



## FANNIE MAE MULTIFAMILY

### INSTRUCTIONS FOR PERFORMING A MULTIFAMILY PROPERTY CONDITION ASSESSMENT

May, 2017

#### TABLE OF CONTENTS

1.	INTRODUCTION.....	1
1.01.	Property Condition Assessment.....	1
1.02.	Instructions for Performing a Multifamily Property Condition Assessment.....	1
1.03.	Requirements and Qualifications of PCA Consultant .....	2
A.	PCA Consultant Selection by Lender; Reliance by Users.....	2
B.	PCA Consultant Independent Third Party Status .....	2
C.	PCA Consultant Qualifications .....	2
D.	Field Observer Qualifications .....	3
E.	PCA Consultant Insurance Requirements .....	4
2.	OVERVIEW OF THE MULTIFAMILY PROPERTY CONDITION ASSESSMENT ...	5
2.01.	Base PCA .....	5
2.02.	Streamlined Property Condition Assessment.....	5
2.03.	PCA Modules .....	6
3.	PCA SCOPE OF WORK.....	6
3.01.	Phase 1: PCA Preliminary Due Diligence.....	6
A.	Data Collection and Document Review.....	7
B.	Special Hazards, Zoning, Building and Fire Code Violations and Regulatory Compliance .....	8
C.	Pre-Site Visit Questionnaire.....	8
3.02.	Phase 2: Site Visit .....	8
A.	Site Visit Approach .....	9
B.	Interviews .....	9
C.	Observation of Dwelling Units .....	9
D.	Photographic Documentation .....	11
3.03.	Phase 3: PCA Report .....	11
4.	PROPERTY CONDITION ASSESSMENT REPORT.....	12
4.01.	PCA Report Section 1: Executive Summary .....	13
A.	Summation of PCA Findings.....	13
B.	Property Useful Life Table .....	14
C.	Summary of Recommended Repairs and Replacement Cost Estimates.....	15
D.	Known Problematic Building Materials Identified Table .....	15
E.	Property Assessment Form 4262.....	15
F.	Members of PCA Consultant Team.....	15



4.02.	PCA Report Section 2: Opinion of Probable Costs - Cost Estimate Schedules for Immediate Repairs and Replacements of Capital Items.....	15
A.	Determination of Probable Costs .....	16
B.	Cost Estimates for Immediate Repair.....	16
C.	Cost Estimates for Replacement of Capital Items .....	17
4.03.	PCA Report Section 3: Property Characteristics .....	18
A.	Site Components .....	18
B.	Structural Frame and Building Envelope (Architectural Components) .....	20
C.	Mechanical/Electrical/Plumbing Components.....	21
D.	Interiors; Dwelling Unit Components .....	24
4.04.	PCA Report Section 4: Moisture and Microbial Growth and Pest Management.....	25
A.	Moisture and Microbial Growth.....	25
B.	Pest Management.....	26
4.05.	PCA Report Section 5: Special Hazards, Zoning, Building and Fire Code Violations and Regulatory Compliance.....	26
A.	Specials Hazards .....	26
B.	Zoning.....	27
C.	Code Violations .....	27
D.	Regulatory Compliance.....	28
4.06.	PCA Report Section 6: Areas of Additional Assessment.....	28
A.	Known Problematic Building Materials and Property Design Issues.....	28
B.	Summary and Evaluation of Historical Repairs and Replacements, Work in Progress, and Planned Capital Improvements .....	28
4.07.	PCA Report Section 7: Report References, Procedures and Limitations .....	29
A.	References used by the PCA Consultant for Preparation of PCA Report .....	29
B.	Assessment Methodology.....	29
C.	Limitations .....	30
5.	PCA MODULES .....	30
5.01.	General.....	30
A.	Additional Scope of Work.....	30
B.	Additional Required Qualifications .....	30
5.02.	MODULE: Student Housing Property.....	30
5.03.	MODULE: Seniors Housing Property.....	31
5.04.	MODULE: Manufactured Housing Community .....	31
5.05.	MODULE: Cooperative Property.....	33
5.06.	MODULE: Commercial/Retail Use .....	33
5.07.	MODULE: Integrated Pest Management Plan.....	34
A.	Pest Management Contractor Qualifications .....	34
B.	Statement of Work .....	35
C.	Green Preservation Plus Mortgage Loan Requirements .....	37
D.	Subcontractor Requirements .....	37
5.08.	MODULE: High Performance Building Assessment.....	37
A.	Purpose and Module Scope.....	37
B.	HPB Consultant Qualifications; Standard of Conduct.....	38
C.	HPB Report and 4099.H Deliverables.....	39
D.	Methodology .....	41
6.	APPENDICES TO THE INSTRUCTIONS FOR PERFORMING A MULTIFAMILY PROPERTY CONDITION ASSESSMENT .....	45



## INSTRUCTIONS FOR PERFORMING A MULTIFAMILY PROPERTY CONDITION ASSESSMENT

### 1. INTRODUCTION

#### 1.01. Property Condition Assessment

The Property Condition Assessment (“PCA”) is a comprehensive evaluation of the:

- overall physical condition of a multifamily residential property (the “Property”) at a specific point in time; and
- anticipated capital expenditures required at the Property over a specified evaluation period.

The PCA is a capital planning and risk assessment tool that may be used by a multifamily property owner (the “Property Owner”), property manager (the “Property Manager”), mortgage lender (the “Lender”), mortgage loan servicer (the “Servicer”), or Fannie Mae (“Fannie Mae”); the Property Owner, Property Manager, Lender, Servicer, and Fannie Mae are each referred to in these Instructions as a “User”). The PCA provides:

- an assessment of the Property’s current physical condition;
- for each of the Property’s systems and components, an estimate of (i) the effective age, and (ii) the remaining useful life;
- an evaluation of past and current operating and maintenance practices at the Property, and suggestions for future operating and maintenance practices; and
- an identification of current and future physical needs, including all significant (i) capital replacement costs, and (ii) maintenance costs, that are anticipated at the Property during the term of the proposed mortgage loan (the “Mortgage Loan”), plus two years beyond the maturity date of the Mortgage Loan (the “Evaluation Period”).

#### 1.02. Instructions for Performing a Multifamily Property Condition Assessment

These Instructions for Performing a Multifamily Property Condition Assessment (the “Instructions”) provide the scope of work for the firm, project team, or individual conducting the PCA (the “PCA Consultant”) and preparing the report documenting the findings of the PCA (the “PCA Report”). The Instructions are not intended to take away from the professional judgment of the PCA Consultant. Rather, these Instructions will provide the PCA Consultant with:



- the minimum scope of assessment for all asset classes of multifamily properties that may secure a Mortgage Loan to be purchased by Fannie Mae; and
- a standardized format for the PCA Report detailing the findings and opinions of the PCA Consultant.

The Users may have additional requirements for the PCA and PCA Report that the PCA Consultant must meet in addition to these Instructions. Any additional User requirements must be detailed in the contract between the Lender and the PCA Consultant. The PCA Consultant is responsible for using its best professional judgment in determining whether additional property components beyond those specified in these Instructions should be assessed and included in the PCA Report.

### **1.03. Requirements and Qualifications of PCA Consultant**

#### **A. PCA Consultant Selection by Lender; Reliance by Users**

By entering into the agreement with the Lender to conduct the PCA in accordance with these Instructions, the PCA Consultant agrees and acknowledges that Fannie Mae is an intended third-party beneficiary of the PCA and the PCA Report and will act in reliance on the PCA and the PCA Report.

#### **B. PCA Consultant Independent Third Party Status**

The PCA Consultant, its personnel and any subcontractors hired by the PCA Consultant must be independent third-parties, unrelated to, and not have any financial or economic interest in, the Property, the Property Owner, or any affiliated entity of the Property Owner. The PCA Consultant must disclose in the PCA Report if the PCA Consultant is an employee or affiliate of the Lender.

#### **C. PCA Consultant Qualifications**

The PCA Consultant must not be under suspension or debarment by HUD or Fannie Mae, involved as a defendant in criminal or civil action with HUD or Fannie Mae, and not be an FHFA prohibited party. The PCA Consultant, individually or collectively, must meet the minimum qualifications, professional education, training and experience set forth below to perform site visits, evaluate multifamily property components and building systems, and prepare the PCA Report to the specifications set forth in these Instructions. The PCA Consultant must be in compliance with these qualifications from the time of engagement by the Lender through the delivery of the final PCA Report. The PCA Consultant shall include its statement of qualifications in Exhibit F to the PCA Report. The minimum qualifications of the PCA Consultant are set forth below.



1. Education. A qualified PCA Consultant must have a Bachelor of Science degree in engineering, architecture, construction management, historic preservation, construction/building science, or building facilities management.
2. Professional Experience. A qualified PCA Consultant must have the following minimum professional experience:
  - (a) 5 years of professional experience in one or more of the following disciplines:
    - architecture;
    - engineering (structural, mechanical or civil); or
    - construction management and cost estimating (which may include cost estimating experience associated with the preparation of a PCA Report).
  - (b) within the last 3 years, have experience performing multifamily property condition physical needs assessments, completed a minimum of 5 property inspections, and reporting of property condition assessment findings in a manner consistent with these Instructions or ASTM E2018-08, as amended or restated from time to time;
  - (c) prior experience evaluating multifamily properties with comparable building systems and components;
  - (d) knowledge and experience with ASTM E2018-08 “Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process”, as amended or restated from time to time; and
  - (e) knowledge of applicable federal, state and local building codes and regulations of the Property jurisdiction.

#### **D. Field Observer Qualifications**

The representative of the PCA Consultant performing the on-site walk-through survey or site inspection is the “Field Observer”. The Field Observer must meet the following qualifications:

1. Professional Experience. A qualified Field Observer must have the following minimum professional experience:
  - (a) 3 years experience performing property condition assessments and have completed a minimum of 5 property inspections at multifamily properties;
  - (b) prior experience evaluating multifamily properties with comparable building systems and components;



- (c) knowledge and experience with ASTM E2018-08 “Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process” or most current version; and
  - (d) knowledge of applicable federal, state and local building codes and regulations of the Property jurisdiction.
2. Professional Certifications, Registrations and Training. A qualified Field Observer must possess or have successfully completed one of the following current professional certifications, registrations or training programs:
- (a) Bachelor of Science degree or 2-year Associate Degree program in engineering, architecture, construction management, historic preservation, construction/building science, or building facilities management;
  - (b) Commonground University’s Property Condition Assessment online course offered by EDR;
  - (c) Property Inspection Risk Management course offered by the MBA;
  - (d) Real Estate Assessment Center (“REAC”) for the Department of Housing and Urban Development (“HUD”) as a Certified Home Inspector;
  - (e) Building Performance Institute (BPI);
  - (f) American Society of Home Inspectors (“ASHI”);
  - (g) International Association of Certified Home Inspectors (“InterNACHI”);
  - (h) At least 12 years assessing multifamily properties and preparation of ASTM E2018 compliant reports; or
  - (i) other Fannie Mae approved professional certifications, registrations or training.

