Improving Real Estate Assessment Center (REAC) Inspections: National Standards for the Physical Inspection of Real Estate (NSPIRE)
August 15th, 2019
Galveston, TX
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 awarded in April 2019
Track 1: Reverse Auction Program Contract Replacement

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

• Demonstration

• All Inspections
HUD issued the Carbon Monoxide Detectors in HUD-Assisted Housing 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.

REAC issued an Inspector memo on March 25, 2019, to determine the prevalence of CO detection systems at HUD properties subject to UPCS inspection.

PIH Notice 2019-06: https://www.hud.gov/sites/dfiles/OCHCO/documents/19-06pihn.pdf Also a Housing and Lead Hazard Control & Healthy Homes Notice
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
3 Types of Inspections – Confidence Increased
  • Property Owner/Agent (POA) Self-Inspections
  • REAC Contracted Inspections
  • HUD Federal Employee 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

- **Objective**
  - **Precision**
  - **CTQs Per Category**
    - Safety & Health
    - Function & Operability
    - Condition & Appearance
  - **Response Level**
    - **Urgent**: Emergency Work Order
    - **Planned**: Routine Work Order
    - **Programmed**: Discretionary Maintenance
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

- **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 4th 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 via NSPIRE Website
  ▪ Participation registration open now

• 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

• 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 in September 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.

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<thead>
<tr>
<th>REAC NSPIRE DEMONSTRATION REGISTRATION</th>
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<tbody>
<tr>
<td>POINT OF CONTACT NAME</td>
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<tr>
<td>ORGANIZATION</td>
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<td>PHA/PROPERTY IDENTIFICATION</td>
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<tr>
<td>PHA is the state code plus three numerical digits. Example: TX000</td>
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<td>MF Property ID is a 9-digit number that begins with an 8. Examples: 800999999</td>
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<td>BUSINESS EMAIL ADDRESS</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 to begin Q4 FY19

• Demonstration Participant Registration is on NSPIRE website
Your feedback…

Questions & Comments

NSPIRE@hud.gov

or

Search on “HUD NSPIRE”