Improving Real Estate Assessment Center (REAC) Inspections: National Standards for the Physical Inspection of Real Estate (NSPIRE) May 20, 2019
Overview

• “The Problem”
• Inspection Task Force
• Current protocol efforts
• The NSPIRE model
• NSPIRE demonstration
The Problem

While a significant majority of HUD and HUD-assisted properties are safe and in a quality condition, a new inspection model is needed to expediently address properties that are not. Issues include:

• Inspections do not always identify the extent of health and safety conditions affecting residents

• Properties can pass inspection even with poor unit conditions

• Scoring model no longer aligns with expectations about housing quality

• Some owners preparing for inspections, rather than performing maintenance year-round

• Deficiencies are not all Critical to Quality (CTQ)
Inspection Task Force Mission

• Conduct a wholesale reexamination of REAC inspections

• Place the greatest emphasis on eliminating health and safety hazards

• Ensure owners adopt sound maintenance practices year-round
2-Track Approach

• **Track 1** – Immediate Changes to the Current System
  - ✓ 14 Day Inspection Notification
  - ✓ Eliminating Reverse Auction Program
  - ✓ Carbon Monoxide Detectors
  - ✓ Measuring Wall Moisture

• **Track 2** – Complete Review and Overhaul of the Inspection Process
Track 1: 14 Calendar Day Inspection Notification

- Achieves a more accurate picture of how the property is being maintained year-round
- Reduces significant costs spent for inspection preparation and promotes reinvestment into the property year-round

General Concept
- Property notified 14 calendar days before the inspection
  - Unless state or local law requires a longer resident notification window
  - If property cancels, the score will be a zero
  - One additional reinspection within 7 calendar days; otherwise, score held at zero

Notice Released Feb 22, 2019; Effective March 25, 2019
- First auction contracts under new policy just recently awarded
HUD is replacing the Reverse Auction Contract method in 2 steps:

- Demonstration
- All Inspections
HUD issued a notice on April 18, 2019 stating:

- As required by the state or local law, code or other regulation, owners, managers and agents of HUD-assisted housing **must** have operational CO detectors.

- HUD **strongly encourages** those located in areas that do not require CO detectors, to have operational CO detectors in buildings/units with fuel-fired appliances or connected garages.

On March 25, 2019, REAC issued an Inspector memo to determine the prevalence of CO detection systems at HUD properties subject to UPCS inspection.
• Federal Inspectors are using infrared cameras and moisture meters to test wall moisture at a limited number of properties.

• HUD is asking for specific feedback on the methods used to measure wall moisture.
Track 2: Goals of NSPIRE Demonstration

• Ensure families are living in decent and safe housing

• Enhance accuracy through:
  • Better identification of substandard properties
  • Increased objectivity and defensibility of inspections
  • Streamlined inspection processes
Timeline

Track 2: NSPIRE Standards, Protocols, and Processes

- Demonstration Notice Released
- Start Demonstration
- Demonstration Execution: Test, Evaluate, Validate & Refine
- Final Rule Standards & Scoring

Track 1: Changes To Current Process

- Analysis & Design
- CO Detector Survey
- Reverse Auction Program Replacement
- FY2019
  - 14 Day Notice Released
  - Wall Moisture
  - FY2020
  - FY2021
  - FY2021
3 Types of Inspections – Confidence Increased
- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Quality Assurance Inspections

3 Categories of Deficiencies – Resident Focused
- Safety and Health
- Function and Operability
- Condition and Appearance

3 Inspectable Areas – Complexity Reduced
- Unit
- Inside
- Outside

Underpinned by 3 mutually supporting components
NSPIRE: 3 Types of Inspections

**POA Self-Inspections**
- **Who:** Property Owners/Management
- **What:** All deficiencies reported to HUD
- **When:** Once a year
- **Where:** All units
- **Why:** To gain a reasonable level of confidence in results &
  - To ensure work orders are being generated

**REAC Contracted Inspections**
- **Who:** Contract Inspectors
- **What:** CTQs
- **When:** Periodic inspections (3, 2, 1 years)
- **Where:** High sample rate
- **Why:** To gain a high level of confidence in results

**HUD Federal Employee Inspections**
- **Who:** HUD Federal Inspectors
- **What:** CTQs++
- **When:** Triggered by poor conditions
- **Where:** Highest sample rate
- **Why:** To gain the highest level of confidence in results