The PCA Report delivered to the Users be reviewed and certified by a professional engineer or by a licensed or registered architect, in good standing, or by an individual with appropriate experience and certifications in the construction field. The PCA Report should be signed by an employee of the PCA Consultant (i) with experience commensurate with the subject property type and scope (i.e., size, complexity, etc.), (ii) who has reviewed and can endorse the findings of the collective PCA project team , and (iii) who is not a subcontractor of the PCA Consultant.

#### **E. PCA Consultant Insurance Requirements**

The PCA Consultant must have the following insurance coverage in place:

- Commercial General Liability Insurance with limits of at least \$1 million per occurrence and \$2 million aggregate with a maximum deductible amount of \$35,000;



- Professional Liability Insurance with limits of \$1 million per claim and \$2 million aggregate with a maximum deductible amount of \$100,000;
- Worker's Compensation insurance; and
- Automobile Liability Insurance for all owned (if any), non-owned and hired vehicles of \$1 million per accident.

The above policies must be issued by an insurance carrier rated by AM Best A-VI or higher. The PCA Consultant should have appropriate insurance coverage in place for traveling to and from the Property and conducting work at the Property.

The Lender and its successors and/or assigns must be listed as an additional insured on the PCA Consultant's Commercial General Liability Insurance. The PCA Consultant must deliver proof of the required insurance coverage to the Lender, unless previously delivered to the Lender within the past 12 months in connection with another PCA.

## **2. OVERVIEW OF THE MULTIFAMILY PROPERTY CONDITION ASSESSMENT**

### **2.01. Base PCA**

The Base PCA sets forth the minimum due diligence, observation, evaluation and reporting that must be performed by the PCA Consultant for a multifamily property without regard to property type, tenant-mix, or any specific program financing requirements.

### **2.02. Streamlined Property Condition Assessment**

In certain circumstances, the Lender may instruct the PCA Consultant to use an abbreviated or streamlined PCA Report in place of the standard PCA Report (a "Streamlined PCA"). The Streamlined PCA requires the PCA Consultant to:

- observe all of the same components and characteristics at the property outlined in Section 4.03 of these Instructions; and
- report on all Opinions of Probable Costs (as set forth in Section 4.02 of these Instructions).

The PCA Consultant is not generally required to include the same level of detail within the Streamlined PCA Report as in the Base PCA Report, primarily focusing on immediate capital needs, deferred maintenance and capital expenditures anticipated over the Evaluation Period. Guidance for performing a Streamlined PCA is included in Appendix A to these Instructions, "Streamlined PCA Report". The PCA Consultant should note that a User may require additional scope of work beyond that required by the Streamlined PCA in Appendix A to these Instructions.



## 2.03. PCA Modules

In addition to the Base PCA required for all Properties, specific Modules may be required by the Lender. The Modules address unique Property types and uses, as well as specific program financing or other Fannie Mae requirements.

If PCA Consultant determines that a Module is appropriate but not included in the scope of work provided by the User at project engagement, the PCA Consultant should consult with the User to determine whether additional Modules are to be completed. If the PCA Consultant determines that specific Modules are appropriate, but were not included in the scope of work provided by the Lender at the time of engagement, the PCA Consultant must contact the Lender immediately to determine whether additional Modules are to be completed.

Module findings are integrated into the PCA Report and are required for the following Property types, Fannie Mae financing product, or as otherwise required by the Lender or requested by a User:

- Student Housing Properties;
- Seniors Housing Properties;
- Manufactured Housing Communities;
- Cooperative Properties; and
- Properties with multifamily residential mixed with commercial or retail use.

Two additional Modules should only be completed by the PCA Consultant if specifically included in the PCA scope of work:

- Properties requiring an Integrated Pest Management Plan (IPMP); and
- Mortgage Loans secured by a Property requiring a High Performance Building (HPB) Evaluation.

## 3. PCA SCOPE OF WORK

The PCA consists of three phases with the minimum requirements for each phase described in this Section.

- PHASE 1: Preliminary Due Diligence
- PHASE 2: Site Visit
- PHASE 3: PCA Report

### 3.01. Phase 1: PCA Preliminary Due Diligence

Preliminary due diligence will provide the PCA Consultant with an overall understanding of the Property and its past and current operations and performance. The preliminary due





diligence will also allow the PCA Consultant to better define the on-site visit scope of work and provide a more efficient and effective site visit.

#### **A. Data Collection and Document Review**

Review of the following recommended documentation will provide the PCA Consultant with the knowledge necessary to plan the on-site visit and prepare the PCA Report:

- previously completed reports on the Property's condition, including any prior PCA report, seismic report, or environmental assessment;
- Certificates of Occupancy;
- the following items typically found in the Comprehensive Facilities Operation & Maintenance Manual (CFOMM), but which may be requested independently if the Property does not have a CFOMM:
  - Property specifics:
    - Site Survey;
    - As-built Drawings;
    - Finishes and Materials List; and
    - Vendor Data, etc.;
  - Operating Procedures:
    - Systems Overview; and
    - Operating Procedures, etc.;
  - Maintenance Program:
    - Preventative Maintenance Requirements; and
    - Corrective Maintenance Requirements;
  - Deliverables:
    - Operations and Maintenance Plans (e.g., Asbestos, Lead, Mold, other Known Problematic Buildings Materials and Property Design Issues);
    - Maintenance reports, contracts and receipts;
    - Maintenance and repair contracts in place for planned or future capital items
    - Inspection Records and Certificates (i.e., elevator, boiler and safety inspection records); and
    - Warranties; and
  - Training Manuals, etc.



- any additional information related to maintenance and replacement of the Property's capital items;
- any pending proposals for work to be completed or outstanding repair tickets;
- a listing of any planned capital improvements, the scope of work, and project timeline for such improvements.

#### **B. Special Hazards, Zoning, Building and Fire Code Violations and Regulatory Compliance**

Upon engagement, the PCA Consultant should make all appropriate inquiries to obtain and review any relevant information relating to the Property from the local governmental agencies and departments having jurisdiction over the Property (which is typically reproduced and provided upon request to the municipality under the Freedom of Information Act). The review of governmental records and additional inquiries by the PCA Consultant will allow the PCA Consultant to reasonably determine whether the Property has any existing code violations, including building, health, fire, regulatory, and zoning compliance violations. The PCA Consultant will include copies of any such documentation in Exhibit E to the PCA Report. Any information requested but not received should also be documented in Exhibit E to the PCA Report, including any requests made under the Freedom of Information Act.

#### **C. Pre-Site Visit Questionnaire**

Prior to the PCA Consultant's site visit, the Lender or the PCA Consultant should deliver a pre-site visit questionnaire to the Property Owner or the Property Owner's representative (the "Property Point of Contact" or "POC") for completion and the PCA Consultant shall make reasonable efforts to review the pre-site visit questionnaire prior to the site visit. The pre-site visit questionnaire will provide the PCA Consultant with an understanding of the components and systems at the Property and facilitate an effective and efficient site inspection. (See Appendix B to these Instructions, "Pre-Site Visit Questionnaire", for a sample pre-site visit questionnaire.). If the pre-site visit questionnaire is received prior to the Field Observer's site visit, the PCA Consultant should interview the Property Point of Contact to address any needed clarifications and coordinate the on-site scope of work.

### **3.02. Phase 2: Site Visit**

The site visit will provide the PCA Consultant with the information and visual observations necessary to provide a comprehensive evaluation of the overall condition of the Property, its systems and components in order to make a reasonable determination of the Property's functionality and sustainability. The site visit is to be a visual and non-invasive inspection of observable and accessible areas of the Property by the Field Observer. The Field Observer shall use its professional experience, combined with recognized industry standards, to assess the condition, capacity, and appropriateness of maintenance practices of existing Property systems and components, taking into account the local climate and the use of the Property. The Field Observer will determine and compare the effective age of the Property's systems and



components to the year the Property was constructed (including identification of the phases of construction with consideration for significant renovations) as a tool to assess past and current maintenance practices. If the PCA Consultant does not deem current repair and maintenance practices or procedures sufficient to maintain the Property, then the PCA Report should note any deficiency and provide appropriate recommendations.

#### **A. Site Visit Approach**

The Field Observer will conduct a walkthrough of the Property observing the Property's systems and components to identify deferred maintenance items, physical needs and unusual or unique features. The Field Observer is not required to perform diagnostic testing as part of the PCA unless otherwise specifically stated in these Instructions or as required by the Lender or another User. All building exterior surfaces must be observed unless inaccessible. If portions of building exteriors are not accessible, the Field Observer will describe the limitations or obstacles to access. The Field Observer should use its professional judgment if additional systems and components (not included in these Instructions) are present that should be observed and included in the PCA Report.

#### **B. Interviews**

The Field Observer shall conduct on-site interviews with persons determined to be knowledgeable of the Property's history, documenting the years of relevant multifamily experience and employment at the Property of such individuals. If not already received, the Field Observer should collect and review the pre-site visit questionnaire, and address any missing information where appropriate. **The Field Observer must make reasonable efforts to interview the maintenance supervisor and the Property's on-site manager. If these individuals are not available or accessible, the PCA Consultant is to document this as a limitation in the PCA Report.** If the PCA Consultant receives the POC's consent in advance, residents may be interviewed to determine if conditions of their individual units are acceptable and meet their expectations for physical conditions, heating, cooling, utility expenses, noise control and scent or odor penetration. The PCA Report should summarize any relevant tenant interviews or conversations but is not required to identify residents.

#### **C. Observation of Dwelling Units**

The PCA Consultant should inspect a sufficient number of each dwelling unit type and system in each dwelling unit to opine on the present and probable future condition of the dwelling units and their systems. Based on the PCA Consultant's due diligence, site observations, current property operations and maintenance procedures, any planned capital improvements and other available information, the PCA Consultant should use its professional judgment to opine on whether the property and dwelling units will continue to operate in a manner consistent with its current or anticipated (if immediate repairs or renovations are planned) physical condition.



**The PCA Consultant must make reasonable effort to select units for inspection based on a random distribution of unit type, buildings, and floors.** In order to facilitate a random sampling of dwelling units, the PCA Consultant, in a timely manner (typically 24 to 36 hours prior to scheduled on-site visit), will provide the POC with a list of dwelling units to be inspected in order to allow the Property Manager to provide advance notice to those tenants. The POC may identify or recommend additional or replacement dwelling units as deemed appropriate. The PCA Report will identify the dwelling units inspected, including building and unit number, unit type, occupancy status and floor. The PCA Report must identify whether dwelling units were randomly selected by the PCA Consultant or, if not randomly selected, (i) how the dwelling units were selected for inspection, and (ii) the limitation preventing a random selection. The following schedule provides the minimum number of dwelling units required to be accessed and inspected:

(i) Properties with 5 to 50 units:

- A minimum of 5 occupied units will be surveyed.
- Survey all vacant units, up to a maximum of 15, including all units that have been vacant longer than 90 days. If all inspected units do not exhibit a clear and consistent pattern of maintenance and age of components, additional vacant units should be inspected.
- Survey all “down” units (i.e., units not currently in rentable condition).

