

## IS A GREEN CAPITAL NEEDS ASSESSMENT PART OF YOUR YEAR-15 STRATEGIC PLAN?

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According to the HUD LIHTC National database, over 33,000 projects and more than 2.2 million housing units have been placed in service between 1987 and 2009. It comes as little surprise that the Challenges of Year 15 continue to dominate the industry, based upon HUD's data that almost 1,390 projects and nearly 103,000 units were placed in service each year of the 1995 to 2009 period. Published exit strategies and recommended best practices for Year-15 transitions contain a common thread – *comprehensively understand the current property condition*. And in today's environment, energy and utility consumption are as an important part of a property's condition as are the building foundation, walls and roof.

### So what is a Green Capital Needs Assessment?

The first multi-family Green Capital Needs Assessment (GCNA) standard was established by HUD in 2007, to provide guidance for their Mark-to-Market Green Initiative. This original standard has since been refined by HUD, and more recently validated through Enterprise's release of their Retrofit Audit Protocol in February of 2010. These innovative assessment tools provide a User a holistic evaluation of the physical and capital needs of a property. A GCNA study incorporates an energy audit as a component of a broader capital needs assessment (CNA) and allows for cost projection benefits. A GCNA helps building owners, operators, and lenders by evaluating potential retrofits to a building with a conscious effort to improve energy and water efficiency. GCNA reports provide detailed energy use analyses and financially justified green recommendations to lower utility usage, reduce operating costs, provide greater savings, lower carbon footprints, and protect indoor environmental quality. GCNA reports are truly investor-grade real estate due diligence studies – providing the information needed to recapitalize a property for the next 20 years.

### Is a Green Capital Needs Assessment right for your next project?

The industry is rapidly migrating towards the common understanding that energy is an important building science to be evaluated during an assessment of a property's needs. Knowledge is power, and the advanced property analysis that an investment-grade GCNA provides will enlighten owners and operators. If you are considering any of the following, they are great reasons why a GCNA may be right for your next transaction:

- a. Year 15 Transition or Exit Strategy: An investor-grade GCNA can provide the knowledge necessary to make informed and leveraged decisions.

- b. Re-Syndication: In 2011, 45 states provided preservation incentives in their qualified allocation plans, the majority feature advanced point scoring for retrofits that champion energy and water conservation measures (EWCMs), and many are adopting baseline green/energy requirements.
- c. Re-Capitalization: Specialty affordable housing refinance programs, such as the HUD-Fannie Mae risk-share [Green-Refinance Plus](#), HUD's [Green Initiative](#), and others coming on line, require the use of a GCNA report.
- d. Continued Operation: An investor-grade GCNA study can provide the information necessary to perform responsible and pro-active property management and maintenance, ensuring future consciousness of energy and water conservation measures (EWCMs) which usually result in lowered operating costs.

It is no surprise that many of the expiring Year 15 deals need significant capital improvements, and in this challenging financing market, a Green Capital Needs Assessment may be just right for you.