Understanding REAC
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Today’s Outline
- Background of REAC
- Areas of an inspection
- What to expect from your inspector and during your inspection
- REAC Scoring Model
- Preparing your residents
- Appealing your REAC score
- Break
- UPCS Deficiencies

History of REAC
- 1997 – HUD Secretary Andrew Cuomo implements the HUD 2020 Management Reform Plan
  - A central element was the Real Estate Assessment Center (REAC)
- 1999 - HUD conducted baseline inspections of all properties in their portfolio (Used HQS)
- 2000 - HUD publishes Federal Register 24 CFR Parts 5 and 200
  - Institutes a numeric grading system to ensure properties are treated equally
- 2005 – HUD institutes Uniform Physical Condition Standards (UPCS) protocol
  - HUD continues to refine and improve the REAC process
Reason for REAC

- To ensure that these families have housing that is decent, safe, sanitary and in good repair.
- REAC conducts approximately 20,000 physical inspections on properties each year.
- These inspections are done by:
  - Reverse Auction Program
  - Servicing Mortgagees – Contracted inspections
  - Pilot Program

Five Inspectable Areas

- Site
- Building Exterior
- Building Systems
- Common Areas
- Dwelling Unit
- Health and Safety

Site

Site is the area surrounding the building(s) of a property
- Fencing and Gates
- Grounds
- Mailboxes/Project Signs
- Market Appeal
- Parking Lots
- Driveways/Roads
- Play Areas/Equipment
- Retaining Walls
- Storm Drainage
- Walkways/Steps
- Refuse Disposal
Building Exterior
Encompasses all of the outside surfaces of a building.
• Accessible Entrances
• Doors
• Fire Escapes
• Foundations
• Lighting
• Roofs
• Walls
• Windows

Building Systems
Any system that services more than one common area or more than one unit.
• Domestic Water - Pumps or Boilers
• Electrical System
• Elevators
• Emergency Power
• Exhaust System
• Fire Protection
• HVAC
• Sanitary System

Common Areas
Areas within each building that are used by more than one resident or by property personnel.
• Basement/Storage/Closet
• Closet/Utility/Mechanical
• Community Room
• Day Care
• Halls/Corridors/Stairs
• Kitchen
• Laundry Room
• Storage Areas
• Trash Collection Areas
• Lobby
• Office
• Patio/Porch/Balcony
Dwelling Unit

Individual unit in which a resident lives, which can be anything from an efficiency apartment to a single family home.

- Bathroom Items
- Call for aid
- Ceiling
- Doors
- Dryer Vents
- Electrical System
- Floors
- HVAC
- Kitchen Items
- Lighting
- Outlets/Switches
- Smoke Detectors
- Stairs
- Walls
- Water Heater
- Windows

Health & Safety

Emergency and Fire Exits
- Blocked/Unusable
- Missing or illegible emergency exit signs

Electrical
- Exposed Wires/Open Panels
- Water Leaks or near Electrical Equipment

Garbage or Debris
- Indoors
- Outdoors

Infiltration
- Insects
- Rats/Mice/Vermin

Health & Safety

Elevator
- Misaligned with floor
- Inoperable

Air Quality
- Molds/mildew observed
- Propane/Natural Gas/Methane Gas Detected

Flammable/Combustible Materials
- Improper storage

Hazards
- Sharp Edges or Tripping
- Other hazards
Inspection Process

- Pre-inspection
  - Inspector will make initial contact with property to find a mutually agreeable date for the inspection.
  - A confirmation letter stating all the requirements for the inspection will be sent to the property representative.
  - A short time prior to the inspection, the inspector will contact the property to confirm property profile and that the residents were notified.

Inspection Process

- Inspection – What to expect
  - Inspector will arrive at property on the agreed upon date & time.
  - Inspector will update the system with any changes
    - Be ready with all the necessary certificates, resident notification letter, rent roll, contact and property information
  - New Bed Bug rule effective 2/1/2016
  - A property representative will escort the inspector throughout the inspection.
  - The inspector will call out any deficiencies found and the level of severity.
  - Upon conclusion of the inspection, the inspector will provide the property with a list of any H&S deficiencies found.