(ii) Properties with 51 to 300 units:

- Survey a minimum of 10% of all units (occupied or vacant).
- Survey all units that have been vacant longer than 90 days. If all inspected units do not exhibit a clear and consistent pattern of maintenance and age of components, additional vacant units should be inspected.
- Survey all “down” units.

(iii) Properties with more than 300 units:

- Survey a minimum of 5% (but not less than 30) of all units (occupied or vacant).
- Survey all units that have been vacant longer than 90 days. If all inspected units do not exhibit a clear and consistent pattern of maintenance and age of components, additional vacant units should be inspected.
- Survey all “down” units.

If the PCA Consultant is unable to meet the minimum unit inspection requirements set forth above, the PCA Consultant must still be able to make a reasonable determination of the overall condition of the dwelling units at the Property. If the minimum unit inspection requirements were not satisfied, the PCA Consultant must (i) notify the Lender, and (ii) document in the PCA



Report the deviations from the minimum unit inspection requirements and any limitations preventing compliance.

#### **D. Photographic Documentation**

The PCA Consultant shall provide photographic documentation representative of the Property, sufficient in quantity and quality to appropriately document the Property's current physical condition. The photographs should be representative of typical site improvements, amenities, and interior dwelling units. The PCA Report must include photographic documentation of all identified Immediate Repair Items and Replacement of Capital Items (representative photographs may be used as appropriate), clearly illustrating the nature and scope of the required repairs with appropriate description and location identified. All major building systems, equipment, and nameplates should be photographed and included in the PCA Report. If not removed from the appliances, the PCA Report should also include a representative sample of dwelling unit appliance Energy Guide labels according to the Federal Trade Commission's Appliance Labeling rules.

### **3.03. Phase 3: PCA Report**

The PCA Report must provide definitive guidance for each deficiency identified by the PCA Consultant and recommend a course of action for the Property Owner.

The PCA Report must conform to the following format, incorporating the findings of the applicable Module within the appropriate section of the PCA Report. Further instructions for observing and reporting of Property characteristics and components are discussed in greater detail in Section 4 of these Instructions.

#### **Section 1: Executive Summary**

- 1.1 Summation of PCA Findings
- 1.2 Property Useful Life Table
- 1.3 Summary of Recommended Repairs and Replacement Cost Estimates
- 1.4 Identified Known Problematic Building Materials Table
- 1.5 Property Assessment Form 4262 (if completed by the PCA Consultant)
- 1.6 Members of PCA Consultant Team

#### **Section 2: Cost Estimate Schedules: Immediate Repair and Replacement of Capital Items**

- 2.1 Immediate Repair Items: Life Safety, Critical Repair, Deferred Maintenance Items and Items of Note
- 2.2 Replacement of Capital Items (physical needs over the Evaluation Period)

#### **Section 3: Property Characteristics**

- 3.1 Site Components
- 3.2 Structural Frame and Building Envelope (Architectural Components)



- 3.3 Mechanical/Electrical/Plumbing Components
- 3.4 Interiors/Dwelling Unit Components

**Section 4: Moisture and Microbial Growth and Pest Management**

- 4.1 Moisture and Microbial Growth
- 4.2 Pest Management

**Section 5: Special Hazards, Zoning, Building and Fire Code Violations and Regulatory Compliance**

- 5.1 Special Hazards
  - 5.1.1 Peak Ground Acceleration (PGA)
  - 5.1.2 Hazards/Geographic Conditions/Catastrophic Event Potential
  - 5.1.3 Flood Zone
- 5.2 Zoning
- 5.3 Building and Fire Code Violations
- 5.4 Regulatory Compliance

**Section 6: Areas of Additional Assessment**

- 6.1 Known Problematic Building Materials
- 6.2 Summary and Evaluation of Historical Capital Repairs and Replacements, Work in Progress, and Planned Capital Improvements

**Section 7: Report References, Procedures, and Limitations**

- 7.1 References used by the PCA Consultant for Preparation of PCA Report
- 7.2 Assessment Methodology
- 7.3 Limitations

**PCA Report Exhibits**

- Exhibit A: Photo Documentation
- Exhibit B: Location Map, Aerial Photo and Site Plan (if available)
- Exhibit C: Structural Risk Evaluation Questionnaire (if applicable)
- Exhibit D: Pre-Site Visit Questionnaire
- Exhibit E: Record of all Documents Reviewed, Interviews, and Supporting Information
- Exhibit F: Statement of Qualifications (individual qualifications of the PCA Consultant's project team contributing to PCA Report)
- Exhibit G: Statement of Energy Performance (if required)

## **4. PROPERTY CONDITION ASSESSMENT REPORT**

The specific instructions for observing and reporting the base PCA are detailed in this section.



## 4.01. PCA Report Section 1: Executive Summary

### A. Summation of PCA Findings

The PCA Executive Summary will:

- indicate that the report is a Property Condition Assessment, at whose request the PCA was ordered, and certifying that the PCA Report was prepared in accordance with, and meets the minimum scope of work and other requirements of, these Instructions (including the date of the Instructions and version number);
- state the purpose of the Property Condition Assessment, if known;
- state which Modules are incorporated;
- provide a summary description of the Property, including, but not limited to:
  - name of the Property;
  - location;
  - use;
  - size (including number of buildings, square footage and number of dwelling units);
  - age;
  - construction type;
  - visibility and accessibility from major or public roadways; and
  - occupancy type;
- describe which standards and protocols were used for preparation of the PCA Report and a certification by the PCA Consultant that required minimum protocols and standards were met, including reliance language;
- state the site visit date;
- state the names of the individuals from the PCA Consultant, the Property Point of Contact, and all Property Owner representatives providing information or attending the Property site visit;
- describe the weather and conditions at the time of the site visit;
- identify whether any limitations or constraints prevented the PCA Consultant from performing the entire required scope of the PCA as set forth in these Instructions; and
- provide a concise summary of the conclusions reached by the PCA Consultant concerning the overall condition of the Property, including the PCA Consultant's professional opinion of the Property's future prospects, and the quality of the current maintenance programs based on the collective due diligence, site observations, current Property operations and maintenance procedures, any



planned capital improvements and other available information. The PCA Consultant should use its professional judgment to opine whether the property will continue to operate in a manner consistent with its current or anticipated (if immediate repairs or renovations are planned) physical condition. If the PCA Consultant does not deem that planned improvements or current repair and maintenance practices are sufficient to maintain the Property in its current condition or improve the condition of the Property, then the PCA Report should note any deficiencies and provide appropriate recommendations.

## **B. Property Useful Life Table**

The completed Property Useful Life Table (See Appendix D to these Instructions, “Guidance on Preparing PCA Report Schedules and Tables”, and Appendix E to these Instructions, “Property Condition Assessment Report Templates - Useful Life Table and Cost Estimate Schedules”) will be included in the Executive Summary section of the PCA Report. The Property Useful Life Table will include the PCA Consultant’s professional opinion of the effective age and remaining useful life of the Property’s systems and components, incorporating environmental, geographic, maintenance, resident or other factors, beyond normal wear and tear, that may impact the Effective Age (“Eff Age”) and Remaining Useful Life (“RUL”). To complete the Property Useful Life Table, the PCA Consultant will reference the standard useful life tables for multifamily property systems and components set forth in Appendix F to these Instructions, “Estimated Useful Life Tables”. The Estimated Useful Life (EUL) Tables represent average Estimated Useful Life values and are not intended to replace the professional judgment of the PCA Consultant in determining the Effective Age and Remaining Useful Life of the Property’s systems and components.

The PCA Consultant will evaluate and rate the Property systems, components and equipment based on a 1 (best) through 5 (worst) scale and further defined in Appendix D to these Instructions - “Guidance on Preparing PCA Report Schedules and Tables”. Any Property component with a Remaining Useful Life that does not extend beyond the Evaluation Period (or where the Property Rating indicates substandard maintenance practices) must be addressed in the PCA Report, either in the Cost Estimate Schedules or providing a justification for exclusion (e.g., the component is included in routine maintenance or covered by warranty, etc.). If the Remaining Useful Life or Property Rating of a particular Property system or component varies significantly (e.g., 75% of the HVAC systems at the Property have a RUL of 15 years and 25% of the HVAC units have a RUL of 3 years), the PCA Consultant will provide the estimated range of that system or component and footnote the estimated number or percent that have a RUL of less than the Evaluation Period. Alternatively, the PCA Consultant may use multiple lines on the Property Useful Life Table to differentiate a single system comprised of components with differing RULs. The PCA Consultant must state a specific conclusion on the condition of the Property systems, components, and equipment, and is not permitted to use the term “varies” as a conclusion.





### **C. Summary of Recommended Repairs and Replacement Cost Estimates**

The Executive Summary will include the Summary of Recommended Repairs and Replacement Cost Estimates table summarizing the PCA Consultant's professional opinion of probable costs (as set forth in Section 4.02). (See Appendix E, "Property Condition Assessment Report Templates - Useful Life Table and Cost Estimate Schedules", for report templates.)

### **D. Known Problematic Building Materials Identified Table**

The Executive Summary will include a summary table that includes a summary of identified Known Problematic Building Materials and Property Design Issues as set forth in Section 4.06 of these Instructions. Additional information on Known Problematic Building Materials and Property Design Issues is included in Appendix G - "Known Problematic Building Materials", to these Instructions. Appendix G is not meant to be an all-inclusive list of all known building material and design issues, and the PCA Consultant should use its professional judgment to determine the presence of any additional problematic building material or design issues at the Property.

### **E. Property Assessment Form 4262**

If the PCA Consultant is requested by the Lender to complete the Fannie Mae Property Assessment Form (Form 4262) simultaneously with the PCA Report, the Executive Summary will include a copy of the Fannie Mae Property Assessment Form 4262, Excel Worksheet Tab labeled "Form 4262". Additional worksheet tabs (i.e., photographs and brochures) must be completed with the Form 4262 when required, but such additional worksheets should not be included in the Executive Summary of the PCA Report.

### **F. Members of PCA Consultant Team**

The Executive Summary will also list the names, titles and certifications of the individuals who actively participated in the PCA and the preparation of the PCA Report, followed by the signatures of each qualified participants and his or her qualifications as required by these Instructions.

## **4.02. PCA Report Section 2: Opinion of Probable Costs - Cost Estimate Schedules for Immediate Repairs and Replacements of Capital Items**

The PCA Report will present the PCA Consultant's professional opinion of the probable cost, including installation, for each (i) item needing immediate repair (an "Immediate Repair"), and (ii) capital item reasonably expected to need replacing (a "Replacement of Capital Item") during the Evaluation Period. All cost estimates provided as part of the PCA must reference the source.



