

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Operational Performance Evaluation and Risk Assessments (OPERA)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	-	-	-	-	-	-
2023 Appropriation	-	-	-	-	-	-
2024 President's Budget	61,000	-	-	61,000	61,000	24,000
Change from 2023	61,000	-	-	61,000	61,000	24,000

PROGRAM PURPOSE

The Operational Performance Evaluations and Risk Assessments (OPERA) account will support residents of HUD housing in providing financial, health, and safety inspections to over 2.4 million units of subsidized and affordable housing. This new, consolidated single account for all inspections will improve and simplify the financial side of HUD's inspections.

Operated by the Real Estate Assessment Center (REAC), OPERA will allow REAC to evaluate all HUD rental housing assistance programs for which the new National Standards for the Physical Inspection of Real Estate (NSPIRE) apply. This is not possible under the existing set-asides within Multifamily Housing accounts and the Financial and Physical Assessment (FPA) set-aside under the Public Housing Fund account since these set-asides are limited to properties funded by those accounts. Beyond streamlining funding and operations, moving to OPERA will also enhance HUD's evaluations and assessments by considering additional data sources, including direct input from residents and industry partners. OPERA will also substantially improve REAC's data analytic capabilities, which will help the Department to better understand and address concerning assessment results and trends, which is critical to keep residents safe.

BUDGET OVERVIEW

The 2024 President's Budget requests \$61 million for OPERA, which is \$11 million more than the amount appropriated in 2023 for REAC activities under the Financial and Physical Assessment (FPA) set-aside of the Public Housing Fund. However, when considering all appropriated funds from 2023 that supported REAC's inspection and assessment activities, this is a decrease of approximately \$13.2 million as shown in the table below. HUD notes that the proposed OPERA appropriations language would allow using carryover FPA funds (estimated at \$37 million) for the same purposes as new OPERA funds. This funding supports inspection, evaluation, and assessment activities for rental housing assistance programs, including training, travel, and program support contracts needed to carry out those activities.

Table 1: Crosswalk between REAC and OPERA

(Dollars in thousands)

Real Estate Assessment Center	2023 Enacted^{1/}	Operational Performance Evaluations and Risk Assessments	FY 2024 OPERA Account
Financial and Physical Assessments Set Aside of the Public Housing Fund ^{2/}	50,000	NSPIRE, Quality Assurance, and Inspection Program Assessments Including Travel	40,000
Section 8 (PBRA) - Inspection Direct and Supporting Costs ^{2/}	12,400		
Section 8 (202) - Inspection Direct and Supporting Costs ^{2/}	3,700		
202 Direct Loan - Inspection Direct and Supporting Costs ^{2/}	1,800		
202 811 Capital Advance - Inspection Direct and Supporting Costs ^{2/}	1,600		
MMI Insurance Funds - Inspection Direct and Supporting Costs (for FHA GISRI properties) ^{2/}	3,500		
PIH NPS -NSPIRE HCV Inspection Travel, Inspection Training, Inspection Equipment, Non-FPA PIH Data Contracts ^{2/}	1,200	Quality Assurance and Risk-Based Follow up of all Assessments	2,500
		Data Analytics & Resident Engagement Initiatives	10,000
		REAC Operations and Assessment Support Contracts & Technical Assistance Center	7,500
		Transition to Public Housing Assessment System (PHAS)	1,000
Total, REAC	74,200	Total, OPERA	61,000

Notes:

1/ The 2023 Enacted column reflects \$50 million appropriated as a set-aside for REAC within the Public Housing Fund and costs embedded into the various accounts within the Office of Housing Programs.

2/ Costs from both the REAC set-aside and indirect/support costs were allocated to all the major activities within this account – inspections, assessments, data analytics, quality assurance, and other related program operation costs.

