. (For example, on page C–2 of Attachment C, Fannie Mae defines the ''term'' as ''term of the mortgage and two years beyond''. For USDA, the ''term'' will be 20 years, as defined in the CNA SOW.)

Attachment B includes the required qualifications for the CNA Provider, the required SOW for a CNA assignment, and general distribution and review instructions to the CNA Provider. The CNA Providers must be able to report the current physical condition of the property and not base their findings on the financial condition of either the property or the CNA Recipient.

Attachment C is a three-part document RD has permission to use as reference to the CNA process throughout the RD MFH program efforts. The three key components of this Attachment are: (1) Guidance to the property evaluator; (2) expected useful life tables; and (3) a set of forms.

An acceptable CNA must appropriately address within the report and narrative all Accessibility Laws and Requirements that apply to Section 515 and Sections 514/516 MFH properties. The CNA Provider must assess how the property meets the requirements of accessibility to persons with disabilities in accordance the Uniform Federal Accessibility Standards (UFAS) and Section 504 Accessibility Requirements. It is the responsibility of the Provider to inspect and verify whether all accessibility features are compliant.

4. The CNA Review Process

A CNA used by RD will be reviewed by the designated RD CNA Reviewer with experience in construction, rehabilitation, and repair of MFH properties, especially as it relates to repair and replacement.

A CNA report must be obtained by the CNA Recipient from an *independent third-party CNA Provider that has no identity of interest* with the property owner, management agent, applicant/transferee or any other principle or affiliate defined in *7 CFR part 3560,* § 3560.11. The CNA Recipient will contract with the CNA Provider and is therefore the client of the provider. However, the CNA Recipient must consult with RD, before contracting with a CNA Provider to review *Guidance Regarding Contracting for a CNA.* The RD CNA Reviewer will evaluate a proposed agreement or engagement letter between the CNA Recipient and the CNA Provider using *Attachment D, Capital Needs Assessment Guidance to the Reviewer,* prior to reviewing any CNA report. Unacceptable CNA proposals, contracts or reports will be returned to the CNA Recipient for appropriate corrections before they will be used for any underwriting determinations.

The CNA Reviewer will also review the cost of the CNA contract. The proposed fee for the CNA must be approved as an eligible housing project expense under 7 CFR 3560.103 (c) for the agreement to be acceptable and paid using project funds. In most cases, the CNA service contract amount has not exceeded $3,500 based on the Agency's most recent cost analysis.

Borrowers and applicants are encouraged to obtain multiple bids in all cases. However, there is no Agency requirement to select the ''low bidder'' under this UL and the CNA Recipient may select a CNA Provider that will provide the best value, based on qualifications, as well as price after reviewing references and past work.

If the CNA is funded by the property's reserve account, a minimum of two bids is required if the CNA service contract amount is estimated to exceed $5,000 as specified in HB–2–3560, Chapter 4, Paragraph 4.17 B. If the CNA contract under this UL is funded by another source, or will be under $5,000, a single bid is acceptable.

If the proposed agreement is acceptable, the reviewer will advise the appropriate RD servicing official, who will in turn inform the CNA Recipient. If the proposed agreement is unacceptable, the reviewer will notify the servicing official, who will notify the CNA Recipient and the CNA Provider in writing and identify actions necessary to make the proposed CNA agreement acceptable to RD. Upon receipt of a satisfactory agreement, the RD CNA Reviewer should advise the appropriate RD servicing official or underwriting official to accept the proposal.

The CNA Reviewer will review the preliminary CNA report submitted to RD by the CNA Provider using Attachment D and write the preliminary CNA review report. During the CNA review process, the CNA Reviewer and underwriter will consult with the servicing field office most familiar with the property for their input and knowledge of the property. Any differences of opinion that exist regarding the findings must be mutually addressed by RD staff. If corrections are needed, the loan official will notify the CNA Recipient, in writing, of any revisions necessary to make the CNA report acceptable to RD. The CNA Reviewer will review the final CNA report and deliver it to the loan official. The final report must be signed by both the CNA Reviewer and the loan official (underwriter). Upon signature by both, this report becomes the ''accepted'' CNA indicating the actual condition of the property at the time of the CNA inspection—a ''snapshot'' in time—and will be marked ''Current Property Condition'' for indefinite retention in the borrower case file.

A CNA Provider should be fully aware of the intended use for the CNA because it can impact the calculations necessary to perform adequate accessibility assessments and can impact the acceptability of the report by RD. Unacceptable reports will not be used for any RD underwriting purposes even though they may otherwise be acceptable to the CNA Recipient or another third-party lender or participant in the transaction being proposed.

5. Guidance Regarding Contracting for a CNA

CNA Recipients are responsible for choosing the CNA Provider they wish to contract with, and for delivering an acceptable CNA to Rural Development. *RD in no way guarantees the performance any Provider nor the acceptability of the Provider's work.*

CNA Recipients are advised to request an information package from several CNA Providers and to evaluate the information before selecting a provider. At a minimum, the information package should include a list of qualifications, a list of references, a client list, and a sample CNA report. However, the CNA Recipient may request any additional information they feel necessary to evaluate potential candidates and select a suitable provider for this service. Consideration for the type of CNA required should be part of the CNA Recipient's selection criteria and inserted into the contract language as well. The necessary skill set to perform the ''as-is'' versus the Post Rehabilitation CNA or a LCCA needs to be considered carefully. Knowledge of the accessibility laws and standards and the ability to read and understand plans and specifications should also be among the critical skill elements to consider.

Attachment A, Contract Addendum must be submitted to RD with the contract and signed by the CNA Recipient and CNA Provider. The proposed agreement with the CNA Recipient and CNA Provider must meet RD's qualification requirements for both the provider and the CNA SOW, as specified in *Attachment B, Capital Needs Assessment Statement of Work.* RD must review the proposed agreement between the CNA Recipient and the CNA Provider, and concur only if all of the RD requirements and conditions are met. (See the previous Section 3 of this UL, *The CNA Review Process.*)

Please note: It is in the CNA Recipient's best interest to furnish the CNA Provider with the most current and up-to-date property information for a more comprehensive and thorough CNA report. RD recommends that the CNA Recipient conduct a pre-inspection meeting with the Owner, Property Manager, maintenance persons familiar with the property, CNA Provider, and Agency Representatives at the site. This meeting will allow a forum to discuss specific details about the property that may not be readily apparent to all parties involved during the review process, as well as making some physical observations on-site. Certain issues that may not be evident to the CNA Provider due to weather conditions at the time of review should also be discussed and included in the report. Additionally, other issues that may need to be addressed include environmental hazards, structural defects, and complex accessibility issues. It is imperative that the Agency be fully aware of the current physical condition of the property at the time the CNA is prepared. An Agency representative must make every effort to attend the CNA Providers on-site inspection of the property unless the Agency has performed a physical inspection of the property within the previous 12 months.

This pre-inspection meeting also allows the CNA Provider to discuss with the CNA Recipient total number of units to be inspected, as well as identifying any specific units that will be inspected in detail. The minimum number of inspected units required by the Agency for an acceptable CNA is 50 percent. However, inspecting a larger number of units generally provides more accurate information to identify the specific line items to be addressed over the ''term'' being covered by the CNA report. CNA Recipients are encouraged to negotiate with the CNA Provider to achieve inspection of all units whenever possible. The ultimate goal for the CNA Recipient and CNA Provider, as well as the Agency, is to produce the most accurate ''baseline or snapshot'' of current physical property conditions for use as a tool in projecting future reserve account needs.

6. Revising an Accepted CNA During Underwriting (Applies to RD Actions)

During transaction underwriting and analysis, presentation of the information contained in the ''accepted'' CNA may need to be revised by RD to address financing and other programmatic issues. The loan underwriter and the CNA Reviewer will work together to determine if revisions are necessary to meet the financial and physical needs of the property, and established RD underwriting or servicing standards and principals. These may involve shifting individual repair line items reported in the CNA, moving work from year to year, or other adjustments that will improve cash flow. The revised underwriting CNA will be used to establish reserve funding schedules as well as operating budget preparation and analysis and will be maintained by RD as supporting documentation for the loan underwriting.

The initial CNA, prepared by the CNA Provider, will be maintained as an independent third- party record of the current condition of the property at the beginning of the 20-year cycle.

Original CNAs will be maintained in the case file, clearly marked as either ''Current Property Condition'' (''As-is''), ''Post Rehabilitation Condition'', or ''Revised Underwriting/Replacement Schedule'', as applicable. *Note:* The CNA Provider is not the appropriate party to ''revise'' a CNA which has already been approved by the CNA Recipient and concurred with by the Agency. The CNA Provider's independent opinion was the basis of

the ''As is'' or ''Post Rehabilitation'' CNA. The CNA developed for underwriting may only be revised by RD staff during the underwriting process or as part of a post-closing servicing action.

7. Updating a CNA (Applies to ''As-Is'' and ''Post-Rehabilitation'' That Have Not Been Accepted by RD)

A completed CNA more than a year old at the time of the RD CNA review and approval must be ''updated' prior to RD approval. Likewise, if at the time of underwriting the CNA is more than a year old (but less than two years old), it must be updated before the transaction can be approved.

To update a CNA, the CNA Provider must review property changes (repairs, improvements, or failures) that have occurred since the date of the original CNA site visit with the CNA Recipient, review costs and quantities, and submit an updated CNA for approval. However, if the site visit for the CNA occurred more than two years prior to the loan underwriting, the CNA Provider should perform a new site visit to verify the current project condition.

Once the CNA has been updated, the CNA Provider will include a statement noting ''This is an updated CNA of the earlier CNA dated _____,'' at the beginning of the CNA's Narrative section. The CNA Provider should reprint the CNA with a new date for the updated CNA, and provide a new electronic copy to the CNA Recipient and RD.

If the CNA age exceeds 2 years at the time of the RD CNA review and approval, the CNA Provider will need to repeat the site visit process to re-evaluate the condition of the property. The original report can remain the basis of the findings.

8. Incorporating a Property's Rehabilitation Into a CNA

A CNA provides a repair schedule for the property in its present condition, indicating repairs and replacements necessary for a property to function properly and efficiently over a span of 20 years. It is not an estimate of existing rehabilitation needs, or an estimate of rehabilitation costs. If any rehabilitation of a MFH development is planned as part of the proposed transaction, a rehabilitation repair list (also called a ''Scope of Work'') must be developed independently based on the CNA repair schedule. This rehabilitation repair list may be developed by the CNA Recipient, a project Architect, or an outside party (such as the CNA Provider, when qualified) hired by the CNA Recipient.

The CNA Recipient must not use repair line-item costs taken from the CNA to develop the rehabilitation cost estimates for the rehabilitation loan, as these costs will not be accurate. The repair costs in a CNA are based on estimated costs for the property. Typically, these costs include the labor, materials, overhead and profit, but do not include applicable ''soft costs''. For example, for CNA purposes, the probable cost is to send a repairman out, remove an appliance, and put a new one in its place. For rehabilitation cost estimates, the CNA Recipient typically intends to hire a general contractor to oversee and supervise the rehabilitation work, which is then considered a ''soft cost''. The cost of rehabilitation includes the costs for that general contractor, the general contractor's requirements, the cost of a project Architect (if one is used), tenant relocation (if needed), and interim financing (if used), which are considered ''soft costs'' attributed to the rehabilitation costs for the project.

