



**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
 - <https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-02.pdf>
- First auction contracts under new policy just recently awarded



Track 1: Reverse Auction Program Contract Replacement

HUD is replacing the Reverse Auction Contract method in 2 steps:

- Demonstration
- All Inspections



Track 1: Carbon Monoxide (CO) Detectors

PIH Inspector Notice 2019-06; Housing Notice 2019-05; OLHCHH 2019-01

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.



Track 1: Measuring Wall Moisture

- 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.



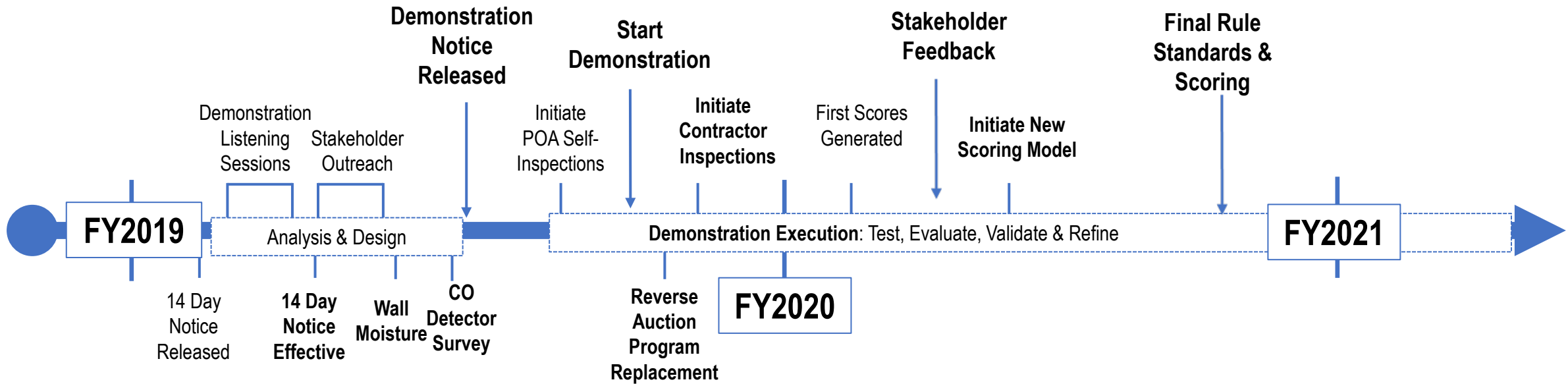
Track 2: Goals of NSPIRE Demonstration

- 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



Track 1: Changes To Current Process



NSPIRE Model - Conceptual View

3 Types of Inspections – Confidence Increased

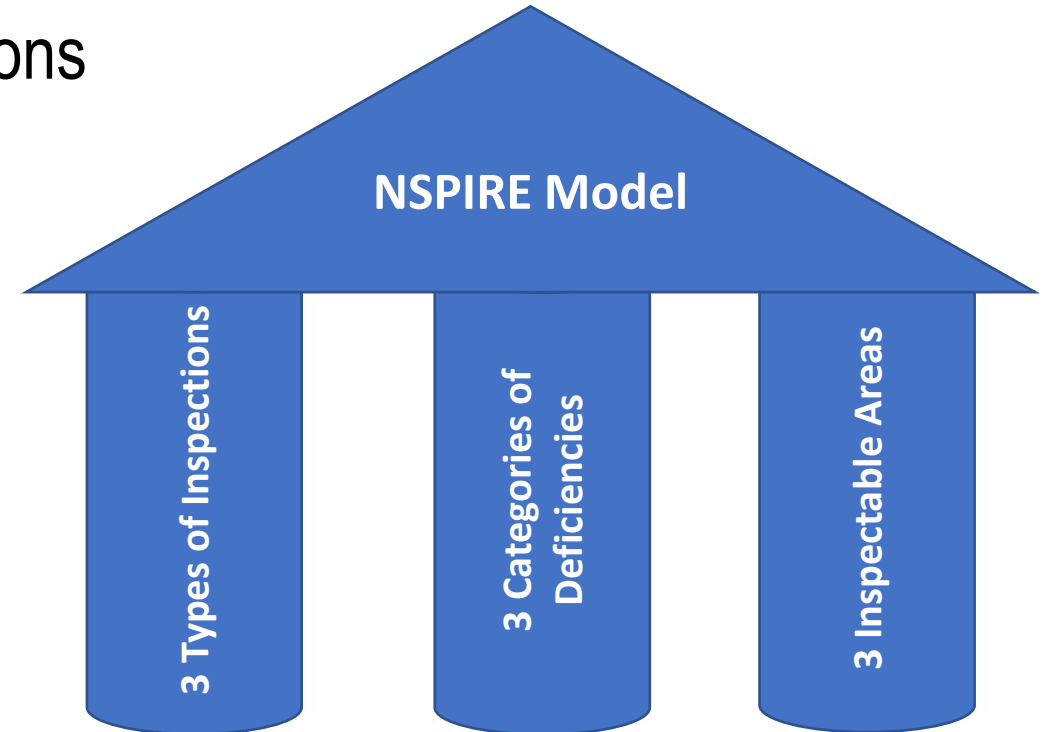
- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Quality Assurance Inspections