## **A. Determination of Probable Costs**

When estimating the costs of repairs or the required replacement of a capital item, the PCA Consultant should consider:

- reviewing data from contractors and vendors on unit pricing and labor costs (but excluding labor costs if work can be performed satisfactorily by the Property maintenance staff);
- obtaining base materials and labor costs from the R.S. Means handbook or other industry standard estimating guide (the Means or other handbook used should be no more than two years in age, and the PCA Consultant should (i) inflate costs 3% per year for each year out of date, and (ii) use City Indices, as the differences between cities can be significant);
- accounting for associated demolition, construction and finishing work that may be required for installations;
- including “hidden costs” (i.e., asbestos or lead abatement, sidewalk bridges and scaffolding for window repair/replacement, etc.) or explicitly state otherwise and recommend if an additional assessment is necessary;
- including design, analysis and construction management costs, to the extent reasonable, and overhead and profit (O&P), as appropriate, in the cost estimate (e.g., if design of a new heating system is required, the cost of this design must be included as part of the cost of the heating system, allowing for the cost effectiveness of measures to be more fairly and accurately assessed); and
- including construction management and third party inspector fees, if required, in the overall project costs.

The cost estimates for the repair or replacement of all systems or components are to be based on parts and equipment that meet the most stringent of (i) minimum specifications mandated by applicable federal, state and local building codes, fire codes, and regulations for renovations, (ii) the current minimum guidelines established by the Department of Energy (DOE) energy efficiency standards for certain appliances and equipment pursuant to the Title III of the Energy Policy & Conservation Act of 1975 (42 U.S. Code, § 6291-6313, as amended), or (iii) other Fannie Mae approved sources.

## **B. Cost Estimates for Immediate Repair**

The cost estimates for Immediate Repairs include the categories discussed below. The PCA Report will document the Immediate Repairs using the appropriate table format provided in Appendix E to these Instructions, “Cost Estimate Schedule for Immediate Repairs”, and which will set forth a description of the physical deficiency and opinion of the probable cost associated with correcting such deficiency. Immediate Repairs include:

- Immediate Repair Items, including Life Safety Items, are items that, in the PCA Consultant’s professional judgment, if left in the current condition, have the



potential to cause injury, illness, or death to employees, residents, or guests at the Property. These Instructions do not attempt to define Life Safety, instead relying on the professional opinion of the PCA Consultant to identify Life Safety items unless considered a Life Safety violation by federal, state, or local law, ordinance, or code;

- Critical Repair Items are items requiring immediate remediation to:
  - prevent additional substantial deterioration to a particular system;
  - address an immediate need observed by the PCA Consultant; or
  - extend the life of a system critical to the operation of the Property.

Critical Repairs include equipment or property components with extreme deficiencies that will cause damage or continued deterioration of a system if left unmitigated. Critical Repairs also include corrections of conditions that adversely affect ingress or egress and sustained occupancy at the Property. Critical Repair items are those items that should typically be addressed immediately or within 6 months from the date of the PCA Report);

- Deferred Maintenance Items are items are material systems, components, or equipment that are approaching, have reached, or have exceeded their estimated useful life, and which have the potential to affect the Property's financial and operational performance if not remediated in a timely manner (typically within 12 months from the date of the PCA Report); and
- Items of Note are repair and maintenance items that need to be addressed where the opinion of probable costs is, in the aggregate, less than \$3,000.

### **C. Cost Estimates for Replacement of Capital Items**

The cost estimates for Replacement of Capital Items include the Property's material systems, components, and equipment expected or required to be maintained or replaced at the Property over the Evaluation Period. Replacement of Capital Items are items anticipated, in the PCA Consultant's professional judgment, to meet or exceed their Remaining Estimated Life during the Evaluation Period, and which, if not repaired or replaced, have the potential to materially affect the Property's financial or operating performance. The PCA Consultant should evaluate the sufficiency of the Property Owner's cost estimates and implementation schedule for capital items already scheduled by the Property Owner to be replaced at any time during the Evaluation Period, but not include such items on the Cost Estimate Schedule for Replacement of Capital Items, unless specifically requested by either the Lender or the Property Owner. The cost estimates for Replacement of Capital Items will not include the cost estimates for repairs included in the Cost Estimate Schedule for Immediate Repair Items unless additional recurring maintenance to these same items will also be required during the Evaluation Period.

The PCA Report should provide a recommendation regarding anticipated capital items replacements, with appropriate detail on the timing, location, and nature of the anticipated capital



replacement needs. The PCR will document the Replacement of Capital Items using the table format as provided in Appendix E to these Instructions, “Cost Estimate Schedules for Replacement of Capital Items”. The schedule of Replacement of Capital Items will include itemized current replacement cost and inflation adjusted replacement costs. A 3% annual inflation factor will be added to the cost estimates for Replacement of Capital Items from the date of the PCA Report through the scheduled replacement date.

### **4.03. PCA Report Section 3: Property Characteristics**

The PCA Report will include a description of the condition of the Property systems, components, and equipment, including recommended replacement specifications, repairs, maintenance, and scope of work for any recommended repairs or replacements. The PCA Consultant will evaluate and rate the Property systems, components, and equipment on a 1 (best) through 5 (worst) scale. Property Condition Standards and Ratings are further defined in Appendix D to these Instructions, “Guidance on Preparing PCA Report Schedules and Tables”.

The PCA Consultant should include the following assessments and evaluations.

#### **A. Site Components**

1. Site Configuration and Size: Report on the number of separate parcels of land, shape, general topography, and acreage, and explicitly state whether all parcels are parcels are contiguous, non-contiguous, or scattered site.
  - A “contiguous Property” consists of either (i) a single parcel, or (ii) multiple parcels of multifamily residential properties that are either adjoining or separated by dedicated or private streets that are not major arterials, and have the following characteristics:
    - all parcels of the Property have been operating as one project;
    - the parcels are within a reasonable distance from each other (no more than 0.25 miles apart), and are all within the same submarket;
    - any shared amenities on any parcel are available to all tenants;
    - the location of amenities on one parcel does not materially adversely affect the rents at another parcel without amenities; and
    - no elevated vacancy level exists at one parcel due to the Property’s configuration.
  - A “non-contiguous Property” consists of multiple parcels of multifamily residential properties that are (i) either not adjacent or are separated by dedicated or private streets that are major arterials, or



(ii) does not otherwise meet all of the above characteristics for a contiguous Property.

- A “scattered site Property” is comprised of several non-contiguous parcels of non-multifamily housing units (e.g., single-family townhomes) dispersed throughout an area, community, or development.
2. Utility Providers: Provide a table that lists each utility provider to the Property and the utility provided.
  3. Site Landscaping, Grading and Drainage: Identify site appurtenances, including irrigation systems, water features, signage (monumental, roadway, and parking signage), and ponds, including detention and retention ponds. Observe landscaping, noting types and extent of trees, ornamental shrubberies, and landscape planting areas. Observe the site topography, unique features or conditions. Report the storm water collection and drainage system.
  4. Water and Sanitary Lines: Identify and report on major utility and plumbing systems including piping (supply water, storm and sanitary lines. If available identify and report the type of utility provided plumbing materials. If applicable, identify timing of known or needed replacements including anticipated operations and maintenance, presence of unique design features, as well as the suspected or known presence at the Property of any known problematic building materials or design issues identified in Appendix G to these Instructions, “Known Problematic Building Materials and Building Design Issues”.
  5. Ingress/Egress: Observe ingress and egress to the site. Identify condition of paved areas and if the Property is located in a walkable neighborhood, determine whether site sidewalks and pathways are connected to neighborhood walkways. Describe site security type or secured site ingress or egress.
  6. Flatwork, Parking Areas, and Walkways: Observe drive and parking area material, paving, and curb systems. Interview building maintenance personnel to obtain a general idea of the maintenance and performance history of the drive and parking areas, if not already provided. Visually examine sufficient portions of the pavement surface to evaluate overall conditions and to identify the type, extent, and severity of existing problems. Determine whether there are any serious underlying deficiencies. Provide recommendations as to the types of repairs that are needed to restore or maintain a serviceable pavement. Observe sidewalks, pool decks, and patios.
  7. Site Lighting: Identify and observe all site lighting systems. Identify lighting system controls such as programmable timers, occupancy sensors and photocell technology. Assess the “effectiveness” of the site lighting systems, including a determination whether:
    - light fixtures are operational;
    - lamp covers are free from excessive staining;



- light fixtures are non-obstructed by landscaping or other material; and
- the Property appears to have sufficient lighting.

Assessment of the “effectiveness” of the site lighting is intended to be a visual inspection during the site visit, as a night site visit is outside the scope of work of these Instructions.

8. Site Fencing and Retaining Walls: Observe types, locations, and conditions of site fencing and retaining walls.

## **B. Structural Frame and Building Envelope (Architectural Components)**

1. Building Structures: Observe the number, stories and exteriors of all apartment buildings. Observe every structure, including offices, clubhouses, garages, and maintenance buildings. Observe different ages or phases of construction and identify different construction materials. Determine the age of the Property through the review of building permits and certificates of occupancy; identify phases of construction and significant renovations to assist in establishing the effective age of the Property’s systems and components to determine the remaining useful life.
2. Foundations: Observe type of foundation noting the presence of basements or crawl spaces. Observe conditions identifying signs of movement or distress. To the extent visible from the point of access, observe crawl space for finish, insulation, cracks, and moisture. If crawl space is not accessible, explicitly state that crawl space is not accessible.
3. Framing: Identify the basic type of each structure at the Property (e.g., wood frame, steel frame, cast-in-place concrete, precast concrete or concrete block). Describe floor and roof framing systems, including condition.
4. Building Cladding (i.e., Exterior Wall Finishes): Observe building envelope noting types of exterior cladding (e.g., brick, wood, composite, vinyl, cement fiber, etc.). Exterior conditions are generally viewed from ground level. Observe conditions and maintenance practices as well as the presence of graffiti or evidence of vandalism. If information or documentation is readily available, the PCA Report should document type and age of insulation at the Property.
5. Roof Systems: Observe roof type, noting access, slope, coverings, color, and flashing, including copings, parapets, and chimneys. Look for evidence of damage, leaks, or ponding of water on the roof systems. Indicate whether roof access is permitted by residents. Report roof age and remaining term of roof warranty. Inquire with POC regarding roofing insulation type and age. If readily ascertainable, identify if roof utilizes “green” technologies such as roof top gardens and “cool roofs” that can deliver high solar reflectance, or have a solar reflectance index (SRI) rating, etc.



6. Appurtenances: Observe all exterior stairways, balconies, decks, railings, patios, and breezeways. Identify type (e.g., balcony, French balcony, inset balcony, deck, floating deck, cantilevered deck, porch, patio, veranda, terrace, porte-cochere, etc.) and construction materials (e.g., wood, steel, concrete, etc.), and report observed conditions. Observe for storage of materials that would otherwise be prohibited by Property rules or regulations, local code or regulations, or that would be considered a fire code violation.
7. Doors and Windows: Observe a representative number of windows and doors, noting material types, hardware, and condition of weather-stripping and door sweeps.
8. Amenities: Observe and report on all building amenities and structures (including leasing office, clubhouse, laundry facilities, swimming pools, car washes, sports courts, tot lots, presence of bicycle parking or storage areas), Wi-Fi accessibility, etc. Report existence of ENERGY STAR® and/or WaterSense®-rated appliances and ratings of appliances, if available, and other observed equipment.