Inspection Process

- Inspection
  - Snapshot in time
  - Basic Rule: If an item exists, it has to function as intended.
  - Items property may correct during inspection:
    - Plug in electric burners
    - Replace a light bulb to prove fixture works
    - Plug in an exhaust fan
    - Ignite a pilot light (level one deficiency)
  - Inspector may stop inspection if property personnel are going ahead of inspector and fixing things.
## Inspection Process

<table>
<thead>
<tr>
<th># of Units</th>
<th>Sample Size</th>
<th># of Units</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>35-34</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>35-40</td>
<td>16</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>41-47</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>48-56</td>
<td>18</td>
</tr>
<tr>
<td>5-6</td>
<td>5</td>
<td>57-67</td>
<td>19</td>
</tr>
<tr>
<td>7</td>
<td>6</td>
<td>68-81</td>
<td>20</td>
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<tr>
<td>8-9</td>
<td>7</td>
<td>82-101</td>
<td>21</td>
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<tr>
<td>10-11</td>
<td>8</td>
<td>102-130</td>
<td>22</td>
</tr>
<tr>
<td>12-13</td>
<td>9</td>
<td>131-175</td>
<td>23</td>
</tr>
<tr>
<td>14-16</td>
<td>10</td>
<td>176-257</td>
<td>24</td>
</tr>
<tr>
<td>17-18</td>
<td>11</td>
<td>258-449</td>
<td>25</td>
</tr>
<tr>
<td>19-21</td>
<td>12</td>
<td>450-1461</td>
<td>26</td>
</tr>
<tr>
<td>22-25</td>
<td>13</td>
<td>1462+</td>
<td>27</td>
</tr>
<tr>
<td>26-29</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Post Inspection

- Within 24 hours of completion, the inspector will upload the inspection to HUD Real Estate Assessment Center (REAC) for review and scoring.
- Typically REAC will release the inspection report within a week’s time.

*Note:* Your REAC inspector has nothing to do with the scoring process of the inspection and will not be able to tell you the score.

## Exigent Health & Safety Items

- If Life Threatening EH&S items are found, property has 1 business day to have been corrected.

- Certification that all EH&S items have been mitigated is due back to your HUD Project Manager 3 business days after your REAC inspection is complete.
Business Rules for Inspectors

- Inspectors Must:
  - Respect Resident Privacy
  - Comply with reasonable requests from residents and property representatives
  - Defer all questions from residents or from third parties about the inspection to the property owner or representative

- Inspectors Must Not:
  - Express personal opinions about property condition
  - Make promises to residents about repairs
  - Use offensive language
  - Conduct an inspection under the influence
  - Smoke anywhere on property
  - Carry a weapon of any kind
  - Commit theft or intentional damage
  - Cancel an inspection due to a QA review
  - Engage in violence or misconduct

Scoring Model

- Any score under 60 is considered a failing score
- Two consecutive failing scores will result in an inspection by a HUD QA inspector
- If a third failing score is given from the QA inspector then more drastic measures could be taken by HUD

- 90-100: Property inspected every 2 years
- 80-89: Property inspected every 3 years
- 70 and below: Property inspected every year

- a: Health and safety deficiencies noted
- b: Risk to life, physical health and safety deficiencies noted
- c: Interfere with life (economic health and safety deficiencies noted)
- d: Interfere with life (imperative health and safety deficiencies noted)
Levels of deficiency (severity)

- Every time a deficiency is found there is an assigned deficiency level
- 1 – For Minor Deficiencies
- 2 – For Major Deficiencies
- 3 – For Severe Deficiencies
- You will see this number on the REAC inspection report.

<table>
<thead>
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<th>Area</th>
<th>Points</th>
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<tbody>
<tr>
<td>Site</td>
<td>15</td>
</tr>
<tr>
<td>Building Exteriors</td>
<td>15</td>
</tr>
<tr>
<td>Building Systems</td>
<td>20</td>
</tr>
<tr>
<td>Common Areas</td>
<td>15</td>
</tr>
<tr>
<td>Dwelling units</td>
<td>35</td>
</tr>
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Points for the 5 inspectable areas

Relative Weights

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How to calculate your score

*Chart provided by: U.S. Housing Consultants*
Sample Properties

- Property #1
  - Senior high rise building 10 stories with underground parking and no green space – 100 units
- Property #2
  - Family property two story walk up on 6 acres – 8 buildings – 16 units

Sample Properties

<table>
<thead>
<tr>
<th>Property</th>
<th>#1 - Senior</th>
<th>#2 - Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site</td>
<td>15 - Small area</td>
<td>15 - Large area</td>
</tr>
<tr>
<td>Building Exterior</td>
<td>15</td>
<td>1.88 per building</td>
</tr>
<tr>
<td>Building Systems</td>
<td>20</td>
<td>2.5 per building</td>
</tr>
<tr>
<td>Common Areas</td>
<td>15</td>
<td>1.88 per building</td>
</tr>
<tr>
<td>Units</td>
<td>1.67 per unit</td>
<td>5 per unit</td>
</tr>
</tbody>
</table>

