

# Report to Congress: Photographic Review of HUD-Assisted Properties

Prepared by

**Office of Policy Development and Research**  
**U.S. Department of Housing and Urban Development**



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**OFFICE OF POLICY DEVELOPMENT AND RESEARCH**

**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

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## Executive Summary

This report is in response to the Public Housing Capital Fund section of Title II of the Senate Report 115-138 (*Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2018*), which directs the U.S. Department of Housing and Urban Development's (HUD's) Real Estate Assessment Center (REAC) to work with the Office of Policy Development and Research (PD&R) "to identify and implement a statistically significant sample photographic review of HUD-assisted properties that received a passing inspection score during fiscal year 2018." This directive reflects Congressional concern that some HUD-subsidized properties receive passing inspection scores despite unaddressed health- and safety-related hazards.

The report highlights REAC's current physical inspection process which requires that all properties receiving assistance either through HUD's public housing program or multifamily programs must be inspected according to REAC's Uniform Physical Condition Standards (UPCS), which are defined in 24 CFR Part 5, Subpart G *Physical Condition Standards and Inspection Requirements*. The UPCS score is used to assess a property's overall physical condition and determine the frequency of a property's subsequent physical inspections. The report also describes REAC's efforts toward improving the inspection model. REAC believes that the current inspection policy and process are flawed, but seeks, however, to resolve this issue by reducing the length of advance notification provided to property managers before an inspection occurs and reformulating the current scoring model.

Over a period of 4 weeks (March 25, 2019, through April 19, 2019), REAC supplied PD&R with 335 photographs that were associated with 43 inspected HUD-assisted properties. PD&R reviewed a sample of the photographs and determined that the photographs provided insufficient evidence to confirm or reject the scoring for any sampled property. PD&R felt that a more extensive photographic study would not be a prudent use of REAC's or PD&R's resources. A more productive approach to this issue would be for PD&R staff to go on-site to accompany REAC during a limited number of inspections.

## Introduction

This report is in response to the Public Housing Capital Fund section of Title II of the Senate Report 115-138 (*Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2018*),<sup>1</sup> which directs HUD’s Real Estate Assessment Center (REAC) to work with the Office of Policy Development and Research (PD&R) “to identify and implement a statistically significant sample photographic review of HUD-assisted properties that received a passing inspection score during fiscal year 2018.” This directive reflects Congressional concern that some HUD-subsidized properties receive passing inspection scores despite unaddressed health- and safety-related hazards. Hence, this report describes PD&R’s recommended approach toward fulfilling the congressional request. This discussion is organized as follows:

The first section describes REAC’s current physical inspection process. The second section describes REAC’s efforts toward updating their physical inspection model. The third section describes the results of PD&R’s visual inspection of a limited number of photographs. The fourth section describes PD&R’s recommendation to provide Quality Assurance (QA) support on a limited number of REAC physical inspections.

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<sup>1</sup> U.S. Government Publishing Office, ‘Senate Report 115-138: Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2018 (Date: 7/27/17),’ <https://www.congress.gov/115/crpt/srpt138/CRPT-115srpt138.pdf>.

## REAC's Current Physical Inspection Process

Properties receiving assistance either through HUD's public housing program or multifamily programs must be inspected according to HUD's Real Estate Assessment Center's (REAC's) Uniform Physical Condition Standards (UPCS), which are defined in 24 CFR Part 5, Subpart G *Physical Condition Standards and Inspection Requirements*. These standards were developed in 1998 to ensure uniformity and objectivity in assessing the physical conditions of HUD-assisted or -insured properties. This protocol outlines a framework to ensure that the conditions of taxpayer-supported housing are decent, safe, sanitary, and in good repair. The UPCS contains five major inspection areas: site (15 percent), building exteriors (15 percent), building systems (20 percent), common areas (15 percent), and dwelling units (35 percent), and is supported by the Dictionary of Deficiency Definitions (HUD, 2012), which defines all of a project or property's inspectable items as well as the factors used to characterize the level of deficiency (each item has three levels of deficiencies). The UPCS physical inspection score is a sub-indicator of the composite REAC assessment score that also includes financial, management, and capital fund assessments.<sup>2,3</sup>

The UPCS score ranges from 0 to 100 points and is used to assess a property's overall physical condition. The score also determines the frequency of subsequent physical inspections. Properties receiving a score of at least 90 points are inspected every third year. Properties receiving scores from 80 to 89 points are inspected every second year. Properties receiving scores of less than 80 points are inspected every year. Properties receiving a score of 59 points or below are designated as troubled. For troubled properties, HUD works with the properties to develop a corrective action plan.