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

Reasonable assurance into property's condition

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

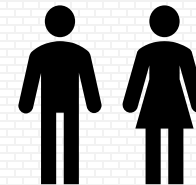
Who: Contract Inspectors

What: CTQs

When: Periodic inspections (3, 2, 1 years)

Where: High sample rate

Why: To gain a high level of confidence in results



Evidentiary support to enforcement and/or sanctions

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

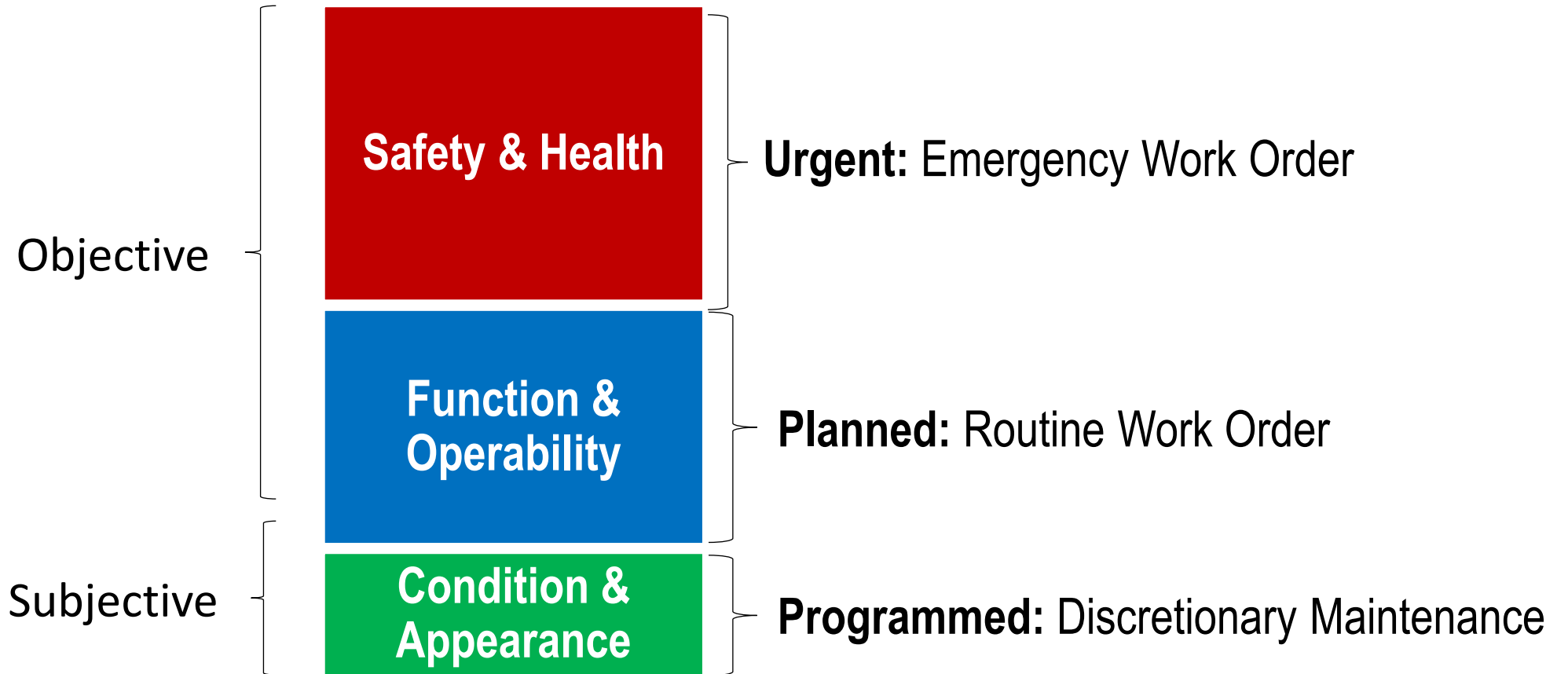


