



# **Improving Real Estate Assessment Center's (REAC) Inspections:**

**A Presentation to HUD's Inspections Partners**

**February 21, 2019**

**Philadelphia, PA**



# Overview

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



# The Problem

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*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

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- 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

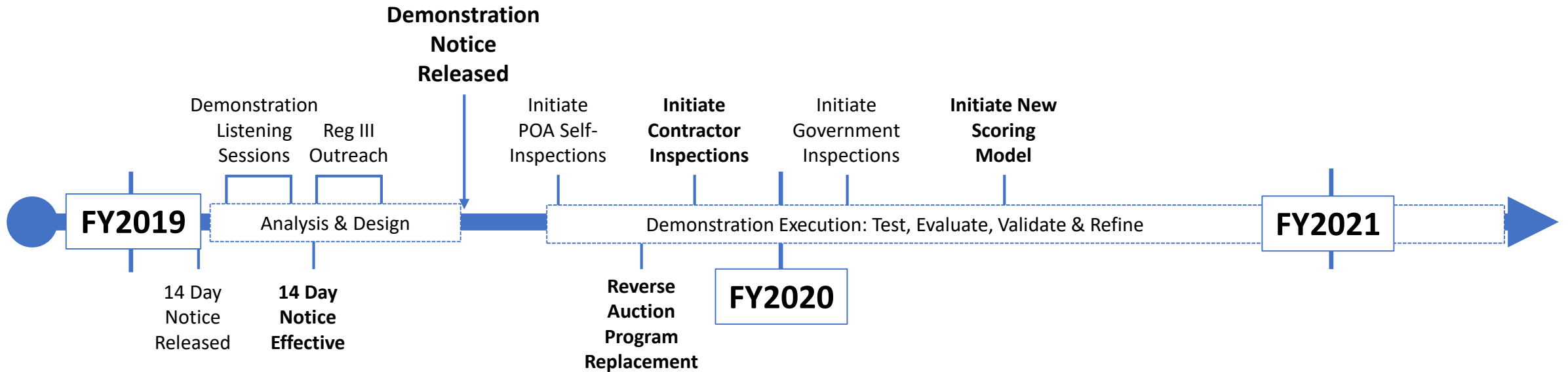
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- Ensure families are living in decent and safe housing
- Enhance accuracy through:
  - Better identification of substandard properties
  - Increased objectivity and defensibility of inspections
  - Streamlined inspection processes



# Inspection Improvements Timeline

New Model: New Standards, Protocols, and Processes



Changes To Current Process



# 14 Calendar Day Inspection Notification

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- **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

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- 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

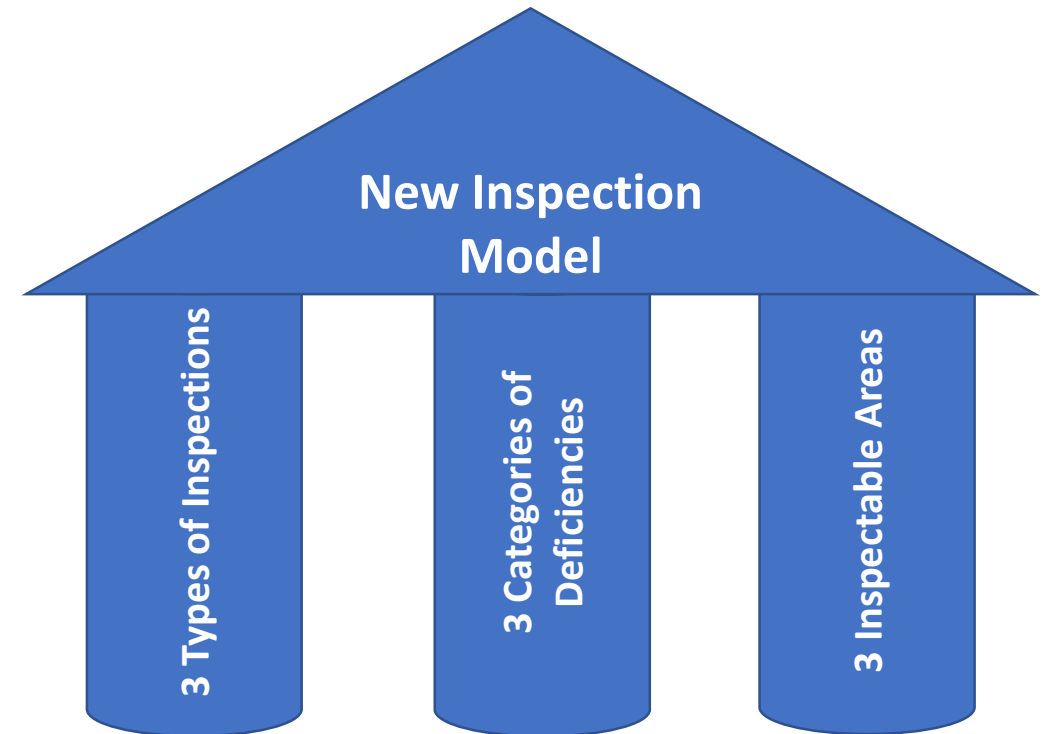
- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Quality Assurance Inspections

