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San Diego Housing Commission Affordable Housing Preservation Notice of Funding Availability (NOFA) Training: Physical Needs Assessment

Presentation to Preservation NOFA Applicants
April 16, 2021



SDHC – Affordable Housing Preservation NOFA

What is a PNA?

- A standard operating procedure for real estate management.
- A periodic examination and evaluation of real estate to determine a long-term schedule and costs for replacement of major property components.
- Also known as a Condition Needs Assessment, Capital Needs Assessment (CNAs) or Physical Condition Assessment (PCA).



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What is a PNA? (Continued)

- Provides data based on an on-site inspection by a qualified third-party inspector.
- Data is used to assess the viability of the real estate to continue serving its intended purpose into the future.
- Example uses of PNA data: replacement reserve schedules; preventative maintenance plans; due diligence at sale & purchase, applications for financing or grants; marketing & repositioning strategy planning; budgeting, etc.
- Grantors, lenders and/or buyers generally require some form of PNA as support for investment in every other sector of real estate.
- **The PNA defines the necessary repairs required to provide safe, quality affordable housing.**



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Why is a PNA Important?

- Provides a developer/owner with a general idea of the immediate (health/safety), short- and long-term repairs needed and the associated costs to make them within a given time period:
 - Deficient conditions and/or deferred maintenance
 - Non-compliance with life & 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., federal accessibility, ADA and Housing Standards)
 - Potential for increased energy efficiency
 - Long-term viability
 - Cost analysis



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What's Inspected for a PNA

- All existing structural components, appliances, mechanical, and electrical systems that are readily visible, to determine the life expectancy, needed repairs, and/or replacement.
- Interior and exterior of units and structures.
- Includes interview with available on-site property management and maintenance personnel about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies.



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Benefits of a PNA

- Develop a long-term, property-specific strategic plan
- Prioritize budget needs
- Manage the risk of critical component failure
- Organize project physical data as a reference and resource for future evaluations
- Develop preventative maintenance strategies
- Assess the long-term viability of the property



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What Should Be Included in a PNA

- Deferred maintenance, physical needs & deficiencies, and material building code violations that affect the property's use, structural & mechanical integrity, and future physical and financial needs.
- Prioritization of issues as immediate (health/safety), short- and long-term.
- Budget for recommended improvements.
- Critical building systems or components that have reached or exceeded their expected useful lives.



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What Should Be Included in a PNA (Continued)

- Issues identified in the PNA should be addressed in the rehabilitation proposal provided to SDHC.
- In order to enter into a loan agreement with SDHC, all immediate (health/safety) and short-term repairs must be included in the rehabilitation proposal.
- A plan for completing all long-term repairs during the term of the SDHC loan is required, if they are not completed as part of the proposed rehabilitation.
- All long-term needs identified in the PNA that are not part of the renovation will need to be paid for from the Replacement Reserve Account, which are funded by project operations annually.
 - SDHC will analyze the Replacement Reserve Account and the PNA 15- and 30-year needs to confirm that the balance in the Replacement Reserves Account will be sufficient to cover all anticipated repairs during the loan term.



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PNA Costs & Consultants

- PNAs can cost between \$5,000 and \$12,000 to produce, depending upon the scope of detail and work needed.
- SDHC cannot recommend a PNA consultant, but can provide a list of consultants utilized by developers/owners.
 - Please contact Maurcell Gresham at maurcell@sdhc.org for a list of consultants.





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San Diego Housing Commission Affordable Housing Preservation Notice of Funding Availability (NOFA) Training: Construction Monitoring

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5 Major Phases of a Development

- Initiation
- Planning (Design Phase)
- Execution (Construction Phase)
- Performance & monitoring (Construction Phase)
- Closure (Post-Construction Phase)



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Primary Development Participants & Roles

- **Owner** – The party subject to all agreements with all lenders and contractors. Has general oversight of the development.
- **Lender** – Financer of the development. Will review and monitor the project in conformance with the funding agreement.
- **General Contractor** – Contracted by the owner to carry out the scope of work.
- **Subcontractor** – Contracted by the general contractor to carry out specific trade work.
- **Architect** – Contracted and directed by the owner to periodically observe construction of the proposed design elements.
- **Engineer** – Contracted and directed by the owner to periodically observe construction of the proposed engineering elements.



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What is Construction Monitoring?

- A review of the quality, accuracy and progress of a construction project.
- The San Diego Housing Commission (SDHC) will oversee all aspects of construction to ensure compliance with agreements.



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Frequency of Construction Monitoring Visits

- Typically monthly during the course of construction and in conformance with monthly draw meetings.



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What Construction Monitoring Includes

- Observation of construction work & monitoring progress toward completion.
- Review of percentage of contract paid against total contract amount, less a 10 percent retention to ensure payments are not ahead of completion.
- Review of General Contractor's contract against project deliverables.
- Assessment of the adequacy of materials and workmanship via photo documentation.
- Verification of conformance with provisions of the construction loan agreement.



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What Construction Monitoring Includes (Continued)

- Verification of the adequacy of the contractor's application for payment.
- Identification & reporting of completed changes and pending/potential change orders.
- Identification & reporting of materials stored on-site and off-site (if requested).
- Review of conformance with construction schedule and notify ownership of actual or potential delays.
- Verification of quality control measures by applicable agencies, architect and engineers, material testing laboratories, etc.
- Review adequacy of on-site labor and address any potential work hindrances or stoppages.