If a ''Post Rehabilitation'' CNA is required and authorized by RD, a copy of the rehabilitation repair list or SOW must be provided to the CNA Provider. The CNA Provider will prepare a ''Post Rehabilitation'' CNA indicating what repairs are planned for the property in the coming 20 years based on conditions after the rehabilitation is completed. Items to be replaced during rehabilitation that will need to be replaced again within the 20 years, such as appliances, will be included in the ''Post Rehabilitation'' CNA. Items that will not need replacement during the coming 20 years, such as a new roof, will not need to be calculated in the ''Post Rehabilitation'' CNA. The line item should not be removed from the CNA, but the cost data should be zeroed out. Appropriate comments should be included in the CNA report to acknowledge the SOW or rehabilitation/repairs that were considered.

9. Repair and Replacement Schedule

A CNA is not a formal repair and replacement schedule and cannot be used as an exact replacement schedule. A CNA is an estimate of the anticipated replacement needs for the property over time, and the associated replacement costs. The goal of a CNA is to estimate the replacement times based on the Expected Useful Life (EUL) to assure funds are available to replace equipment as it is needed. Hopefully, materials will be well maintained and last longer than estimated in the CNA. However, the CNA cannot be used to mandate replacement times for the identified building components. The RD underwriter may find it necessary to adjust the proposed replacement schedule during the course of the underwriting to allow for an adequate Annual Deposit to Replacement Reserves (ADRR) payment that will sustain the property over a 20-year period and keep rents below the maximum rents that are allowed.

BILLING CODE 3410–XV–P

Attachment A

ADDENDUM TO THE CAPITAL NEEDS ASSESSMENT CONTRACT
(Between CNA Recipient and CNA Provider)

This ADDUNDUM to the CAPITAL NEEDS ASSESMENT (CNA) CONTRACT between _____ **(CNA Provider)** and **(CAN Recipient)** is entered intothis_____day of__, 20 _____(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 (USDA), Rural Development by which the representativeapproves the Agreement and this Addendum.
"Agreement" means the contract entered into between the CNA Recipient and the CNA Provider to provide a CNA of the property. It includes the original document entered intobetween 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 isattached hereto and the *Fannie Mae Physical Needs Assessment Guidance to the PropertyEvaluator*.
"**CNA Reviewer"** means a person assigned to review the CNA report on behalf ofUSDA, Rural Development program.
"CNA Provider" means the person or entity entering into the Agreement with the CNARecipient to perform all work required to provide a CNA of the property.
"CNA Recipient" means the person or persons who have or will have legal title and/or ownership of a property participating under USDA, Rural Development programs.
"Program" means any MFH program authorized by Section 514 or 515 of the Housing Act of 1949, as amended and administered by USDA, Rural Development.
"Property" means any structure(s), dwelling(s) and/or land that is the subject of any Multi- family Housing program administered by the U.S. Department of Agriculture, Rural Development, and for which a CNA 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 program being administered by **USDA RD**.

WHEREAS, as a condition of participating in the program, the CNA Recipient is required to obtain a CNA for the Property, which has been prepared inaccordance with the Statement of Work; CNA Recipient and CNA Provider must agree to a Contract to prepare a CNA for the Property.

WHEREAS, CNA Provider and CNA Recipient are parties to that certain CNA Contract, dated _____, 20_, **Agreement**, pursuant to which the CNA Recipient has retained the services of CNA Provider to provide a CNA for the Property for the base Contract amount of $_____and for itemized "Additional

Services" as follows: (see listing inspection i.e. below,) in the amount of $_____ per item or service. The total Contract amount is $_____.

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

NOW, THEREFORE, in consideration of the promises and mutual covenantscontained 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 CNA Recipient and CNA Provider)

I. CNA RECIPIENT OBLIGATIONS

a. SUBMISSION OF CONTRACT FOR CONCURRENCE BY USDA RD

CNA Recipient will promptly submit to **USDA RD** for review and concurrence a copyof the executed **Agreement** and this Addendum.

b. NOTIFICATION OF CONCURRENCE OF AGREEMENT BY USDARD

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

c. ACCESS TO THE PROPERTY

Owner must allow CNA Provider, CNA Recipient 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) day(s) prior to the commencement of the CNA inspection, CNA Recipient must 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, Owners must provide any available information on any current "Transition Plan" and "Self -Evaluation" addressing proposals for complying with all applicable Federal accessibility requirements, and other matters relevant to the CNA Statement of Work.

Specific items the CNA Recipient should provide the CNA Provider include:

1. Contact information for the Owner's representative at **USDA RD** (Name,address, telephone number, e-mail 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 drawingspreferred).
4. Listing of capital expenditures for the Property over the past three to five yearsand 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/orcopies of quotes for any pending/planned capital improvements.
7. A valid/current Section 504 Accessibility Self Evaluation/Transition Plan (nomore than three years old).
8. Any available capital/physical needs assessments (CNAs/PNAs) that werepreviously completed.
9. Any available structural or engineering studies that were previouslycompleted.
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 environmentalremediation 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 CNA Recipient certifies below that (a) third-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 CNA Recipient will provide the CNA Provider with a copy of the proposed rehabilitation scopeand budget.

e. ADDITIONAL SERVICES

When a CNA exceeds the one-year duration beyond the original acceptance dateof the document, the report is required to be updated. The Contract should designate anticipated tasks and costs that would be necessary to update the CNAafter the one-year or two-year time frames have been exceeded. The Contract should include, at a minimum:

1. Identify Property where update is required.

2. Itemized list of possible tasks to be performed to accomplish the update:Time and materials

Interviews
Document reviews (photos, construction documents, contracts, etc.).
Additional site visit as required (travel).
3. Associated unit costs for each task required for the CNA Update.

II. CNA RECIPIENT'S CERTIFICATIONS – CNA Recipient hereby certifies asfollows:

a. STATUS OF PROPOSED CNA (check correct box)

☐ CNA Recipient **has** received a **commitment** for third-party funding for the revitalization transaction for which application was made. **The CNAProvider will create the CNA based on existing conditions "as is"**. CNA Recipient is responsible for the Scope of Work and budget for the proposed rehabilitation of the Property (typically obtained from a projectArchitect), incorporating any requirements of the third-party lender. TheCNA Provider will then revise their CNA based on the anticipated conditions "post rehabilitation" of the Property after the rehabilitation. Both CNAs will be provided to Rural Development.

☐ CNA Recipient **has requested or will request** third-party funds but has no commitment. If CNA Recipient does not have a commitment of third-party funds, CNA Reviewer 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. USDARD will make such a determination on the likelihood of third-party funds being made available. CNA Provider should verify this decision with Rural Development prior to performing a "post rehabilitation" CNA.

☐ CNA Recipient does not anticipate third-party funds being utilized, or does not anticipate a rehabilitation at this time. In this case, the CNAProvider 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 CNA Recipient will not instruct the CNA Provider to perform a "post rehabilitation" CNA without approval from Rural Development.

b. COMPLIANCE WITH STATEMENT OF WORK

CNA Recipient must allow the CNA Provider to comply with the Statement of Work in 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. CNA Recipient must not impede or attempt to influence the CNA Provider's impartiality inapplying the CNA requirements and guidelines established by Rural Development in describing the physical condition and needs of the Property.

c. AVAILABILITY

CNA Recipient must be available to promptly discuss any draft or preliminary CNAreport with the CNA Provider and must address in writing to the CNA Reviewer anydesired revisions, corrections, comments or concerns the CNA Recipient may have relating to such report.

d. ADDRESSING DEFICIENCIES

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

e. PAYMENT

The CNA Recipient must pay the CNA Provider 50 percent of the negotiated contractamount for the base CNA Contract once the Contract for CNA services has been executed. If the CNA Recipient chooses to include and pay for additional services from the CNA Provider exceeding the negotiated base CNA Contract amount, then these services must be listed and the payment method addressed in the Contract between the CNA Recipient and CNA Provider. If funds for additional services will be withdrawn from the reserve account, then 50 percent of the base Contract amount along with the additional services will be paid once the contract for CNA services hasbeen executed.

Upon concurrence by the CNA Reviewer of the CNA Provider's final report (signatureof Reviewer and Underwriter required), the CNA Recipient will promptly satisfy and pay the remaining 50 percent balance of the base Contract amount and additional services if they are paid for out of the reserve account. Any remaining fees and/or dues owed to the CNA Provider pursuant to the terms of the Agreement will also be due upon the CNA Reviewer's concurrence of the CNA Provider's final report. Other payments must be subject to the schedule identified in the Agreement.

III. CNA PROVIDER'S OBLIGATIONS – (applies to "as-is" "updates" and"post rehabilitation")

a. CNA PROVIDER'S RESPONSIBILITY FOR WORK

The CNA Provider must furnish all necessary labor, materials, tools, equipment, and transportation necessary for performance of the work as described in the Statement ofWork, which is attached hereto. The format utilized for this report must be
_____. (Write in "USDA RD CNA Template in Microsoft ExcelFormat" 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 setforth in the attached Statement of Work.

c. DELIVERY OF PRELIMINARY CNA REPORT

CNA Provider must promptly provide to the CNA Recipient and USDA RD apreliminary CNA report.

d. AVAILABILITY TO DISCUSS CNA REPORT FINDINGS

CNA Provider must take any reasonable measures to be readily available to discuss and respond to any findings, concerns, comments, or revisions the CNA Reviewer mayhave regarding the preliminary CNA report.

e. SUBMISSION OF FINAL CNA REPORT

After receipt of the CNA Reviewer's report, the CNA Provider must promptly providethe CNA Recipient 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 asfollows:

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 CFR part 3560 with CNA Recipient 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 theProperty 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 costsfor 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 Multi-Family Housingprogram.

e. KNOWLEDGEABLE OF CODES

CNA Provider and any Provider personnel who will have actual responsibility for theProperty inspection and preparation of the CNA are knowledgeable about applicable site and building standards and codes, including Federal, State and local requirementson 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 and 2 C.F.R. part 417 or any successor regulation, pertaining to debarment or suspension of a personfrom 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 CNA Recipient for CNA services. [The CNA Provider's execution of this Addendum will constitute its "writtenand signed certification" that it meets these qualifications.]

V. MISCELLANEOUS

a. USDA RURAL DEVELOPMENT PROVISIONS

Upon request of the CNA Provider or CNA Recipient, USDA RD will make availablepertinent 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 must not assign or transfer any interest in or performance of this Contract, without written authorization from the CNA Recipient and a USDA RDrepresentative.

c. ENTIRE AGREEMENT

If there are inconsistencies between any provision in this Addendum and any provisionin the Agreement, the provision in this Addendum must govern. No oral statements orrepresentations or prior written matter contradicting this instrument must 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, must be governed by, construed and enforced in accordance with the laws of the Stateof_____. (Location of the Property)

e. HEADINGS

This Addendum must be governed by and interpreted as part of the Agreement and itsgeneral terms and conditions.

f. TERMS AND CONDITIONS

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

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

Project:

_____

Project Location:

_____

_____	_____
CNA Recipient	CNA Provider
By its:_____	By its: _____
(Title/Position)	(Title/Position)

Concurred by:

The United States Department of Agriculture, Rural Development

_____	_____
Rural Development Representative	Title/Position

Attachment B

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 CNA Recipient and the U.S. Department of Agriculture (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 needsat 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.*

Payment

The CNA Recipient must pay the CNA Provider 50 percent of the negotiated Contract amount for the base CNA Contract amount once the Contract for CNA services has been executed. If the CNA Recipient chooses to include and pay for additional services from the CNA Provider exceeding the negotiated base CNA Contract amount, then these services must be listed and the payment method addressed in the Contract between the CNA Recipient and CNA Provider. If funds for additional services will be withdrawn from the reserve account, then 50 percent of the base Contract amount along with the additional services will be paid once the Contract for CNA services has been executed.

