

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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Emerging Changes to REAC:

Initial Release of NSPIRE Standards and Demonstration Notice

Starting in 2017, HUD launched a “wholesale reexamination” of the Real Estate Assessment Center (REAC) physical inspection process, starting with industry meetings and listening sessions regarding changes planned over both the short-term and the long-term.

The most notable change began in February 2019, when HUD significantly shortened the notice period for physical inspections through PIH Notice 2019-02; NAHMA pushed back strongly on the change and was able to secure limited exceptions to the new policy, including during major rehab, natural disasters, and other emergency scenarios. HUD also announced a planned move to require carbon monoxide detectors in assisted housing.

Longer-term changes are now underway as the agency begins the process of modernizing its inspection model through its upcoming “National Standards for the Physical Inspection of Real Estate” (NSPIRE) demonstration to assess all aspects of the physical inspection process.

As part of these continuing efforts to overhaul its physical inspection process, HUD recently published its *Notice of Demonstration to Assess the National Standards for the Physical Inspection of Real Estate (NSPIRE) and Associated Protocols* in the Federal Register. The release of this notice initiates a 60-day public comment period after which HUD can begin the NSPIRE Demonstration with the goal of overhauling REAC.

Through the voluntary demonstration, HUD will refine processes and ensure all mechanisms are in place to facilitate the transition to a nationwide implementation; HUD is seeking comment on the proposed demonstration until October 21, 2019. The notice and information about participating in the demonstration can be found on NAHMA REAC webpage at www.nahma.org/agencies/emerging-reac-issues.

According to HUD’s press release about the Notice, “the NSPIRE Model Demonstration will assess all aspects of REAC’s physical inspection process, including the evaluation of physical inspection data and a new scoring model. The goal is to design a new simplified inspection system that more accurately reflects the physical conditions within housing units and to place a greater emphasis on health and safety for HUD residents, especially around lead-based paint hazards and mold.”

National Standards for the Physical Inspection of Real Estate - NSPIRE

The NSPIRE Federal Register notice initiates a 60-day public comment period followed by the start of the demonstration. HUD's August 21, 2019 Federal Register notice provides background information, details on NSPIRE standards and associated protocols, and information and instructions for Public Housing Authorities and Owners/Agents who may want to participate in the demonstration. Many NAHMA members have applied to participate in the NSPIRE demonstration, and the industry at large will be impacted by the results of the two-year pilot.

According to the notice, "the shift to [NSPIRE] will further one of HUD's highest priority strategic outcomes – resident health and safety. HUD is looking at the implementation of NSPIRE as an opportunity to reduce regulatory burden through alignment and consolidation compared to either maintaining or increasing the number of standards and protocols to evaluate HUD-assisted housing across multiple programs."

Assessment Elements

The notice states that the demonstration will be implemented on a rolling, nationwide basis to assess all aspects of the physical inspection process, including collection, processing, evaluation of data and information, and a new scoring model. More specifically, HUD will assess the following elements during the voluntary demonstration:

- The improved inspection model and demonstration protocols;
- Data standardization and information exchange of inspections and related information;
- Reduced costs of administrative activities; and
- Oversight and performance improvement.

Volunteer Selection

In order to test the adjustments to standards, protocols, and processes prior to nationwide implementation, the department is seeking participation from 4,500 properties and will select from a nationwide pool of public housing authorities (PHA) and property owners and agents (POA). HUD requests that POAs interested in participating in the demonstration follow the application guidance available on HUD's "NSPIRE" website: www.hud.gov/program_offices/public_indian_housing/reac/nspire.

Once accepted into the demonstration, participants may voluntarily withdraw any or all properties at any time. According to the notice, the demonstration will continue for at least two years and may be extended by subsequent Federal Register notice in order to generate sufficient information for evaluation of consistent results.

HUD will begin the selection process with properties from Region III and will continue until a nationwide representative group is chosen. The demonstration excludes units assisted under the Housing Choice Voucher (HCV) and Project-Based Voucher (PBV) program, as HUD has a separate demonstration program underway that covers that program; however, feedback and lessons learned will be shared across the demonstrations to inform any subsequent rulemaking.

Model Components

HUD will inspect the volunteer properties under the NSPIRE model's three major components:

1. Three types of inspections

- a. POA self-inspections – comprehensive, annual self-inspections by property management

- b. Inspections conducted by contractors and/or federal inspectors
 - c. Inspections conducted solely by federal inspectors
- 2. Three Categories of Deficiencies**
- a. Health and Safety
 - b. Function and Operability
 - c. Condition and Appearance
- 3. Three Inspectable Areas**
- a. Inside – all common areas and building systems located inside a building
 - b. Outside – building site, building envelope, building systems located outside
 - c. Unit – interior of an individual residential unit

Scoring and Sampling

HUD's stated goal is to inspect participating properties at least once during the demonstration and will explore multiple sampling formulas to determine optimal sample rates for units and buildings.

Throughout the demonstration, HUD will test a new scoring model that aims to prioritize health and safety over function and appearance. Since the scoring model will be under development, any NSPIRE inspection scores issued during the demonstration will be advisory. Pre-demonstration scores will be carried over for administrative purposes, and a pattern of serious and substantial conditions could subject the participating project to a standard Uniform Physical Condition Standards for Vouchers (UPCS) inspection as determined by the agency.

Public Comment on the NSPIRE Federal Register Notice

Until October 21, 2019, HUD is seeking public comment on all aspects of the planned demonstration. As outlined in the recent Federal Register notice, HUD specifically solicits comment on the following:

1. Are there specific H&S deficiencies that should be added to the current list of EH&S or H&S deficiencies?
2. Is the new model's focus on health, safety, and function while limiting the inspection of some condition and appearance deficiencies appropriate and acceptable?
3. Are there other property characteristics HUD should consider in its inspection and scoring protocols?
4. What inspection incentives should HUD consider providing to high-performing properties and what criteria should be included to determine that status?
5. Are there aspects of the new model that would be a higher administrative burden than the current model?
6. Are there any low-value aspects of the UPCS model that HUD should not carry forward into NSPIRE?

Please submit any feedback to NAHMA staff at jbilowich@nahma.org or lkeys@nahma.org by Monday, October 14, 2019.

Next Steps

HUD will notify POAs of their acceptance into the demonstration program. In addition to general feedback provided to HUD throughout the pilot, participating POAs will have the opportunity to participate in focus

groups to review results and provide feedback. Following the demonstration, HUD also intends to solicit public comment on the detailed elements of the NSPIRE inspection, including the standards, sampling, and scoring protocols.

Recently, HUD also released for comment **the first set of NSPIRE standards (65 in total) for review on its NSPIRE website**, including proposed adjustments to standards for smoke detectors, electrical enclosures, and more; HUD is seeking input about the clarity of the adjusted deficiencies, the accuracy of the rationales, and the overall usability of the standards. Although all feedback on the NSPIRE standards should be submitted directly to HUD on an ongoing basis, please forward your comments to NAHMA for industry tracking.

Further, the notice states that “as part of the implementation process, HUD intends to issue a proposed rule in late 2019 that will amend and align overarching policies related to the frequency of inspections, the method of appealing results, and the actors responsible for conducting the inspection.” NAHMA will keep members up-to-date on these opportunities for providing feedback.

Conclusion

NAHMA is monitoring emerging changes to REAC standards and the NSPIRE demonstration. We welcome ongoing input from POAs and PHAs involved in the demonstration. For more info on REAC changes, please visit NAHMA’s webpage here: www.nahma.org/agencies/emerging-reac-issues.