## 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

Reasonable assurance into property's condition

## 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

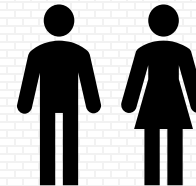
**Who:** Contract Inspectors

**What:** CTQs

**When:** Periodic inspections (3, 2, 1 years)

**Where:** High sample rate

**Why:** To gain a high level of confidence in results



Evidentiary support to enforcement and/or sanctions

## HUD Quality Assurance Inspections

**Who:** HUD Federal Inspectors

**What:** CTQs++

**When:** Triggered by poor conditions

**Where:** Highest sample rate

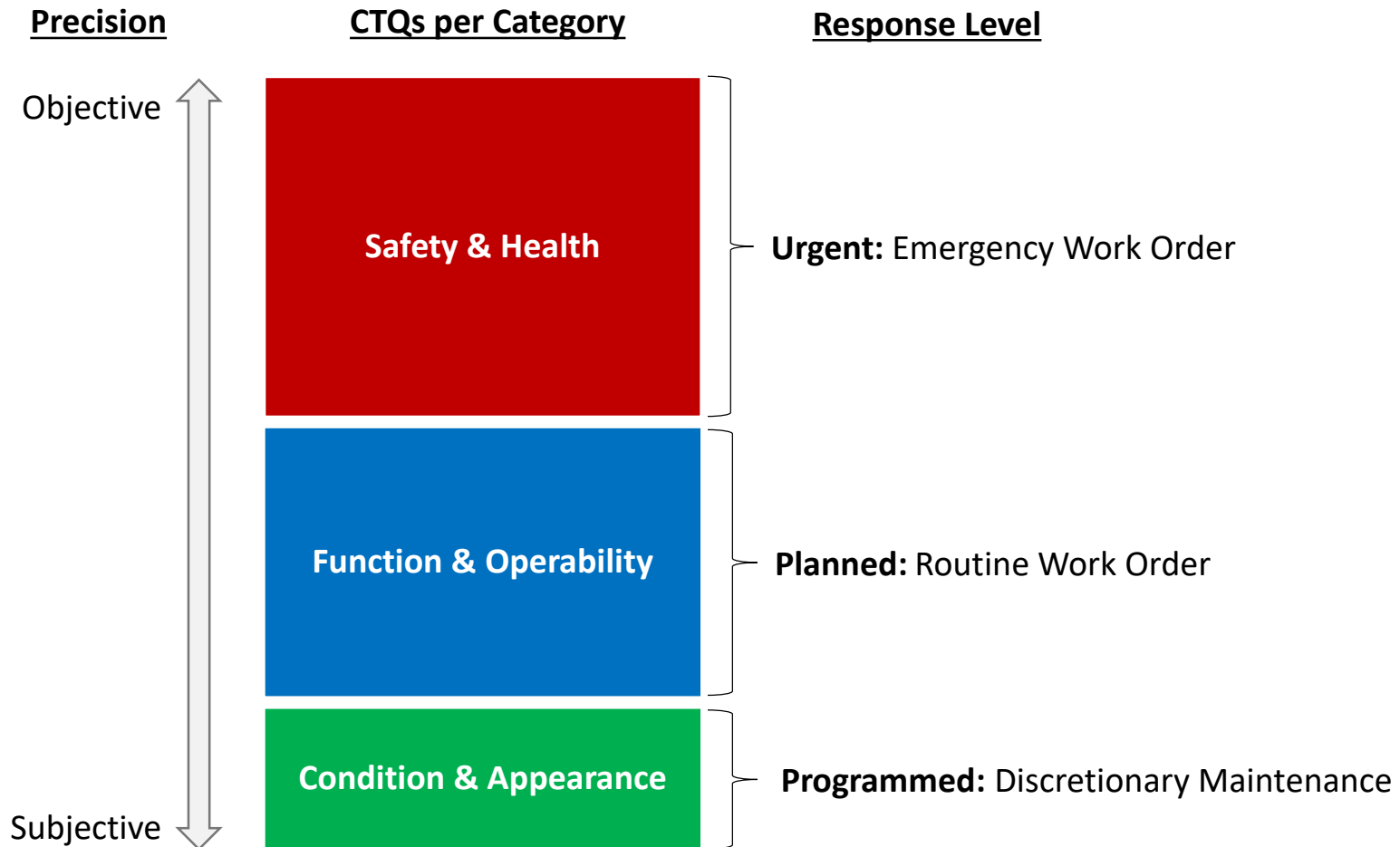
**Why:** To gain the highest level of confidence in results