Upon concurrence by the CNA Reviewer of the CNA Provider's final report (signature of Reviewer and Underwriter required), the CNA Recipient will promptly satisfy and pay the remaining 50 percent balance of the base Contract amount and additional services if they arepaid for out of the reserve account. Any remaining fees and/or dues owed to the CNA Provider pursuant to the terms of the Agreement will also be due upon the CNA Reviewer's concurrence of the CNA Provider's final report. Other payments must be subject to the schedule identified in the Agreement.

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 lawsand/or ordinances.

2. Have no identity of interest as defined in 7 C.F.R. part 3560, with CNA Recipient or owner's Property, or management agent. An architectural firm performing a CNA whichis also involved in the rehabilitation of the Property would be considered an Identity of Interest. For example: the Architect that performs the CNA assessment could overstate the conditions of the Property in order to inflate the rehabilitation scope, resulting in an increase to the Architect's compensation which is typically a percentage of theconstruction costs.

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 CNAs for Multi-Family 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 preparationof the CNA.)

5. Be knowledgeable about applicable site and building standards and codes including Federal, State and local requirements on environmental and accessibility issues. (Thisapplies 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 in Federally assisted programs and will comply with the requirements of 2 C.F.R. parts 417 and 180 or any successor regulation, pertaining to debarment or suspension of a person from participating in a Federal program or activity.

Statement of Work

The CNA Provider must:

1. Perform a CNA in general conformance with the document: "Fannie Mae PhysicalNeeds Assessment Guidance to the Property Evaluator," except as modified herein.

2. Inspect the property. A minimum of **50 percent** (50 percent if less than 50 units) (45 percent if Property includes 50 – 99 units, 40 percent if the Property contains 100 or more units) of all dwelling units must be inspected in a non-intrusive manner. Consideration must 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 percentage.

CNA Providers must ultimately be responsible for appropriate unit sampling but are encouraged to consult with site representatives to gather adequate information. This willhelp 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 must be inspected. (ASTM guidelines, allowing for "representative observations" of major elements are not adequate in this regard. Although inspections are "non-intrusive", CNA Providers must include an inspection of crawlspaces and attics (when these spaces can be reasonably and safely accessed) in a number sufficient to formulate an opinion of the condition of those spacesand any work necessary). All units designated as fully accessible for the handicapped must be inspected. The inspection must include interviews with the CNA Recipient, applicant/transferee, management staff, and tenants as needed. It must also include consideration of all relevant Property information provided by the CNA Recipient, including:

- Contact information for the client's representative at Rural Development (Name,address, telephone number, e-mail 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 ofquotes for any pending/planned capital improvements.
- A valid/current Section 504 Accessibility Self-Evaluation/Transition Plan (**no morethan three years old**).
- 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, soilsanalysis, USDA's last Civil Rights compliance review, USDA's last security inspection.
- If the CNA Recipient certifies that: (a) third-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 at the Property, the CNARecipient will provide the CNA Provider with a copy of the proposed rehabilitationscope and budget. Attachment J provides more rehabilitation requirements.

3. Prepare a report using forms developed by Rural Development or other similar documents. The report must be on an electronic worksheet in excel format commonlyused in the industry, or as prescribed elsewhere herein. The report must contain the following components, at a minimum:

a. Project Summary. Identification of the CNA Provider and CNA Recipient, and abrief 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 characteristics, conditions, materials and equipment, architectural and structural components, mechanical systems, etc. it must also include:

i. Number, types, and identification of dwelling units inspected and used as a basisfor the findings and conclusions in the report;

ii. An assessment of how the Property meets the requirements for accessibility topersons with disabilities;

a) The report must 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 Section 504 accessibility. The report must also include an opinion on the adequacy of any existing and approved Transition Plans for the Property in accordance with USDA RD requirements. CNA Providers mustnot assume that a Property built in accordance with accessibility standards prevailing at the time of original construction is "grandfathered" on accessibility requirements.

b) The CNA Provider must include in the final report an accessibility evaluation in accordance with all applicable Federal accessibility requirements and standards. CNA Providers are strongly encouraged to review Appendix 5 to 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 CNA Recipient affirmatively point to hazards, the CNA Provider must inquire aboutsubsequent remediation steps and include cost allowances for any identified hazards not yet remediated.

iv. Recommendations for any additional professional reports as deemed necessaryby 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 CNA Recipient 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 of the Property funded or to be funded from a third-party (if any), such astax 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 CNA Recipient advises the CNA Provider that third-party funding for rehabilitation is committed and the work will begin within 12 months, the CNA must address the existing conditions at the Property, ***and*** *the "post-rehabilitation" needs at the Property. An example would be a CNA Recipient who has submitted a pre-application to Rural Development for the Multifamily Preservation and Revitalization (MPR) Demonstration Program where Rural Development has awarded points to the application for third-party funding, and it has committed third-party funding. Under the MPR, a CNA Recipient who has applied for third-party funding for rehabilitation but does not have a commitment for this funding must have the CNA prepared based on conditions at the Property "as is," not "post rehabilitation". In these cases, consult with RuralDevelopment as to whether a "post rehabilitation" CNA should be done. When aCNA Recipient receives the funding commitment, and rehabilitation is planned within the next 12 months, the CNA Contract must be renegotiated to indicate thatrehabilitation 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 describedin the Scope of Work for the rehabilitation project provided by the CNA Recipient 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 Rural Development MPR pre-application and/or Rural Development has not awarded points for it), then the CNA Provider must verify with the Rural Development contact prior to performinga "post rehabilitation" CNA. If no funds are committed, and Rural Development does not agree to a "post-rehabilitation" CNA, the CNA Provider may note the CNA Recipients rehabilitation proposal in the CNA but the report must be undertaken as though there will be no immediate rehabilitation. In these cases, theCNA must be based on the CNA Provider's independent professional opinion of current and future needs at the Property. (For example, if the CNA Recipient 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 theinspection).

c. Materials and Conditions. This component must be reported on a Microsoft Office Excel

© worksheet. The following major system groups must be assessed in the report: Site; Architectural; Mechanical and Electrical; and Dwelling Units. **ALL** materials and systems in the major groups must 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 EUL Table included in the "Fannie Mae Physical Needs Assessment Guidance to the PropertyEvaluator", unless otherwise explained in the report based upon the installation or most recent replacement date, quality, warranty, degree of maintenance or any other reasonable and documentable basis. Any EUL entry that varies from the Table must include an explanation in the "Comments" column. Any EUL that varies from the table by 25 percent or more must be adequately supported separately from spreadsheet (for example, provide the documentation or explanation 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, provide the documentation or explanation in the "Narrative" section). Variances of more than 25 percent will not be accepted;

v. Condition. The current physical condition (excellent – good – fair – poor) of thematerial 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 must be reported on a Microsoft Office Excel © worksheet. This component identifies all materials and systems for each of the four majorsystem groups to be repaired, replaced, or specially maintained. It must 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 must be explained in the report (contrary to ASTM guidance, lump sum allowancesmust 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 must identify the source(s) used for the cost data. Entries must include estimated costs for materials, labor (union or non-union wages, as appropriate), overhead & profit.

Consultant fees, and other associated costs may be incurred by the CNA Recipient when repair or replacement work involves extensive capital activities (e.g., a major landscaping or site drainage project). These activities are likely to include design costs, or the involvement of general contractors, with associated overhead and profit considerations. If the CNA Provider anticipates work will beaffected by these cost factors, notes should be added to the CNA spread sheet/report to explain the cost logic. Discussions with the CNA Recipient and the Agency will be necessary to confirm the proposed cost of these capital activities. CNA Providers using such standard cost sources must use costallocations 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 must 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 must 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). Rural Development 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 must use sound professional judgment in this regard.

In addition to the exceptions described in the paragraph above, Rural Development may consider the inclusion of market-comparable amenities/upgrades (e.g. air conditioning in warm climates) proposed by the CNA Recipient 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 "CNA Recipient - 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 must 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 the immediate calendar year. Separately, the CNA Recipient must 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 CNA Recipient will includethe budget for any planned rehabilitation (e.g., rehabilitation proposed in the CNA Recipients pre-application to the MPR). CNA Provider can, but is not required, to offer comments about the rehabilitation budget. The CNA must notinclude minor, inexpensive repairs or replacements that are part of a prudent CNA Recipients operating budget. (If the aggregate cost for a material line item is less than $1,000, then the line item must not be included in the CNA.

An aggregate cost for a line item is an item which needs to be replaced in any given year, the cost exceeds the $1,000, and the item should be replaced in the one-year duration. **Applying a duration that exceeds one-year may decreasethe aggregate amount below the $1,000 threshold, thus circumventing the intent of the threshold to include a particular item in the CNA**.

Where immediate rehabilitation is proposed by the CNA Recipient using third-party funds, the CNA Provider must 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 subsequent twentycalendar years to maintain the Property's physical integrity and long term marketability. It must include repairs, replacements, and significant deferred maintenance items currently being planned and anticipated to be completed after the immediate calendar year and corrections for violations of applicable standards on environmental and accessibility issues. It must 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. The CNA must **not** include minor, inexpensive repairs or replacements that are part of a prudent Property owner's operating budget. (If the aggregate cost for a material line item is less than $1,000, then the line item must not be included in the CNA. An aggregate cost for a line item is an item which needs to be replaced in any given year, the cost exceeds the $1,000, and the item should be replaced in the one-year duration. Applyinga duration that exceeds one-year may decrease the aggregate amount below the $1,000 threshold, thus circumventing the intent of the threshold to include aparticular item in the CNA.

Exceptions to these exclusions may be appropriate for very small properties, and/or for low cost items that may affect resident health andsafety (e.g., a damaged or misaligned boiler flue). For example, in smallprojects (total of 12 units or less), items exempted would be for materialline items less than $250, not $1,000. The report must 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 must be provided in current (un-inflated) dollars.

Capital Needs over the term must 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 activitiesmust 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 theTerm.

e. Executive Summary. This component must be reported on a MicrosoftOffice Excel © worksheet. It must include:

i. Summary of Immediate Capital Needs – the grand total cost of all majorsystem groups (in current dollars);

ii. Summary of Capital Needs Over the Term – the annual costs and grand totalcost of all major system groups (in current and inflated dollars). The inflation rate must 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 must also be included.

f. Appendices. This component must include a minimum 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 documentsas appropriate to describe the Property and support the findings and summaries in the report. The CNA Provider must provide some sort of visual documentation for each line item that cannot be clearly identified by a written description alone. For instance,if an entrance needs to become handicap accessible, a picture of the entrance will helpthe CNA Recipient understand where the construction should take place. The CNA Recipient needs to be able to associate reserve account funds with the correct line items during the life of the CNA during the underwriting process.

4. Deliver the following:

a. A minimum of one electronic copy of the report must be delivered on a compact disk, or other acceptable electronic media, e.g. e-mail, to both the CNA Recipientand USDA RD for their review and written acceptance. To the greatest extent possible, delivery must be made within 15 business days of execution of the Agreement with the CNA Recipient.

b. If the report is not acceptable, the CNA Provider must make the appropriate changesin accordance with the review comments. A minimum of one electronic Excel copyof the revised report must be delivered on a compact disk or via e-mail to both the CNA Recipient and USDA RD for their review and written acceptance. The delivery must 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 andelectronic Excel copies delivered on compact disks or via e-mail to the CNA Recipient and USDA RD until the report is acceptable.

5. Be available for consultation with the CNA Recipient or USDA RD after writtenacceptance of the report on any of its contents.

