Improving Real Estate Assessment Center’s (REAC) Inspections:
A Presentation to HUD’s Inspections Partners
Atlanta, GA
April 4, 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)
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

- **FY2019**
  - 14 Day Notice Released
  - Analysis & Design

- **FY2020**
  - Demonstration Notice Released
  - Initiate POA Self-Inspections
  - Demonstration Execution: Test, Evaluate, Validate & Refine
  - Initiate Contractor Inspections
  - Initiate Government Inspections
  - Reverse Auction Program Replacement
  - Initiate New Scoring Model

- **FY2021**
  - Stakeholder Outreach
  - Changes To Current Process

• 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 Quality Assurance 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

- **Urgent**: Emergency Work Order
- **Planned**: Routine Work Order
- **Programmed**: Discretionary Maintenance

**Precision**

- **Objective**
  - Safety & Health
- **Subjective**
  - Function & Operability
  - Condition & Appearance

**CTQs Per Category**

**Response Level**

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

**CURRENT 5 INSPECTABLE AREAS**

- **Dwelling Units**: 35%
- **Building Systems**: 20%
- **Common Areas**: 15%
- **Building Exterior**: 15%
- **Site**: 15%

**NEW 3 INSPECTABLE AREAS**

- **Dwelling Units**: 50% Failure Threshold Value
- **Inside**: 25%
- **Outside**: 25%

Property won’t pass overall inspection if the Dwelling Units inspectable area fails.

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-Demonstration

- Legacy UPCS
- Legacy UPCS

Demonstration

- Initial CTQs
- Validated CTQs
- New “UPCS”
- Legacy “UPCS”

Post-Demonstration

- Final CTQs
- Updated “UPCS”

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

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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

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

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*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

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or

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