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

May 23, 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 Notice
  ✓ Eliminating the Reverse Auction Program
  ✓ Carbon Monoxide Survey

• Track 2 – Complete Review and Overhaul of the Inspection Process
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 just recently awarded
Carbon Monoxide (CO) Detector Survey

HUD/REAC Inspector Notice 2019-01 requires survey for CO detectors in buildings/units with fuel-fired appliances or connected garages.

<table>
<thead>
<tr>
<th></th>
<th>Units in States Not Requiring CO Detector</th>
<th>Units in States Requiring CO Detector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing</td>
<td>483</td>
<td>2034</td>
<td>2517</td>
</tr>
<tr>
<td>Working</td>
<td>205</td>
<td>4191</td>
<td>4396</td>
</tr>
<tr>
<td>Not Working</td>
<td>28</td>
<td>243</td>
<td>271</td>
</tr>
</tbody>
</table>

Number of Inspections: 1019
Number with CO source: 366
* As of April 24, 2019
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
NSPIRE Timeline

NSPIRE: New Standards, Protocols, and Processes

Demonstration Notice Released

Initiate POA Self-Inspections
Initiate Contractor Inspections
Initiate Government Inspections
Initiate New Scoring Model

Changes To Current Process

FY2019
- Analysis & Design
- Demonstration Listening Sessions
- Stakeholder Outreach
- 14 Day Notice Released

FY2020
- Reverse Auction Program Replacement
- FY2020

FY2021
- Demonstration Execution: Test, Evaluate, Validate & Refine
- Initiations

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FY2021
- Demonstration Execution: Test, Evaluate, Validate & Refine
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NSPIRE Demonstration Phasing Plan

**Significant Milestones**

- 7/1/2019: Onboard Region 3
- 1/1/2020: Validated NSPIRE Standards
- 4/1/2020: First Scores Generated
- 7/1/2020: Interim Rule Effective; Final Standards & Scoring Published
- 10/1/2021: Advisory Scores and TA Continue

**Key Dates**

- Q3FY19: 4/1/2019
- Q4FY19: 7/1/2019
- Q1FY20: 10/1/2019
- Q2FY20: 1/1/2020
- Q3FY20: 4/1/2020
- Q4FY20: 7/1/2020
- Q1-QFY21: 10/1/2021

**Activities**

- Draft NSPIRE Standards
- 1st Self-Inspection Collected
- 1st NSPIRE Inspections Conducted to Test Standards
- Interim Rule Published

**Milestones**

- Listening Sessions Completed
- Demonstration Official Start
- Validated NSPIRE Standards
- First Scores Generated
- Interim Rule Effective; Final Standards & Scoring Published
- Advisory Scores and TA Continue
**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

**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>Safety &amp; Health</td>
<td>Urgent: Emergency Work Order</td>
</tr>
<tr>
<td>Subjective</td>
<td>Function &amp; Operability</td>
<td>Planned: Routine Work Order</td>
</tr>
<tr>
<td></td>
<td>Condition &amp; Appearance</td>
<td>Programmed: Discretionary Maintenance</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

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<thead>
<tr>
<th>CURRENT 5 INSPECTABLE AREAS</th>
<th>NEW 3 INSPECTABLE AREAS</th>
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<tbody>
<tr>
<td>35% Dwelling Units</td>
<td>50% Failure Threshold Value</td>
</tr>
<tr>
<td>20% Building Systems</td>
<td>Inside 25%</td>
</tr>
<tr>
<td>15% Common Areas</td>
<td>Outside 25%</td>
</tr>
<tr>
<td>15% Building Exterior</td>
<td></td>
</tr>
<tr>
<td>15% Site</td>
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Property won’t pass overall inspection if the Dwelling Units inspectable area fails.
Demonstration
Demonstration Roadmap

Multi-year, multi-phase effort consisting of:

- Demonstration preparation – Currently ongoing
  - Finalize strategy (vision, goals, objectives)
  - 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 (Preference to Region III)
- 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
  - 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
Summary

- Changes needed to protect families and ensure the inspection results reflect the property’s true physical condition
- Changes 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
Your feedback...

Questions & Comments

NSPIRE@hud.gov

or

Search on “HUD NSPIRE”