6. The CNA Provider must **NOT** analyze the adequacy of the Property's existing or proposed replacement reserve account nor its deposits as a result of the capital needsdescribed in the report.

Attachment C

FANNIE MAE PHYSICAL NEEDS ASSESSMENT GUIDANCE TO THE PROPERTY EVALUATOR

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1. **Transfer of Project Ownership;**
2. **Loan Reamortization;**
3. **Loan Write-Down; or**
4. **Development of an Equity Loan Incentive or Equity Loan for a Sale to a Non-Profit Sponsor.**
5. **Facility Rehabilitation, including MPR**
6. **New Construction**

Introduction

While many factors affect the soundness of a mortgage loan over time, one of the most significant is the physical condition of the Property – past, present and future. A prudent lender must be concerned with the past maintenance and improvements because they may indicate owner and management practices as well as expenses to be incurred in the future. The lender must be concerned with the condition of the Property at the time the loan is made, and over the term of the loan, because Property conditions may directly impact marketability to prospective tenants and the need for major expenditures may impact the economic soundness and value of the Property. The lender must also be concerned with the condition of the Property at the end of the loan term. If the Property has deteriorated, the owner may not be able to secure sufficient financing to pay off the loan at maturity.

Most lenders have always given some attention to physical conditions and needs of properties in their underwriting. However, the amount of attention, the data secured, the quality and analysisof that data, and the impact of this information on underwriting has varied widely. Indeed, many properties and the loans that they secure are now in trouble because of inadequate consideration of physical needs in the underwriting coupled with inadequate attention to Property maintenance which has diminished the marketability and overall value of the Property.

The guidance and forms in this package, together with the guidance provided to our lenders in our Delegated Underwriting and Servicing (DUS) and Multifamily Guides, is based upon a desire to see a more standardized approach to assessing the physical needs of properties that will be securing our loans. These documents attempt to respond to stated desires on the part of our lenders for a "level playing field" among competing lenders who may otherwise have different notions of the level of data and analysis required to assess a Property's physical condition. They also attempt to respond to the needs of Property evaluators who, desiring to produce the quantity and quality of information deemed necessary, need specific guidance to avoid the appearance of glossing over problems or providing material which is too detailed or complex to be usable by the underwriters.

These documents are meant to provide useful guidance and tools to the evaluators. They cannot cover all situations and are not meant to be inflexible. They are designed to elicit the judgment of the evaluator (in a format which is useful to the underwriter), not to substitute for it. We welcome comments from evaluators in the field offices, as we did in developing this package, on improving either our forms or guidance so that this package can best serve the needs of both the evaluators and our lenders. If you have such comments, please contact:

April LeClair
Director of Multifamily Product Management
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
(202) 752-7439.

Attachment C

Specific Guidance to the Property Evaluator

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 itemswhich 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 actualperformance of individual components may vary from a reasonably expected standard and willbe 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 formsshould not constrain the evaluator from fully presenting his or her 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 (ERL) of all components and the ERL 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.

Attachment C

Terms of Reference Form

The lender completes this form for the evaluator. It serves as a reference point for the assessment and provides the evaluator with basic information about the property and the term ofthe loan. Four additional topics are covered:

- *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 soadvise 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 numberof each significant category. Using the above criteria, categories could include *buildings by ageof each building* (e.g. inspect buildings in the 8-year old phase and in the 11-year old phase), *buildings by type* (e.g. rowhouse, L-shaped rowhouse, 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). Generally, we would expect the percentage of units inspected to decrease as the total number of units increases. Systems which are not unit specific, such as boilers, compactors, elevators and roofs, will often have a 100 percent sample.

The overriding objective: SEE ENOUGH OF EACH UNIT TYPE AND SYSTEMTO BE ABLE TO STATE WITH CONFIDENCE THE PRESENT AND PROBABLE FUTURE CONDITON.

- *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 anaction, the evaluator should include a cost estimation for such action and indicate what, if any, other costs would be eliminated by such action.

- *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.
- *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 thereported repairs or replacements.

Systems and Conditions Forms

It is the responsibility of the evaluator to assess the condition of every system which is presentat a Property. All conditions, except as noted below, requiring action during the life of the loanmust 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 ERL 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, suchas exterior painting, all deferred maintenance of any kind, and repairs or replacements which normally involve significant expense or outside contracting. While the evaluator should noteany 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 (orgroup 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.

Items EUL

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.

The 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 EUL number. If the EUL will; without question, far exceed the term of the mortgage plus two years, the EUL number need not be inserted.

Note: It is recognized that the "Expected Useful Life Table" 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 touse. 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 ERL by deducting the Age from EUL. However, this should not be done automatically. A component with unusually good originalquality 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 lifecould be shorter than expected. *The evaluator applies his or her professional judgment in making a determination of the* ERL.

If the ERL *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 notedwhen the evaluator's estimate of the ERL varies by more than two years from the standard estimate.

Diff? (Difference)

The Age of the component should be deducted from the EUL in parentheses and the answer compared to the ERL 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 his or her judgment, the ERL 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, replacer 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 us where special, non0routine 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.

Attachment C

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.

Deferred Maintenance (DM)

The DM 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 expenditureor 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, fros. free, Hotpoint), the problem (valves leaking) or other information (consider replacement for marketing purposes, replace 30 percent 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 howthis 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.

ITEM (EUL)	AGE	COND	ERL	DIFF?	ACTION	NOW?	DM?	QUANTITY	NOTES
Countertop/ Sinks (10)	9	EX	10+	1	-	-	-	- ea.	Corian Stainless Steel
Refrigerator (15)	9	Good	6	-	REPL	-	-	100ea	Hot point 16cf. ff 20%/yr @ YR 5
Disposal (5)	0-9	Good	0-5	-	REPL	-		100ea	20%/yr. @ YR 1 OPTE
Bath Fixtures (20)	9	Good	11+	-	-	-	-	-	Dated Looking Repair - Now
Ceiling 04 Stack ( )	9	Hater Damage	-	-	Repair	Yes	-	10ea	Plumbing Leak

Countertop/Sinks are 9 years old. (The entry could also be "OR"). Condition isexcellent, with an ERL of 10 years. This is significantly different from the anticipated ERL of 1 (a EUL of 10 years minus an Age of 9 years). Therefore, there is a footnote entry "1" in the Diff? (Difference) column. The footnote willindicate that this item is made of an exceptionally durable material (Corian), along with a top quality stainless steel sink. The evaluator's estimate of an ERLof 10 years + is beyond the term of +2. No capital need would be reported.

Refrigerators are also original, reported as 16 cf frost free Hotpoint. Replacementis expected around the ERL, noted as 20 percent annually and beginning in the fifth year of the loan when the refrigerators are 14 years old.

Disposals range from new to original (Age = 0-9). Twenty percent per year replacements will be needed starting in year 1. The evaluator notes that disposalsappear 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 Notes indicates that they are "datedlooking," which may prompt a market consideration for replacement.

Ceiling is a special entry. The "04" stack of units has experienced water damage to ceiling from 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 morethan a modest cost, this action would be reported on the Immediate Physical Needssummary 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? is 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.

Deferred Maintenance (DM) - If the item evidence 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 andthe problem being addressed for each item. The information should be adequate for the ownerto 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 ERL estimate provided by the evaluator on the Systems and Conditions will indicate the Action year. For example, if the evaluator has indicated that the ERL 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 ERL 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 Uninflated - After inserting all of the appropriate action items, the evaluator should totalthe items for each year.

Total Inflated - The evaluator should multiply the Total Uninflated times the factor provided to produce the Total Inflated.

Total Inflated All Pages - On the last sheet, the evaluator should include the Total InflatedDollars 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, thatservice must not be less than 60 amperes.

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 ascircuit 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 repairs 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.

Our concern is that certain types of fire-retardant treated plywood rapidly deteriorates when exposed to excessive heat and humidity or may cause nails or other metal fasteners to corrode. Common signs of this condition include a darkening of the wood and the presence of a powder-like substance, warping of the roof and the curling of the shingles. Fire-retardant treated plywood is most likely to be in townhouse properties or other properties with pitched, shingled roofs that were constructed after 1981 and that are located in States east of the Mississippi River and some southwestern States.

Narrative Conclusion and Attachments

A complete narrative summary of the Property and its components is not required. However, the evaluator should supply a concise summary of the conclusions reached concerning the overall condition of the Property, its future prospects, and the quality of the current maintenance programs. *Any items affecting the health and safety of residents should be clearlyflagged.*

The summary should include a discussion of the sampling approach used, discussed above, and any market issues which the evaluator believes it may be appropriate to address or which were noted by the lender.

The narrative, the forms use and the attachments (footnotes explaining Differences, information regarding sources of costs, and, if necessary, information needed to identify the location and type of problem addressed in the Evaluator's Summary: Physical Needs Over the Term) shouldbe supplied.

Attachment D

CNA e-Tool Estimated Useful Life Table

This table lists the recommended average useful life of the categories of assets that should be considered in a Capital Needs Assessment. If an observed item is not listed, it should be assigned to the most closely related category. The Standard EUL for a component type is fixed. The user may estimate the Remaining Useful Life of any existing component independent of the Standard EUL by entering the assessed RUL in the appropriate space on the Components tab of the Excel Assessment Tool and by justifying the assessed RUL in the adjacent comment box. When identifying an alternative toan existing component the user may specify an EUL for the alternative which differs from the Standard EUL for that component type but must enter an explanation in the Notes space on the Alternatives tab of the Tool. Each specific component assessed is given a free-form description by the needs assessor and this description is the "component ID" or component name which may be more specific than the "Component Type", e.g (a particular kind, size, etc of refrigerator, not just any refrigerator.)

Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
3					**System Description and Observations**			
	3.1				**Overall General Description**			
	3.2				**Site Systems**			Need Category
		3.2.1			**Topography**			
		3.2.2			**Storm Water Drainage**			Need Item
			3.2.2.1		Catch basins, inlets, culverts	50	50	All items not color coded
			3.2.2.2		Marine or stormwater bulkhead	35	35	are "Component Type"
			3.2.2.3		Earthwork, swales, drainways, erosion controls	50	50	names.
			3.2.2.4		Storm drain lines	50	50	
			3.2.2.5		Stormwater mgmt ponds	50	50	
			3.2.2.6		Fountains, pond aerators	15	15	
		3.2.3			**Access and Egress**			Need Item
			3.2.3.1		Security gate - lift arm	10	10	
			3.2.3.2		Security gate - rolling gate	15	15	
		3.2.4			**Paving, Curbing and Parking**			Need Item
			3.2.4.1		Asphalt Pavement	25	25	
			3.2.4.2		Asphalt Seal Coat	5	5	
			3.2.4.3		Concrete Pavement	50	50	
			3.2.4.4		Curbing, Asphalt	25	25	
			3.2.4.5		Curbing, Concrete	50	50	
			3.2.4.6		Parking, Gravel Surfaced	15	15	
			3.2.4.7		Permeable Paving Systems (brick, concrete pavers)	30	30	
			3.2.4.8		Striping and Marking	15	15	
			3.2.4.9		Signage, Roadway / Parking	15	15	