*CTQs = Critical to Quality Indicators; Inspection standards that have a high correlation to quality*
NSPIRE: 3 Categories of Deficiencies

- **Urgent:** Emergency Work Order
- **Planned:** Routine Work Order
- **Programmed:** Discretionary Maintenance

**CTQs Per Category**
- **Safety & Health**
- **Function & Operability**
- **Condition & Appearance**

**Response Level**
- **Precision**
- **Objective**
- **Subjective**
NSPIRE: 3 Inspectable Areas

- 5 Inspectable areas will feed into the 3 new inspectable areas
- Simplified, intuitive approach based on the inspectable item’s physical location

### CURRENT
5 INSPECTABLE AREAS

- **Dwelling Units**: 35%
- **Building Systems**: 20%
- **Common Areas**: 15%
- **Building Exterior**: 15%
- **Site**: 15%

### NEW
3 INSPECTABLE AREAS

- **Dwelling Units**: 50% (Failure Threshold Value)
- **Inside**: 25%
- **Outside**: 25%

Property won’t pass overall inspection if the Dwelling Units inspectable area fails.
Demonstration Roadmap

Two-year, multi-phase effort consisting of:

• **Demonstration preparation** – Currently ongoing
  • Communicate strategy (vision, goals, objectives)
  • Publish Demonstration Notice for Public Comment
  • Develop items to be evaluated (elements of NSPIRE to include new deficiencies)
  • Develop test criteria and metrics
  • Compare results with criteria and adjust accordingly
  • Solicitation and selection of properties

• **Phase I – POA self-inspections - Begins in 3rd Quarter FY2019**
  • Leverages existing requirement to conduct annual unit inspections
  • Participants will inspect and submit results to HUD
  • Self-inspections evaluated but not scored

• **Phase II – CTQ inspections - Begins in 4th Quarter FY2019**
  • Comprised of contractor and government employees using new standards
  • Assesses new standards and protocols; stakeholder feedback
  • Development of new scoring model
Demonstration Inspection Scoring

• Properties will be inspected during the 2-year Demonstration

• Demonstration inspections will be “in lieu” of UPCS inspections

• Scores are only advisory
  • If conditions warrant, HUD will reinspect using UPCS
HUD encourages all interested to register for the Demonstration.

- Participation Registration opens when Demonstration Notice is published in the Federal Register

**Benefits**

- Property Owners will have a direct line to HUD! Feedback will help HUD shape the new inspection model.
- Property Owners can take advantage of training opportunities.
- Self-inspections are evaluated, but not scored.

**Registration will be available via NSPIRE Website.**

**Caveats**

- If the property is subject to an existing HUD Compliance, Disposition, and Enforcement or Corrective Action Plan, the property/PHA **cannot** participate in the Demonstration.
- If the property owner’s most recent REAC score was 70 or less, and is not currently subject to corrective action, the property will be considered on a case-by-case basis.

**HUD anticipates that the first-round of property owners will be selected by July 2019.**
Demonstration Participation Registration

- Registration is easy.
- Just provide the name of organization, Point of Contact, and PHA/PROPERTY IDENTIFICATION, and Business Email address.

<table>
<thead>
<tr>
<th>REAC NSPIRE DEMONSTRATION REGISTRATION</th>
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<tbody>
<tr>
<td><strong>POINT OF CONTACT NAME</strong></td>
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<td><strong>LAST NAME</strong></td>
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<td><strong>FIRST NAME</strong></td>
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<tr>
<td><strong>ORGANIZATION</strong></td>
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<tr>
<td><strong>PHA/PROPERTY IDENTIFICATION</strong></td>
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<tr>
<td><strong>PHA</strong> is the state code plus three numerical digits. Example: TX000</td>
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<td><strong>MF Property ID</strong> is a 9-digit number that begins with an 8. Examples: 800999999</td>
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<td><strong>BUSINESS EMAIL ADDRESS</strong></td>
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Summary

• Improvements to protect families and ensure the inspection results reflect the property’s true physical condition

• Improvements will be tested during a 2-year demonstration

• Feedback will be collected from stakeholders through listening sessions and other methods of outreach

• Demonstration expected beginning Q3 FY19

• Demonstration Participant Registration will be on NSPIRE website
Your feedback…

Questions & Comments

NSPIRE@hud.gov

or

Search on “HUD NSPIRE”