Sessions I-B & IV-C  |  Presented by Jim Lyons, NAHMS, CGPM
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REAC / PHYSICAL INSPECTIONS
OVERVIEW

- What is REAC?
- Pre-Planning and Preparation
- Inspectable Areas / Inspectable Items
- Exigent Health & Safety Deficiencies (EH&S)
- Scoring Overview
- Appeals
- Q&A
REAC is the Real Estate Assessment Center of the United States Department of Housing and Urban Development (HUD).

“The mission is to provide and promote the effective use of accurate, timely and reliable information assessing the condition of HUD’s portfolio; to provide information to help ensure safe, decent and affordable housing; and to restore the public trust by identifying fraud, abuse and waste of HUD resources.”
WHAT IS REAC?

HUD conducts over 20,000 inspections annually across the United States and its territories at over 29,000 privately-owned multifamily properties.

The guidelines used follows the Uniform Physical Condition Standards (UPCS).

It also conducts physical inspections at over 3,000 Public Housing Authorities (PHA).

PHAs have a different inspection schedule and model, which we will discuss a bit later in this presentation.
Rule # 1. Your properties should **ALWAYS** be ready for REAC and/or any other regulatory inspection!

Understanding the REAC guidelines, knowing your property and its various physical, mechanical and unit composite features, and following your company’s Standard Operating Procedures (SOP), will almost always ensure satisfactory results with one of these inspections.

Rule #2. Always follow Rule #1.
HUD generally notifies a site about 2-3 months ahead of time of an intended inspection date.

If the date selected doesn’t work, you can ask for another date. The request must be within reason.
OK, so your property has just been notified of an upcoming REAC inspection.

What do you do?
- Inspect 100% of the property.
- Take nothing for granted. Look anywhere and everywhere that an inspector can look.
- Review your previous REAC Report to compare.
- Review most recent group of annual, quarterly, monthly site and unit inspection reports to ensure that any work required has been completed.
- Note any “problem” units that may require an extra look just before the inspection, based on history or needs.
- Review site specific checklists performed over the last year. Ensure all outstanding items have been completed.
Ensure that no Life / Safety issues exist anywhere on the site; both outside and inside.

Review the current **REAC Dictionary of Deficiency Definitions**.

Refer to the REAC website at: [www.hud.gov/reac](http://www.hud.gov/reac)

Remember… If it’s there, it must function as designed. Test everything! Even if it belongs to the resident *(i.e., resident-owned fans, resident-owned appliances, etc.)*.

Don’t be afraid to ask for help.
The REAC inspection will be divided into two key areas:

1) Inspectable Areas
2) Inspectable Items
INSPECTABLE AREAS & INSPECTABLE ITEMS

Any deficiency that is found during the inspection will be located within an Inspectable Area. The five (5) key areas are:

- SITE
- BUILDING EXTERIOR
- BUILDING SYSTEMS
- COMMON AREAS
- UNITS
Inspectable Items are defined as those inspected within an inspectable area.

The number of inspectable items will vary among the five areas --- between 7 and 18 items per area.

Examples of inspectable items include, but are not limited to grounds, roadways, sidewalks, fencing, doors, windows, roofs, walls, elevators, emergency systems, common areas, kitchens, bathrooms, etc.
During the inspection, there may be deficiencies noted that rise to the level of being classified as “Health & Safety” inspectable items.

There are two (2) types of H&S deficiencies:

- Life Threatening \((LTH&S)\)
- Non-Life Threatening \((NLTH&S)\)

These can add additional point deductions to the item.

Having any of these noted deficiencies can make the difference between a “passing” or “failing” inspection grade.
The scoring methodology used is a weighted system. Bigger projects don’t necessarily have a direct relationship to lost points.

Each Inspectable Area has a numerical point value assigned. The total of all five (5) areas will equal 100%.

To best measure what each Inspectable Area is worth on your property, look at the previous REAC inspection report as a gauge.
## Typical Inspectable Area Weight (percentage)

<table>
<thead>
<tr>
<th>Area</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site</td>
<td>15</td>
</tr>
<tr>
<td>Building Exterior</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>
</tbody>
</table>

*This is subject to change for every property.*
NOTE:

If a property has very limited common area, then the allowable points will be re-allocated to other Inspectable Areas. The total of that reallocated score will still equal 100%.

