



**Improving Real Estate Assessment Center (REAC) Inspections:
National Standards for the Physical Inspection of Real Estate (NSPIRE)
National Housing and Rehabilitation Association
Fall Developers Forum
October 16, 2019**



Overview

- What is NSPIRE?
- Need for Change
- Inspection Task Force
- Timeline
- RAP Replacement
- NSPIRE Goals
- NSPIRE Model
- NSPIRE Demonstration
- Standards Feedback
- Achievements and Near-Term Milestones
- Q&A



What is NSPIRE?

The Real Estate Assessment Center (REAC) improves housing quality by performing accurate, credible, and reliable assessments of HUD's real estate portfolio; helps ensure safe, healthy, decent affordable housing; and promotes sound property management practices.

National Standards for the Physical Inspection of Real Estate (NSPIRE)

- Modernizes HUD's physical inspection model
- Prioritizes health, safety, and functional defects over those about appearance
- Focuses on the areas that impact residents



The Need for Change

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)



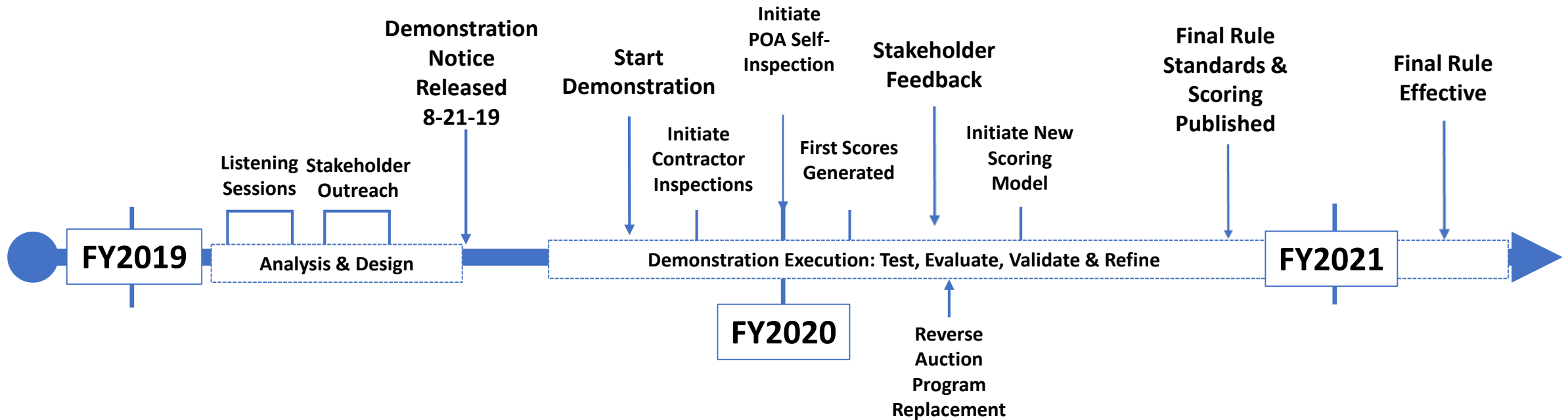
Inspection Task Force Mission

- 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



Timeline

NSPIRE Standards, Protocols, and Processes





RAP Contract Replacement

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

- Demonstration
- All Inspections



NSPIRE Goals

- 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



NSPIRE Model

3 Types of Inspections – Confidence Increased

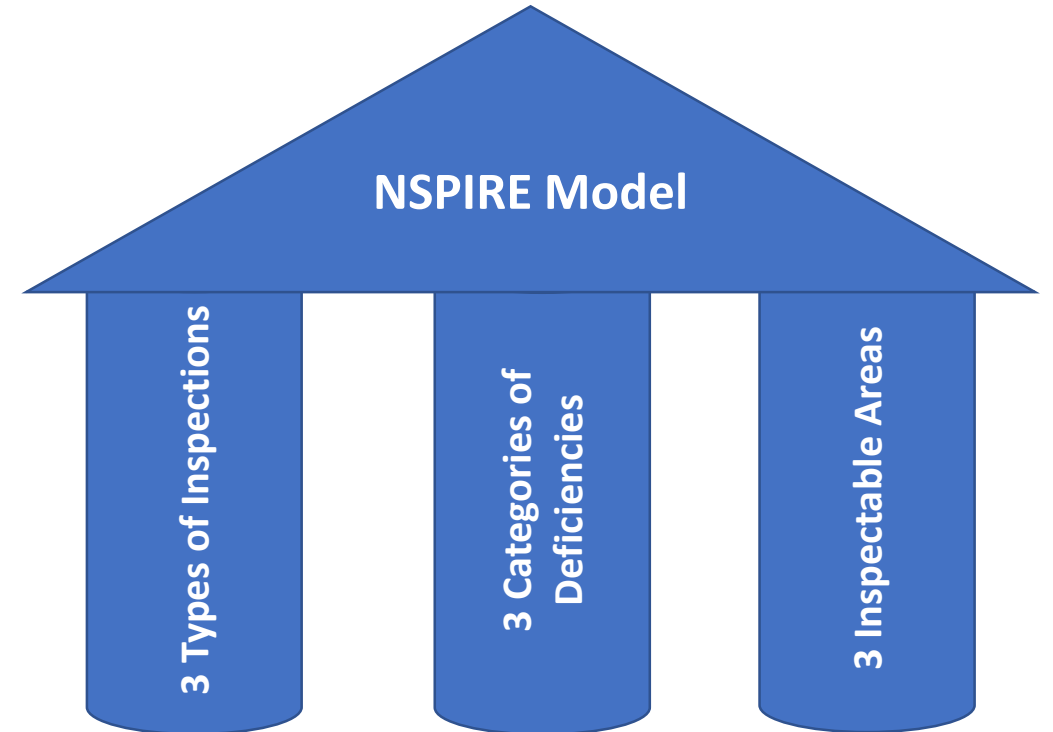
- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Federal Employee Inspections

