

National Housing & Rehabilitation Association

# Asset Management Conference

June 3-4, 2019      Minneapolis, MN





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

**June 4, 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



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

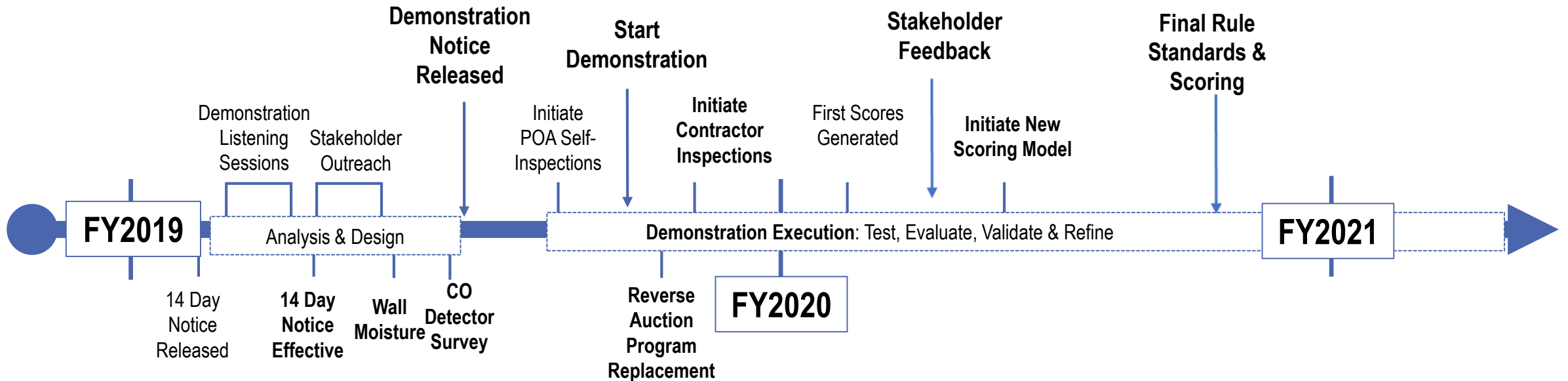
- Federal Inspectors are using infrared cameras and moisture meters to test wall moisture at a limited number of properties.
- HUD is asking for specific feedback on the methods used to measure wall moisture.

## 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

# Timeline

## Track 2: NSPIRE Standards, Protocols, and Processes



## Track 1: Changes To Current Process

# NSPIRE Model - Conceptual View

## 3 Types of Inspections – Confidence Increased

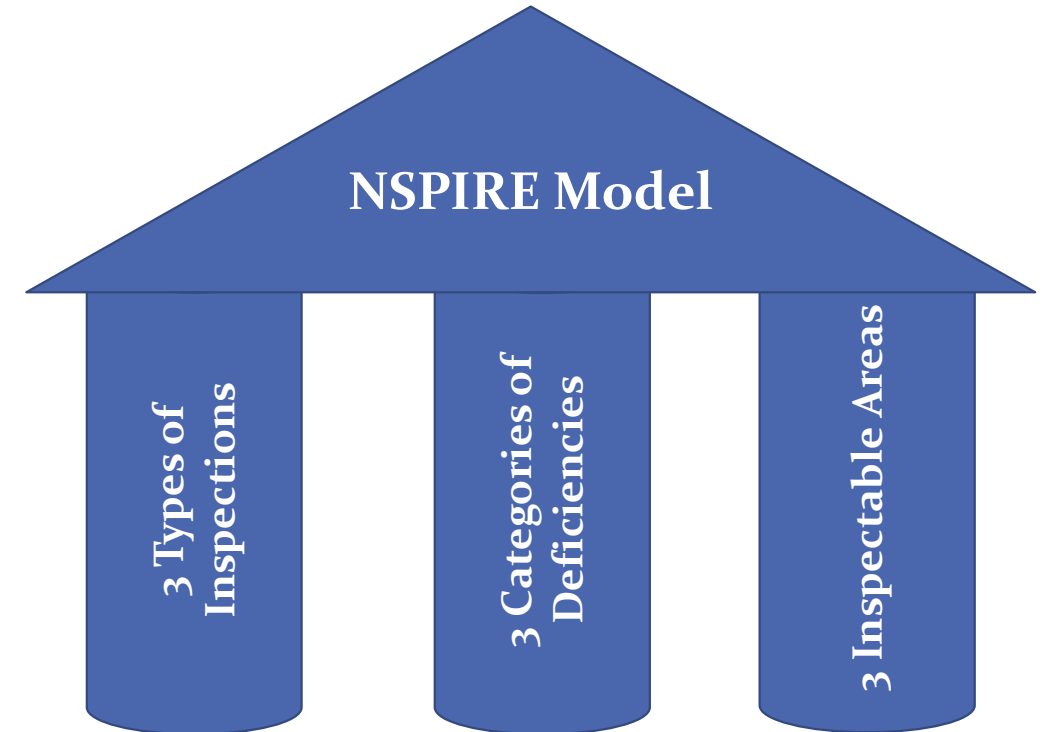
- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Quality Assurance Inspections