\*CTQs = Critical to Quality Indicators; Inspection standards that have a high correlation to quality



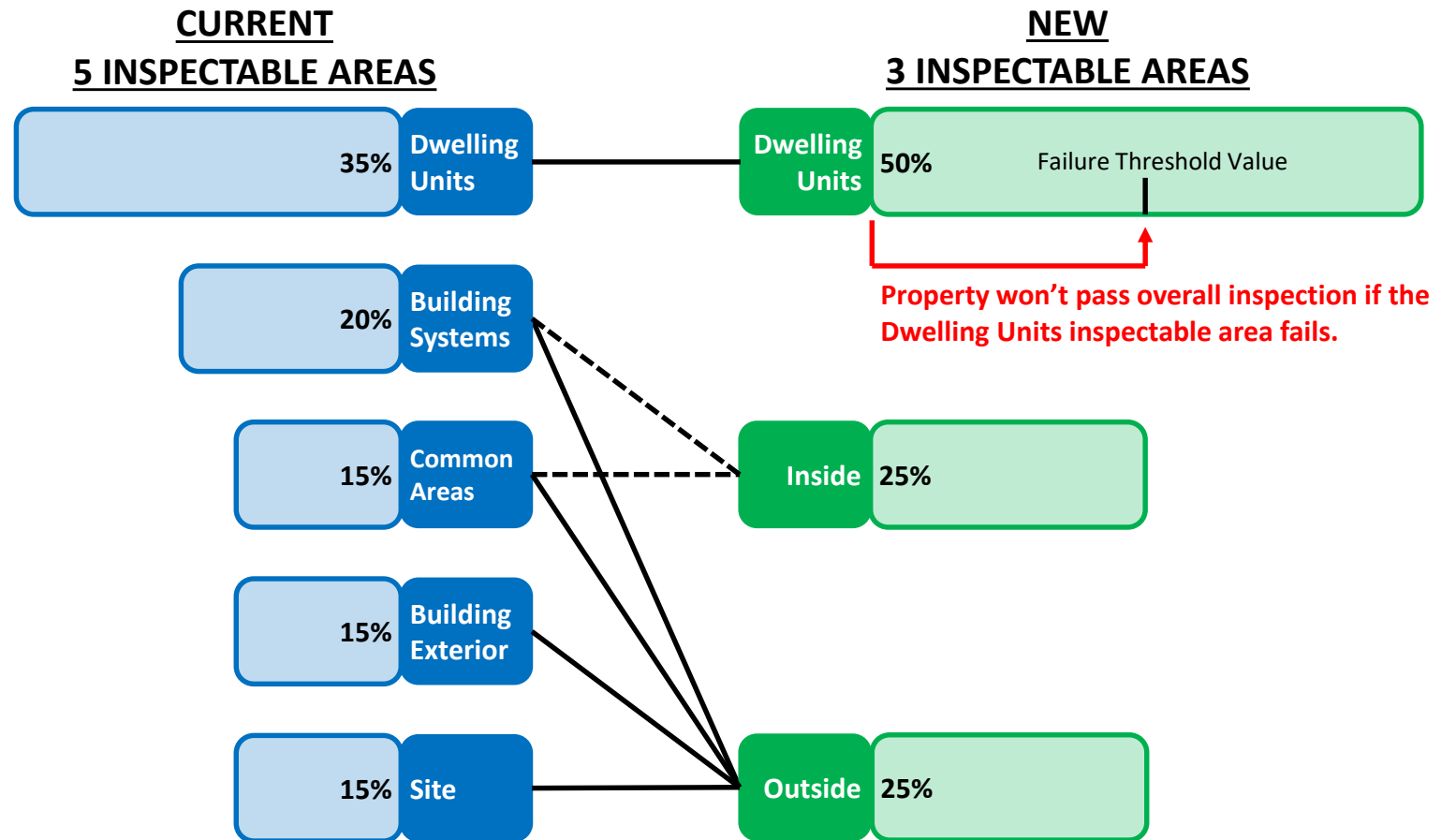
# New Model: 3 Categories of Deficiencies