### **C. Mechanical/Electrical/Plumbing Components**

If the number or percentage of mechanical, electrical and plumbing components or systems to be inspected is not specified by the Lender, the PCA Consultant should inspect sufficient site systems to state with confidence the present and probable future condition of each system at the Property.

1. Water Distribution and Domestic Hot Water System: Identify and observe the plumbing system materials (domestic hot and cold water). Identify and observe hot water equipment, any special equipment, such as water softeners, and condition of insulation at supply lines. Identify and, if appropriate, recommend:
  - installation of low-flow devices, including toilets, shower heads, faucets, or faucet aerators or
  - insulation of all hot water supply lines or steam pipes.

Unless mandated by federal, state, or local building codes, recommendations for installation of water conservation fixtures or insulation features for hot water supply lines should not be included in the Cost Estimate Schedules.

2. Sanitary Waste and Vent: Observe and identify the sanitary system components and materials. Determine performance based upon interviews and physical observations. All public underground utilities must comply with local conditions and code requirements. The PCA Consultant should alert the Lender immediately if a private sewage treatment plant, septic system, or private water is present, if not previously disclosed by the Lender to the PCA Consultant. If a private sewage treatment plant, septic system, or private water is present, the PCA Consultant should identify components and estimated costs for maintaining the



systems. When evaluating private water and sewage treatment facilities, the PCA Consultant should consider the following:

- Determine whether the facility is owned by a separate entity than the Property Owner.
  - The facility's historic performance must be evaluated to ensure satisfactory compliance with all applicable state and local government requirements. Verify that any historical violations were minor in nature and that corrective actions have been properly and permanently implemented.
  - The facility and its operator, including its employees and contractors, must meet or exceed all applicable federal, state and local government requirements necessary to perform the facility's ongoing operation and maintenance. If the operator of the facility is a related entity of the Property Owner, the PCA Consultant should verify the availability of a local, qualified vendor that could be retained if it is necessary to obtain substitute services.
  - After exercising reasonable due diligence, including contacting municipal agencies, the PCA Consultant shall determine if the Property has been required to connect to a municipal water and sewage system by some future date, and the cost estimate to comply with any current (or likely future) requirement to connect to a municipal water and sewage system.
3. Heating/Cooling System and Controls: Observe and identify the HVAC and, if applicable, renewable energy systems using nameplate analysis and include types of units, size of units, capacity of units, distribution systems, and thermostats. Determine the age of the components and any apparent upgrades and replacement components. Report on operation and maintenance practices, such as condition of mechanical rooms, filter replacements, preventative maintenance, etc. Observe and report on EnergyGuide Labels or ENERGY STAR rating of system equipment, if available. Identify whether the Property utilizes programmable thermostats and/or Equipment Management Systems (EMS). If programmable thermostats are present, the PCA Consultant shall inquire whether the thermostats have been pre-programmed.
4. Ventilation Systems: Observe and comment on the adequacy of ventilation systems, through interviews and the on-site visit. Address the following ventilation items within the PCA Report. [Note: these Instructions do not require the diagnostic testing of the ventilation system.]:
- Observe and report whether ventilation vents appear to be functioning properly or have excess dust or dirt build up.





- Report whether the Property utilizes roof fans. If the Property has roof fans, confirm they are operational.
- Observe and document the Property's smoking policy. Identify whether there are smoke-free areas, such as buildings, playgrounds, common areas, etc.

Following is a list of additional items recommended for review and observation of ventilation systems. Non-observable items may be excluded. The on-site survey is intended to be a visual non-invasive observation of visible and accessible areas of the Property.

- Determine whether the ventilation system is operating in the manner in which it was intended and appears to be properly installed.
- Identify the type of controls by which the ventilation is run, including whether the ventilation system is on a timer or if the system runs continually. Observe estimated ventilation speed (i.e., maximum, high, medium low, off).
- If observable, verify air ducts are sealed and free from cracks and gaps.
- If observable, verify the connection between building duct work and sheetrock or plaster is free from cracks and gaps.

5. **Electrical Service**: Identify the service size and the distribution system including, transformers, meters, distribution panels, lighting systems, and other electrical equipment or systems. **For individually metered properties, Fannie Mae requires a minimum amperage (as determined by the amperage rating stated on the main breaker for each individual unit) of 60 amperes for each dwelling unit. The minimum amperage identified at the Property for dwelling units may be determined by the PCA Consultant based on a representative sample of dwelling units and must be included in the PCA Report.**

**NOTE:** Adding all of the individual breakers at the dwelling unit level subpanel is not adequate. The amperage must be a minimum of 60 amps. If the amperage is below 60 amps, the PCA Consultant should further evaluate the adequacy of the electrical service based on:

- Property characteristics, such as unit sizes, fuel sources for the mechanical equipment, cooking and typical living styles;
- interviews with Property staff and residents, as available, to determine whether the fuse blows or breakers trip on a frequent basis; and
- discussions with Property maintenance staff regarding the configuration of outlets and amperage in order to identify whether



appliances that demand high current (such as heating appliances) are connected to a low amperage circuit. Note that the refrigerator should always be on its own circuit.

All dwelling units should have circuit breakers, not fuses, as circuit overload protection. However, if fuses are identified in units, fuses must be tamperproof, local code compliant and not a life safety issue for the Property. If aluminum wiring is present, see Appendix G to these Instructions, “Known Problematic Building Materials and Property Design Issues”, for further discussion of potential issues, such as Aluminum branch wiring, fused subpanels, and Federal Pacific Stab Lok breakers, as well as appropriate evaluation of such issues.

6. **Fire and Life Safety Systems:** Identify and observe condition and age of life safety and fire protection systems and equipment, including sprinklers, hydrants, alarm systems, water storage, smoke detectors, extinguishers, emergency lighting, and carbon monoxide detectors. Carbon monoxide detectors are required in dwelling units and common areas with attached garages or a fossil fuel source (e.g., natural gas, heating oil, propane, etc.).
7. **Elevators:** Identify equipment type, number of elevators, and capacity. Observe condition of cabs and audible communication equipment. Identify maintenance contractor (if existing). Verify certifications are current and provide copies in the PCA Report and verify that no violations exist with the city, county or state governmental authorities. Identify components and costs if major replacements are anticipated during the Evaluation Period.
8. **Site Security:** Observe and identify security systems and components, including on-site guards, offsite contractors, cameras and alarms.

#### **D. Interiors; Dwelling Unit Components**

1. **Common Area Interior Finishes:** Identify and observe conditions of all common area interior finishes (e.g., floor and wall coverings, etc.) in common areas. Identify common area furniture, fixtures, and equipment.
2. **Dwelling Unit Summary:** Provide a summary table of unit count by unit type, including number of occupied units, vacant units, and down units (i.e., units not currently in rentable condition), and dwelling units under renovation. The PCA Report must disclose units inspected by the Field Observer during the site visit.
3. **Down or Vacant Units:** Observe conditions and identify any needed repairs and cost estimates to restore down units to a rentable condition, and whether systems, components, or appliance poaching (i.e., management making vacant units not



rentable by moving systems, components, or appliances from vacant or down units into rentable units) is observed.

4. Unit Finishes: Observe and identify finishes and general conditions, and report on maintenance practices and frequency of routine unit inspections.
5. Cabinets, Counters, and Sinks: Observe and identify materials, conditions and age. Note history of replacement vs. refurbishment. Identify whether water conservation devices are being utilized at the Property.
6. Appliances: Observe and identify appliance package, age, and condition. Based a representative sample, observation and appliance model numbers, report on appliance EnergyGuide labels per the Federal Trade Commission's Appliance Labeling rule in effect since 1980. If EnergyGuide labels are not visible or available, the PCA Consultant may use the manufacturer's website to look up and print a copy of the EnergyGuide label for a representative sampling of dwelling unit appliances.
7. Bathroom Vanities, Washbasin, Shower/Tub, and Toilet: Observe and identify materials, conditions, and age. Note history of replacement vs. refurbishment. Identify whether water conservation devices are being utilized at the Property.
8. Cable or Internet Availability: Report on accessibility, type of access, provider and speed.

#### **4.04. PCA Report Section 4: Moisture and Microbial Growth and Pest Management**

The Moisture and Microbial Growth and Pest Management section of the PCA Report will include the following scope of work.

##### **A. Moisture and Microbial Growth**

The PCA Report must address the presence of moisture intrusion and microbial (mold) growth in the areas requiring inspection, as well as if the Property has a history of mold issues. The PCA Consultant shall:

- observe visual and olfactory evidence of microbial growth;
- make inquiries regarding current moisture intrusion or any known microbial growth issues;
- make inquiries regarding tenant complaints pertaining to mold or microbial growth;



- inspect all areas reported and observed to have moisture intrusion, mold, or microbial growth; and
- identify any defective or problematic material that may result in water intrusion.

Inquire whether a Moisture Management Plan (“MMP”) is in place. The Moisture Management Plan provides procedures to safely identify and mitigate risks related to moisture and mold. The Moisture Management Plan follows a tiered approach of controlling moisture so mold growth is not promoted and, if mold is discovered, minimizing its impacts and preventing further contamination by isolating and remedying the source of the problem and any affected materials. If a Moisture Management Plan is in place, obtain a copy, review and report whether it adequately addresses the PCA Consultant’s current findings. Verify that any Moisture Management Plan currently in place is being implemented. If a Moisture Management Plan is not in place but deemed necessary, the PCA Consultant should recommend that a Moisture Management Plan be implemented.

## **B. Pest Management**

Observe for the presence of pests and vermin. If pests are observed, recommend appropriate pest control measures. Determine if there is a site pest management plan incorporating a range of practices for economical control of pests. If pests are observed and a plan is in place, recommend additional investigation or correction of any deficiencies in the plan, if apparent. Observe for the presence of termites and other wood destroying organisms. If evidence of termites is observed, identify how evidence was observed and extent of observation and include sufficient photographic record. If evidence of termites is observed, recommend additional assessments or inspections.

## **4.05. PCA Report Section 5: Special Hazards, Zoning, Building and Fire Code Violations and Regulatory Compliance**

### **A. Specials Hazards**

#### **1. Peak Ground Acceleration (PGA):**

Determine the Peak Ground Acceleration (PGA) for the Property based on the Property address or longitude and latitude. If the PCA Consultant is not able to identify the site specific PGA for the Property, an approximate PGA range based on the Property’s county or state is acceptable. The PCA Consultant must state whether the Property is located in an area with a Peak Ground Acceleration (PGA) equal to or greater than 0.15g (15% of the acceleration of gravity (g), using a 10% in 50-year exceedance probability, as shown by the most recent United States Geological Service data for the area Peak Ground Acceleration). If this threshold is met, the PCA Consultant must then identify the site specific Peak Ground Acceleration using the Property’s address or its latitude and longitude.



A Structural Risk Evaluation (SRE) Questionnaire (see Appendix C to these Instructions, “Structural Risk Evaluation Questionnaire”) must be completed for any Property identified as having a PGA greater than 0.15g as described above.

2. Hazards/Geographic Conditions/Catastrophic Loss Potential:

(a) State whether the PCA consultant believes that the region has a propensity toward any of the events below and, if so, (i) comment on the construction types and their expected performance in such event, and (ii) identify conditions that may impact the performance of the Property during such catastrophic event, such as expansive soils.