Focus your efforts on higher point deduction items. It’s all about the math!
REAC Inspections also assign letter grades that get annexed to the score to signify any Health & Safety deficiencies noted during the inspection.

For example:

“a” = No Health & Safety
“b” = Health & Safety (Non-Life Threatening)
“c” = Health & Safety (Life Threatening)
“*” = Missing or non-operational smoke detector(s).

So what is the definition of a Health & Safety Deficiency? Let’s see…
REAC also looks at “criticality” and “severity” levels, as well in determining the overall score of an area and/or item.

The five criticality levels are:

- Critical
- Very Important
- Important
- Contributes
- Slight Contribution
These five criticality levels determine the associated values for each deficiency depending on how it impacts the overall property operations.

There are three (3) levels of severity. They have a rating of 3, 2, and 1 respectively, with 3 being “severe” or a Level 3; 2 being “major” or a Level 2, and 1 being “minor” or Level 1.

Each is assigned a point value ranging from less than one point.
The REAC Score shall be between 100 down to zero.

- A score from 90 to 100 means that your property will be inspected every three (3) years;
- A score from 80 to 89 means that your property will be inspected every two (2) years and;
- A score of 79 to 60 will be inspected **every** year.
- A score below 60 will trigger a new inspection to happen within a very short amount of time. Most re-inspections will involve the presence of a Quality Assurance (QA) Inspector directly from HUD.
There are two types of REAC Appeals available to property owner/agents:

- Technical Reviews
- Database Reviews

There are distinct differences for each and each has its own timeframe to submit for review.
What is a Technical Review (TR)?

A technical review may be requested if, during the physical inspection, an objectively verifiable and material error(s) occurred that, if corrected, would result in an improvement in the property's overall score.

Material errors are those that exhibit specific characteristics and meet specific thresholds.

The three (3) types of material errors are: Building Data Errors, Unit Count Errors, Non-Existent Deficiency Errors.
Building Data Errors - The inspection includes the wrong building or a building that is not owned by the property.

Unit Count Errors - The total number of units considered in scoring is incorrect as reported at the time of the inspection.

Non-Existence Deficiency Errors - The inspection cites a deficiency that did not exist at the time of the inspection.
What **DOES NOT** Qualify for a Technical Review?

REAC will **not** consider the following for a Technical Review:

- Disagreements over the severity of a defect, such as deficiencies rated Level 3 that the POA/PHA believe should be rated Level 1 or 2; ***Know that any Level 3 deficiencies will have photographs taken at the time of the inspection by the inspector to help document the severity of the deficiency (“snapshot in time”)***.

- Deficiencies that were repaired or corrected during or after the inspection;
WHAT DOESN’T QUALIFY

(Continued)

What **DOES NOT** Qualify for a Technical Review?

- deficiencies recorded with no associated point loss *(i.e., FH&EO)* - deficiencies for survey purposes only or inoperable Smoke Detectors; or

- deficiencies caused by residents.
What are the Steps for Submitting a Technical Review?

A POA/PHA can initiate the technical review process by notifying PIH-REAC in writing within the appropriate time-period and supplying objective and verifiable documentation that a deficiency was recorded in error.

Examples of objective and verifiable documentation are dated pictures or videos, signed and dated written material from an objective source (i.e., a local fire marshal or building code official, or similar evidence).
What are the Steps for Submitting a Technical Review?

Written documentation, other than from the fire marshal or local code official, must be from a licensed professional whose expertise corresponds to the appealed inspectable item. This written documentation must be signed by the licensed expert and include his/her license number.

**Multifamily:** Property Owner/Agent (POA) must submit a request for a technical review and must be received at REAC within 30 days from the physical inspection report release date.
What is a Database Adjustment (DBA)?

A request for database adjustment initiates a review of the results of a physical inspection.