# 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





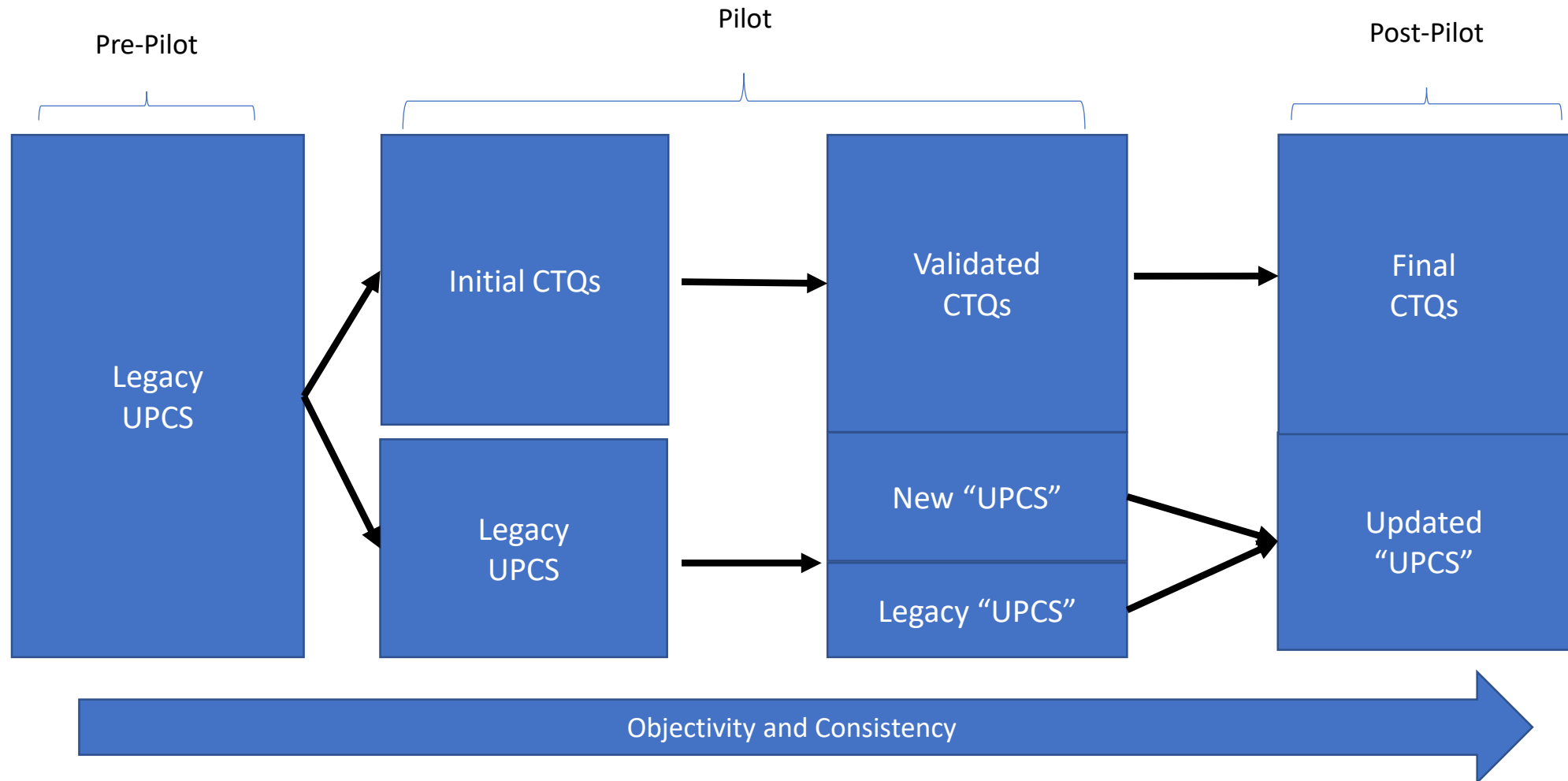
# New Model: Focuses On Indicators Most Important To Quality