* This scoring does not take into account Health and Safety

How to maximize your score

- Determine areas of highest point loss possible
  - Site Size? Parking lots? Fences? Playgrounds?
  - Multiple buildings or only one building
  - How many common areas?
  - Multiple building systems or only one?
  - Many units or few units?
- Concentrate on Health and Safety issues
How to maximize your time

- Pre-inspection
  - Determine game plan
  - Meet with Staff
  - Order Supplies
- Start immediately
  - Focus on common areas, exteriors, building systems, and site first
- Health and Safety
- If it's there, it's got to work!
- Walk highest point loss areas immediately prior to the inspection

Ways to prepare your residents

- Inform them of inspection ASAP!
  - Provide multiple notices of important upcoming dates
- Educate your residents on what to expect
  - Hold informational session
  - Importance of a high score
  - Inform of their role in the inspection
  - What they can do to prepare
- Walk resident's units with them
- LISTEN to your residents and keep them calm

Sample Resident Notification Letter

- Specific date and timeframe
- Explain who they can expect to see
- Provide ways to contact management for repairs
- Have pets prepared
- Items to pay attention to
  - Pull Cords
  - Blocked Egress / windows clear
  - Fire Hazards
  - Clean conditions / Clutter
- Units cannot be skipped if selected
- Thank the residents
Little Tips

- Do not schedule your inspection on a Monday
- Be nice to the inspector!
- Train ALL staff to know what to be on the lookout for
- Make sure tenants understand how to submit work orders and make sure they are being completed.
- Bring a camera and notepad when on the inspection

Appealing your REAC score

- Two ways to appeal your REAC score
Technical Review

- May be requested if, during the physical inspection, an objectively verifiable and material error occurred that, if corrected, would result in an improvement in the property's overall score.
- Must be submitted within 30 days of the score being released.
- Three types of material errors:
  - Building Data Errors – inspection includes wrong building or a building not owned by property.
  - Unit Count Errors – total number of units considered in scoring is incorrect as reported at time of inspection.
  - Non-existent Deficiency Errors – Inspection cites a deficiency that did not exist at time of inspection.

Technical Review

- REAC will not consider the following for a technical review:
  - Disagreements over the severity of the defect, such as deficiencies rated Level 3 that the property believes should be level 1 or 2.
  - Deficiencies that were repaired or corrected during or after the inspection.
  - Deficiencies recorded with associated point loss.
  - Deficiencies caused by residents.

| Example of Documented Deficiency | Objective and Verifiable Documentation | Documentation not considered objective and verifiable
|----------------------------------|---------------------------------------|---------------------------------|
| Building Systems - Electrical    | A signed letter from a licensed professional electrical engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Structural - Foundation          | A signed letter from a licensed professional structural engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Grounds - Paving                | A signed letter from a licensed professional landscape architect with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Building Systems - Heating, Cooling | A signed letter from a licensed professional mechanical engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Building Systems - Exterior      | A signed letter from a licensed professional architectural engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Building Systems - Mechanical    | A signed letter from a licensed professional mechanical engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Building Systems - Security      | A signed letter from a licensed professional security engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Building Systems - Life Safety   | A signed letter from a licensed professional life safety engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Infrastructure - Communications  | A signed letter from a licensed professional communications engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Infrastructure - Transportation | A signed letter from a licensed professional transportation engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ
| Infrastructure - Utilities       | A signed letter from a licensed professional utilities engineer with notes and signatures that the deficiency does not exist. | Letter from the PIAA or the MJ

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A signed letter from a licensed professional structural engineer with notes and signatures that the deficiency does not exist.

A signed letter from a licensed professional landscape architect with notes and signatures that the deficiency does not exist.

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A signed letter from a licensed professional life safety engineer with notes and signatures that the deficiency does not exist.

A signed letter from a licensed professional communications engineer with notes and signatures that the deficiency does not exist.

A signed letter from a licensed professional transportation engineer with notes and signatures that the deficiency does not exist.

A signed letter from a licensed professional utilities engineer with notes and signatures that the deficiency does not exist.
Database Adjustment

- May be requested for circumstances affecting the inspected property that are out of the ordinary, reflect an inconsistency with ownership, or are allowed by city/county/state codes.
- Must be submitted within 45 days of the score being released.
- Circumstances that may be addressed by a DBA:
  - Local Conditions and Exception – differences between local code and UPSCS inspection protocol.
  - Ownership Issues – items cited during the inspection that do not belong to the property.
  - Adverse Conditions Beyond the Owner’s Control – damage caused by natural disaster or third party working near the property.
  - Modernization Work in Progress

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Database Adjustment

- REAC will not consider a Database Adjustment if:
  - Appropriate documentation is not submitted
  - Deficiencies noted during the inspection were corrected during or after the inspection

- Requests for technical reviews must be submitted separately from requests for database adjustments.