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<sup>2</sup> The four subsystems are the Physical Assessment Subsystem (PASS), Financial Assessment Subsystem (FASS), Management Assessment Subsystem (MASS), and Capital Fund Program (CFP). For more information, see <https://www.hudexchange.info/onecpd/assets/File/PHA-Lead-the-Way-Understanding-PHAS.pdf>.

<sup>3</sup> For multifamily properties, the UPCS physical inspection is a risk-based assessment consisting of financial and other indicators.

## Improving REAC's Physical Inspection Process

REAC is cognizant that the current inspection process has flaws and that inspections do not always properly reflect the extent of health and safety conditions. In limited cases, assisted properties receive a passing score even with poor underlying unit conditions. REAC believes that this problem occurs due to two major shortcomings of REAC's inspection policy: (1) length of advance notification provided to property managers before an inspection occurs, and (2) scoring model within the current inspection standard.

REAC's current inspection policy provides property managers with a notification 120 days prior to an inspection. REAC believes that, in some cases, property managers would defer maintenance until the notification of inspection was received. Upon notification, these property managers would address existing problems only to the extent that would ensure a passing score. In these cases, the score does not reflect the physical conditions that tenants endure most of the year.

In order to address this issue, on February 22, 2019, HUD released Notice PIH-2019-02/H-2019-04 (HUD, 2019), which announced that notification of inspections would occur no more than 14 days prior to the inspection. The shorter lead time is intended to encourage property managers to conduct maintenance activities on an ongoing basis and remove any incentive to wait until the advance notice of inspection. This new policy became effective March 22, 2019, and is expected to eliminate the ability of property managers to address longer standing maintenance problems only to satisfy and pass HUD's inspection.

As described in this report's first section, the condition of dwelling units within the UPCS accounts for only 35 percent of the total physical inspection score. During an inspection, the number of dwelling units inspected is based on the property's total number of assisted units (HUD, n.d.a) and the units inspected are randomly selected. A project's aggregate unit inspection score is calculated by averaging the scores of the units inspected. Although the unit condition accounts for the largest share of points across the five inspection areas, the health and safety conditions of a property's units alone cannot cause a failing inspection score.

Exhibit 1 shows the number of public housing and multifamily properties inspected in 2018 by the total inspection score and unit inspection score. In general, a higher unit score contributes to a higher total inspection score. Due to the complexities in which inspection scores are calculated, however, a property can receive an overall passing score with a minimum of 60 points while also receiving a low score (including zero points) with respect to its unit score. Exhibit 1 further illustrates this dilemma by displaying two multifamily properties with unit scores within the 5- to 14-point range while also receiving overall passing scores between 80 to 89 points.<sup>4</sup> Another complexity of the inspection score calculation includes when a property lacks one or more inspectable areas, thus, resulting in the other area scores being increased proportionally to retain the 100-point scale. As described previously, REAC's current inspection model consists of five major inspection areas: site, building exterior, building systems, common areas, and dwelling units.

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<sup>4</sup> These properties received unit scores of 13.916 and 13.495 and total scores of 88 and 81, respectively.

**Exhibit 1: Number of Public Housing and Multifamily Properties Inspected in 2018 by  
Total Inspection Score and Unit Area Inspection Score**

		Total Inspection Score				Grand Total	
Program	Unit Score	0-59	60-79	80-89	90-100	N	%
Multifamily	No Assisted Units*	492	1,538	2,167	2,758	6,955	23.7%
	N/A**	0	22	32	62	116	0.4%
	0	3	0	0	0	3	0.0%
	1-4	20	0	0	0	20	0.1%
	5-14	124	49	2	0	175	0.6%
	15-24	291	585	212	190	1,278	4.4%
	25-35	282	2,194	3,171	3,774	9,421	32.1%
	>35	27	543	2,402	8,373	11,345	38.7%
<b>Total</b>		<b>1,239</b>	<b>4,931</b>	<b>7,986</b>	<b>15,157</b>	<b>29,313</b>	<b>100.0%</b>
Public Housing	No Assisted Units	0	0	0	0	0	0.0%
	N/A**	5	2	6	1	14	0.2%
	0	1	0	0	0	1	0.0%
	1-4	5	1	0	0	6	0.1%
	5-14	126	25	0	0	151	2.2%
	15-24	290	229	27	2	548	8.1%
	25-35	191	844	703	451	2,189	32.4%
	>35	8	386	1,103	2,355	3,852	57.0%
<b>Total</b>		<b>626</b>	<b>1,487</b>	<b>1,839</b>	<b>2,809</b>	<b>6,761</b>	<b>100.0%</b>

\* HUD-insured (unsubsidized) properties have mortgages insured by the Federal Housing Administration that neither have rental assistance or mortgage interest subsidies.

