Improving Real Estate Assessment Center’s (REAC) Inspections: A Presentation to HUD’s Inspections Partners
February 21, 2019
Philadelphia, PA
Overview

- “The Problem”
- Inspection Task Force
- 14 calendar day inspection notification
- The new inspection model
- New model demonstration
The Problem

While a significant majority of HUD and HUD-assisted properties are safe and in a quality condition, a new inspection model is needed to expediently address properties that are not. Issues include:

- Inspections do not always identify the extent of health and safety conditions affecting residents
- Properties can pass inspection even with poor unit conditions
- Scoring model no longer aligns with expectations about housing quality
- Some owners preparing for inspections, rather than performing maintenance year-round
- Deficiencies are not all Critical to Quality (CTQ)
Inspection Task Force Mission

• Conduct a wholesale reexamination of REAC inspections
• Place the greatest emphasis on eliminating health and safety hazards
• Ensure owners adopt sound maintenance practices year-round
Goals of the Demonstration

• Ensure families are living in decent and safe housing

• Enhance accuracy through:
  • Better identification of substandard properties
  • Increased objectivity and defensibility of inspections
  • Streamlined inspection processes
Inspection Improvements Timeline

New Model: New Standards, Protocols, and Processes

Changes To Current Process

U.S. Dept. of HUD - Philadelphia Listening Session - 2.21.19
14 Calendar Day Inspection Notification

• Achieves a more accurate picture of how the property is being maintained year-round
• Reduces significant costs spent for inspection preparation and promotes reinvestment into the property year-round

• General Concept
  • Property notified 14 calendar days before the inspection
    • Unless state or local law requires a longer resident notification window
  • If property cancels, the score will be a zero
  • One additional reinspection within 7 calendar days; otherwise, score held at zero

• Notice to be released in February with a March effective date
Desired Outcome of New Inspection Model

• Inspections that **protect families and reflect the property’s true physical condition**
  • Convey HUD’s property management expectations to owners - failing scores remain unacceptable
  • Strengthen current standards, scoring models, and protocols used to assess properties
  • Implement stricter enforcement protocols against owners who are not meeting standards
New REAC Inspection Model - Conceptual View

3 Types of Inspections – Confidence Increased
• Property Owner/Agent (POA) Self-Inspections
• REAC Contracted Inspections
• HUD Quality Assurance Inspections

3 Categories of Deficiencies – Resident Focused
• Safety and Health
• Function and Operability
• Condition and Appearance

3 Inspectable Areas – Complexity Reduced
• Unit
• Inside
• Outside

New model underpinned by 3 mutually supporting components
New Model: 3 Types of Inspections

POA Self-Inspections
Who: Property Owners/Management
What: All deficiencies reported to HUD
When: Once a year
Where: All units
Why: To gain a reasonable level of confidence in results &
      To ensure work orders are being generated

REAC Contracted Inspections
Who: Contract Inspectors
What: CTQs
When: Periodic inspections (3, 2, 1 years)
Where: High sample rate
Why: To gain a high level of confidence in results

HUD Federal Employee Inspections
Who: HUD Federal Inspectors
What: CTQs++
When: Triggered by poor conditions
Where: Highest sample rate
Why: To gain the highest level of confidence in results

*CTQs = Critical to Quality Indicators; Inspection standards that have a high correlation to quality
New Model: 3 Categories of Deficiencies

- **Precision**
  - Objective
    - **Safety & Health**: Urgent: Emergency Work Order
  - Subjective
    - **Function & Operability**: Planned: Routine Work Order
    - **Condition & Appearance**: Programmed: Discretionary Maintenance
New Model: 3 Inspectable Areas

- 5 Inspectable areas will feed into the 3 new inspectable areas
- Simplified, intuitive approach based on the inspectable item’s physical location
New Model: Focuses On Indicators Most Important To Quality

• Current UPCS conditions for Unit Water Heater
  • You see superficial rust (Level 1)
  • Misaligned exhaust system (Level 3)

• New Standards for a Unit Water Heater
  • You see superficial rust (Deleted – no resident impact)
  • Misaligned exhaust system (CTQ – can cause death)
New Model: CTQ Development Process

- Pre-Pilot
  - Legacy UPCS
  - Initial CTQs
- Pilot
  - Validated CTQs
  - New "UPCS"
  - Legacy "UPCS"
- Post-Pilot
  - Final CTQs
  - Updated "UPCS"

Objectivity and Consistency
Demonstration
Demonstration Roadmap

Multi-year, multi-phase effort in HUD Region III consisting of:

- Demonstration preparation – Currently ongoing
  - Finalize strategy (vision, goals, objectives)
  - Develop items to be evaluated (elements of the new model to include new deficiencies)
  - Develop test criteria and metrics
  - Compare results with criteria and adjust accordingly
- Phase I – POA self-inspections - Begins in 3rd Quarter FY2019
  - Leverages existing authority to collect required annual unit inspections
  - Will require POAs to inspect and submit results to HUD
  - Self-inspections evaluated but not scored
- Phase II – CTQ inspections - Begins in 4th Quarter FY2019
  - Comprised of contractor and government employees using new standards
  - Assesses new standards and protocols
  - Development of new scoring model
Region III - Demonstration

• Why Region III?
  • Offers a cross-section of property types in a relatively small geography
    • Urban
    • Rural
    • Apartments
    • Detached/Semi-Detached
    • Public Housing/Multi-Family/Office of Healthcare Programs
## Region III Multifamily Inspection Overview

*Based on Inspection Data 2013-2018*

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*Based on Inspection Data 2013-2018*
Demonstration Inspection Scoring

• All properties will be inspected during the 2-year Demonstration

• Demonstration inspections will be “in lieu” of UPCS inspections

• Scores are only advisory
  • If conditions warrant, HUD will reinspect using UPCS
Summary

• Changes needed to protect families and ensure the inspection results reflect the property’s true physical condition

• Changes will be tested during a 2-year demonstration in Region III

• Feedback will be collected from stakeholders through listening sessions and other methods of outreach

• Demonstration expected beginning Q3 FY19
Your feedback...

Questions & Comments