The breakdown in funding for the OPERA account is:

- \$40 million for inspections, which represents 15 months of funding to fund this account on a calendar year basis, like the rental subsidy accounts.
 - Note: future budgets will only request 12 months of funding.
- \$2.5 million for quality assurance and risk-based follow-up reviews of all assessments
- \$10 million for a data analytics initiative
- \$7.5 million for REAC Operations and Assessment Support Contracts (e.g., Technical Assistance Center)
- \$1 million for the ongoing transition to the new Public Housing Assessment System (PHAS)

As a new program, OPERA aligns costs and operational responsibilities for inspections and other activities supporting evaluations and assessments (e.g., data analytics, and training of inspectors and assessors). The current method of funding assessments across multiple program accounts creates inefficiencies and uncertainty that impact contracts, data acquisition and use, and general operations. The administrative complexities of combining disparate sources of funding leads to delays and increased costs when procuring and executing critical evaluation and assessment services. The legacy structure is inconsistent with the alignment of inspection standards across HUD rental housing assistance programs through NSPIRE, the already existing and long-time alignment of annual financial statement charts of accounts and submissions across HUD's rental housing assistance programs, and REAC's long-standing history of inspecting and assessing properties and units across multiple housing portfolios and accounts.

It has also limited HUD's ability to assess certain programs, such as Housing Choice Vouchers (HCV), including Project-Based Vouchers (PBV), which now represent nearly 250,000 units. Although HCVs will continue to be primarily inspected by PHAs and funded by HCV Administrative Fees, the OPERA account structure will allow HUD to step in when a PHA is not doing a satisfactory job. A single OPERA fund will provide HUD more flexibility and responsiveness as HUD's rental housing assistance portfolio continues to evolve, while also ensuring more consistency and quality across programs. Through these activities, it will also reduce exposure to health risks, environmental hazards, and substandard housing, especially for low-income households and communities of color.

This program aligns with HUD 2022-2026 Strategic Objectives 2B: *Improve rental assistance to address the need for affordable housing* and 4B: *Strengthen Environmental Justice*.

JUSTIFICATION

The OPERA program funds HUD's ability to evaluate physical, financial, and other operational conditions impacting HUD-assisted housing, residents, and their communities. The Budget includes funding to support the following key activities in 2024:

- Creating an enterprise assessment model that will enhance housing evaluations.
- Expanding work started under NSPIRE to align HUD's assessments and associated analytics across rental housing assistance programs.
- Performing, analyzing, and scoring physical inspections under the NSPIRE program for properties in Public Housing and Multifamily programs.
- Performing, analyzing, and scoring financial assessments of approximately 7,000 Public Housing properties and 30,000 Multifamily properties.

- Performing reviews, evaluations, and assessments of the quality of HCV and PBV physical inspections under the NSPIRE program. [Note: The responsibility for performing these inspections will still largely be the responsibility of Public Housing Agencies.]
- Improving scheduling and planning of inspections and increasing capacity for timely follow-up.
- Performing on-site and remote quality assurance and risk-based follow-up reviews of inspection and assessment activities.
- Generating project, program, and entity-level performance and risk assessments, including, but not limited to physical and financial assessments, under the Public Housing Assessment System (PHAS) and Section Eight Management Assessment Program (SEMAP).
- Enhancing the equity, quality, and accuracy of HUD’s performance evaluations and risk assessments by including additional inputs that provide enhanced information tied to health, safety, and viability, such as feedback from residents of HUD housing, and by adopting new data sources and modern data analytics capabilities.

Through OPERA, REAC will improve the delivery of independent, objective, and evidence-based inspections and assessments. These inspections, evaluations, and assessments are of units, buildings, properties, or portfolios including the entities that own, operate, or manage those assets. These activities rely on data collected through onsite and remote activities or received from other sources.