- Earthquake;
- Volcanic activity;
- Flood;
- Hurricane;
- Tornado;
- Wind;
- Sinkhole;
- Landslide; or
- Wildfire.

3. Flood Zone: Review FEMA flood map and provide the flood zone or zones in which all portions of the Property are located. Identify the map number and date of publishing.

**B. Zoning**

Identify the zoning code and requirements applicable to the Property, and any zoning code violations that may exist, or whether the Property is a permitted non-conforming use.

**C. Code Violations**

1. Building Codes: Identify violations observed during the site walk through and request information for all building code violations cited by the local governmental authority that have not been remedied. Determine the timing and costs to remediate any such open code violations and make recommendation to achieve compliance. Documentation of all violations must be included in Exhibit E to the PCA Report.

2. Fire Codes: Identify violations observed during the site walk through and request information relative to violations cited by the fire department that have not been



remedied. Determine timing and costs and make recommendation to achieve compliance.

#### **D. Regulatory Compliance**

1. Americans with Disabilities Act (ADA) and Fair Housing Act (FHA): Perform a visual survey of the Property's compliance to the extent applicable with the ADA, FHA, and similar state and local laws. The ADA visual survey should include, but not be limited to: (a) number of on-site ADA-designated parking spaces, (b) overall accessibility, including, but not limited to, sidewalks, entrances, restrooms, and access to common areas such as the leasing office and property amenities, and (c) elevator controls, notices and safety features.
2. Energy Retro-Commissioning: If applicable, determine compliance with local, state or federal retro-commissioning, energy audit or other energy benchmarking compliance actions. If the Property is not compliant, the PCA Report should state that the Property is not compliant and recommend additional assessment.
3. Energy Performance Metrics: For a Property subject to federal, state, or local energy consumption reporting requirements, the PCA Report must include the Property's ENERGY STAR score for Existing Multifamily on a 1 to 100 scale, and the Source Energy Use Intensity (EUI). The metrics should be calculated for the most recent calendar year available.

A copy of the current Statement of Energy Performance from the Property's account in ENERGY STAR Portfolio Manager<sup>®</sup> provided by the Property Owner should be included as Exhibit G to the PCA Report.

### **4.06. PCA Report Section 6: Areas of Additional Assessment**

#### **A. Known Problematic Building Materials and Property Design Issues**

The PCA Report must identify report and evaluate on any observed, reported, or suspected known problematic building materials or design issues currently installed, in use at or located on the Property. (See Appendix G to these Instructions for a partial list.)

#### **B. Summary and Evaluation of Historical Repairs and Replacements, Work in Progress, and Planned Capital Improvements**

1. Summary of Historical Repairs and Replacements. If available, the PCA Report will include a summary of major capital expenditures over the prior three years, including improvement name and brief description, timing of improvement, and cost.



2. Work in Progress. The PCA Report will include all relevant information concerning any work observed to be underway at the Property during the site visit or that is known to be under contract. For purposes of the Cost Estimate Schedules, work in progress should not be assumed to be complete. The PCA Consultant should discuss the work schedule with the POC and the Lender to determine whether the estimated completion time is within the Evaluation Period. Regardless of the estimated completion date, if work in progress is observed to be unacceptable in quality or scope, the cost of an acceptable remediation should be included in the Cost Estimate Schedules. Work is only considered complete when all work is done, paid in full and lien-free.
3. Planned Capital Improvements. The PCA Report will include a summary of all capital improvement items that are already scheduled by the Property Owner to be completed at any time during the Evaluation Period, along with the PCA Consultant evaluation of the sufficiency of the Property Owner's cost estimates and implementation schedule. The PCA Consultant should not include the cost of such planned capital improvements in the Cost Estimate Schedules, unless specifically requested by either the Lender or the Property Owner.

#### **4.07. PCA Report Section 7: Report References, Procedures and Limitations**

##### **A. References used by the PCA Consultant for Preparation of PCA Report**

The PCA Consultant shall reference any federal, state or local codes used in connection with preparation of the PCA Report.

**The PCA Report must disclose all relevant documentation and sources used in preparation of the PCA Report including the Cost Estimate Schedules for Immediate Repairs and Replacement of Capital Items in Exhibit E of the PCA Report.** If a source used by the PCA Consultant is not a commercially recognized source, the PCA Report must include documentation supporting the cost estimates derived from such source. The PCA Consultant shall have available, at the Lender's request, electronic copies of all relevant documentation used in preparation of the PCA Report. All documentation requested by the PCA Consultant but not received from the Property Owner, the Point of Contact, or the Lender will also be documented in Exhibit E to the PCA Report.

All calculations and models, if any, used in preparation of the PCA Report must be transparent, consistent with industry standards, and supportable.

##### **B. Assessment Methodology**

The PCA Consultant shall reference the standards and protocols applied to the PCA Consultant's preparation of the PCA Report, including the additional requirements of any User.



### **C. Limitations**

The PCA Consultant shall also describe all limiting conditions encountered during the conduct of the PCA and the preparation of the PCA Report.

## **5. PCA MODULES**

### **5.01. General**

#### **A. Additional Scope of Work**

A PCA Module requires additional assessment by the PCA Consultant, building on the findings of the Base PCA. The findings of the PCA Module are integrated directly into the PCA Report. Modules apply to specific asset classes or property uses, program financing requirements or otherwise as required by the Lender. For each required Module, the PCA Consultant must satisfy the additional required scope of work described below for that Module.

#### **B. Additional Required Qualifications**

In addition to the qualifications required in Section 1.03 of these Instructions, a qualified PCA Consultant must have previous experience in performing property condition assessments and property inspections for multifamily asset classes or in connection with loans having special product features comparable to those in the Module required for the Property's asset class or the special product feature or execution of the Mortgage Loan to be secured by the Property as required by the Lender. Additional qualifications may be specified in the specific PCA Module. The PCA Report must include a summary of PCA Consultant's prior experience completing each Module required for a Property.

### **5.02. MODULE: Student Housing Property**

A Student Housing Property requires specific components to be observed and reported that are specifically associated with these types of facilities, such as furniture, fixtures, and equipment. When determining Estimated Useful Life (EUL), the PCA Consultant will refer to the student column of the EUL table in Appendix F of these Instructions.

In addition to the assessments and evaluations required in the Base PCA, the PCA Consultant must also:

- Observe and identify furniture in common areas.
- Observe and identify equipment such as televisions, computers, recreational equipment, wi-fi equipment, security equipment, etc.





- Observe and identify whether furniture, fixtures and equipment is Property owned, leased or other. If owned by the Property, include in Estimated Useful Life Table.

### **5.03. MODULE: Seniors Housing Property**

A Seniors Housing Property may include any of the following types of facilities:

- Independent Living Facilities (if appropriate based on the level of service and/or amenities);
- Assisted Living Facilities;
- Alzheimer's/Dementia Care Communities;
- Skilled Nursing Facilities; or
- Continuing Care Communities.

In addition to the Base PCA, the Senior Housing Module will require the observation and evaluation of specific systems and components appropriate to the specific type of Seniors Housing to determine the Cost Estimate Schedule for any Immediate Repairs or the Replacement of Capital Items for the Evaluation Period. When determining Estimated Useful Life (EUL), the PCA Consultant will refer to the seniors housing column of the EUL table in Appendix F of these Instructions.

In addition to the assessments and evaluations required in the Base PCA, the PCA Consultant must evaluate the following components when assessing a Seniors Housing Property:

- furniture in common areas;
- equipment such as televisions, computers, physical therapy equipment, etc.;
- commercial kitchen equipment;
- facility required life safety equipment;
- the percentage of the common areas and units that have a sprinkler system and whether it is a wet or dry sprinkler system and
- whether furniture, fixtures and equipment is owned or leased by the Property Owner.

### **5.04. MODULE: Manufactured Housing Community**

A Manufactured Housing Community is a residential real estate development consisting of pads for Manufactured Homes, related amenities, utility services, landscaping, roads and other infrastructure. The residents, who own the Manufactured Homes, lease the pad in the Manufactured Housing Community where the Manufactured Homes are placed and connected to utility services.



All Manufactured Homes in the Manufactured Housing Community must conform to the requirements of the Federal Manufactured Home Construction and Safety Standards of 1974 (“HUD Code”) (42 USC Chap. 70; 24 CFR Part 3280). The HUD Code requirements were implemented in 1976 and set a national building code for Manufactured Homes.

In addition to the Base PCA, the Manufactured Housing Module requires that the Manufactured Housing Community is evaluated based on certain qualitative criteria that are to be observed and reported. The following are to be included when assessing Manufactured Housing Communities:

1. The number of Manufactured Homes that do not conform to the requirements of the Federal Manufactured Home Construction and Safety Standards of 1974 (“HUD Code”) (42 USC chap. 70; 24 CFR Part 3280). The HUD Code requirements set a national building code for Manufactured Homes and went into effect in 1976, so compliance cannot be assumed for all homes built after 1974. If a Manufactured Home is in compliance with the HUD Code, the following red tag should be present at the rear of the home. While the source of verification is up to the engineer, the following red tag at the rear of the home is usually present.



2. Whether the Manufactured Home Community is age-restricted or is open to residents of all ages.
3. Number of Manufactured Homes owned by the Property Owner or any entities related to the Property Owner.
4. Condition and type of Manufactured Home pads. Note surface components of patios and parking spaces. Note the type of entries to homes (e.g., patios, raise porches, etc.). Confirm Manufactured Home installation on the pads meets local and state requirements.
5. Number of Manufactured Home pads that will accommodate doublewide homes.
6. Number of Manufactured Home professional skirted and overall skirting condition.
7. Number of exposed hitches on a Manufactured Home.



8. Number of parking spaces per Manufactured Home pad. Note whether parking is on or off street. The standard is two on-site parking spaces for each Manufactured Home pad.
9. Number of Manufactured Home with exteriors or sites in poor condition and the number of abandoned Manufactured Homes.
10. Number of pads for Manufactured Homes and density of pads per acre.
11. Road surface and type of curbing, if any.
12. Condition and type of common area amenities.
13. Condition of landscaping, and quality and condition of signage.

### **5.05. MODULE: Cooperative Property**

The Base PCA is utilized to assess and report the condition of a Cooperative Property. A Cooperative Property should be no different in appearance or condition than a conventional multifamily property. Cooperative properties are owned by a cooperative corporation or other legal entity, and are governed by legal documents that may include Articles of Incorporation, Bylaws, Subscription Agreement, Regulatory Agreement, and Recognition Agreement (collectively referred to as “Cooperative Governing Documents”). The Cooperative Governing Documents define the cooperative structure, operations and obligations of the cooperative entity and its members. The members, also referred to as resident owners, are typically responsible for the dwelling unit interior and systems and the cooperative entity is responsible for the land, building (outside of the interior units), building systems, and common areas. The PCA Report must clearly identify the scope of work that is being assessed and clearly identify the responsible party (i.e., the cooperative entity or the resident owner) for each Property component and system identified. The Cost Estimate Schedules for Immediate Repair Items and Replacement of Capital Items should only reflect those Property components that are the responsibility of the cooperative entity. The PCA Consultant is required to follow the same site visit protocol as required in the Base PCA and as set forth in Section 3 and Section 4 of these Instructions to identify systemic issues, such as repetitive plumbing leaks, roof leaks, etc.