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

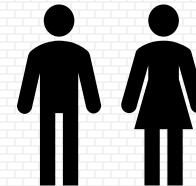
Who: Contract Inspectors

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



Reasonable
assurance into
property's
condition

Evidentiary
support to
enforcement
and/or sanctions

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

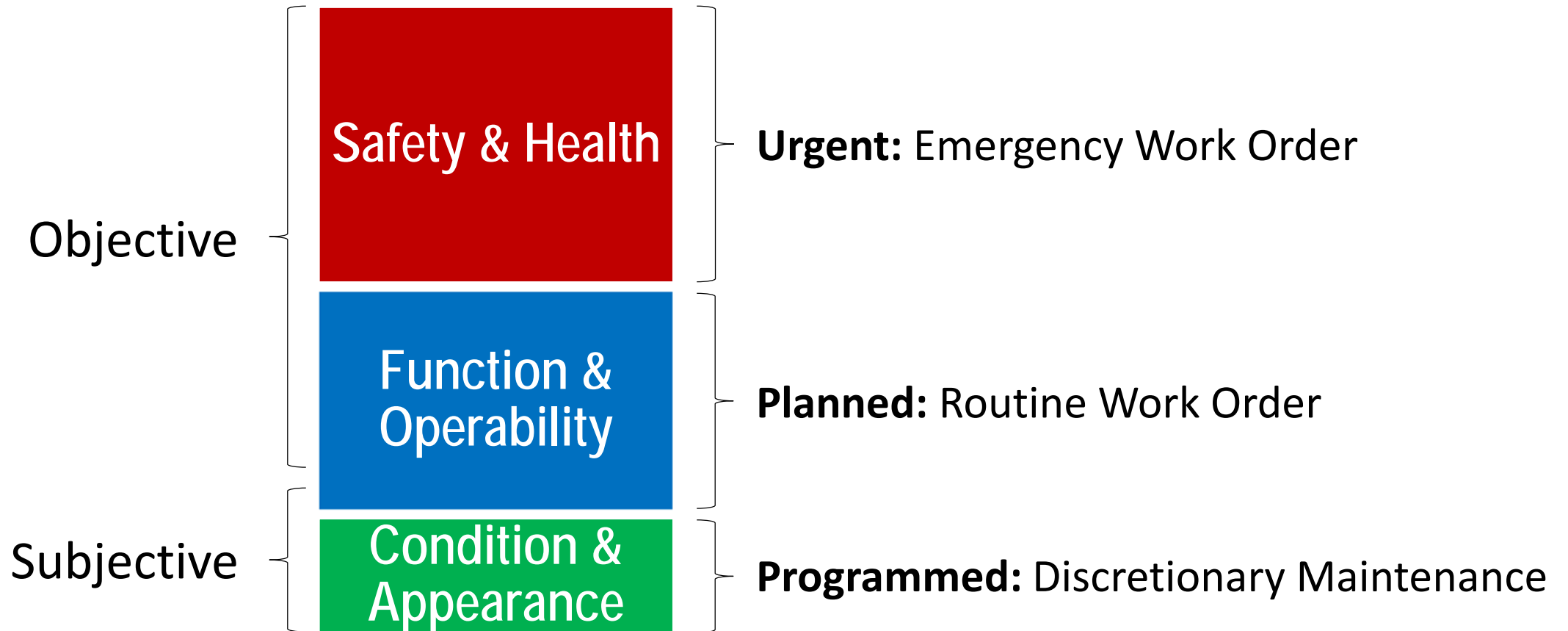


NSPIRE: 3 Categories of Deficiencies

Precision

CTQs Per Category

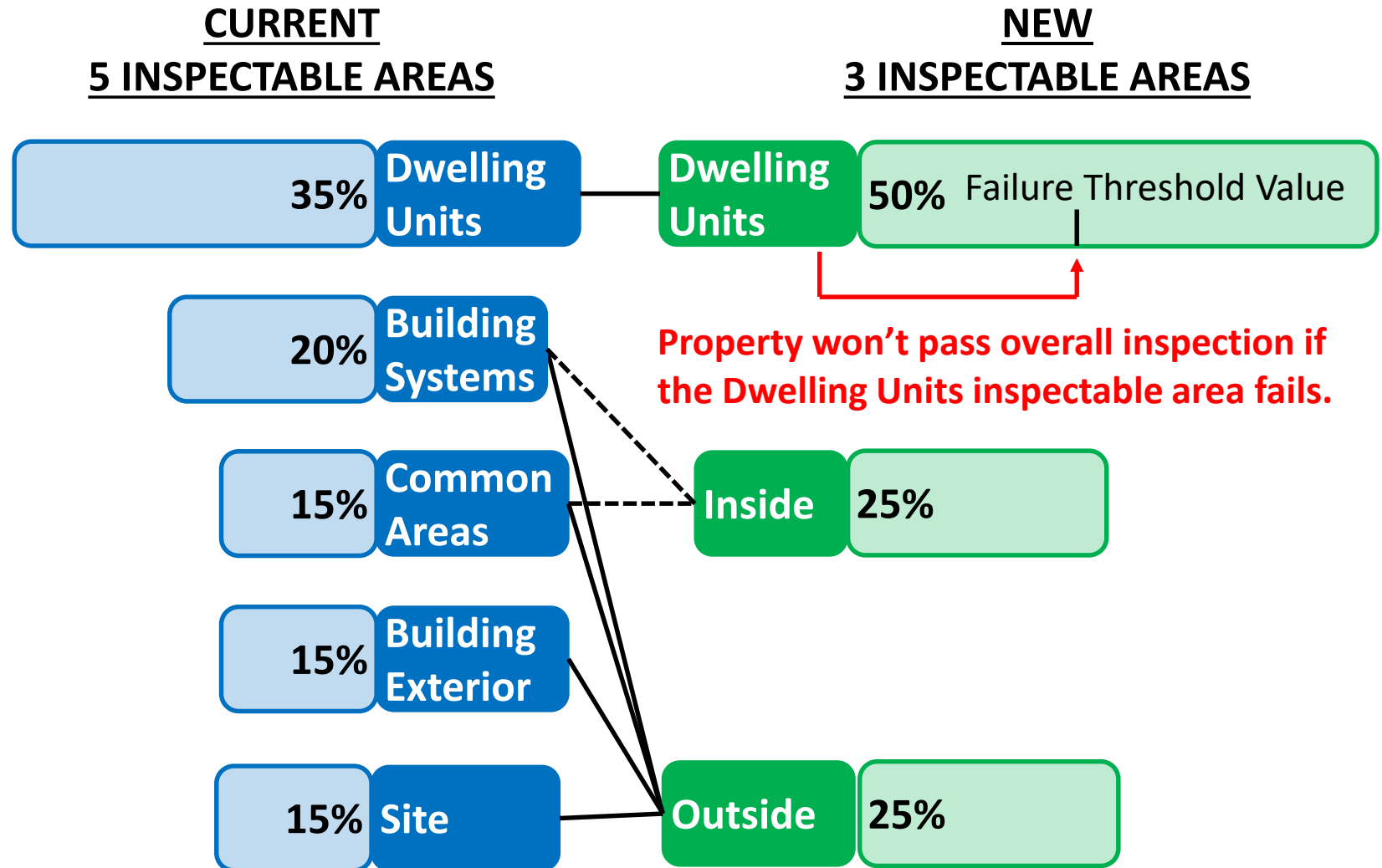
Response Level





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

- **Planning and preparation – Ongoing**
 - Communications and outreach
 - Standards development
 - Policy development
 - Solicitation and selection of properties
- **CTQ inspections – Planned start 1st Quarter FY2020**
 - Comprised of contractor and government employees using new standards
 - Assesses new standards and protocols; stakeholder feedback
 - Development of new scoring model
- **POA self-inspections – Planned start 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



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

- **Participation registration open now; Encourage all eligible properties to apply!**
- **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 the Fall of 2019.**



Demonstration Participation Registration

- Registration link available on NSPIRE website
- Registration is easy.
