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><strong>Safety &amp; Health</strong></td>
<td><strong>Urgent</strong>: Emergency Work Order</td>
</tr>
<tr>
<td>Subjective</td>
<td><strong>Function &amp; Operability</strong></td>
<td><strong>Planned</strong>: Routine Work Order</td>
</tr>
<tr>
<td></td>
<td><strong>Condition &amp; Appearance</strong></td>
<td><strong>Programmed</strong>: 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”

Final CTQs

Updated “UPCS”

Post-Pilot

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>BLDG_TYPE</th>
<th>Region III (%)</th>
<th>USA (%)</th>
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<tbody>
<tr>
<td>ES</td>
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<td>7.3</td>
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<tr>
<td>NDS</td>
<td>12.0</td>
<td>13.1</td>
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<tr>
<td>RW</td>
<td>34.6</td>
<td>30.2</td>
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<tr>
<td>SD</td>
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<td>6.1</td>
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<tr>
<td>SF</td>
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<tr>
<td>WU</td>
<td>37.9</td>
<td>38.3</td>
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</table>

**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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<tr>
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<td>MD</td>
<td>642</td>
<td>4</td>
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<tr>
<td>DC</td>
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<td>10</td>
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<td>80</td>
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<tr>
<td>DE</td>
<td>101</td>
<td>37</td>
<td>100</td>
<td>85</td>
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<tr>
<td>PA</td>
<td>1054</td>
<td>2</td>
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<tr>
<td>WV</td>
<td>226</td>
<td>34</td>
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</table>

*Based on Inspection Data 2013-2018*
### Region III Public Housing Inspection Overview

*Based on Inspection Data 2013-2018

<table>
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<th>Avg Score</th>
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</tr>
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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
Questions & Comments

Or

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