



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

OFFICE OF HOUSING

May 7, 2007

MEMORANDUM FOR: All Multifamily Hub Directors
All Multifamily Program Center Directors
All Multifamily Operations Officers

A handwritten signature in black ink that reads "Beverly J. Miller".

FROM: Beverly J. Miller, Director, Office of Multifamily Asset Management, HTG

SUBJECT: Guidelines for Declaring Dwelling Units or Buildings Off-Line Before a
Real Estate Assessment Center (REAC) Physical Inspection

This memorandum transmits guidance on how to declare certain units or buildings as “off-line” before a REAC Physical Inspection. Please make sure that all staff members involved with REAC Physical Inspections have copies and understand this guidance.

This and future updates for the Multifamily Asset Management Desk Guide will be posted in the “Field Office Guidance” section of the Office of Multifamily Housing Programs webpage on HUD’s Intranet.

If you have any questions regarding the attached guidance, please contact Brandt Witte, Housing Program Manager, Business Relationships and Special Initiatives Division, Office of Multifamily Asset Management at (202) 402-2614.

Attachment

Guidelines for Declaring Dwelling Units or Buildings Off-Line Before a Real Estate Assessment Center (REAC) Physical Inspection

The Department recognizes that there are many cases where it may not be possible to conduct a REAC Physical Inspection according to the Uniform Physical Condition Standards (UPCS) because all, or significant portion, of the buildings and dwelling units of a multifamily housing development are undergoing major rehabilitation work and repairs. In these cases it may be necessary to request that the inspection be postponed until a later date. However, in circumstances where a development is undergoing minor rehab and repair work, it may be possible to go ahead with the REAC Physical Inspection by designating certain units or buildings as “off-line.” This directive explains the guidelines that should be followed to have certain dwelling units or buildings declared off-line due to fire damage, rehabilitation work or some other unforeseen circumstance before a REAC Physical Inspection takes place.

Background

The UPCS Inspection Protocol provides inspectors with an objective, standardized procedure for conducting inspections and recording observed deficiencies. Once an inspector and an owner or authorized property representative mutually agree on a date and time for an inspection, the inspector (or the company the inspector works for) is responsible for sending a letter of introduction to the property owner to confirm the date and time and inform him/her of the purpose of the inspection. This letter also informs property representatives of their responsibilities prior to and during the inspection. The letter states that property representative must, among other things:

- Provide residents with at least 15 days notice of the approximate date and time that the inspection will occur.
- Be prepared to provide the inspector with detailed property information when he or she arrives on site the day of the inspection.

Once the inspector arrives on site, he or she is responsible for verifying building information and the status of each building¹. To determine the building status, the inspector must visually verify all property profile data, such as the number of buildings and units, prior to generating the inspection sample and beginning the inspection. The sampling function of the UPCS software is designed to generate a random sample of buildings and units for inspection. Using a series of mathematical and statistical equations, the UPCS software generates a list of sample buildings and units. The sample is designed to produce inspection results that are

¹ A building is defined as any structure that has a contiguous roofline, a permanent foundation, is enclosed on all sides and has at least one utility servicing it (e.g., gas, electric, sewer/water).

representative of the results that would be obtained if every building and unit had been inspected. The inspector must visually verify if any buildings or units are declared off-line before generating the sample to ensure that they are not included in the sample.

Procedure

At an owner's request, a Field Office may, after consulting with the Director, Business Relationships and Special Initiatives Division, Office of Multifamily Asset Management, designate certain buildings or dwelling units as off-line prior to a REAC Physical Inspection if they determine that there is good cause for doing so. Some of the reasons an owner may request to take a building or unit off-line include:

- Recent fire/water damage
- Undergoing approved rehabilitation²
- Police restricted area
- Other Hazard

If the Field Office determines that there is good cause to approve an owner's request to take certain buildings or units off-line, it should consult with the Director, Business Relationships and Special Initiatives Division, Office of Multifamily Asset Management, by telephone and/or send an e-mail to the REAC Inspection Mailbox (Reac Inspection/HSNG/HHQ/HUD). The email should state: (1) the total number of buildings and/or units at the property; (2) the reason why the Field Office recommends that certain units and/or buildings be taken off-line; (3) clearly identify which buildings or units should be considered off-line; (4) state how long each building or unit has been off-line; and (5) provide a time-frame for when each unit or building will be back on-line. If the Director, Business Relationships and Special Initiatives Division, Office of Multifamily Asset Management concurs, the Field Office should send a letter to the owner identifying which units or buildings may be taken off-line. The owner will then provide the inspector with the letter on the day of the inspection before he or she verifies building information, the status of each building, and generates the inspection sample. The Inspector should reference this letter in the property comment field in the Digital Collection Device (DCD).

Buildings or units that are designated as off-line must remain in the building and unit count and the Inspector should include them when generating the sample. If a building that is designated as off-line is selected as a sample building, the inspector should visually verify that it is off-line and select an alternate. If a dwelling unit that is designated as off-line is selected as a sample unit, the inspector should visually verify that it is off-line and select an alternate.

² Dwelling units that are designated off-line because they are undergoing an approved repair program are handled differently than dwelling units undergoing routine turnover work. If a unit selected for inspection by the random sample generator is vacant and undergoing repairs due to routine turnaround, the inspector will verify that the unit is vacant, mark the unit as uninspectable, note the reason as vacant, and then select an alternate unit for inspection. However, if a property's vacancy rate is 15% or higher the inspector must inspect units that are undergoing routine turnaround. This is not the case for units designated off-line.

However, HUD is very concerned about hazardous conditions that pose a threat to the health and safety of a property's residents and an inspector should record any health and safety hazards that an off-line building or unit poses to other residents.

Declaring a unit or building off-line is a temporary measure that may only be considered for a single, pending inspection. Buildings and dwelling units that are designated as off-line should always be restored to use and occupancy as soon as possible. If, however, an owner makes another request to declare the same units or buildings off-line, the Field Office should once again consult with the Director, Business Relationships and Special Initiatives Division, Office of Multifamily Asset Management, by telephone and/or send an e-mail to the REAC Inspection Mailbox (Reac Inspection/HSNG/HHQ/HUD) and complete the procedure outlined above once again.

The Field Office may use the attached form letter to notify an owner that certain units and/or buildings may be taken off-line or design a letter of their own.

Attachment

Owner Name
Owner Address

Subject: Approval to Designate Buildings/Units Off-Line

Property Name: _____

Project No./Section 8 No.: _____/_____

Dear _____:

This responds to your letter/e-mail/telephone call of _____ (date), requesting that certain dwelling buildings/units be designated as off-line for the REAC Physical Inspection scheduled for _____ due to _____.

Our Office concurs with your request and we approve that the following buildings/units be designated as off-line:

Building Name/No. and Unit No.	Reason Designated Off-Line

Please provide the inspector with a copy of this letter as soon as he/she arrives at your site. The buildings/dwelling units noted above will only be considered off-line for the impending inspection scheduled for _____.

You have indicated that the buildings/units identified above will be returned to on-line status _____. Please provide written certification to our office that the buildings/units have been restored for use and occupancy on or before this date. HUD may schedule an inspection to confirm the satisfactory completion of the repairs. You are reminded that the owner may voucher only for those dwelling units that meet HUD's physical inspection standards at 24 CFR Part 5, Subpart G.

If you have any questions about this matter, please contact _____ at _____.

Previous edition is obsolete.