- Provide name of organization, point of contact, and PHA/Property identification, and business email address.

REGISTRATION

IF INTERESTED IN PARTICIPATING IN THE DEMONSTRATION PLEASE CLICK THE **DOWNLOAD BUTTON** BELOW AND COMPLETE THE **EXCEL FILE** WITH THE REQUIRED PROPERTY INFORMATION. EMAIL THE FORM TO NSPIRE@HUD.GOV.

HUD ANTICIPATES THAT THE FIRST ROUND OF SELECTIONS WILL TAKE PLACE LATER THIS FALL.



| | A | B | C | D | E |
|---|----------------------|---|---|-------------|--------------|
| 1 | Property Name | Multifamily Property ID (9-digit number that begins with an 8. Example: 800999999) | Public Housing Development Number (PHA code plus 6 digits) | City | State |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |




Standards Feedback Webpage

- Offers opportunity for review and comment on NSPIRE Standards, including Severe Health and Safety items
- Feedback provided via email directly to REAC
- Available through NSPIRE website

NATIONAL STANDARDS FOR THE PHYSICAL INSPECTION OF REAL ESTATE (NSPIRE)

FEATURED NEWS

- NSPIRE Demonstration Notice has been released
- HUD seeks NSPIRE Standards Feedback 
- Voluntary Demonstration Participation Registration
- Read the NSPIRE Demonstration Self-Inspection PRA Notice

Deficiency 2: Damper will not open or stay open

| | | |
|--------------------|--------------------|--|
| Rationale code(s): | Maintenance: | Indicates maintenance staff is not identifying deficiencies or responding to self-generated or complaint-driven work orders. |
| | Health and Safety: | Reduces interior air quality; affects residents with breathing issues; increases probability resident exposure to smoke. |
| | Operability: | Prevents proper use of fireplace/furnace. |



Achievements & Near-Term Milestones

Achievements:

- Demonstration Notice* published for public comment - August 21
- First set of NSPIRE Standards* published for public comment; includes Severe Health and Safety items
- PRA* for NSPIRE Demonstration self-inspections published – August 14
- Communications and outreach (continues)
- Demonstration registration started

Near-term Milestones (within the next 90 days):

- Selection of Demonstration participants to begin shortly
- Field work to evaluate standards to begin in the coming weeks
- Proposed rule to be published in the Federal Register by year's end

***Demonstration Notice, Standards, and PRA available through HUD's NSPIRE website**



Summary

- Improvements to protect families and ensure inspection results reflect 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 FY20
- Demonstration participant registration and standards review available through NSPIRE website
- Encourage properties to participate



Your feedback...

Questions and feedback

NSPIRE@hud.gov

or

Search “HUD NSPIRE”