A 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.
Circumstances that may be addressed by a database adjustment are as follows:

**Local Conditions and Exceptions**

Circumstances include inconsistencies between local code requirements and the UPCS inspection protocol, such as conditions permitted by local variance or license (i.e., *child guards allowed on sleeping room windows by local building codes*) or pre-existing physical features that do not conform to, or are inconsistent with, PIH-REAC's physical condition protocol. (*PIH = Public & Indian Housing*)
Ownership Issues

Items that were captured and scored during the inspection that are not owned or the responsibility of the PHA/POA. Examples include sidewalks, roads, fences, retaining walls, and mailboxes owned and maintained by adjoining properties, or the city/state and resident-owned appliances that are not maintained by the PHA/POA. *(PHA/POA = Public Housing Authority/Property Owner-Agent)*

The PHA/POA must have notified the owner or proper authorities regarding the deficient item, and any appliances provided to the resident must be noted in the lease agreement.
Adverse Conditions Beyond the Owner's Control

Deficiencies negatively affecting the score that were caused by circumstances beyond the PHA’s/POA’s control such as damage from a natural disaster or a third-party, private, or public entity, working near a property.

The responsibility to correct such conditions still belongs to the POA/PHA.
Modernization Work In Progress

Property/projects undergoing modernization work in progress, underway at the time of the physical inspection, may qualify for a database adjustment.

All elements of the unit that are not undergoing modernization at the time of the inspection (even if modernization is planned) will be subject to PIH-REAC's physical inspection protocol without adjustment.
Multifamily Housing

POAs must send a request for a database adjustment and must be received within 45 days from the physical inspection report release date.

View the Applicable Federal Register Notices/Regulations
What DOES NOT Qualify for a Database Adjustment?

PIH-REAC will not accept any database adjustment requests without appropriate documentation. Deficiencies noted during the inspection that were corrected during or after the inspection do not qualify for a database adjustment.

Database adjustments do not apply to circumstances addressed in the technical review process. Requests for technical reviews must be submitted separately from requests for database adjustments.
Effective **February 1, 2016**, the following change applies to all inspections:

**Change in UPCS Inspector Protocol – Bed bugs**

As of February 1, 2016, Inspectors shall enter all units reported to have bed bugs that show up in the sample and conduct the normal REAC inspection, regardless of any known bed bug infestation.

In 2010, due to the re-emergence of bed bugs, REAC issued Inspector Notice 2010-01 establishing inspection protocol requirements when an inspector is informed of bed bugs at a property that is being inspected.
Those requirements addressed the reporting of bed bugs and the conduct of inspections at these properties.

The new Inspector Notice 2016-01 amends, in part, those inspection protocol requirements and now requires inspectors to enter all units in which bed bugs are reported.

If you have any questions or concerns, please contact REAC’s Technical Assistance Center at 1-888-245-4860.
Effective May 23, 2016, the following changes will apply to all inspections:

The following guidance and clarifications are provided as part of REAC’s continuing effort to minimize the variances in the application of the UPCS protocols and definitions.
Site: Overgrown Vegetation

Are weeds and grass overgrown in an area of the property that is not in use a defect or not? (i.e., see photo below - a strip of land between the driveway and property fence)

No defect.
Site: Overgrown Vegetation

There is some vegetation touching a fence, but it is not causing any damage. Is this a defect?
Site: Site Erosion

Here are two actual examples of what inspectors are recording as erosion. Is this a defect? No defect.

Neither of these meets our definition of erosion and should not have been recorded.
Building Exterior:

• Stains on exterior walls? Is this a defect?

Yes, the defect for a staining on a wall is only applied to “intended painted surfaces”. Such as wood siding – not vinyl, aluminum, or brick.

• Is it a defect if the dryer vent exhaust has missing slates or openings in the exhaust cover plate mounted on the exterior wall?

Yes, it is considered a penetration and is recorded as a hole in the wall.
2016 CHANGES...

Common Areas:

• Fire walls between townhouse units – Do we assess these differently?

No – These are not inspected as part of the “Building Systems - Fire Protection”.

• Are properties permitted to use double-sided deadbolts only in common areas where residents do not have access to?

Yes, properties can use double-sided deadbolts in all common areas that are not in the direct path of the unit egress from the building.
**Building Systems:**

Is a handicap chair lift or a stair lift considered an elevator?

Yes, any conveyance system is considered an elevator.