\*\* N/A = information not available.

To address this issue, REAC is developing a new inspection model that will change the way an inspection is scored. The new model proposes to consolidate the existing five inspectable areas into three: dwelling units, inside, and outside. Dwelling units will now account for 50 percent of the score and also include a minimum threshold that must be reached in order to pass. This new model will prevent an overall passing score for the property if the units are unsafe or have significant deficiencies. The Inside scoring area incorporates parts of the current building systems and common areas scoring areas and will account for 25 percent of the physical inspection points. The Outside scoring area will account for the remaining 25 percent of the physical inspection score and include the current building exterior and site areas and certain parts of the building systems and common areas.

While the change in scoring areas will ensure that a property cannot pass if the units alone do not pass, REAC's changes to the inspection standards will provide further assurances. The new inspection standards will focus more heavily on safety and health issues that are Critical to Quality (CTQ) and will rely less on visible problems, which may be minor and not actual health or safety problems. These new standards are in development and will be tested and revised during a 2-year nationwide inspection pilot along with the new scoring model that will start in HUD Region III (HUD, n.d.b).

## PD&R’s Visual Inspection of a Limited Number of Photographs

Over a period of 4 weeks (March 25, 2019, through April 19, 2019), REAC supplied PD&R with 335 photographs that were associated with 43 inspected HUD-assisted properties. Of these properties, 4 (9.30 percent) received a score of 90 points or higher, 6 (13.95 percent) received a score ranging from 80 to 89 points, 13 (30.23 percent) received a score ranging from 60 to 79 points, while the remaining 20 (46.51 percent) received scores of 59 points or below.

Collectively, the provided documentation consisted of images taken from the properties’ five major inspection areas: 79 site photographs (23.58 percent), 77 building exterior photographs (22.99 percent), 58 common area photographs (17.31 percent), 43 building system photographs (12.84 percent), and 78 dwelling unit photographs (23.28 percent). For each inspected property, the documentation consisted of a nameplate image, describing where, when, and who performed the inspection, and multiple photographs, ranging from 2 to 10.

Exhibit 2 and exhibit 3 display REAC’s list of the top 25 deficiencies observed within public housing and multifamily housing properties, respectively (HUD, 2015a; HUD, 2015b). For both portfolios, doors, kitchen items, and windows are described as the top three unit-deficiencies observed. Neither list specifies the timeframe in which the deficiencies were observed.

### Exhibit 2: Top 25 Most Cited Deficiencies for Public Housing

Rank	Area Name	Item Name	Defect Name	# Deficiencies
1	Unit	Doors	Unit - Damaged Hardware / Locks (Doors)	28,789
2	Unit	Kitchen Items	Unit - Refrigerator - Missing / Damaged / Inoperable (Kitchen)	20,814
3	Unit	Doors	Unit - Damaged Surface (Holes / Paint / Rust / Glass) (Doors)	16,307
4	Unit	Windows	Unit - Damaged / Missing Screens (Windows)	14,149
5	Building Exterior	Walls	BE- Missing Pieces / Holes / Spalling (Walls)	12,326
6	Unit	Windows	Unit - Inoperable / Not Lockable (Windows)	11,760
7	Unit	Walls	Unit - Peeling / Needs Paint (Walls)	10,684
8	Unit	Kitchen Items	Unit - Range / Stove- Missing / Damaged / Inoperable (Kitchen)	9,767
9	Unit	Doors	Unit - Damaged / Missing Screen / Storm / Security Door (Doors)	9,687
10	Unit	Walls	Unit - Damaged (Walls)	9,269
11	Unit	Windows	Unit- Missing / Deteriorated Caulking / Seals / Glazing Compound (Windows)	8,795
12	Building Exterior	Walls	BE- Stained / Peeling / Needs Paint (Walls)	8,505
13	Unit	Bathroom Items	Unit - Lavatory Sink - Damaged / Missing (Bathroom)	7,942
14	Health and Safety	Hazards	HS - Tripping (Hazards)	7,867
15	Unit	Smoke Detector	Unit - Missing / Inoperable (Smoke Detector)	7,718
16	Health and Safety	Emergency / Fire Exits	HS - Emergency / Fire Exits Blocked / Unusable (Emergency / Fire Exits)	7,530
17	Health and Safety	Infestation	HS - Insects / roaches (Infestation)	7,018