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Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
			3.2.4.10		Carports, wood frame	30	30	
			3.2.4.11		Carports, metal frame	40	40	
		3.2.5			Flatwork (walks, plazas, terraces, patios)			Need Item
			3.2.5.1		Asphalt	25	25	
			3.2.5.2		Concrete	50	50	
			3.2.5.3		Gravel	15	15	
			3.2.5.4		Permeable Paving (brick, concrete pavers)	30	30	
		3.2.6			Landscaping and Appurtenances			Need Item
			3.2.6.1		Fencing, chain-link	40	40	
			3.2.6.2		Fencing, wood picket	15	20	
			3.2.6.3		Fencing, wood board (=>1"x 6")	20	25	
			3.2.6.4		Fencing, wrought Iron	60	60	
			3.2.6.5		Fencing, steel or aluminum	20	25	
			3.2.6.6		Fencing, concrete Masonry unit (CMU)	30	30	
			3.2.6.7		Fencing, PVC	15	20	
			3.2.6.8		Signage, Entrance/Monument	25	25	
			3.2.6.9		Mail Kiosk	15	20	
			3.2.6.10		Retaining Walls, heavy block (50-80 lb)	60	60	
			3.2.6.11		Retaining Walls, reinforced concrete masonry unit (CMU)	40	40	
			3.2.6.12		Retaining Walls, treated timber	25	25	
			3.2.6.13		Storage sheds	30	30	
		3.2.7			Recreational Facilities			Need Item
			3.2.7.1		Sport Court- asphalt	25	25	
			3.2.7.2		Sport Court- synthetic	15	20	

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Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
			3.2.7.3		Sport Court-hardwood	50	50	
			3.2.7.4		Tot Lot (playground equipment)	10	15	
			3.2.7.5		Tot Lot- lose ground cover	3	5	
			3.2.7.6		Pool Deck	15	15	
			3.2.7.7		Pool/Spa Plastic Liner	8	8	
			3.2.7.8		Pool/Spa pumps and equipment	10	10	
			3.2.7.9		Decks-treated lumber	20	20	
			3.2.7.10		Decks-composite	50	50	
		3.2.8			**Site Utilities**			
			3.2.8.1		**Site Utilities-Water**			Need Item
				3.2.8.1.1	Water Mains/Valves	50	50	
				3.2.8.1.2	Water Tower	50	50	
				3.2.8.1.3	Irrigation System	25	25	
			3.2.8.2		**Site Utilities-Electric**			Need Item
				3.2.8.2.1	Electric distribution center	40	40	
				3.2.8.2.2	Electric distribution lines	40	40	
				3.2.8.2.3	Transformer	30	30	
				3.2.8.2.4	Emergency Generator	25	25	
				3.2.8.2.5	Solar Photovoltaic panels	15	15	
				3.2.8.2.6	Photovoltaic Inverters	10	10	
				3.2.8.2.7	Pole mounted lights	25	25	
				3.2.8.2.8	Ground lighting	10	10	
				3.2.8.2.9	Building Mounted Lighting	10	10	
				3.2.8.2.10	Building Mounted High Intensity Discharge (HID) Lighting	10	20	

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Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
			3.2.8.3		Site Utilities-Gas			Need Item
				3.2.8.3.1	Gas Main	40	40	
				3.2.8.3.2	Gas Supply Lines	40	40	
				3.2.8.3.3	Site Propane, Storage & Distribution	35	35	
				3.2.8.3.4	Gas lights/fire pits	20	20	
			3.2.8.4		Site Utilities-Sewer			Need Item
				3.2.8.4.1	Sanitary Sewer lines	50	50	
				3.2.8.4.2	Sanitary waste treatment system	40	40	
				3.2.8.4.3	Lift Station	50	50	
			3.2.8.5		Site Utilities-Trash			Need Item
				3.2.8.5.1	Dumpsters	15	15	
				3.2.8.5.2	Compactors (exterior, commercial grade)	20	20	
				3.2.8.5.3	Recycling containers/equipment	15	15	
				3.2.8.5.4	Composting, organic recycling equipment	10	10	
	3.3				Building Frame & Envelope			Need Category
		3.3.1			Foundation			Need Item
			3.3.1.1		Slab, reinforced concrete	100	100	
			3.3.1.2		Slab, post tensioned	100	100	
			3.3.1.3		Continuous reinforced concrete footer and CMU stem wall	100	100	
			3.3.1.4		Piers, reinforced concrete footer and CMU pier	100	100	
			3.3.1.5		Piers, treated timber post/pole	40	40	
			3.3.1.6		Foundation Waterproofing	40	40	
			3.3.1.7		Foundation suction, drainage, groundwater, radon gas controls, pumps, sumps, equip. failure alarms	10	10	

CNA e-
Tool Estimated
Useful Life Table

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Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
		3.3.2			Building Frame			
			3.3.2.1		Framing System, Floors & Walls			Need Item
				3.3.2.1.1	Wood, timbers, dimensioned lumber, laminated beams, trusses	100	100	
				3.3.2.1.2	Tie downs, clips, braces, straps, hangers, shear walls/panels	75	75	
				3.3.2.1.3	Steel, beams, trusses	100	100	
				3.3.2.1.4	Reinforced concrete	100	100	
				3.3.2.1.5	Reinforced masonry, concrete masonry units (CMUs)	100	100	
				3.3.2.1.6	Solid Masonry (obsolete)	100	100	
			3.3.2.2		Crawl Spaces, Envelope Penetrations			Need Item
				3.3.2.2.1	Sealed crawl space system	40	40	
				3.3.2.2.2	Vents, screens, covers	30	30	
				3.3.2.2.3	Vapor Barrier (VDR) ground or underfloor	30	30	
				3.3.2.2.4	Penetrations, caulking/sealing	15	15	
				3.3.2.2.5	Crawl space, (de)pressurization, fans, pumps, sumps, equipment failure alarms	10	10	
			3.3.2.3		Roof Frame & Sheathing			Need Item
				3.3.2.3.1	Wood frame and board or plywood sheathing	75	75	
				3.3.2.3.2	Tie downs, clips, braces, straps, hangers	75	75	
				3.3.2.3.3	Steel frame and sheet metal or insulated panel sheathing	100	100	
				3.3.2.3.4	Reinforced concrete deck	100	100	
			3.3.2.4		Flashing & Moisture Protection			Need Item
				3.3.2.4.1	Caulking and Sealing	15	15	
				3.3.2.4.2	Concrete/Masonry Sealants	10	10	
				3.3.2.4.3	Wood waterproofing and sealants	10	10	

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Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.3.2.4.4	Building wraps & moisture resistant barriers	50	50	
				3.3.2.4.5	Paints and stains, exterior	8	8	
			3.3.2.5		**Attics & Eaves**			Need Item
				3.3.2.5.1	Screened gable end or soffit Vents	30	30	
				3.3.2.5.2	Roof vents, passive	40	40	
				3.3.2.5.3	Roof Vents, powered	20	20	
			3.2.2.6		**Insulation**			Need Item
				3.3.2.6.1	Loose fill, fiber glass, cellulose, mineral wool	50	50	
				3.3.2.6.2	Batts, blankets, rolls, fiber glass or mineral wool	60	60	
				3.3.2.6.3	Rigid foam board	60	60	
				3.3.2.6.4	Sprayed foam	60	60	
			3.3.2.7		**Exterior Stairs, Rails, Balconies/Porches, Canopies**			Need Item
				3.3.2.7.1	Exterior Stairs, wood frame/stringer	30	30	
				3.3.2.7.2	Exterior Stair Tread-wood	15	15	
				3.3.2.7.3	Exterior Stairs-steel frame/stringer	40	40	
				3.3.2.7.4	Exterior Stair Tread-metal, concrete filled	20	20	
				3.3.2.7.5	Exterior Stairs, Concrete	50	50	
				3.3.2.7.6	Fire escapes, metal	50	50	
				3.3.2.7.7	Balcony/Porch, wood frame	25	25	
				3.3.2.7.8	Balcony/Porch, steel frame or concrete	40	40	
				3.3.2.7.9	Balcony/Porch, wood decking	20	20	
				3.3.2.7.10	Balcony/Porch, composite decking	50	50	
				3.3.2.7.11	Railings, wood	20	20	
				3.3.2.7.12	Railings, metal	50	50	

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Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.3.2.7.13	Railings, composite	50	50	
				3.3.2.7.14	Canopy, Concrete	50	50	
				3.3.2.7.15	Canopy, Wood/Metal	40	40	
			3.3.2.8		**Exterior Doors & Entry Systems**			Need Item
				3.3.2.8.1	Unit Entry Door, Exterior, solid wood/metal clad	25	30	
				3.3.2.8.2	Common Exterior Door, aluminum and glass	30	30	
				3.3.2.8.3	Common Exterior Door, solid wood /metal clad	25	25	
				3.3.2.8.4	Storm/Screen Doors	5	10	
				3.3.2.8.5	Sliding Glass Doors	25	30	
				3.3.2.8.6	French or Atrium Doors, wood/metal clad	25	30	
				3.3.2.8.7	Automatic Entry Doors	30	30	
				3.3.2.8.8	Commercial Entry Systems	50	50	
				3.3.2.8.9	Overhead Door	30	30	
				3.3.2.8.10	Automatic Opener, overhead door	20	20	
		3.3.3			**Façades or Curtainwall**			
			3.3.3.1		**Sidewall System**			Need Item
				3.3.3.1.1	Aluminum Siding	40	40	
				3.3.3.1.2	Vinyl Siding	25	25	
				3.3.3.1.3	Cement Board Siding	45	45	
				3.3.3.1.4	Plywood/Laminated Panels	20	20	
				3.3.3.1.5	Exterior Insulation Finishing System (EIFS)	30	30	
				3.3.3.1.6	Stucco, over wire mesh/lath	50	50	
				3.3.3.1.7	Metal/Glass Curtain Wall	40	40	
				3.3.3.1.8	Precast Concrete Panel (tilt-up)	60	60	

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				3.3.3.1.9	Brick/block veneer	60	60	
				3.3.3.1.10	Stone Veneer	50	50	
				3.3.3.1.11	Glass Block	50	50	
				3.3.3.1.12	Cedar/Redwood shakes, clapboard	50	50	
				3.3.3.1.13	Pine board, clapboard	50	50	
			3.3.3.2		**Windows**			Need Item
				3.3.3.2.1	Wood, (dbl, sgl hung, casement, awning, sliders)	35	45	
				3.3.3.2.2	Wood, fixed pane, picture	40	45	
				3.3.3.2.3	Aluminum	35	40	
				3.3.3.2.4	Vinyl	30	30	
				3.3.3.2.5	Vinyl/Alum Clad Wood	50	50	
				3.3.3.2.6	Storm/Screen Windows	7	15	
		3.3.4			**Roofing and Roof Drainage**			
			3.3.4.1		**Sloped Roofs**			Need Item
				3.3.4.1.1	Asphalt Shingle	20	20	
				3.3.4.1.2	Metal	50	50	
				3.3.4.1.3	Slate shingle	75	75	
				3.3.4.1.4	Clay/cementitious barrel tile	60	60	
				3.3.4.1.5	Wood Shingle, Cedar Shakes/Shingles	25	25	
			3.3.4.2		**Low Slope/Flat Roofs**			Need Item
				3.3.4.2.1	Low slope-Built-up Roof, with gravel finish	20	20	
				3.3.4.2.2	Low slope-Built-up Roof, no mineral or gravel finish	10	10	
				3.3.4.2.3	Low slope-Adhered rubber membrane, (EPDM)	15	15	
				3.3.4.2.4	Low slope-Thermoplastic membrane, (TPO, vinyl)	15	15	

