



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

MAR 21 2019

MEMORANDUM FOR: ~~Multifamily Regional Directors~~
Multifamily Satellite Office Directors
Multifamily Owners and Management Agents

FROM: C. Lamar Seats, Deputy Assistant Secretary, Office of Multifamily
Housing Programs, HT

SUBJECT: **Approving the Delay of a Physical Inspection Beyond the New Real Estate
Assessment Center (REAC) Inspection Notification Timelines**

This memorandum is written to provide guidance on when a field office may approve an owner's request to delay an inspection outside the new inspection notification guidelines provided in Notice PIH-2019-02(HA) H-2019-04, captioned, "Standardization of REAC Inspection Notification Timelines." This Notice was published on February 22, 2019, and it will take effect on March 25, 2019. Once the Notice takes effect, HUD employees and contract inspections conducting inspections on behalf of HUD will provide multifamily project owners and agents (POAs) notice that an inspection will take place 14 calendar days from the date of notification. Although Notice PIH-2019-02(HA) H-2019-04, does not apply to projects with FHA-insurance, Field Offices should use the same criteria for approving a delay of an inspection at an FHA-insured project.

The Notice states that the following conditions will apply:

- If a POA declines to accept an inspection at the time of initial notification, a presumptive score of "0" (zero) will be recorded but held in abeyance pending the outcome of a second attempt to schedule the inspection.
- If a POA cancels or refuses entry for an inspection scheduled during the initial notification, a presumptive score of "0" (zero) will be recorded but held in abeyance pending the outcome of a second attempt to schedule the inspection.
- If the second attempt results in a successfully completed inspection within seven calendar days of the initial scheduled date, the resulting inspection score shall be recorded.
- If the second attempt does not result in a successfully completed inspection within seven calendar days of the initial scheduled date due to the fault of the POA, the resulting score shall be recorded as "0" (zero) and the POA may be subject to any and all penalties and remedies established through statute, regulation, sub-regulatory policy, grant agreement, or contract.

Among several clarifications and limitations to the above, the Notice also provides that:

- Requests to extend or reschedule an inspection outside of the notification window, such

as for any circumstances which may significantly impact the execution of an inspection or inspection results (e.g., major renovations, significant rehabilitation, fire, etc.), must be submitted by the POA and approved by HUD prior to the proposed date of inspection.

The Asset Management Director may approve a delay in an inspection for the following circumstances¹:

- **Major Rehabilitation**: The HUD Field Office may only approve the delay of an inspection for major rehabilitation if the POA informed the Field Office of the rehabilitation before receiving notification of an inspection date. HUD will not approve a delay after the owner receives a call or email notification to schedule an inspection date. HUD will not approve a delay for routine maintenance or localized rehabilitation. To qualify as major rehabilitation:
 - The project is undergoing a major recapitalization transaction such as a refinance or an allocation of Low Income Housing Tax Credits (LIHTC) where the total cost of the rehabilitation is \$15,000 per unit or more. This is calculated by taking the total cost of the rehabilitation work divided by the total number of units at the project or the total number of assisted units for partially assisted projects. (Total Cost of Repairs ÷ Total Units = Total Cost Per Unit).

The POA must provide the field office with the information to verify the start and end dates of the rehabilitation, a description of the work covered and the total cost.

In cases where repairs or rehabilitation do not meet these criteria, the POA may submit a Database Adjustment (DBA) appeal prior to an inspection taking place or within 45-days of the release on an inspection report. The instructions for submitting a DBA prior to or after the release of an inspection are found at:

https://www.hud.gov/program_offices/public_indian_housing/reac/products/pass/pass_guid_eandrule

We have also attached a brief booklet on Technical Review and DBA appeals.

- **Presidential Disaster Declaration (PDD)**: The project is located in an area/county covered by a PDD during the period an inspector is trying to schedule an inspection.
- **Other Emergency**: An emergency such as a fire or water damage occurred that was beyond the owner's control occurred that effects more than 30% of the units during the period an inspector or HUD is trying to schedule an inspection. In cases where the damage is restricted

¹ According to 24 CFR, part 200, subpart P, §200.855, physical inspections are scheduled within the time period spanning 90-days before or 90-days after the ideal future date of the next inspection. The POA should refrain from starting major rehabilitation during this time frame unless the work is an emergency. The ideal future date is calculated based on the score of the last inspection. Projects that score 90-100 must be inspected every three years, projects that score from 80-to 89 every two years and projects that score 79 or below at least once a year.

to units or buildings, the Field Office may approve that units or building(s) be taken offline so that the inspection may take place

- **HUD Approved Repair Plan:** The project has a HUD approved repair plan as a result of prior score(s) below 60 and it covers the period during which HUD or an inspector are trying to schedule an inspection.

Notification to the Owner and REAC

The field office must inform the owner of the approval or denial of an inspection delay request based on the criteria above. The approval/denial should be sent to the POA by email with a copy to the Headquarters Mailbox called "REACPostponement@hud.gov." The email must state the reason for the delay and provide a date when the project will be ready for inspection, Headquarters will use these emails to update this information on a OneDrive maintained by REAC. The OneDrive has drop down boxes to indicate whether a delay is approved or denied, the reason for the delay, and the date the project will be ready for inspection. The POA should provide a copy of the approval email to an inspector or to HUD if they call to schedule an inspection during the period covered by the approved delay.

If you have any questions, please contact Brandt Witte at (202) 402-2614 or at Brandt.T.Witte@hud.gov.