18	Unit	Outlets / Switches	Unit - Missing / Broken Cover Plates (Outlets / Switches)	6,713
19	Unit	Doors	Unit - Damaged Frames / Threshold / Lintels / Trim (Doors)	6,393
20	Unit	Ceiling	Unit - Peeling / Needs Paint (Ceiling)	5,912
21	Unit	Electrical System	Unit - GFI - Inoperable (Electrical System)	5,822
22	Building Exterior	Roofs	BE- Missing / Damaged Components from Downspout / Gutter (Roofs)	5,419
23	Unit	Bathroom Items	Unit - Plumbing Leaking Faucet / Pipes (Bathroom)	5,365
24	Building Exterior	Roofs	BE- Damaged Soffits / Fascia (Roofs)	4,647
25	Unit	Bathroom Items	Unit - Shower / Tub - Damaged / Missing (Bathroom)	4,544

### Exhibit 3: Top 25 Most Cited Deficiencies for Multifamily Housing

Rank	Area Name	Item Name	Defect Name	# Deficiencies
1	Unit	Doors	Unit - Damaged Hardware / Locks (Doors)	64,269
2	Unit	Kitchen Items	Unit - Refrigerator - Missing / Damaged / Inoperable (Kitchen)	30,618
3	Unit	Windows	Unit - Damaged / Missing Screens (Windows)	21,636
4	Unit	Doors	Unit - Damaged Surface (Holes / Paint / Rust / Glass) (Doors)	18,421
5	Unit	Windows	Unit - Inoperable / Not Lockable (Windows)	16,982
6	Unit	Windows	Unit- Missing / Deteriorated Caulking / Seals / Glazing Compound (Windows)	16,870
7	Building Exterior	Walls	BE- Missing Pieces / Holes / Spalling (Walls)	16,574
8	Unit	Smoke Detector	Unit - Missing / Inoperable (Smoke Detector)	13,947
9	Unit	Call-for-Aid	Unit - Inoperable (Call-for-Aid)	13,597
10	Unit	Bathroom Items	Unit - Lavatory Sink - Damaged / Missing (Bathroom)	13,059
11	Unit	Outlets / Switches	Unit - Missing / Broken Cover Plates (Outlets / Switches)	12,926
12	Health and Safety	Emergency / Fire Exits	HS - Emergency / Fire Exits Blocked / Unusable (Emergency / Fire Exits)	11,811
13	Unit	Bathroom Items	Unit - Plumbing Leaking Faucet / Pipes (Bathroom)	11,095
14	Unit	Doors	Unit - Damaged / Missing Screen / Storm / Security Door (Doors)	10,983
15	Unit	Walls	Unit - Damaged (Walls)	10,806
16	Health and Safety	Hazards	HS - Tripping (Hazards)	10,713
17	Building Exterior	Walls	BE- Stained / Peeling / Needs Paint (Walls)	10,306
18	Unit	Bathroom Items	Unit - Shower / Tub - Damaged / Missing (Bathroom)	9,846
19	Unit	Electrical System	Unit - GFI - Inoperable (Electrical System)	9,750
20	Unit	Doors	Unit - Missing Door (Doors)	9,537
21	Unit	Doors	Unit - Damaged Frames / Threshold / Lintels / Trim (Doors)	8,726
22	Unit	Kitchen Items	Unit - Range / Stove- Missing / Damaged / Inoperable (Kitchen)	8,710
23	Building Exterior	Roofs	BE- Missing / Damaged Components from Downspout / Gutter (Roofs)	8,491

24	Building Systems	Emergency Power	BS- Auxiliary Lighting Inoperable (Emergency Power)	7,935
25	Health and Safety	Electrical Hazards	HS - Exposed Wires / Open Panels (Electrical Hazards)	7,327

Upon review of REAC’s supplied photographs, PD&R concluded that the photos provide insufficient context to confirm that a standard is either met or not met. Exhibit 4 and exhibit 5 illustrate this point.