- 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





# Demonstration



# Demonstration Roadmap

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## **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 3<sup>rd</sup> 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 4<sup>th</sup> Quarter FY2019
  - Comprised of contractor and government employees using new standards
  - Assesses new standards and protocols
  - Development of new scoring model





# Region III - Demonstration

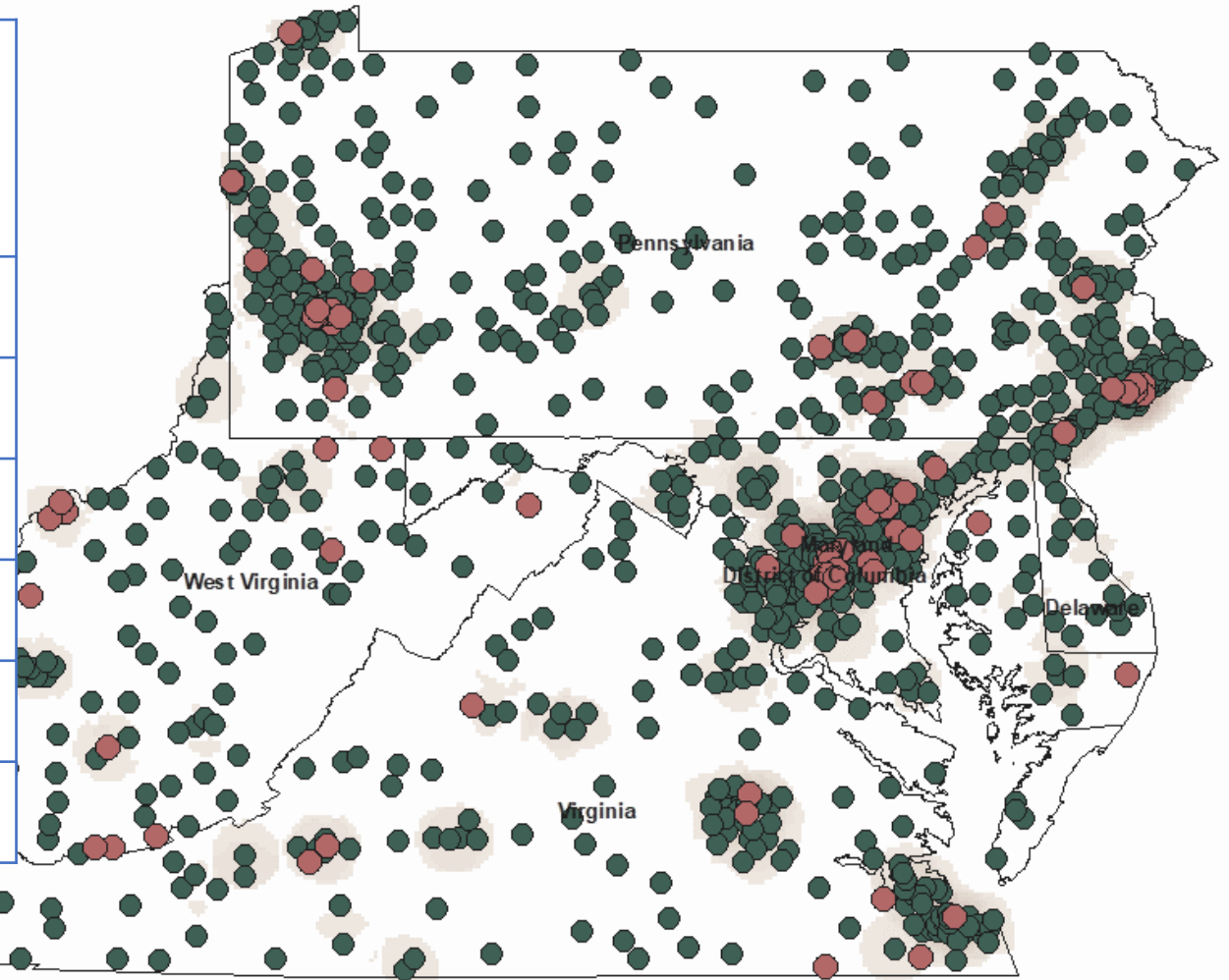
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- Why Region III?
  - Offers a cross-section of property types in a relatively small geography
    - Urban
    - Rural
    - Apartments
    - Detached/Semi-Detached
    - Public Housing/Multi-Family/Office of Healthcare Programs



# Region III Multifamily Inspection Overview

State	MF Prop.	Min Score	Max Score	Avg Score
VA	670	12	100	85
MD	642	4	100	86
DC	134	10	100	80
DE	101	37	100	85
PA	1054	2	100	86
WV	226	34	99	83