### **5.06. MODULE: Commercial/Retail Use**

A multifamily property with commercial or retail mixed use requires that specific components be observed and reported. The Commercial/Retail Module will evaluate the conditions of these specific components to determine the Cost Estimate Schedules for any Immediate Repairs or Replacement of Capital Items required for the Evaluation Period. The PCA Consultant will inspect 100% of the commercial or retail areas. The following components are to be included in the PCA Consultant’s assessment of a multifamily property with mixed commercial or retail use:



1. Leased Spaces.
  - Identify number and size (square feet) of tenant spaces.
  - Identify differences in parking requirements for commercial tenants and residential tenants.
  - Observe and identify specific mechanical, electrical and plumbing systems for commercial tenants.
  - Observe and identify interior finishes of commercial spaces.
  
2. Cost Estimate Schedules for Immediate Repairs and Replacement of Capital Items.
  - Identify cost estimates for Immediate Repairs and Replacement of Capital Items for commercial or retail spaces anticipated over the Evaluation Period and required to be paid for by the Property Owner.

### **5.07. MODULE: Integrated Pest Management Plan**

The Integrated Pest Management Plan Module (IPMP Module) documents the pest condition at the Property and reviews any O&M Plan for pest management in place at the Property. The Integrated Pest Management Plan Module is required for:

- Mortgage Loans delivered under Green Preservation Plus; or
- other asset classes or product types as may be required by the Lender or requested by another User.

As part of the PCA, an Integrated Pest Management Plan may be required by the Lender or requested by another User. An Integrated Pest Management Plan is not required for all new Mortgage Loans, and does not replace a Termite Report where the Termite Report is required. In the Base PCA, the PCA Consultant is required to document the pest condition of the Property and review the pest management plan, if any, in place at the Property. The inspection of the current level of pest infestation may reveal the need for additional repairs or site changes that are to be included in the first year rehabilitation needs, including an evaluation of existing pest control practices and procedures.

#### **A. Pest Management Contractor Qualifications**

The Contractor completing the Integrated Pest Management Inspection must:

- be certified by QualityPro Green, GreenShield, or EcoWise;
- be trained to evaluate and treat the interior and exterior of multifamily (and commercial, if applicable) structures for pest infestations, in accordance with Integrated Pest Management standards;



- have the work performed by an employee who is licensed or certified by the state for residential pest control (if required), or be QualityPro Green certified and who has produced reports of this nature that are well regarded in the marketplace in terms of content, timeliness and responsiveness;
- not be under suspension or debarment by HUD or Fannie Mae, involved as a defendant in criminal or civil action with HUD or Fannie Mae, and not be an FHFA prohibited party; and
- Have the capacity to complete the project inspection and prepare the report in a time frame acceptable to the Lender or the User requesting the Integrated Pest Management Plan.

## **B. Statement of Work**

1. The Contractor shall perform an Integrated Pest Management Inspection, provide the property manager and each tenant with information on glue traps, and prepare an Integrated Pest Management Inspection report for each location specified by the Lender (or the User requesting the Integrated Pest Management Plan) and report the findings;

**NOTE:** These instructions assume the Contractor will make two visits to the Property, with the first used to interview property management about existing pest control practices and place the glue traps. During the second visit, the glue traps will be retrieved and the necessary unit and property inspections will be conducted. The User requesting the Integrated Pest Management Plan has the authority to modify these instructions to require only one visit by the Contractor in those situations where the User believes the onsite property management can place the glue traps correctly and provide the glue trap handout to the tenants.

2. The Contractor shall conduct the first onsite visit/inspection to:
  - obtain an understanding of the configuration of buildings.
  - obtain an understanding of the existing pest control practices.
  - review the “Using Glue Traps” handout with the property manager and provide it to each tenant or leave it in each unit where glue traps are placed (handout is available on [www.oahp.net](http://www.oahp.net));
  - place the glue traps to assess cockroach infestation within each unit and common areas such as laundry rooms, storage rooms, and interior trash handling areas;
  - advise the property manager that the contractor will retrieve the glue traps and set a date certain for that follow-up visit/inspection; and
  - observe and identify the presence of bed bugs or other pests that may be present.



3. The Contractor shall conduct the second onsite visit/inspection within 5 to 8 days of first onsite visit/ inspection to:
  - collect the glue traps from each unit, observe conditions in the units, and include in the report a unit-by-unit summary of the glue trap findings;
  - collect the glue traps from each unit, observe conditions in the units, and include in the report a unit-by-unit summary of the glue trap findings;
  - review the findings from the glue traps to help determine which units should be inspected, with the Contractor then conducting inspections of a minimum of 10% of all units (unless otherwise guided by the glue trap findings, units shall be randomly sampled while taking into consideration occupied and unoccupied units and the unit size mix, i.e., one bedroom, two-bedrooms, etc. If a significant number of units are found to have infestations not reflected in the glue trap findings, the User requesting the Integrated Pest Management Plan may require that additional units be inspected at the time the glue traps are collected);
  - inspect the exterior of all buildings for evidence of pest infestation or conditions which could attract or harbor pests, and inspect and identify all areas where the building envelope has been penetrated and all points of ingress or egress, looking for any entry points for pests. If identified, the Contractor must determine and document all corrective measures, both immediately and long-term; and
  - inspect the trash disposal, laundry, common areas, office space, maintenance work area, and storage areas for evidence of infestations.
  
4. The Contractor shall prepare a narrative Integrated Pest Management Inspection report, that:
  - identifies any pest infestations as a result of glue trap findings, a visual survey, a review of any pertinent documentation related to past infestations and pest control measures, or interviews with the Point of Contact, management staff, and tenants;
  - includes color photographs and a detailed narrative describing the Property's pest infestation, if any, and provide a corrective course of action for each infestation, and if needed, specific actions for serious infestations within individual units.
  - includes a Glue Trap Summary which identifies in detail the quantity and variety of pest trapped, and any obvious general areas, floors, or structures with significant infestations (e.g., if a cluster of adjacent dwelling units appear to have a more severe infestation when compared to the overall building), and identifying groups of infested units as "High", "Moderate", or "Low" infestation and detail corrective measures for each; and



- details an immediate course of action, being specific as to physical items needed (e.g., door sweeps) and treatments needed, if any, and estimated costs to address the pest infestations for each identified group (see prior paragraph) and a continuing course of action for using Integrated Pest Management principles at the Property.
5. The Contractor shall prepare a report regarding existing pest control practices that:
- documents the existing pest control strategies, practices, and outcomes;
  - evaluates the existing pest control strategies and practices;
  - identifies the deficiencies in the existing pest control strategies and practices; and
  - recommends practices consistent with Integrated Pest Management principles that will achieve better outcomes.

### **C. Green Preservation Plus Mortgage Loan Requirements**

If the Integrated Pest Management Inspection is required as part of a Fannie Mae's Green Preservation Plus Mortgage Loan, it should also include the following subcomponents:

- acknowledgements of who conducted the inspection and prepared the Integrated Pest Management Inspection reports, the preparer's qualifications or a certification that the preparer meets the qualifications required in Section 5.07.A. of these Instructions, when the report was prepared, who received the report, and when the report was reviewed).
- Exhibits (color photographs, site plans, maps, etc.).

### **D. Subcontractor Requirements**

If the services of a subcontractor were secured to inspect the Property and complete the Integrated Pest Management Inspection report, the Contractor shall review the inspection for quality, consistency, and agreed upon format and conformance with these requirements.

## **5.08. MODULE: High Performance Building Assessment**

### **A. Purpose and Module Scope**

#### **1. Purpose.**

The High Performance Building Module is required for:

- Mortgage Loans delivered under Green Preservation Plus;
- Mortgage Loans delivered under Green Rewards; and



- other asset classes or product types as may be required by the Lender or Fannie Mae.

The results of the HPB Module will be documented in the HPB Report. The HPB Report may be a standalone document or added as a final section to the end of the PCA Report. The Scope of Work for the HPB Report is the same, regardless of the report format.

The HPB Report will identify and quantify Energy and Water Efficiency Measures (EWEMs) that may improve the operating performance, durability and quality of the Property. These EWEMs are in addition to items included in the Cost Estimate Schedules for Immediate Repairs and for the Replacement of Capital Items in the Base PCA Report.

## 2. HPB Report Scope of Work.

An HPB Report must:

- Identify all applicable and practical energy and water efficiency measures at the Property, and include those measures in the HPB Report regardless of cost, rate of return, or payback period. The Borrower or Lender may not limit the measures identified to a pre-determined set of measures.
- Be consistent with a Level 2 Energy Audit as defined by the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) “Procedures for Commercial Building Energy Audits”, as amended or restated from time to time (“ASHRAE Procedures”).
- Include an ENERGY STAR Score for the Property reflective of the previous 12 months.
- Use calculations and models that are transparent, consistent with industry standards, and supportable, and that are able to reasonably project consumption and cost reductions at the Property.
- Use Form 4099.H to document all EWEMs identified at the Property, conduct certain calculations, and identify additional key information regarding the Property.

## **B. HPB Consultant Qualifications; Standard of Conduct**

1. HPB Consultant Qualifications. The HPB Consultant must have the minimum skills, credentials, and experience required to effectively perform the analysis described in this section. **These qualifications are in addition to the qualifications set forth in Section 1.03 of these Instructions for the Base PCA.** These additional qualifications of the HPB Consultant pertain to the HPB Consultant project team as a whole, and not to any single individual.

The HPB Consultant shall have effectively completed not less than five multifamily energy and water audits within the prior two years that included:





- an energy audit according to the guidelines of the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) Level 2 - Energy Survey Analysis;
- a water audit equivalent in scope to the ASHRAE Level 2 using industry-accepted analytical methods;
- using industry-accepted energy modeling software; and
- using ENERGY STAR Portfolio Manager.

The HPB Consultant must hold at least one of the following professional designations, in good standing:

- Certified Energy Manager (CEM) or Certified Energy Auditor (CEA), certified by the Association of Energy Engineers (AEE);
- Multifamily Building Analyst (MFBA), certified by the Building Performance Institute, Inc. (BPI);
- High-Performance Building Design Professional (HPBD) certified by ASHRAE; or
- Building Energy Assessment Professional (BEAP) certified by ASHRAE.

2. HPB Consultant Conduct Standards. The HPB Consultant shall comply with applicable professional standards for ethics as defined by the Association of Energy Engineers Code of Ethics for Certified Energy Managers and/or the Building Performance Institute, Inc. (BPI) Code of Ethics.

### **C. HPB Report and 4099.H Deliverables**

The HPB Report findings and recommended measures are in addition to the requirements of the Base PCA previously described in these Instructions. The HPB Report must be dated as of the date of the site visit by the HPB Consultant, which must not be more than 6 months prior to the date specified by the Lender as the “Fannie Mae Commitment Date”. The HPB Consultant must deliver the HPB Report and the completed 4099.H to the Lender.