## 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

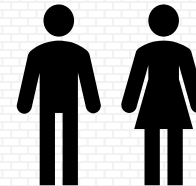
**Who:** Contract Inspectors

**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



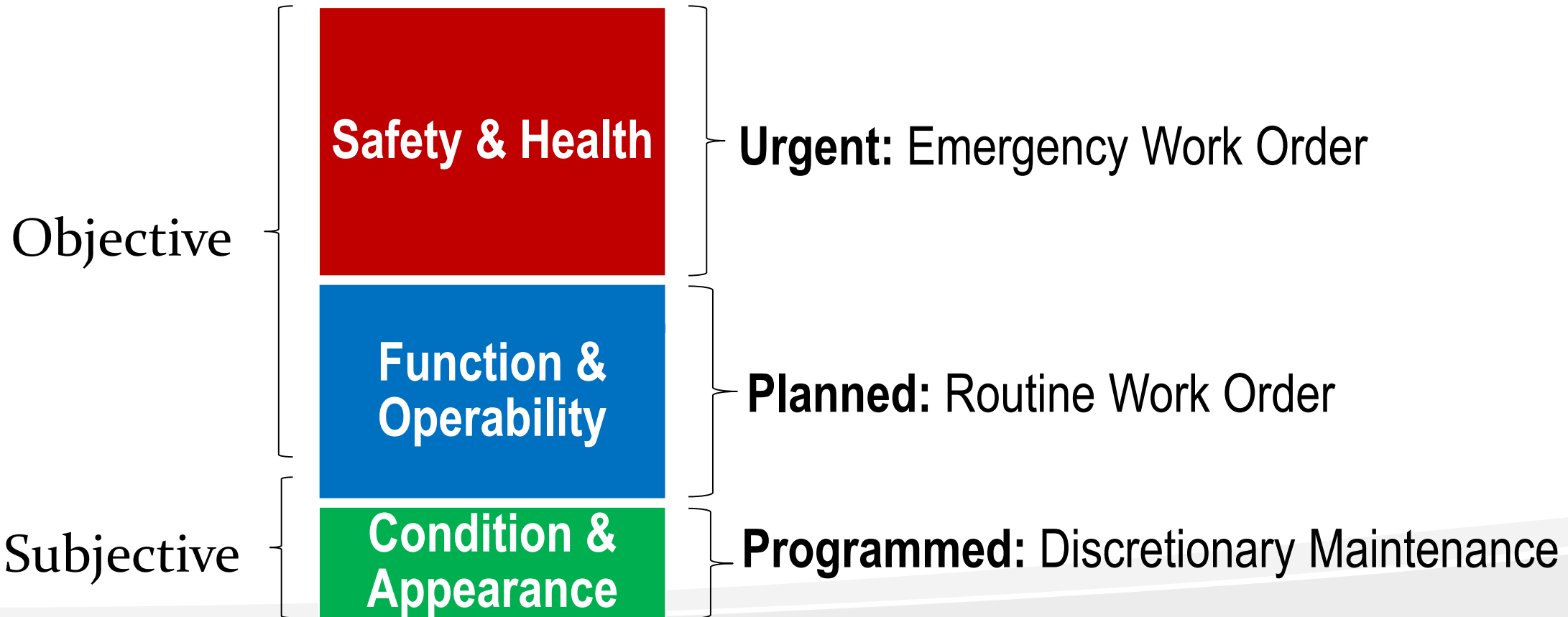
\*CTQs = Critical to Quality Indicators; Inspection standards that have a high correlation to quality