NSPIRE: 3 Categories of Deficiencies

Precision

CTQs Per Category

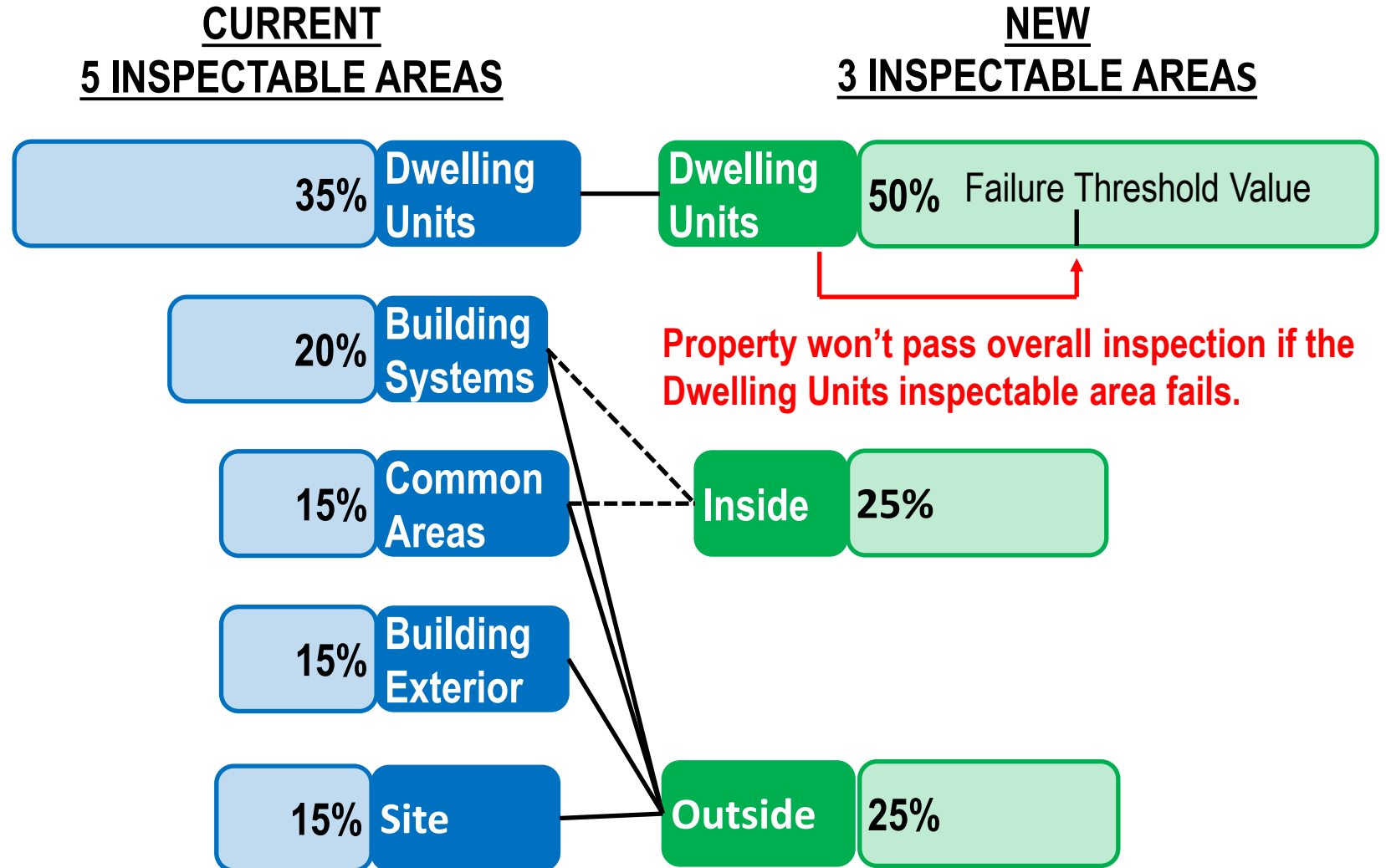
Response Level





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





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



Demonstration Participation Registration

- **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

– Part 2

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

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



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”