OPERA assists HUD in answering the question, “What do we know about the performance and risk of HUD-supported housing nationwide today?” To determine the quality, health, and safety of HUD rental housing assistance portfolios as described in HUD’s 2022-2026 Strategic Plan, HUD uses REAC assessment information about compliance, performance, health, safety, equity, and risk to guide oversight, monitoring, risk management, and policy making. This information is analyzed to determine if HUD housing assets and programs meet HUD’s and the Congress’s expectations, in line with existing resources and future requirements.

Physical Inspections

The physical inspections performed by or on behalf of HUD, which rely on the observation of property conditions, serve as a primary source of data for the evaluation and assessment of performance and risk. For all programs under OPERA, physical inspection activities will have transitioned to NSPIRE by 2024. As an ongoing capability under OPERA, HUD will administer inspections of approximately 37,000 Public Housing and Multifamily properties and operational reviews of 2,100 PHAs with Housing Choice Voucher programs. HUD anticipates that up to approximately 7,000 Public Housing properties and 9,000 Multifamily properties will receive a scored inspection of record or non-scored, informational inspection in 2024. To align the timing of contracts to the available funds, this amount also includes the procurement of approximately \$8.1 million for inspections occurring in the first quarter of 2025, which will allow REAC to lock in prices for future inspections at a time when inspector supply is decreasing, and inspection prices are increasing.

The OPERA account enables HUD to improve the oversight of HCV inspections. REAC will conduct approximately 50 operational evaluations to evaluate PHAs that administer voucher programs’ compliance with established policies and directives for conducting NSPIRE inspection activities and for tracking and ensuring the resolution of serious deficiencies.

OPERA allows HUD to have better continuity in insight into the quality, health, and safety conditions of Public Housing properties after they have converted to alternative subsidy streams,

such as PBVs and PBRA through RAD. These reviews are in addition to the inspections PHAs are required to perform annually in Public Housing and annual, biennially or triennially in the voucher program. Coupled with programs like NSPIRE, this brings additional consistency to HUD's assessment products and will simplify the administrative requirements for PHAs that participate in multiple HUD programs.

HUD's regulatory commitment to continuous improvement under NSPIRE requires updates to housing quality and inspection standards and scoring criteria at least once every three years. Coupled with the Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government, the OPERA account supports the collection and analysis of inspection data, resident and stakeholder feedback, advances in model codes, and third-party data, to improve the ability of the NSPIRE program to deliver accurate and actionable inspections. As residents are the primary beneficiary and customer of HUD's programs, REAC plans to continue work aligned to HUD's strategic plan and agency priority goals, begun in 2023 with HUD's Customer Experience Office, on a feedback program from residents and residents' groups to ensure their voices are heard regarding living conditions, their trust in HUD's inspection services to deliver meaningful improvement in housing conditions, and other input and feedback to inform REAC through OPERA's policymaking, risk management, and assessment processes leading to more balanced and more effective outcomes for the families served.

Performance Evaluations and Risk Assessments

OPERA will produce stronger evaluations and assessments. In addition to physical inspections, OPERA supports HUD's ability to procure support to conduct more insightful assessments using ever-increasing and complex data with modern digital analysis techniques. The transition to NSPIRE has caused the data coming into REAC for assessment to exceed human scale, requiring advanced and machine-assisted techniques to effectively process and operationalize. HUD anticipates similar orders of magnitude increases in the volume and velocity of data available for assessments over the next several years.

Further, REAC assessment data is considered a part of a statistical program with an associated need to maintain high quality and adequate fitness for purpose in accordance with the Office of Management and Budget Memorandum M-19-15. Additionally, the information collected directly in support of assessment activities maintains a presumption of being made open by default, as described in the Open Government Data Act (PL 115-435). The specific analytic and data management capabilities to meet those directives supported by OPERA will generate reliable assessments including the procurement, curation, and readiness for publication of assessment data sets, services to develop or revise statistical and analytic models of assessment, and licenses for data mining and machine learning commercial products. This does not include the procurement of enterprise software platforms or the underlying data infrastructure, which costs remain under the Information Technology Fund.