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				3.3.4.2.5	Low slope-Rubberized/elastomeric white/cool roof	15	15	
			3.3.4.3		**Roof Drainage, Trim & Accessories**			Need Item
				3.3.4.3.1	Gutters/Downspouts, aluminum	20	20	
				3.3.4.3.2	Gutters/Downspouts, copper	50	50	
				3.3.4.3.3	Low slope-roof drains, scuppers	30	30	
				3.3.4.3.4	Soffits, Wood, Vinyl, Metal	20	20	
				3.3.4.3.5	Fascia, Wood, Vinyl	20	20	
				3.3.4.3.6	Roof Hatch	30	30	
				3.3.4.3.7	Service Door	30	30	
				3.3.4.3.8	Roof Skylight	30	30	
	3.4				**Mech.-Elect.-Plumbing**			Need Category
		3.4.1			**Plumbing**			
			3.4.1.1		**Water Supply and Waste Piping**			Need Item
				3.4.1.1.1	PVC/CPVC pipe, supply and waste	75	75	
				3.4.1.1.2	Copper/brass hard pipe, supply	75	75	
				3.4.1.1.3	Copper Tube, supply	50	50	
				3.4.1.1.4	Galvanized pipe, supply	40	40	
				3.4.1.1.5	Cast iron sanitary waste	75	75	
				3.4.1.1.6	Domestic Cold Water Pumps	20	20	
				3.4.1.1.7	Sewage Ejectors	50	50	
				3.4.1.1.8	Commercial Sump Pump	20	20	
				3.4.1.1.9	Residential Sump Pump	15	15	
				3.4.1.1.10	Water Softener/Filtration	15	15	
			3.4.1.2		**Domestic Water Heating**			Need Item

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				3.4.1.2.1	DHW circulating pumps	15	15	
				3.4.1.2.2	DHW storage tanks	15	15	
				3.4.1.2.3	Exchanger, in tank or boiler	15	15	
				3.4.1.2.4	External tankless heater, gas or electric	20	20	
				3.4.1.2.5	Solar hot water	20	20	
				3.4.1.2.6	Residential hot water heater, gas or electric	12	15	
				3.4.1.2.7	Flue, gas water heaters	35	35	
				3.4.1.2.8	Boilers, Oil Fired, Sectional	25	25	
				3.4.1.2.9	Boilers, Gas Fired, Sectional	25	25	
				3.4.1.2.10	Boilers, Oil/ Gas/ Dual Fuel, Low MBH	30	30	
				3.4.1.2.11	Boilers, Oil/ Gas/ Dual Fuel, High MBH	40	40	
				3.4.1.2.12	Boilers, Gas Fired Atmospheric	25	25	
				3.4.1.2.13	Boilers, Electric	20	20	
				3.4.1.2.14	Boiler Blowdown and Water Treatment	25	25	
				3.4.1.2.15	Boiler Room Pipe Insulation	25	25	
				3.4.1.2.16	Boiler Room Piping	50	50	
				3.4.1.2.17	Boiler Room Valves	25	25	
				3.4.1.2.18	Boiler Temperature Controls	15	15	
				3.4.1.2.19	Heat Exchanger	35	35	
			3.4.1.3		Fixtures			Need Item
				3.4.1.3.1	Faucets & valves	15	20	
				3.4.1.3.2	Bath tubs & sinks, cast iron	75	75	
				3.4.1.3.3	Bubs tubs & sinks, enameled or stainless steel, fiberglass	40	40	
				3.4.1.3.4	Bath tubs & sinks, porcelain	50	50	

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	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.4.1.3.5	Toilets/bidets/urinals	40	40	
				3.4.1.3.6	Flush valves	10	15	
				3.4.1.3.7	Tub/shower units or integrated assemblies	30	30	
		3.4.2			**Centralized HVAC Systems**			
			3.4.2.1		**Centralized Heating/Cooling Equipment**			Need Item
				3.4.2.1.1	Boilers, Oil Fired, Sectional - Centralized	25	25	
				3.4.2.1.2	Boilers, Gas Fired, Sectional - Centralized	25	25	
				3.4.2.1.3	Boilers, Oil/ Gas/ Dual Fuel, Low MBH - Centralized	30	30	
				3.4.2.1.4	Boilers, Oil/ Gas/ Dual Fuel, High MBH - Centralized	40	40	
				3.4.2.1.5	Boilers, Gas Fired Atmospheric - Centralized	25	25	
				3.4.2.1.6	Boilers, Electric - Centralized	20	20	
				3.4.2.1.7	Boiler Blowdown and Water Treatment - Centralized	25	25	
				3.4.2.1.8	Boiler Room Pipe Insulation - Centralized	25	25	
				3.4.2.1.9	Boiler Room Piping - Centralized	50	50	
				3.4.2.1.10	Boiler Room Valves - Centralized	25	25	
				3.4.2.1.11	Boiler Temperature Controls - Centralized	15	15	
				3.4.2.1.12	Heat Exchanger - Centralized	35	35	
				3.4.2.1.13	Combustion Air, Duct with Fixed Louvers	30	30	
				3.4.2.1.14	Combustion Air, Motor Louvers and Duct	25	25	
				3.4.2.1.15	Combustion Waste Flue	40	40	
				3.4.2.1.16	Cooling tower	25	25	
				3.4.2.1.17	Chilling plant	20	20	
				3.4.2.1.18	Steam supply station	50	50	
				3.4.2.1.19	Free standing chimney	50	50	

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	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
			3.4.2.2		**Centralized Heat/Air/Fuel Distribution**			Need Item
				3.4.2.2.1	Fuel oil/propane storage tanks	40	40	
				3.4.2.2.2	Remediate/remove abandoned tanks/fuel lines	100	100	
				3.4.2.2.3	Fuel transfer system	25	25	
				3.4.2.2.4	Gas/oil distribution lines	50	50	
				3.4.2.2.5	Gas meter	40	40	
				3.4.2.2.6	2 pipe/4 pipe hydronic distribution-above grade	50	50	
				3.4.2.2.7	2 pipe/4 pipe hydronic distribution-in ground	25	25	
				3.4.2.2.8	Hydronic/Water Circulating Pumps	20	20	
				3.4.2.2.9	Hydronic/Water Controller	20	20	
				3.4.2.2.10	Radiation-steam/hydronic (baseboard or freestanding radiator)	50	50	
				3.4.2.2.11	Fan Coil Unit, Hydronic	30	30	
				3.4.2.2.12	Central exhaust fans/blowers	20	20	
		3.4.3			**Decentralized and Split HVAC Systems**			
			3.4.3.1		**Dwelling/Common Area HVAC Equipment**			Need Item
				3.4.3.1.1	Electric heat pump, condenser, pad or rooftop	15	15	
				3.4.3.1.2	Electric AC condenser, pad or rooftop	15	15	
				3.4.3.1.3	Electric furnace/air handler	20	20	
				3.4.3.1.4	Gas furnace/air handler	20	20	
				3.4.3.1.5	Hydronic heat/electric AC air handler	25	25	
				3.4.3.1.6	Hydronic feed electric heat pump/air handler	25	25	
				3.4.3.1.7	Wall mounted electric/gas heater	25	25	
				3.4.3.1.8	Electric baseboard heater	30	30	
				3.4.3.1.9	PTAC Thruwall (packaged terminal air conditioning)	15	15	

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	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.4.3.1.10	Window or thru-wall air conditioners	10	10	
				3.4.3.1.11	Package HVAC roof top	15	15	
				3.4.3.1.12	Air filtration/humidity control devices (humidifiers, HRV's)	20	20	
				3.4.3.1.13	Duct, rigid sheet metal, insulated if not in conditioned space	35	35	
				3.4.3.1.14	Duct, flexible, insulated	20	20	
				3.4.3.1.15	Duct, sealing-mastic or UL 181A or 181B tape.	20	20	
				3.4.3.1.16	Diffusers, registers	20	20	
				3.4.3.1.17	Fireplace, masonry & firebrick, masonry chimney	75	75	
				3.4.3.1.18	Fireplace, factory assembled	35	35	
				3.4.3.1.19	Fireplace insert, stove	50	50	
				3.4.3.1.20	Chimneys, metal, and chimney covers	35	35	
			3.4.3.2		**HVAC Controls**			Need Item
				3.4.3.2.1	Dwelling/common area thermostat	15	20	
				3.4.3.2.2	Heat sensors	15	15	
				3.4.3.2.3	Outdoor temperature sensor	10	10	
		3.4.4			**Electrical**			
			3.4.4.1		**Electric Service & Metering**			Need Item
				3.4.4.1.1	Building service panel	50	50	
				3.4.4.1.2	Building meter	40	40	
				3.4.4.1.3	Tenant meters, meter panel	40	40	
			3.4.4.2		**Electrical Distribution**			Need Item
				3.4.4.2.1	Tenant electrical panel	50	50	
				3.4.4.2.2	Unit/building wiring	50	50	
			3.4.4.3		**Electric Lighting & Fixtures**			Need Item

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				3.4.4.3.1	Switches & outlets	35	35	
				3.4.4.3.2	Lighting - exterior entry	15	20	
				3.4.4.3.3	Lighting- interior common space	25	30	
				3.4.4.3.4	Lighting - Tenant Spaces	20	25	
				3.4.4.3.5	Door bells, chimes	20	25	
			3.4.4.4		Telecommunications Equipment			Need Item
				3.4.4.4.1	Satellite dishes/antennae	20	20	
				3.4.4.4.2	Telecom panels & controls	20	20	
				3.4.4.4.3	Telecom cabling & outlets	20	20	
	3.5				Vertical Transportation			Need Category
		3.5.1			Elevators/Escalators			Need Item
			3.5.1.1		Electrical switchgear	50	50	
			3.5.1.2		Electrical wiring	30	30	
			3.5.1.3		Elevator controller, call, dispatch, emergency	10	20	
			3.5.1.4		Elevator cab, interior finish	10	20	
			3.5.1.5		Elevator cab, frame	35	50	
			3.5.1.6		Elevator, machinery	20	30	
			3.5.1.7		Elevator, shaftway doors	10	20	
			3.5.1.8		Elevator, shaftway hoist rails, cables, traveling	20	25	
			3.5.1.9		Elevator, shaftway hydraulic piston and leveling	20	25	
			3.5.1.10		Escalators	50	50	
	3.6				Life Safety/Fire Protection			Need Category
		3.6.1			Sprinklers and Standpipes			Need Item
			3.6.1.1		Building fire suppression sprinklers, standpipes	50	50	

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			3.6.1.2		Fire pumps	20	20	
			3.6.1.3		Fire hose stations	50	50	
			3.6.1.4		Fire extinguishers	10	15	
		3.6.2			**Alarm, Security & Emergency Systems**			Need Item
			3.6.2.1		Tenant space alarm systems	10	15	
			3.6.2.2		Residential smoke detectors	5	7	
			3.6.2.3		Call station	10	15	
			3.6.2.4		Emergency/auxiliary generator	25	25	
			3.6.2.5		Emergency/auxiliary fuel storage tank	25	25	
			3.6.2.6		Emergency lights, illuminated signs	5	10	
			3.6.2.7		Smoke and fire detection system, central panel	15	15	
			3.6.2.8		Buzzer/intercom, central panel	20	20	
			3.6.2.9		Tenant buzzer / intercom /secured entry system	20	20	
		3.6.3			**Other Systems**			Need Item
			3.6.3.1		Pneumatic Lines and Controls	30	30	
			3.6.3.2		Auto-securing doors/entries/lock down	30	30	
	3.7				**Interior Elements**			
		3.7.1			**Interiors-Common Areas**			Need Category
			3.7.1.1		**Finished walls, ceilings, floors**			Need Item
				3.7.1.1.1	Drywall - Common	35	40	
				3.7.1.1.2	Plaster - Common	50	50	
				3.7.1.1.3	Paints, stains, clear finishes, interior - Common	15	20	
				3.7.1.1.4	Wallpapers - Common	15	20	
				3.7.1.1.5	Wall tile, ceramic, glass, natural stone - Common	35	50	

CNA e-Tool Estimated Useful Life Table

This table lists the recommended average useful life of the categories of assets that should be considered in a Capital Needs Assessment. If an observed item is not listed, it should be assigned to the most closely related category. The Standard EUL for a component type is fixed. The user may estimate the Remaining Useful Life of any existing component independent of the Standard EUL by entering the assessed RUL in the appropriate space on the Components tab of the Excel Assessment Tool and by justifying the assessed RUL in the adjacent comment box. When identifying an alternative toan existing component the user may specify an EUL for the alternative which differs from the Standard EUL for that component type but must enter an explanation in the Notes space on the Alternatives tab of the Tool. Each specific component assessed is given a free-form description by the needs assessor and this description is the "component ID" or component name which may be more specific than the "Component Type", e.g (a particular kind, size, etc of refrigerator, not just any refrigerator.)

Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.7.1.1.6	Floor tile, ceramic, natural stone - Common	40	50	
				3.7.1.1.7	Concrete/Masonry/Terrazzo - Common	75	75	
				3.7.1.1.8	Hardwood floor (3/4" strip or parquet) - Common	50	50	
				3.7.1.1.9	Wood floor, laminated/veneered - Common	20	25	
				3.7.1.1.10	Resilient tile or sheet floor (vinyl, linoleum) - Common	15	20	
				3.7.1.1.11	Carpet - Common	6	10	
				3.7.1.1.12	Acoustic tile/drop ceiling - Common	15	20	
			3.7.1.2		Millwork (doors, trim, cabinets, tops)			Need Item
				3.7.1.2.1	Interior, hollow core doors - Common	20	25	
				3.7.1.2.2	Interior doors, solid core, wood, metal clad, fire rated	30	35	
				3.7.1.2.3	Door trim - Common	20	30	
				3.7.1.2.4	Wall trim (base, chair rail, crown moldings) - Common	30	35	
				3.7.1.2.5	Passage & lock sets - Common	15	20	
				3.7.1.2.6	Bifold & sliding doors - Common	15	20	
				3.7.1.2.7	Cabinets & vanities - Common	20	25	
				3.7.1.2.8	Tops, granite, natural stone, engineered stone - Common	50	50	
				3.7.1.2.9	Tops, solid surface, stainless steel - Common	40	50	
				3.7.1.2.10	Tops, plastic laminates, wood - Common	15	25	
				3.7.1.2.11	Vanity tops, cultured marble, molded acrylic, fiber glass - Common	25	35	
			3.7.1.3		Appliances			Need Item
				3.7.1.3.1	Refrigerator/freezer - Common	15	15	
				3.7.1.3.2	Range, cook top, wall oven - Common	20	25	
				3.7.1.3.3	Range hood - Common	20	25	
				3.7.1.3.4	Microwave - Common	10	10	

CNA e-Tool Estimated Useful Life Table

This table lists the recommended average useful life of the categories of assets that should be considered in a Capital Needs Assessment. If an observed item is not listed, it should be assigned to the most closely related category. The Standard EUL for a component type is fixed. The user may estimate the Remaining Useful Life of any existing component independent of the Standard EUL by entering the assessed RUL in the appropriate space on the Components tab of the Excel Assessment Tool and by justifying the assessed RUL in the adjacent comment box. When identifying an alternative toan existing component the user may specify an EUL for the alternative which differs from the Standard EUL for that component type but must enter an explanation in the Notes space on the Alternatives tab of the Tool. Each specific component assessed is given a free-form description by the needs assessor and this description is the "component ID" or component name which may be more specific than the "Component Type", e.g (a particular kind, size, etc of refrigerator, not just any refrigerator.)

Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.7.1.3.5	Disposal (food waste) - Common	7	10	
				3.7.1.3.6	Compactors (interior, residential grade) - Common	7	10	
				3.7.1.3.7	Dishwasher - Common	10	15	
				3.7.1.3.8	Clothes washer/dryer - Common	10	15	
			3.7.1.4		Specialties			Need Item
				3.7.1.4.1	Interior Mail Facility	20	25	
				3.7.1.4.2	Common area bath accessories (towel bars, grab bars, toilet stalls, etc.)	7	12	
				3.7.1.4.3	Mirrors & medicine cabinets - Common	20	25	
				3.7.1.4.4	Closet/storage specialties, shelving - Common	20	25	
				3.7.1.4.5	Common area interior stairs	50	50	
				3.7.1.4.6	Common area railings	15	25	
				3.7.1.4.7	Bath/kitchen vent/exhaust fans - Common	15	15	
				3.7.1.4.8	Ceiling fans - Common	15	15	
				3.7.1.4.9	Window treatments, drapery rods, shades, blinds, etc. - Common	15	25	
				3.7.1.4.10	Indoor recreation and fitness equipment	10	15	
				3.7.1.4.11	Entertainment centers, theatre projection and seating	15	25	
		3.7.2			Interiors-Dwelling Units			Need Category
			3.7.2.1		Finished walls, ceilings, floors			Need Item
				3.7.2.1.1	Drywall	35	40	
				3.7.2.1.2	Plaster	50	50	
				3.7.2.1.3	Paints, stains, clear finishes, interior	10	15	
				3.7.2.1.4	Wallpapers	10	15	
				3.7.2.1.5	Wall tile, ceramic, glass, natural stone	30	40	
				3.7.2.1.6	Floor tile, ceramic, natural stone	40	50	

CNA e-Tool Estimated Useful Life Table

This table lists the recommended average useful life of the categories of assets that should be considered in a Capital Needs Assessment. If an observed item is not listed, it should be assigned to the most closely related category. The Standard EUL for a component type is fixed. The user may estimate the Remaining Useful Life of any existing component independent of the Standard EUL by entering the assessed RUL in the appropriate space on the Components tab of the Excel Assessment Tool and by justifying the assessed RUL in the adjacent comment box. When identifying an alternative toan existing component the user may specify an EUL for the alternative which differs from the Standard EUL for that component type but must enter an explanation in the Notes space on the Alternatives tab of the Tool. Each specific component assessed is given a free-form description by the needs assessor and this description is the "component ID" or component name which may be more specific than the "Component Type", e.g (a particular kind, size, etc of refrigerator, not just any refrigerator.)

Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.7.2.1.7	Concrete/Masonry/Terrazzo	75	75	
				3.7.2.1.8	Hardwood floor (3/4" strip or parquet)	50	50	
				3.7.2.1.9	Wood floor, laminated/veneered	15	20	
				3.7.2.1.10	Resilient tile or sheet floor (vinyl, linoleum)	15	20	
				3.7.2.1.11	Carpet	6	10	
				3.7.2.1.12	Acoustic tile/drop ceiling	15	20	
			3.7.2.2		**Millwork (doors, trim, cabinets, tops)**			Need Item
				3.7.2.2.1	Interior, hollow core doors	20	25	
				3.7.2.2.2	Interior doors, solid core, wood, metal clad	30	35	
				3.7.2.2.3	Door trim	20	30	
				3.7.2.2.4	Wall trim (base, chair rail, crown moldings)	25	35	
				3.7.2.2.5	Passage & lock sets	12	20	
				3.7.2.2.6	Bifold & sliding doors	12	20	
				3.7.2.2.7	Cabinets & vanities	20	25	
				3.7.2.2.8	Tops, granite, natural stone, engineered stone	50	50	
				3.7.2.2.9	Tops, solid surface, stainless steel	40	50	
				3.7.2.2.10	Tops, plastic laminates, wood	15	25	
				3.7.2.2.11	Vanity tops, cultured marble, molded acrylic, fiber glass	25	35	
			3.7.2.3		**Appliances**			Need Item
				3.7.2.3.1	Refrigerator/freezer	12	15	
				3.7.2.3.2	Range, cook top, wall oven	15	25	
				3.7.2.3.3	Range hood	15	25	
				3.7.2.3.4	Microwave	10	10	
				3.7.2.3.5	Disposal (food waste)	7	10	

CNA e-Tool Estimated Useful Life Table

This table lists the recommended average useful life of the categories of assets that should be considered in a Capital Needs Assessment. If an observed item is not listed, it should be assigned to the most closely related category. The Standard EUL for a component type is fixed. The user may estimate the Remaining Useful Life of any existing component independent of the Standard EUL by entering the assessed RUL in the appropriate space on the Components tab of the Excel Assessment Tool and by justifying the assessed RUL in the adjacent comment box. When identifying an alternative toan existing component the user may specify an EUL for the alternative which differs from the Standard EUL for that component type but must enter an explanation in the Notes space on the Alternatives tab of the Tool. Each specific component assessed is given a free-form description by the needs assessor and this description is the "component ID" or component name which may be more specific than the "Component Type", e.g (a particular kind, size, etc of refrigerator, not just any refrigerator.)

Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
				3.7.2.3.6	Compactors (interior, residential grade)	7	10	
				3.7.2.3.7	Dishwasher	10	15	
				3.7.2.3.8	Clothes washer/dryer	10	15	
			3.7.2.4		**Specialties**			Need Item
				3.7.2.4.1	Bath accessories (towel bars, grab bars, etc.)	7	12	
				3.7.2.4.2	Mirrors & medicine cabinets	15	25	
				3.7.2.4.3	Closet/storage specialties, shelving	15	25	
				3.7.2.4.4	Interior stairs	50	50	
				3.7.2.4.5	Stair and loft railings	20	25	
				3.7.2.4.6	Bath/kitchen vent/exhaust fans	15	15	
				3.7.2.4.7	Ceiling fans	10	15	
				3.7.2.4.8	Window treatments, drapery rods, shades, blinds, etc.	10	20	
4					**Additional Considerations**			Need Category
	4.1				**Environmental Items (not elsewhere defined)**			Need Item
		4.1.1			Environmental remediation alarms	5	5	
		4.1.2			Environmental remediation pumps & equipment	5	5	
		4.1.3			Mold-treat-remediate	100	100	
		4.1.4			Pest Control/Integrated Pest Management Plan	1	1	
	4.2				**Lead based paint (LBP), asbestos**			Need Item
		4.2.1			LBP inspection	100	100	
		4.2.2			**Lead based paint abatement**			
			4.2.2.1		LBP encapsulation (abatement)	20	20	
			4.2.2.2		LBP removal	100	100	
		4.2.3			**Lead based paint interim controls**			

CNA e-Tool Estimated Useful Life Table

This table lists the recommended average useful life of the categories of assets that should be considered in a Capital Needs Assessment. If an observed item is not listed, it should be assigned to the most closely related category. The Standard EUL for a component type is fixed. The user may estimate the Remaining Useful Life of any existing component independent of the Standard EUL by entering the assessed RUL in the appropriate space on the Components tab of the Excel Assessment Tool and by justifying the assessed RUL in the adjacent comment box. When identifying an alternative toan existing component the user may specify an EUL for the alternative which differs from the Standard EUL for that component type but must enter an explanation in the Notes space on the Alternatives tab of the Tool. Each specific component assessed is given a free-form description by the needs assessor and this description is the "component ID" or component name which may be more specific than the "Component Type", e.g (a particular kind, size, etc of refrigerator, not just any refrigerator.)

