

March 28, 2019

The Honorable Dr. Benjamin Carson
Secretary
U.S. Department of Housing and Urban Development
451 7th Street S.W.,
Washington, DC 20410

Dear Secretary Carson:

On February 22, HUD announced changes to the notice provided to public housing authorities who operate public housing and to private owners of HUD-subsidized or insured properties with respect to the Real Estate Assessment Center (REAC) Uniform Physical Inspections. The undersigned groups share HUD's concerns about portfolio compliance, and we share the agency's goal of promoting ongoing physical standards of assisted properties to the decent, safe, and sanitary standard required by statute. However, the newly-imposed notice period of exactly 14 days is an infeasible and burdensome requirement for public housing authorities, private owners, and tenants of affordable housing, as explained below. We urge HUD to withdraw this notice, review the feedback they receive from the listening sessions, and utilize appropriate regulatory channels to make data-driven improvements to the REAC protocol.

The new 14-day inspection notification period will be punitive to the housing providers who have solid track records of maintaining their properties to a high standard. Such a timeframe does not provide enough notice to ensure that the necessary parties are informed (e.g. site manager, maintenance staff, ownership entity, etc.), that the tenants are provided sufficient notice, and that the management or ownership has time to document any previously scheduled or ongoing rehabilitation or renovation work, which may *disincentivize* rather than promote ongoing property maintenance or major property rehabilitation.

A particular concern with such a short notice relates to the fact that such inspection notices are fairly often improperly directed to former staff, and this tends to be a frequent occurrence when properties change ownership or management. We also believe there should be a process in place to confirm receipt of the notice, as well as a scheduling window to facilitate the scheduling limitations of the appropriate property staff with inspector's availability. In addition, state and local landlord-tenant laws require tenants to receive notice prior to entry into their unit. HUD must ensure there is time for that notification to occur prior to the inspection.

HUD seems to agree that REAC should not be done during rehab. There is a process for documenting rehab, which takes time to get through the pipeline. With this short timeframe, it is unlikely everything will fall into place within exactly 14 days; however, per HUD's Notice, the assisted properties will still bear the consequence of an *automatically failed inspection* should the inspection not take place on the fourteenth day. This new policy is inefficient in terms of the agency's enforcement protocols, as well as highly inaccurate, leading to further deterioration of REAC's data integrity. As such, the automatic "zero" score policy should be replaced with a more accurate and actionable compliance incentive in any new inspection policy.

We encourage the Offices of REAC and Multifamily housing to meet with owner/agents and other stakeholders to discuss appropriate ways to enable high performing owners to ensure that their

properties are exempted from inspections until the completion of substantial and often time-sensitive rehabilitation work, to obtain short-term deferrals for major systems replacements (like elevators, or other single-system components) or to consider other ways this process could be streamlined so as to ensure residents receive requisite notification and not to be punitive of owners who are working hard to provide quality housing.

If HUD continues with such a short requirement, we believe reasonable allowances must be granted for illness and vacation schedules if project staff are physically unable to prepare for the inspection in the time allotted (other concurrent inspections/MORs, for example, or insufficient maintenance staff available, or the owner cannot attend on the proposed dates, etc.).

We also question whether a 14-day notice period is realistic given the limited number of qualified inspectors coupled with HUD's intention to discontinue the reverse auction approach to contracting inspectors.

HUD acknowledges that over 96 percent of the properties inspected by REAC are in good physical condition. HUD is now undertaking a series of listening sessions around the country on the REAC process. We were disappointed to see HUD make this announcement prior to receiving feedback from these sessions. As the owners and managers of affordable housing, we believe it is in the best interest of HUD, tenants, PHAs and our members for the REAC inspection to be an accurate reflection of the condition of the HUD portfolio. Overhauling REAC seems an extreme step, one that will require a partnership with HUD and property owners and managers. Lesser changes like adjustments to scoring and weighting could potentially achieve desirable short-term goals. **We urge HUD to withdraw this notice.**

Thank you for your urgent consideration of this matter. Please don't hesitate to reach out with questions to Megan Booth, NAR Director of Federal Housing, Valuation, Commercial Real Estate Policies & Programs, at 202-383-1222 or MBooth@REALTORS.org.

Sincerely,

Council for Affordable and Rural Housing
Institute of Real Estate Management
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Housing Cooperatives
National Association of REALTORS®
National Leased Housing Association
National Multifamily Housing Council