Wisconsin 2027-28 Qualified Allocation Plan

Appendix G: Multifamily Capital Needs Assessment

Policy and Standards

Revised July 2026

The Capital Needs Assessment (CNA) is a qualified professional's opinion of a property's current physical condition. It identifies deferred maintenance, physical needs, remaining useful life of key components, building material deficiencies and material building code violations that affect the property's use, structural and mechanical integrity, and the future physical and financial needs.

Issues identified by the CNA should be addressed in the development's rehabilitation proposal and will be considered by WHEDA when evaluating the operating and replacement reserve requirements for the development.

The CNA provider **must** include a copy of the proposed "Scope of Work" from the Developer using the template provided in Appendix G-1 in the CNA report or an equivalent form.

WHEDA has established the following standards for CNA reports submitted in conjunction with loan financing requests and/or tax credit applications. All CNA reports must follow the prescribed format as outlined below.

WHEDA applicants/borrowers must work with the current property owner to secure necessary information to assist the CNA provider. This includes obtaining original construction documentation and a 5-year history of capital and major repair expenditures.

All Capital Needs Assessment reports submitted to WHEDA will be reviewed for content, thoroughness and reasonableness based upon the following standards. The CNAs are subject to the final approval and acceptance by WHEDA.

CNA providers who routinely submit CNA reports that are not thorough and do not reach reasonable, supportable conclusions as to the extent of rehabilitation needed will be removed from the approved provider list.

Unit Inspection Schedule: The minimum number of units to be inspected for all CNA reports:

Developments with 50 units or less - 100% of the units must be inspected.
Developments with 51 units to 75 units – 75% of the units must be inspected.
Developments with 76 units or more – 50% of the units must be inspected.

When completing reports for multiple building developments, each building should be inspected.

Projects that propose acquisition and rehab of existing single family, duplex or four-plex housing, WHEDA will allow a minimum of 35% of sites to be inspected.

A copy of the CNA report must be submitted to WHEDA with the financing or tax credit application.

CNA reports shall include the following standards. Abbreviated CNA reports on some small developments are acceptable. See the Abbreviated CNA requirements listed below.

CNA reports:

- are required with **all** financing or tax credit applications that include the purchase, renovation and/or preservation of existing housing developments. This includes developments with proposed minor, moderate or substantial renovation. A CNA is **not required** on an adaptive reuse development.

- must be submitted with the initial loan or tax credit application documentation. **CNA reports are considered a threshold item for tax credit applications.**

- must be completed and dated within 24 months of submission to WHEDA.

- must be completed by one of the WHEDA approved, independent CNA providers. The provider cannot have an identity of interest (please see Appendix Q for definition) or business association with the Applicant, Developer or Owner of the property being evaluated. A listing of WHEDA-approved, independent, third-party Capital Needs Assessment providers is available at WHEDA.com.

- must include the author's observations and assessments based on physical inspection of the building exterior and interior including interior public, mechanical, and accessible spaces. The scope of the inspection should include all spaces that are reasonably accessible, including a thorough walk-through of all attics, roofs, crawl spaces, etc. Any inaccessible spaces must be noted in the report.

- must include a narrative description of the development including the evaluator's overall assessment of the property condition. The narrative portion should include: property location, age, physical attributes including number of units and bedrooms, number of units inspected, and the physical condition of units inspected. The assessment should address the presence or suspected presence of environmental hazards such as asbestos, lead paint or mold.

  The narrative portion of the assessment should further examine and analyze the following:
  - Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, and gas and electric utilities and lines;
  - Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
  - Interiors, including unit and common areas, existing finishes (carpeting, tile, paint condition, etc.), wall conditions, cabinets, appliances, fixtures and common area lobbies and corridors;
  - Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection systems, and elevators; and
  - Any non-compliant component or issue relative to the applicable accessibility code/guidelines of ADA, Section 504 and/or Fair Housing Guidelines. Include a copy of the owner's certification with ADA and 504 regulations or include their plan to achieve compliance, if available.

- ♦ must include an interview with available on-site property management and maintenance personnel to gain knowledge of past repairs/improvements, pending repairs, and existing defects or chronic physical deficiencies in the development. The CNA provider should obtain and review a 5-year history of capital and major repair expenditures for the development.

- ♦ must include photographs of typical building characteristics and deficiencies.

- ♦ must include the developer's proposed expenditures/costs for extraordinary property improvements which may affect the project's future marketability. Such improvements may include adding parking garages or other covered parking structures, installing central air conditioning in units, adding elevators, or constructing community room additions.

- ♦ must include a "property inspection and evaluation" section in a **spreadsheet format.** The information contained in this spreadsheet portion of the report **must follow the format and contain the information** included in the Freddie Mac form 1105, "Multifamily Engineering and Property Condition Report." The actual Freddie Mac forms do not need to be used. The Freddie Mac forms includes Section I – Summary, Section II – Property Inspection and Evaluation, Section III – Immediate Repair Needs and Cost Estimate, and Section IV – Capital Needs Over Loan Term.

The minimum term to be used in this portion of the report is eighteen (18) years.
The Freddie Mac forms can be reviewed and downloaded at:

- https://mf.freddiemac.com/lenders/guide/
  keyword search: 1105