For Public Housing and Multifamily place-based programs, these evaluations and assessments represent tens of thousands of housing properties in all 50 States, the District of Columbia, and territories, managed by over 30,000 distinct entities. The HCV program, in contrast, includes tenant and place-based components and is managed by approximately 2,100 PHAs and serves over 2.3 million households including nearly 250,000 units of PBVs. These evaluation and assessment models leverage multiple sources of data and information collected on-site or remotely. This information relates to residents' perceptions, financial positions, operational performance, environmental risk, and supplemental data from public, open, and government data sources. HUD will use enhanced analytics to generate operational performance evaluation and risk assessments of housing providers and properties, while increasing the transparency, openness, and accessibility of information collected and maintained by REAC. This ultimately increases the trust in HUD's

services, which strengthens cross-agency Priority Goal 5E of “improving the ease, effectiveness, and trust in HUD’s services,” and informs decision makers to act on data-driven insights.

The activities supported include the annual receipt and review of 33,000 financial statements and financial positions for approximately 30,000 entities participating in Housing’s Multifamily and Office of Residential Health Care Facilities programs. They also include the annual receipt, review, and scoring of 8,200 financial statement submissions from 3,600 Public Housing and Housing Choice Voucher PHAs. Like the improvements expected in the physical inspection program, moving to a single funding structure under OPERA will enhance HUD’s ability to perform comparative analysis and build comprehensive risk models that consider all relevant data sources, regardless of the programmatic source. This also includes the data and analytics related to resident income and eligibility that will be used as part of the assessment of PHA operational performance and risk. This data, which historically has been only used as an input into HUD’s improper payments program, is also informative about the operational, financial and management risk of those entities. The culmination of this work includes the delivery of new or revised performance metrics and risk assessment programs, including the work begun in 2023 to update the Public Housing Assessment System (PHAS) and Section 8 Management Assessment Program (SEMAP) programs. HUD anticipates fully replacing PHAS and SEMAP with new assessments by 2027.

Administrative Enhancements and Operational Improvements

OPERA will simplify program administration. The current structure funding REAC assessments is misaligned with REAC’s role to evaluate the health and safety conditions and financial performance of nearly all HUD rental housing assistance programs, including assets and financial support. Contracted services under OPERA will continue to amplify the effectiveness of REAC’s assessment capabilities by leveraging private sector best practices, lessons learned, and already developed technology and data collection and analytics solutions. Today, REAC and its procurement partners typically spend several months obtaining the necessary funding and administrative approvals for inspections. These administrative inefficiencies and delays result in missing or delayed assessments, which ultimately impacts the health and safety of families that HUD programs serve. It has also led to variances in the quality assurance processes based on the source of funds rather than programmatic needs. Furthermore, the limited availability of inspectors in the market continues to pose a risk to inspection operations. OPERA will allow for a more efficient transition to a full-service contract model through a multi-year National Inspection Contract (NIC), which is already awarded. The goal of the NIC is to increase the quantity and quality of the inspector pool, while decreasing the risks of an inadequate supply of inspectors and rising inspection costs.

To ensure internal transparency and financial controls within the new account, HUD will establish an internal coordination mechanism under OPERA to facilitate cross-office collaboration on inspection-related issues. The account includes any program support contracts necessary to estimate, track, or report on activities under the account itself. The creation of OPERA and the ability to use these accounts for assessments across rental housing assistance programs will enable HUD to also restructure existing assessment support contracts, which are also often accounted from several different source accounts. This will create substantial efficiencies in these support contracts, which are essential for ensuring inspections and assessment programs are effectively and efficiently managed while safeguarding the taxpayers’ dollars entrusted to HUD. The fund also supports the travel needs of staff engaged in inspection, evaluation, or assessment-related activities. This enables the nearly full-time travel of those staff and allows for increases in the efficiency of travel by optimizing for geographic proximity and need, instead of limiting locations for inspection or review based on the source of funds. OPERA funding also supports the professional training for staff for assessment activities, including specialized courses and certifications related to new and emerging inspection and assessment capabilities. This does not include travel or training where the benefit is

OPERATIONAL PERFORMANCE EVALUATIONS AND RISK ASSESSMENTS (OPERA)

principally for the employees’ own personal or professional development, or another general administrative purpose unrelated to assessments.