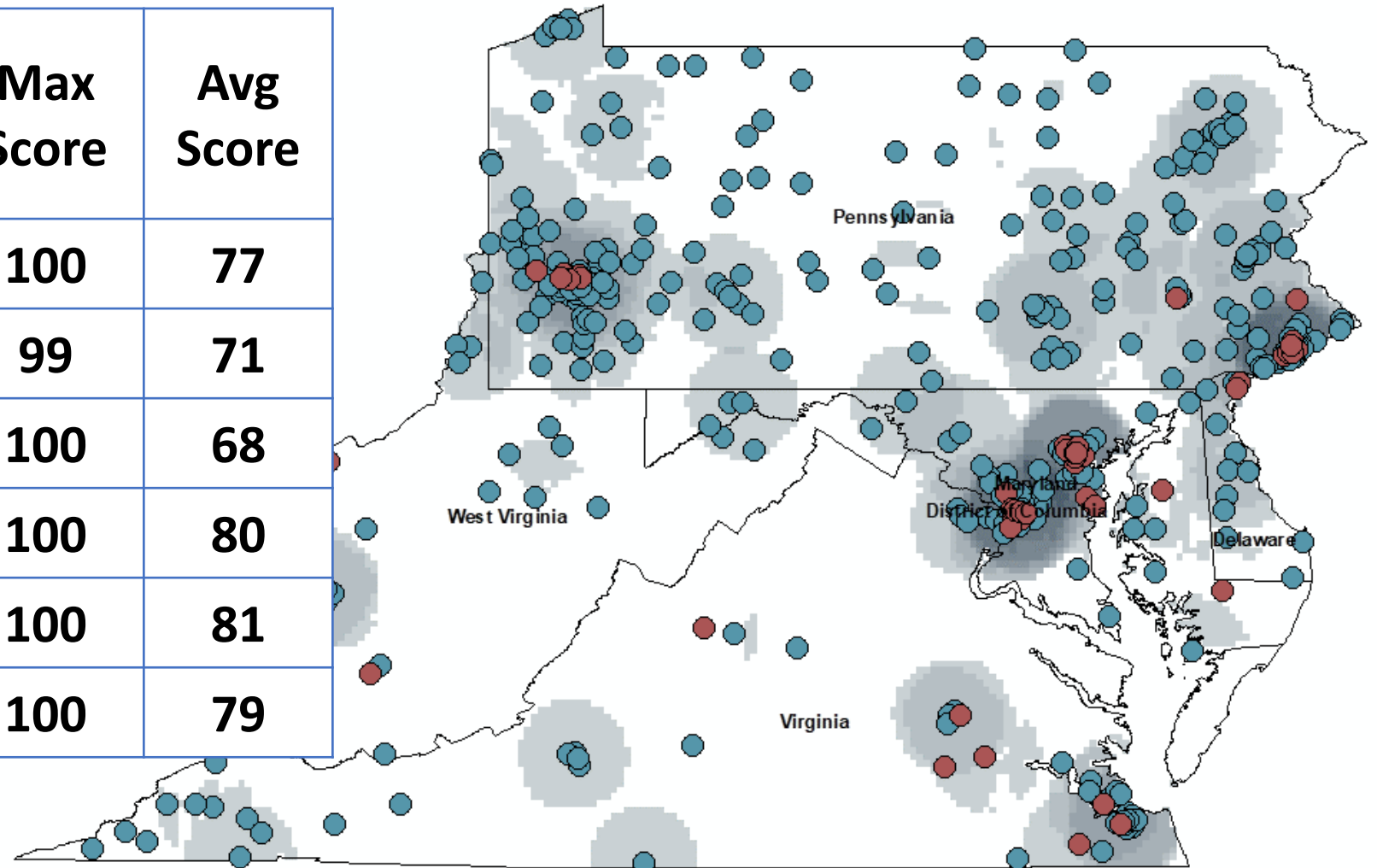
\*Based on Inspection Data 2013-2018



# Region III Public Housing Inspection Overview

State	PH Prop.	Min Score	Max Score	Avg Score
VA	142	30	100	77
MD	134	25	99	71
DC	64	22	100	68
DE	22	42	100	80
PA	464	100	81	
WV	61	24	100	79

\*Based on Inspection Data 2013-2018





# Demonstration Inspection Scoring

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- 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

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- 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...

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## Questions & Comments