In instances where the conveyance systems are not inspected, the property staff shall demonstrate to the inspector that the chair lift or stair lift performs each function as designed by the manufacturer.
Building Systems:

Inspection of Zip Ties: Should we test the integrity of plastic zip ties used to secure electrical enclosures?

**DEPENDS...** If the inspector sees a reason why they should be tested (i.e., sun-baked, color is worn and faded, etc.), and when tested, it breaks off in their hands and exposes bare electrical wiring or connections to be exposed, it is considered a defect.

Otherwise, if the zip ties breaks when tested, but no bare wiring or connections are exposed, it is not a defect.
Building Systems:

Inspection of Zip Ties (continued):

This does not imply that every zip tie on every property has to be tested. Professional common sense must be applied for this situation on a case-by-case basis.
Unit:

• The showerhead leaks when the water is turned on, but does not leak when the water is off. Is this a defect?

Yes, it is a defect and shall be recorded as a L1, if contained, and a L3 if not contained.

• The showerhead is missing. Is this a defect or not?

Yes, it is a defect due to missing hardware.
Unit:

• If the mechanical sink stopper is inoperable, is it a L1 – sink stopper defect, or a L3 – hardware defect?

It is a L1 – sink stopper defect.

• Upon entering the bathroom, the inspector observed that the water is turned off to the sink and/or toilet. Is this a defect?

If the water cut-off valve under a sink or behind the toilet is turned off, then the inspector can allow the property representative to turn on the valve to allow proper testing of the sink or toilet.
Entry Door:

• If entry door has never had a seal installed and daylight is observed under the frame, is this a defect?

No, because it is operating as designed.

Self-Latching Doors:

• Is it acceptable for inspectors to allow the property representative to remove door sweeps and items hanging from hooks on self-closing doors during the inspection?

Yes. If a resident has added a door sweep or wreath hanger, our protocol allows the resident or POA to remove the item to demonstrate that the door closer works properly.
Self-Latching Doors (continued):

• How many times should an inspector attempt to open/close a “self-closing” door?

  Two attempts shall be made varying the angle of the opened door (i.e., 45-degrees, 90-degrees, etc.). If after two attempts the door does not latch, it is a defect.

• Can the resident or POA assist the “self-closing” doors function by raising and/or closing windows by using airflow to assist?

  No, in a fire emergency, the resident would have no time to adjust nearby windows. Do not allow a resident or a POA to open a window to get a door to shut. The door should work as designed when the windows are opened or closed.
Self-Latching Doors (continued):

• During the inspection, can the POA or the inspector repair the door hardware on a bi-fold door (i.e., replace the pin in the top track)?

No, it is a defect. Snapshot in time. The door does not operate properly as designed.

• You observe a missing strike plate on the door frame, but the door latches and stays secure. Is it a defect?

Yes, it is a defect due to missing door hardware and the level is based on the type of door.
Unit: Electrical System

- Tripped Breakers: Is there a protocol to provide for the property to reset a tripped breaker for electrical devices or equipment?

**Disposals:** If the garbage disposal is tripped, the inspector will allow the POA to press the reset button; if it works, there is no deficiency. However, if the POA has to use any tools to make repairs to the garbage disposal, it is deemed as a defect.
Unit: Electrical System

• GFCIs: Must be tested and reset by the inspector per the Compilation Bulletin (CB).

Tripped Breaker: The POA can reset a tripped breaker as long as the breaker does not affect a life safety item, such as a call-for-aid or smoke detector. In this example, no deficiency would be observed and/or recorded.

Note: The inspector should never turn on any breaker that is found to be in the “off” or “tripped” position, since he/she is not sure what appliance or dangerous condition that it might create (i.e., turns on stove). The POA should be given the option to turn on any breakers that are off. The exception to this is the testing of the GFCI and AFCI protected breakers.
Unit: Electrical System

• If a garbage disposal is missing the plate underneath it, is this recorded as exposed wires?

Yes. If it exposes bare wires and/or bare connections, it is an electrical defect.

• Unplugged Appliances: Do we need to verify whether an unplugged appliance, such as a dryer, is in use or not?

Depends. The Inspector must use their best judgment based for this situation.
Unit: Electrical System

• Can caulk be used anywhere in the panel/fuse box?