In addition to programmatic changes, REAC’s reorganization and the transition to the OPERA account will result in new operational improvements, internal financial management procedures, and quality assurance systems. 2024 and 2025 will allow HUD to determine any new baseline funding amounts needed in future years based on the anticipated effectiveness of these improvements to REAC. Revised performance indicators will be established in 2024 under the organizational transformation consistent with the following outcomes:

- Improved identification of underperforming and at-risk properties across multiple dimensions.
- Substantially enhanced insight into property- and unit-level physical, financial and operational performance and risks through data analytics, particularly for health and safety issues, allowing HUD to both anticipate and respond to these risks more quickly and drive policy/funding decisions that protect resident health and safety.
- Increased amount and quality of evidence-based data and insights used to identify performance and risks such as environmental and resident input.
- Timely procurement of inspections and reduction in the number of properties not successfully procured for inspection.
- Improved efficiency and effectiveness of inspection procurement activities so that REAC can procure quality inspections on schedule and consistent with program requirements for inspection frequency.
- Nimble contracting vehicles in place to drive assessments and operational excellence and meet required programmatic and regulatory requirements for assessing the condition of HUD-assisted and insured housing.
- On-demand inspection requirements for at-risk properties (e.g., more re-inspections and spot/unannounced quality assurance inspections).

See Information Technology Fund CJ for additional information regarding HUD’s REAC proposed IT resources for 2024.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carry over Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carry over Into 2023	2023 Total Resources	2024 President's Budget
Operational Performance Evaluation and Risk Assessments (OPERA)	-	-	-	-	-	-	-	61,000
Total	-	-	-	-	-	-	-	61,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Legislative Proposals

The 2024 Budget supports the following legislative proposals and will seek changes through the authorization process:

- Prioritization of Federal Inspector Certification: In the absence of a national standard, HUD requests authorization to preempt State or local licensing requirements that might impede Federal employee inspectors in the performance of their duties. This would cover the ability of Federal personnel to collect or assess information on risks related to environmental, health, or other hazards impacting the built environment or residential use of such structures.
- Replace Uniform Physical Condition Standards (UPCS) or Housing Quality Standards (HQS) inspections with NSPIRE inspection methodology: HUD requests authorizing language to replace references to UPCS and HQS inspections with NSPIRE inspection methodology including amendment of any appropriations and authorizing language that makes specific reference to HQS or UPCS with either ‘NSPIRE’ or a more general phrase, such as “assessments performed by or on behalf of HUD” or “inspection to determine housing quality.”

General Provisions

The 2024 President’s Budget re-proposes the following new general provision that was enacted in the 2023 appropriations law:

Physical Conditions Requirements: This general provision enhances HUD’s ability to exercise oversight within the PBRA program, allowing HUD to mandate corrective action, contract transfers, or change in management due to failure to meet physical condition standards. It has been updated to allow it to continue to function when HUD implements the new NSPIRE standards. (SEC. 215)

APPROPRIATIONS LANGUAGE

The 2024 President’s Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

For the Department’s inspection and assessment programs, including travel, training, and program support contracts, \$61,000,000 to remain available until September 30, 2027: Provided, That unobligated balances, including recaptures and carryover, remaining from funds appropriated under the heading “Public Housing Fund” to support ongoing public housing financial and physical assessment activities shall be available for the purposes authorized under this heading in addition to the purposes for which such funds originally were appropriated. (Department of Housing and Urban Development Appropriations Act, 2023.)