Numbering by ASTM 2018-08 Outline								
	System Description	Overall General Description	Component	Sub-Component	Component Description	Family	Elderly	3 tiers of categorization: Need Category, Need Item, Component Type
			4.2.3.1		LBP hazard interim control	6	6	
			4.2.3.2		LBP Encapsulation (interim control)	6	6	
		4.2.4			**Asbestos**			
			4.2.4.1		Asbestos encapsulation (abatement)	10	10	
			4.2.4.2		Asbestos Removal	100	100	
	4.3				**Commercial Tenant Improvements**			Need Item
		4.3.1			Owner provided item(s) (specify)	5	5	
		4.3.2			Owner provided $ allowance (specify)	5	5	

Attachment E

CAPITAL NEEDS ASSESSMENT REPORT

	GENERAL NOTES:
A	Reviews of preliminary Capital Needs Assessment (CNA) reports should be based on: 1. The Statement of Work referenced in the written Agreement with the Provider. 2. Rural Development case file, such as property records and inspection reports. 3. Latest available cost data published by RS Means. 4. Rural Development guidelines. 5. Fannie Mae guidelines.
B	The reviewer should give special attention to the line items with the highest total costs.
C	The reviewer should be careful to note whether all systems or components that should be included have indeed been included in the report.
D	If all review items are answered "YES", the Provider should be advised to finalize the CNA with no or only a few minor changes.
E	Any review items answered "NO" should be explained in writing to the Provider in sufficient detail for clarity and appropriate actions taken.
F	The final report should be reviewed to verify that any minor changes and items answered with a "NO" in the first review have been satisfactorily addressed or corrected.
G	When item "D" is completed, the CNA Reviewer should advise the appropriate Rural Development official that the CNA should be accepted as the final report.

	REVIEW ITEMS:	PRIMARY BASIS *	YES	NO
1	Is the report in the required format?	1		
2	Does the report fully describe the property?	1		
3	Are photographs provided to generally describe the property's buildings and other facilities?	1		
4	Does the report identify who performed the on-site inspection?	1		
5	Does the report identify who prepared the report?	1		
6	Was an adequate number of dwelling units inspected?	1		
7	Is the length of the study period adequate?	1		
8	Is the list of property components complete?	5		
9	Is the list divided into the appropriate major system groups?	1		
10	Are the existing property components accurately described?	2		
11	Are the expected useful lifetimes of the components reasonably accurate?	5		
12	Are the reported ages of the components reasonably accurate?	2		
13	Is the current condition of each component accurately noted?	2		
14	Are the effective remaining lifetimes of components correctly calculated?	5		
15	Are proposed corrective actions appropriately identified?	1		

16	Are critical immediate repairs appropriately identified?	1		
17	Are items being replaced with "in-kind" materials when appropriate?	1		
18	Are the component quantities reasonably accurate?	2		
19	Are photographs provided to describe deficiencies?	1		
	REVIEW ITEMS:	PRIMARY BASIS *	YES	NO
20	Does the report adequately address environmental hazards and other relevant environmental issues?	1		
21	Does the report adequately address accessibility issues?	1		
22	Does the report address any existing accessibility transition plans and their adequacy?	1		
23	Are photographs provided to describe existing kitchens and bathrooms in the fully accessible units?	1		
24	Are the proposed years for repair or replacement reasonable?	5		
25	Are the repair/replacement durations appropriate and reasonable?	5		
26	Are the detailed estimated repair and replacement costs calculated in current dollars?	1		
27	Are the estimated repair and replacement costs reasonable?	3		
28	Are the sources for cost data explained in the report?	1		
29	Is the projected inflation rate appropriate?	1		
30	Have the costs in current and inflated dollars been totaled for each year?	1		
31	Have the costs for each year and grand totals been correctly calculated?	5		
32	Does the data in the report narrative and summary charts match?	5		
33	Does the report exclude routine maintenance, operation, and low cost expenses?	4		
34	Does the report include all deficiencies known to Rural Development?	2		
35	Does the report include all other relevant data or information known to Rural Development?	2		

* see General Note "A"

Attachment F

SAMPLE CAPITAL NEEDS ASSESSMENT REVIEW REPORT
[Review of Preliminary/Final CNA Report]

Property Name and Location:

CNA Provider:

CNA Reviewer:

Date of Preliminary / Final CNA Report:

Date of Review:

Reviewer's Comments:

-
-
-

Purpose / Intended Use / Intended User of Review:

- The purpose of this CNA review assignment is to render an opinion as to the completeness, adequacy, relevance, appropriateness, and reasonableness of the workunder review relative to the requirements of Rural Development.
- The intended use of the review report is to help meet Rural Development loan underwriting requirements for permanent financing under the Section 515 MPRdemonstration program. The review is not intended for any other use.
- The intended user of the review is only Rural Development.

Scope of Review:

The scope of the CNA review process involved the following procedures:

- The review included a reading/analysis of the following components from the CNAreport and the additional due diligence noted. The contents from the CNA work filewere not reviewed. The components that were reviewed are:
  - Date of the Report
  - Narrative
  - Description of Improvements
  - Photographs of the Subject Property

- Capital Needs Summary
- Systems and Conditions Forms
- Critical Needs Forms
- Capital Needs over the Term Forms

- This is a desk review, and the reviewer has not inspected the subject Property.
- The reviewer has/has not confirmed data contained within the CNA report.

Review Conclusion:

In the reviewer's opinion, given the scope of the work under review:

- The subject CNA *meets/does not meet* the reporting requirements ofRural Development.
- The data *appears/does not ap*pear to be adequate and relevant.
- The CNA methods and techniques used *are/are not* appropriate.
- The analyses, opinions, and conclusions *are/are not* appropriate and reasonable.
- This is a review report on a *preliminary/final* CNA report. The *preliminary/final* CNA report is subject to review discussions between Rural Development and the CNA Recipient of the subject Property and between the CNA Recipient and the CNAProvider. The CNA Recipient is the CNA Provider's client, and only the client can instruct the CNA Provider to revise the *preliminary/final* report. To be acceptable to Rural Development, the final CNA report should address any errors or deficiencies identified in the *Reviewer's Comments* section of this review report.

CNA PROVIDER TO INSERT IN MEMO FORMAT THEIR WRITTEN REPORT AND THEN HAVE SIGNATURE PAGE BELOW FOR REVIEWER AND UNDERWRITER/LOAN OFFICIAL TO SIGN.

Signed by:

_____	_____
(CNA Reviewer)	(Underwriter / Loan Official)

(Please note: for the CNA Review Report of the preliminary CNA, only the CNA Reviewer needs tosign the report on behalf of Rural Development. For the CNA Review Report of the final CNA, the CNA Reviewer and the Underwriter/Loan Official must sign the report. This is to encourage discussion between the Agencies parties, so that both the CNA Reviewer and the Underwriter are involved in the process of accepting the final CNA for the Property.)

Attachment G

Capital Needs Assessment Guidance to the Reviewer

AGREEMENT TO PROVIDE CAPITAL NEEDS ASSESSMENT

	GENERAL NOTES:
A	Reviews of proposed agreements for Capital Needs Assessments (CNA) should be based on Rural Development and other Rural Development -recognized guidelines.
B	If all review items are answered "NO", the reviewer should advise the appropriate Rural Development official that the Agreement should be accepted.
C	Any review items answered with a "YES" should be explained in writing to the proposed Provider in sufficient detail for clarity and appropriate actions to be taken.
D	If all review items answered with a "YES" are satisfactorily addressed or corrected by the proposed Provider, the reviewer should advise the appropriate Rural Development official that the Agreement should be accepted.
E	If any review items answered with a "YES" cannot be satisfactorily addressed or corrected by the proposed CNA Provider, the reviewer should advise the appropriate Rural Development official that the Agreement should NOT be accepted.

	REVIEW ITEMS:	YES	NO
1	Does the proposed Agreement omit Rural Development's Addendum to CNA Contract?		
2	Does the proposed Agreement omit Rural Development's CNA Statement of Work?		
3	Is there any evidence or indication that the proposed CNA Provider has an identity of interest, as defined in 7 C.F.R. part 3560?		
4	Is there any evidence or indication that the proposed CNA Provider is NOT trained in evaluating site and building systems, and health, safety, physical, structural, environmental and accessibility conditions?		
5	Is there any evidence or indication that the proposed CNA Provider is NOT trained in estimating costs for repairing, replacing, and improving site and building components?		
6	Is there any evidence or indication that the proposed CNA Provider is NOT experienced in providing CNAs for MFH properties that are similar to those in the Section 515 Program?		
7	Is there any evidence or indication that the proposed CNA Provider is NOT knowledgeable of site, building and accessibility codes and standards?		
8	Is there any evidence or indication that the proposed CNA Provider is debarred or suspended from participating in Federally-assisted programs?		
9	Does the proposed fee appear to be unreasonable?		

CAPITAL NEEDS ASSESSMENT REPORT

	GENERAL NOTES:
A	Reviews of preliminary Capital Needs Assessment (CNA) reports should be based on: 1. The Statement of Work referenced in the written agreement with the provider 2. Rural Development case file, such as property records and inspection reports 3. Latest available cost data published by RS Means
B	The reviewer should give special attention to the line items with the highest total costs.
C	The reviewer should be careful to note whether all systems or components that should be included have indeed been included in the report.
D	If all review items are answered "YES", the Provider should be advised to finalize the CNA with no or only a few minor changes.
E	Any review items answered with a "NO" should be explained in writing to the Provider in sufficient detail for clarity and appropriate actions taken.
F	The final report should be reviewed to verify that any minor changes and items answered with a "NO" in the first review have been satisfactorily addressed or corrected.
G	When item "D" is completed, the CNA Reviewer should advise the appropriate Rural Development official that the CNA should be accepted as the final report.

	REVIEW ITEMS:	PRIMARY BASIS *	YES	NO
1	Is the report in the required format?	1		
2	Does the report fully describe the property?	1		
3	Are photographs provided to generally describe the property's buildings and other facilities?	1		
4	Does the report identify who performed the on-site inspection?	1		
5	Does the report identify who prepared the report?	1		
6	Was an adequate number of dwelling units inspected?	1		
7	Is the length of the study period adequate?	1		
8	Is the list of property components complete?	5		
9	Is the list divided into the appropriate major system groups?	1		
10	Are the existing property components accurately described?	2		
11	Are the expected useful lifetimes of the components reasonably accurate?	5		
12	Are the reported ages of the components reasonably accurate?	2		
13	Is the current condition of each component accurately noted?	2		
14	Are the effective remaining lifetimes of components correctly calculated?	5		
15	Are proposed corrective actions appropriately identified?	1		
16	Are critical immediate repairs appropriately identified?	1		
17	Are items being replaced with "in-kind" materials when appropriate?	1		

18	Are the component quantities reasonably accurate?	2		
19	Are photographs provided to describe deficiencies?	1		
	REVIEW ITEMS:	**PRIMARY BASIS ***	**YES**	**NO**
20	Does the report adequately address environmental hazards and other relevant environmental issues?	1		
21	Does the report adequately address accessibility issues?	1		
22	Does the report address any existing accessibility transition plans and their adequacy?	1		
23	Are photographs provided to describe existing kitchens and bathrooms in the fully accessible units?	1		
24	Are the proposed years for repair or replacement reasonable?	5		
25	Are the repair/replacement durations appropriate and reasonable?	5		
26	Are the detailed estimated repair and replacement costs calculated in current dollars?	1		
27	Are the estimated repair and replacement costs reasonable?	3		
28	Are the sources for cost data explained in the report?	1		
29	Is the projected inflation rate appropriate?	1		
30	Have the costs in current and inflated dollars been totaled for each year?	1		
31	Have the costs for each year and grand totals been correctly calculated?	5		
32	Does the data in the report narrative and summary charts match?	5		
33	Does the report exclude routine maintenance, operation, and low-cost expenses?	4		
34	Does the report include all deficiencies known to Rural Development?	2		
35	Does the report include all other relevant data or information known to Rural Development?	2		

* see General Note "A"

Joaquin Altoro,

Administrator, Rural Housing Service.

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