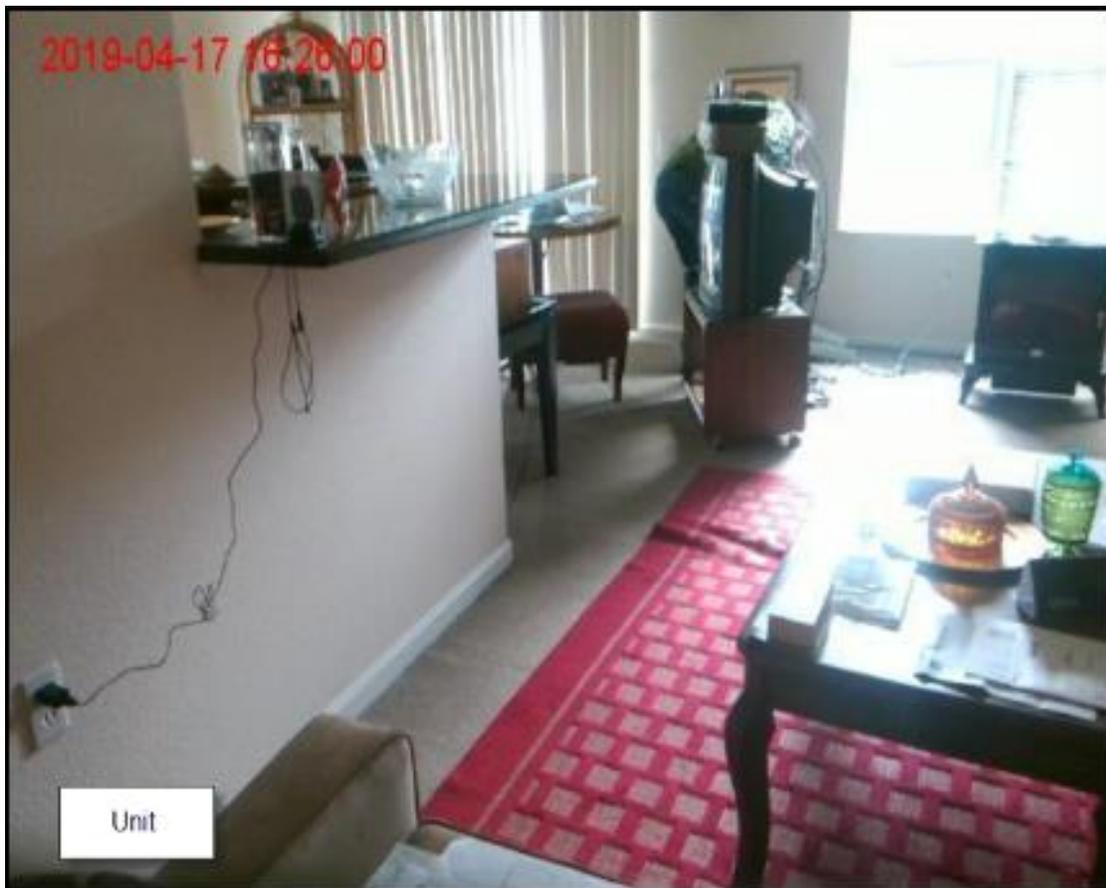
Exhibit 4 displays a unit from the Trinity Manor Apartments, in Augusta, GA. The apartment complex was inspected on March 27, 2019, and received an overall inspection score of 36c\* (HUD, n.d.c). The asterisk indicates that health and safety (H&S) deficiencies were found with respect to smoke detectors and lowercase “c” indicates that one or more exigent/fire safety (calling for immediate attention or remedy) H&S deficiencies were observed. The unit’s door is displayed in the photo; however, it does not reveal the type of door (for example, closet, bathroom, entry) nor whether its locks are damaged or inoperable. One would need to physically operate the door to determine where it leads and whether the locks are functioning properly.

Exhibit 4: Unit Inspection Within the Trinity Manor Apartments



Exhibit 5 displays a unit from the Lakewoods II complex, in Toledo, Ohio. This complex was inspected on April 17, 2019, and received an overall inspection score of 71c\*. The figure displays the unit's windows; however, it does not reveal whether the windows' screens were missing or damaged, have adequate caulking, nor whether locks are damaged or operable. Similarly, one would need to physically inspect and operate the windows to determine if the screens were present and undamaged, caulking was missing or deteriorated, and the locks are functioning properly.

Exhibit 5: Unit Inspection Within The Lakewoods II Complex



## Recommendation to Provide QA Support on a Limited Number of Inspections

PD&R has reviewed a small sample of photographs taken of HUD-assisted properties. The photographs are insufficient evidence to confirm or reject the scoring for any sampled property. We are unable to state either that passing scores were warranted or failing scores were unwarranted. A more extensive photographic study would not, in our judgment, be a prudent use of REAC's or PD&R's resources.

We believe a more productive approach to the problem would be for PD&R staff to go on-site to accompany REAC during a limited number of inspections. Our staff would observe whether properties pass or fail under both the existing scoring model and the proposed alternative and would offer independent judgments as to which model best met the statutory goals of decent, safe, and sanitary affordable housing.

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