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What Construction Monitoring Includes (Continued)

- Review of sufficiency of funds remaining to complete the project and provide recommendations as appropriate (if requested).
- Confirmation that all major contract invoices submitted for payment are accompanied by current conditional and unconditional lien releases, including from all subcontractors, resolving stop payment notices, and receipt of all final unconditional lien releases prior to final payment.



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What Happens When Development is Non-Compliant

- It is important to have a working knowledge of the legal documents associated with the project.
- In the event of a material default in the performance of any of the terms, covenants and conditions contained in the agreements, all loan payments, principal plus interest, may immediately become due and payable.
- Prior to calling a loan into default, SDHC agreements will include a right to cure period in order to bring the loan back into compliance.





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San Diego Housing Commission Affordable Housing Preservation Notice of Funding Availability (NOFA) Training: Tenant Relocation

Presentation to Preservation NOFA Applicants
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About the Uniform Relocation Assistance Act

- The Uniform Relocation Assistance (URA) and Real Property Acquisition Act is a federal law that establishes minimum standards for federally funded programs and developments that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms.
- URA protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects.
- Administered by the U.S. Department of Housing and Urban Development (HUD).



SDHC – Affordable Housing Preservation NOFA URA Objectives

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement.
- To ensure that no individual or family is displaced unless decent, safe, and sanitary (DSS) housing is available within the displaced person's financial means.
- To help improve the housing conditions of displaced persons living in substandard housing.
- To encourage and expedite acquisition by agreement and without coercion.



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Relocation Issues to Consider

- **Minimizing displacement:** HUD requires that all reasonable steps be taken to minimize displacement as a result of a HUD assisted project.
- **Budgetary implications:** Planning is essential to ensure that sufficient funds are available to comply with all applicable requirements. Plan early so that project budgets will include realistic estimates for acquisition and relocation expenses.
- **Coordination of the development:** The owner, or “grantee,” should take steps to coordinate activities and facilitate cooperation among government agencies, neighborhood groups, and persons affected by the project. This will ensure that the project can proceed efficiently and with minimal duplication of effort.



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Relocation Issues to Consider (Continued)

- **Determining resource needs:** During the planning stage, HUD recommends that the grantee review applicable relocation policies, staffing needs, and training or other capacity building needs to anticipate any issues that may hinder the acquisition and relocation process.
- **Administrative requirements:** Grantees must adhere to HUD administrative requirements involved in the planning for acquisition and relocation projects.



SDHC – Affordable Housing Preservation NOFA URA Noticing Requirements

- URA regulations require three notices to be issued to eligible persons.
- These notices provide important information about the project, the affected persons' resulting rights, their protections, and their eligibility for relocation assistance and payments under the URA.
- It is critical for the owner to issue appropriate notices to affected persons at the appropriate time.



SDHC – Affordable Housing Preservation NOFA URA Noticing Requirements (Continued)

- **General Information Notice (GIN):** Informs affected persons of the development and that they may be displaced by the development.
- **Notice of Relocation Eligibility:** Informs persons that they will be displaced by the development and establishes their eligibility for relocation assistance and payments.
- **90-Day Notice:** Informs displaced persons of the earliest date by which they will be required to move. This notice may not be issued unless a comparable replacement dwelling is available and the displaced person is informed of its location and has sufficient time to lease or purchase the property.



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URA Temporary Relocation Requirements

- When necessary or appropriate, residential tenants who will not be required to move permanently may be required to relocate temporarily for the project.
- Temporary relocation should not extend beyond one year before the person is returned to his or her previous unit or location.
- Any residential tenant who has been temporarily relocated for more than one year must be offered all *permanent relocation assistance*, which may not be reduced by the amount of any temporary relocation assistance previously provided.
- All conditions of temporary relocation must be reasonable.



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- At a minimum, the tenant shall be provided the following:
 - Reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation (e.g, moving expenses, increase in monthly rent or utility costs, etc.).
 - Appropriate advisory services, including reasonable advance written notice of the following:
 - Date & approximate duration of the temporary relocation;
 - Address of the suitable DSS dwelling to be made available for the temporary period;
 - Terms & conditions under which the tenant may lease and occupy the DSS dwelling in the building/complex upon completion of the project; and
 - Provisions of reimbursement for all reasonable out of pocket expenses incurred in connection with the temporary relocation.



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Securing Professional Relocation Services

- In addition to being required by law, relocation advisory services are the single most important part of a successful relocation program.
- Relocation advisory services are required to be provided to all eligible displaced persons, including nonresidential displaced persons.



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Securing Professional Relocation Services (Continued)

- Key advisory services include, but are not limited to:
 - Determining needs and preferences of displaced persons.
 - Explaining available relocation assistance.
 - Explaining a person's right to appeal if they are not satisfied with agency decisions.
 - Offering/providing transportation to locate replacement housing.
 - Offering other assistance (e.g., social, financial and/or housing inspection services, etc.).
 - Providing current and ongoing listings of comparable dwellings for residential displacements and replacement sites for businesses.
 - Supplying information on other federal and state programs offering assistance
 - Providing counseling and other assistance to minimize hardship in adjusting to relocation.



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- SDHC cannot recommend a tenant relocation assistance provider, but can provide a list of providers utilized by developers/owners.
 - Please contact Maurcell Gresham at maurcell@sdhc.org for a list of consultants.



Questions & Comments



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Next Training Sessions:

- Monday, April 19, 2021, 9 a.m. – 12 p.m.
 - Components of Operating Budget and Loan Monitoring
 - Components of Pro Formas
- Friday, April 30, 2021, 9 a.m. – 11 a.m.
 - Compliance Monitoring

For more information, please contact
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