Improving Real Estate Assessment Center’s (REAC) Inspections: 
A Presentation to HUD’s Inspections Partners 
Detroit, MI 
March 26, 2019 
Seattle, WA 
March 28, 2019
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)
• 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
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 Released Feb 22, 2019; Effective March 25, 2019
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

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

<table>
<thead>
<tr>
<th>Precision</th>
<th>CTQs Per Category</th>
<th>Response Level</th>
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</thead>
<tbody>
<tr>
<td>Objective</td>
<td>Safety &amp; Health</td>
<td>Urgent: Emergency Work Order</td>
</tr>
<tr>
<td>Subjective</td>
<td>Function &amp; Operability</td>
<td>Planned: Routine Work Order</td>
</tr>
<tr>
<td></td>
<td>Condition &amp; Appearance</td>
<td>Programmed: Discretionary Maintenance</td>
</tr>
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</table>
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

Validated CTQs

New “UPCS”

Legacy “UPCS”

Updated “UPCS”

Pilot

Post-Pilot

Final CTQs

Objectivity and Consistency
Demonstration
Demonstration Roadmap

Multi-year, multi-phase effort 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
  - Solicitation and selection of properties (Preference to Region III)
- Phase I – POA self-inspections - Begins in 3rd Quarter FY2019
  - Leverages existing requirement to conduct annual unit inspections
  - Participants will 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
Demonstration – Why Preference to 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

<table>
<thead>
<tr>
<th>Multifamily</th>
<th>BLDG_TYPE</th>
<th>Region III (%)</th>
<th>USA (%)</th>
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<tr>
<td>NDS</td>
<td>12.0</td>
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<tr>
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<td>WU</td>
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ES: Elevator Structures; NDS: No Dwelling Units; RW: Row/Town House; SD: Semi-Detached; SF: Single Family; WU: Walk-up (multistory without elevator)
Region III Multifamily Inspection Overview

<table>
<thead>
<tr>
<th>State</th>
<th>MF Prop.</th>
<th>Min Score</th>
<th>Max Score</th>
<th>Avg Score</th>
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<td>4</td>
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<td>37</td>
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<tr>
<td>WV</td>
<td>226</td>
<td>34</td>
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<td>83</td>
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</table>

*Based on Inspection Data 2013-2018
<table>
<thead>
<tr>
<th>State</th>
<th>PH Prop.</th>
<th>Min Score</th>
<th>Max Score</th>
<th>Avg Score</th>
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</tr>
</tbody>
</table>

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

• 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
• Feedback will be collected from stakeholders through listening sessions and other methods of outreach
• Demonstration expected beginning Q3 FY19
Your feedback...

Questions & Comments

Or

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