Improving Real Estate Assessment Center (REAC) Inspections: National Standards for the Physical Inspection of Real Estate (NSPIRE)

SAHMA

August 21st, 2019

Greenville, SC
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
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.

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 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

<table>
<thead>
<tr>
<th>Precision</th>
<th>CTQs Per Category</th>
<th>Response Level</th>
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<tbody>
<tr>
<td>Objective</td>
<td></td>
<td><strong>Urgent:</strong> Emergency Work Order</td>
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<tr>
<td>Subjective</td>
<td></td>
<td><strong>Planned:</strong> Routine Work Order</td>
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<td></td>
<td><strong>Safety &amp; Health</strong></td>
<td><strong>Programmed:</strong> Discretionary Maintenance</td>
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<td></td>
<td><strong>Function &amp; Operability</strong></td>
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<td><strong>Condition &amp; Appearance</strong></td>
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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 1st Quarter FY2020**
  - 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 1st Quarter FY2020**
  - 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.

<table>
<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>LAST NAME</td>
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<td>FIRST NAME</td>
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<tr>
<td>ORGANIZATION</td>
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<tr>
<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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<tr>
<td>MF Property ID is a 9-digit number that begins with an 8. Examples: 8009999999</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 Q1 FY2020

• Demonstration Participant Registration is on NSPIRE website
Your feedback…

Questions & Comments

NSPIRE@hud.gov

or

Search on “HUD NSPIRE”