# NSPIRE: 3 Categories of Deficiencies

Precision

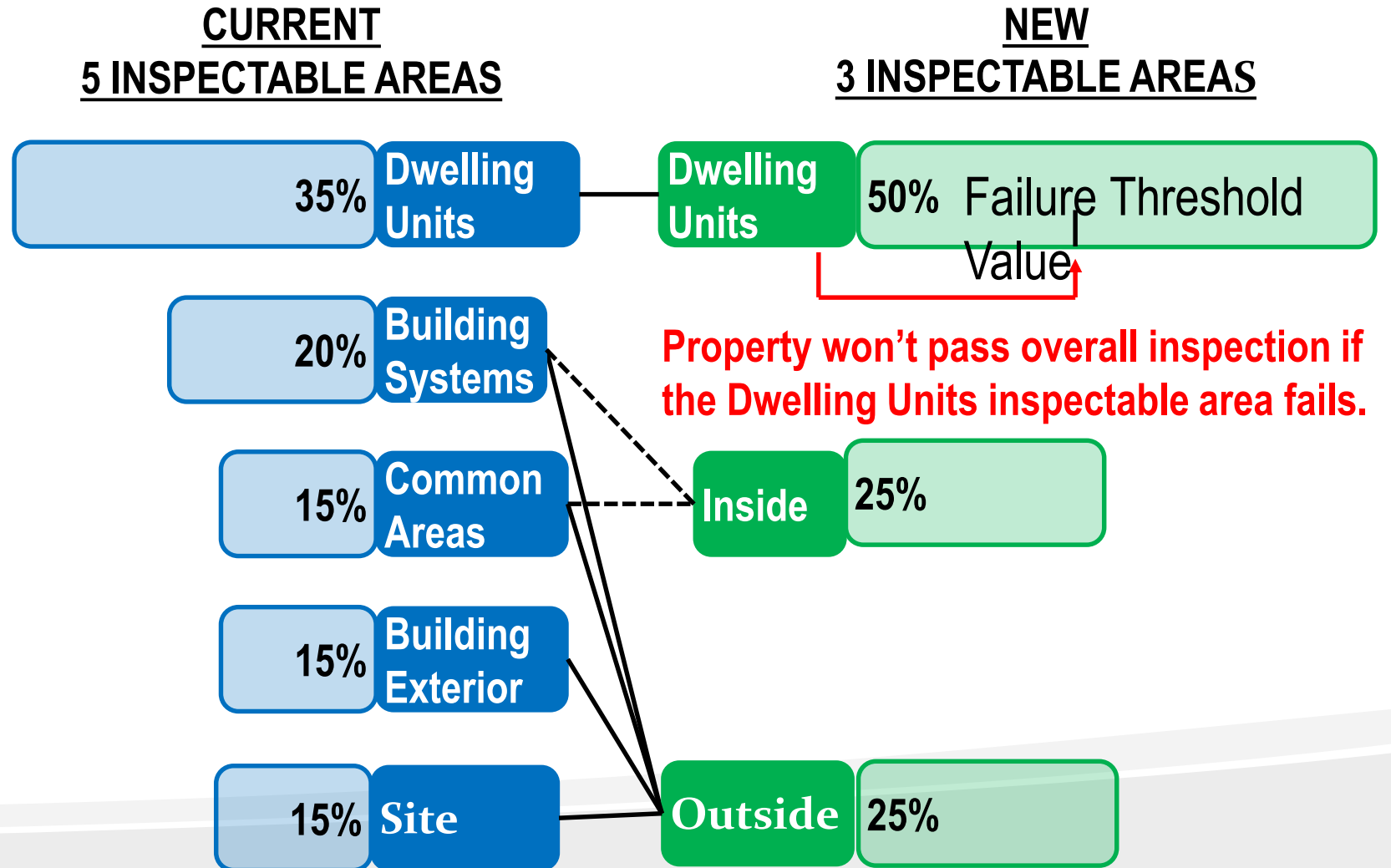
CTQs Per Category

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







# NSPIRE 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 3<sup>rd</sup> 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 4<sup>th</sup> Quarter FY2019**
  - Comprised of contractor and government employees using new standards
  - Assesses new standards and protocols; stakeholder feedback
  - Development of new scoring model



# NSPIRE 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



# NSPIRE Demonstration Participation Registration

- **HUD encourages all interested to register for the Demonstration via NSPIRE Website**
  - 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
- **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



# NSPIRE Demonstration Participation Registration

- 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<br>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](mailto:NSPIRE@hud.gov)**

**or**

**Search on “HUD NSPIRE”**