



A Physical Needs Assessment (PNA) is a report used to evaluate the viability of real estate property to continue serving its intended purpose into the future, such as providing quality affordable housing.

A PNA includes data based on an on-site inspection by a qualified third-party inspector. A PNA also may be known as a Condition Needs Assessment, Capital Needs Assessment (CNA), or a Physical Condition Assessment (PCA).

## Why is a PNA Important?

A PNA is a standard operating procedure for real estate management and is generally required by grantors, lenders or buyers as support for a number of real estate management functions, such as:

- Budgeting
- Applying for financing or grants
- Performing due diligence at sale and purchase
- Developing preventative maintenance and long-term, property-specific plans
- Establishing replacement reserve schedules
- Managing the risk of critical component failure
- Creating marketing and repositioning strategies
- Being a reference point about property conditions for future evaluations

## PNA Inspections

A PNA requires complete and thorough physical inspection of dwelling unit interiors and exteriors, structural components, appliances, and mechanical and electrical systems to determine life expectancy or the need for repairs or replacement.

Interviews with appropriate on-site property management and maintenance personnel about past or pending repairs, improvements and existing or chronic physical deficiencies also are conducted.

## PNA Reports

A PNA provides a property owner or developer with information about a property's needed repairs and whether they are immediate (health/safety), short- or long-term. An estimate of costs to make the repairs within a specified time frame also should be included.

PNAs identify:

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

## San Diego Housing Commission PNA-Related Requirements

To enter into a loan agreement with the San Diego Housing Commission (SDHC), all immediate (health/safety) and short-term repairs and other issues identified in the PNA must be included in a rehabilitation proposal submitted to SDHC. If long-term repairs are not part of the rehabilitation proposal, a plan for how they will be completed during the term of the SDHC loan also must be submitted.

Any necessary repairs identified in the PNA, but not performed in the initial rehabilitation, will need to be paid for from the Replacement Reserve Account. This is funded by project operations annually. SDHC analyzes the Replacement Reserve Account and the 15- and 30-year repair needs identified in the PNA to confirm that the balance in the account is sufficient over the term of the loan to cover all anticipated repairs.

## PNA Costs & Providers

The cost to create a PNA can range from \$5,000 to \$12,000, depending on the level of work involved. SDHC can provide a list of PNA service providers used by developers and owners but cannot recommend a particular PNA service provider.

For more information and for a list of PNA consultants, please contact Maurcell Gresham at [maurcell@sdhc.org](mailto:maurcell@sdhc.org)