No. This is a defect. The introduction of a foreign material into this type of device is not an acceptable repair. It shall be recorded in the appropriate inspectable area as an “H&S – Electrical Hazard” under “Openings in the electrical panel are not properly covered”.

2016 CHANGES...
Unit: HVAC

• If the HVAC system has holes in it from the manufacturer, can this be considered exposed wires?

Yes. If the holes expose bare wires and/or bare connections, it is an electrical defect.

• What should the inspector do if the window air conditioner in a unit is unplugged?

The inspector shall allow the property representative to plug it in and then test it for correct operation. *** HVAC is considered a seasonable item. ***
Unit: Kitchen Items

• The range hood exhaust fan is missing its filter. Is this a defect?
Yes, it is a defect. (Inoperable – L3 – Missing component).

• Is aluminum foil in the oven or on the stove top a defect?
No. It is considered a housekeeping measure by the resident.

• Is a pizza box, plastic bags, etc., stored in the oven a defect?
Yes. These are flammable items, and therefore, would be recorded as “Hazards- Other”.
Unit: Kitchen Items

• What should the inspector do if the stove in a unit is unplugged?

The inspector will allow the property representative to plug it in and then inspect the stove for correct operation.

• How do we inspect kitchen sink sprayers?

The sink sprayer is only evaluated for leaks. If it is not present, it is not a defect (if the hole where the sprayer once was located is now filled or plugged.)
2016 CHANGES...

Unit: Windows

• Are thumb latches suitable substitutes for window locks?

Yes, as long as they can be operated without the use of a tool.

• Are sash pins (with or without a chain) suitable substitutes for defective balances?

Yes, but they must be tested to ensure they function properly.
Unit: Windows

• Some inspectors allow the escort to operate the windows, especially if they are difficult or the inspector fears damaging the window. Is this allowed?

The inspector shall operate all windows, except those that are not accessible due to a large bed blocking access or the window is elevated. In each of these cases, the inspector must observe the window being tested, either by the escort or the resident.
2016 CHANGES…

Unit: Windows

• What level of effort must an inspector expend to open a window before determining it is inoperable and/or a blocked egress?

The Inspector must use their own professional judgment to determine if the level of effort to open a window constitutes a deficiency for being inoperable and/or a blocked egress.
Unit: Health & Safety

• A window A/C unit is installed in the only window in a bedroom, but it is not secured to the window frame or sash. Is this a defect?

Yes. It is recorded as a blocked egress, regardless if it is secured to the window or not.

• Can a broken child’s toy with a sharp edge be recorded as a defect?

Yes. Hazard - Other (i.e., Resident-owned personal property that is broken).

* See REAC Compilation Bulletin.
Unit: Health & Safety

Below is a photo of a hasp lock. This lock is on the unit entry door. Is it a blocked egress?

Yes, it is a considered blocked egress.
Unit: Health & Safety

All blockages, that limit a person’s ability to exit a room in case of an emergency, are considered as a deficiency. Unlike a thumb turn deadbolt, this has the potential to be pad-locked.

Professional common sense and inspector knowledge are to be applied.
Unit: Health & Safety

How do you record the defect when bed bugs are observed in a unit?

The inspector will record the observation as an “H&S – Hazards Other” defect, and make the comment that bed bugs exist in the unit. Currently, you will not record bed bugs as an “H&S - Infestation” defect.
General Questions Concerning the UPCS Inspections:

Vacant units are now included in the sample. True or false?

True, but not always. For some Housing Finance Authority (HFA) inspections and for all Multi-family (MF) properties with a vacancy rate of 15% or more, the vacant units, if selected in the sample, will be inspected.
General Questions Concerning the UPCS Inspections:

Do we inspect vacant units that are still in the process of being repaired before renting?

Yes. All defects will be recorded in accordance with the Compilation Bulletin’s (CB) guidance concerning “Work in Progress”.

2016 CHANGES…
General Questions Concerning the UPCS Inspections:

- A certified inspector is no longer permitted to be hired to “shadow” and cannot be on the property while the inspection is being conducted. True or false?

*True! This is part of the new Inspector Administration (IA) Business rules.*
Q & A
If you have any questions, feel free to contact me at:

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