If the HPB report is completed by a consultant other than the PCA Consultant, then the HPB report may be delivered as a “Standalone HPB Report”, as described in Section 5.08.C.1. If the PCA Report and HPB Report are completed by the same Consultant, the HPB results may be incorporated into the PCA report producing one unified document, as described in Section 5.08.C.2. However, a standalone HPB Report does not need to be reviewed by a professional engineer or registered architect, as required of the PCA in Section 1.03.D.

1. Standalone HPB Report. The HPB Report must include the following sections.



### **Section 1: Executive Summary**

- Summary of HPB Report findings, including high level assessment of property conditions and recommended improvements;
- The table titled “EWEM Cost Savings”, from Form 4099.H Report-EWEM Cost Savings tab, listing projected implementation costs and energy and water cost savings;
- Certification by the HPB Consultant that the HPB Report meets the minimum ASHRAE Level 2 Energy Survey Analysis standards and requirements and standards of the Instructions for this HPB Report; and
- Statement regarding Reliance by Users per section 1.03.A.

### **Section 2: Historical Energy and Water Performance Metrics**

- Data and analysis summarizing the prior 12 months consumption for each energy type and water serving all areas of the Property. This data and analysis should include:
  - a description of the metering, bill payment method, and payer for each energy and water utility;
  - a description of the method used to gather whole building energy and water consumption data;
  - an end use breakdown;
  - monthly data tables of energy and water use and cost, if available;
  - an explanation of irregular billing or consumption; and
  - the table titled “Historical Annual Energy and Water Consumption and Costs” from Form 4099.H Report-Utilities tab.

### **Section 3: Existing Systems and Equipment and Identified EWEMs**

- A comprehensive property description that includes unit count and unit mix;
- An inventory of existing systems and equipment identified in Section 5.08.D.3, an evaluation of their current condition, and recommended EWEMs for each;
- Calculations used to estimate energy and water consumption or savings, and a brief narrative if conditions require non-standard calculations or assumptions outside of industry norms;
- The table titled “EWEM Projected Cost Savings” from Form 4099.H Report-EWEM Cost Savings tab; and
- The table titled “EWEM Projected Consumption Savings” from Form 4099.H Report-EWEM Cost Savings tab.



## HPB Report Exhibits

- Exhibit A: Photo Documentation of any existing equipment or features related to recommended EWEMs.
- Exhibit B: Statement of Qualifications (individual qualifications of the HPB Consultant's project team contributing to HPB Report)
- Exhibit C: Portfolio Manager Statement of Energy Performance
- Exhibit D: Savings calculation methodology and assumptions. Screen shots, tables or other supporting documentation describing or showing assumptions and calculations related to the HPB report calculations.

2. HPB Report Integration with the PCA Report. The following adjustments are required when the HPB Report is integrated with the PCA Report:

- PCA Report Section 1: Executive Summary. Include the recommended EWEMs in the Summary of Recommended Repairs and Replacement Cost Estimates.
- PCA Report Section 2: Cost Estimate Schedules for Immediate Repair and Replacement of Capital Items. Incorporate recommended EWEMs into the Immediate Repair items as needed, along with any necessary adjustments to Cost Estimates for Immediate Repair. In addition, add a second Replacement of Capital Items schedule that incorporates the recommended EWEMs as needed.
- PCA Report Section 8: High Performance Building Report. A new Section 8 must be added to the PCA Report that includes all Standalone HPB Report content outlined in Section 5.08(C)(1).

3. Form 4099.H. Form 4099.H must be completed and submitted to the Lender and to Fannie Mae in Excel format along with either the Standalone or the integrated PCA/HPB Report. This Form provides standardized input forms and output formats so that the Property's eligibility for a Green Mortgage Loan and projected consumption and cost savings for each EWEM can be easily assessed by the Borrower, Lender, and Fannie Mae.

## D. Methodology

The HPB Consultant must follow this methodology when completing the HPB Report.

1. ASHRAE Procedures core phases.

- PHASE 1: Preliminary Due Diligence. Prior to conducting the site visit, the HPB Consultant must do the "Preliminary Energy Use Analysis" as described in the ASHRAE Procedures, and use a similar methodology for the analysis of water consumption at the Property.



- PHASE 2: Site Visit. The site visit must include the components of an ASHRAE Level 1 – Walk-Through Survey and on site components further detailed in the ASHRAE Procedures, and use a similar methodology for the analysis of water consumption at the Property. The water analysis must include measurements of a sample of water flow and flush rates for faucets, showerheads, and toilets installed at the Property, using the minimum sampling rates in Table C.4.1.
- PHASE 3: Energy and Water Survey Analysis. The analysis must include the components of the Level 2 – Energy Survey and Engineering Analysis. As part of the engineering calculations, an energy and water baseline model of the Property’s pre-retrofit actual and post-retrofit projected performance shall be completed.

2. Capital Improvement EWEMs; Operations and Maintenance EWEMs. The HPB Report should clearly indicate which EWEMs (a) are capital improvements to owned structures or equipment, or (b) achieve reductions in energy and/or water use through operations and maintenance activities. All identified EWEMs should be based on verified Property conditions, regardless of whether the EWEM relates to a capital improvement or to operations and maintenance.

3. Scope of Evaluation. Regardless of any initial assumptions, the HPB Consultant must evaluate all areas of the Property for existing conditions and identify each recommended EWEM, including:

- Building Envelope;
- Heating, Ventilation, and Air Conditioning (HVAC);
- Domestic Hot Water;
- Lighting;
- Appliances;
- Laundry;
- Flush and flow fixtures;
- Irrigation;
- Water features, such as decorative fountains and pools;
- Renewable energy or onsite generation systems; and
- Any other major energy-using or water-using feature or system.

4. Minimum Units Required for Site Visits and Data Sampling. The schedule in Table 5.08.C.4.1 provides both:

- the minimum number of dwelling units required to be physically assessed as part of the Phase 2 – Site Visit; and



- the minimum number of units for which energy and water consumption data must be sampled to calculate tenant consumption and cost savings to increase the Green Rewards Mortgage Loan's Underwritten NCF.

Table 5.08.C.4.1. Required Unit Sampling Rate

<b>Number of Units</b>	<b>Minimum Number of Units in Sample</b>
Less than 20	3 units
20 – 99	Greater of (i) 5 units, or (ii) 10% of total units
100 or more	Greater of (i) 10 units, or (ii) 5% of total units, but not more than 30 units

5. Historical Energy and Water Data. Twelve (12) months of historical energy and water consumption and cost data for all sources and meters serving the whole Property are to be collected. The report should indicate the source of all historical consumption data. Historical whole Property data must be used wherever local utilities make this information available to building owners. Historical whole Property data must be separated to represent consumption and costs paid by the Owner from those paid by the Tenant, if all energy and water meters are not billed directly to the Owner.

If historical whole Property data is not available, twelve (12) months of historical energy and water consumption and cost data for all energy and water meters paid by the Owner must always be collected. The Owner data may not be sampled, modeled, or use national or regional averages.

Twelve (12) months of tenant energy and water consumption and cost data must be added to the Owner historical data to calculate the entire Property's energy and water data for the prior twelve (12) months. Tenant data may be complete historical data, sampled historical data, or modeled.

Tenant energy and water consumption and cost data should be determined according to the following priority:

- (a) **Complete Historical Tenant Data:** Best efforts must be made to collect actual historical energy and water consumption and costs data for all units at the Property.
- (b) **Sampled Historical Tenant Data:** Actual historical tenant data may be sampled using the schedule provided in Table 5.08.C.4.1. Required Unit Sampling Rate, and those data may be used to estimate the total tenant consumption.
- (c) **Modeled Tenant Data:** If complete actual or sampled tenant data is not available, tenant data may be modeled or estimated using simulation software or other



analytical tools (i.e., using no actual, historical data). The report must indicate that the data was modeled and identify the modeling methodology.

6. Data Limitations. Any data limitations should be clearly noted and explained. This includes anomalous data or limited missing data.

7. Assumptions. All major assumptions used to perform the calculations and analysis must be clearly stated in the HPB Report. Assumptions and calculations should be consistent with comparable properties and industry standards, where applicable. If non-standard assumptions are used, an explanation for deviating from standards must be provided.

8. Utility Reimbursements. In scenarios where the Owner bills tenants for energy or water costs, the projected savings are considered to accrue to the Tenant.

9. ENERGY STAR Score. ENERGY STAR Portfolio Manager must be used to calculate the Property's 1 to 100 ENERGY STAR Score for Existing Multifamily. The HPB Consultant must:

- use an existing ENERGY STAR Portfolio Manager Property account, if available, or establish a new account and transfer control of the account to the Property Owner upon completion of the HPB Report.
- share the Property's account with the Fannie Mae ENERGY STAR Portfolio Manager account "FANNIEMAE".
- use 12 months of historical consumption and costs for all energy and water meters. If actual historical whole Property data is not available, the estimate of the Property's annual consumption and costs developed per Section 5.08.C. should be used as the inputs for Portfolio Manager.
- indicate "Estimated" on meters that use sampled or modeled data.

10. Analytical Approach. The analytical approach and methods should be chosen as appropriate for the property type, level of complexity of the EWEMs evaluated, and quality of data collected, as recommended in the ASHRAE Procedures. If modeling software is used, the HPB Report must identify the software package and include a description of the input assumptions. All analyses must account for variations in weather, property physical conditions and operations, and existing equipment. All consumption and cost savings results from the analyses must be verified against historical consumption from utility bills, known conditions, and usage profiles existing at the Property, and against industry standard values.

11. EWEM Interactivity. If recommended EWEMs would have interactive effects if implemented together, projected consumption and cost savings for each EWEM should take such interactivity into consideration. However, EWEM selections will not be made until after the HPB report is complete. Therefore, each EWEM narrative must note interactivity with other measures that pose the potential for significant impact to projected savings.



## **6. APPENDICES TO THE INSTRUCTIONS FOR PERFORMING A MULTIFAMILY PROPERTY CONDITION ASSESSMENT**

The following appendices are included with these Instructions to assist in the completion of the PCA, and for inclusion as Exhibits to the PCAPCA Report, as required:

- Appendix A: Streamlined Property Condition Assessment Guidance (Form 4099.A)
- Appendix B: Pre-Site Visit Questionnaire for Property Condition Assessment (Form 4099.B)
- Appendix C: Structural Risk Evaluation Questionnaire (Form 4099.C)
- Appendix D: Guidance on Preparing PCA Report Schedules and Tables (Form 4099.D)
- Appendix E: Property Condition Assessment Report Templates - Useful Life Table and Cost Estimate Schedules (Form 4099.E)
- Appendix F: Estimated Useful Life Tables (Form 4099.F)
- Appendix G: Reference Document: Known Problematic Building Materials and Property Design Issues (Form 4099.GF)
- Appendix H: Analysis Tool for a High Performance Building Report (Form 4099.H)