

TRANSITION TO NSPIRE WHAT TO EXPECT WITH HUD INSPECTIONS



Professional Development

National Association of Housing and Redevelopment Officials

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TODAY'S SPEAKER

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AGENDA

- **NSPIRE Basics**
- **NSPIRE Proposed Rule**
- **NSPIRE Standards**
- **NSPIRE Scoring**
- **NSPIRE Implementation**



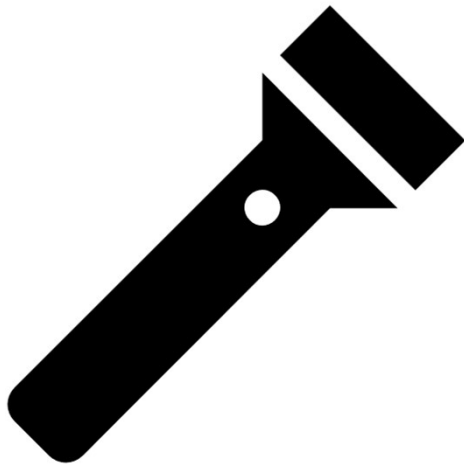
NSPIRE Basics



NSPIRE – WHAT DOES THAT MEAN!?!

National Standards for the Physical Inspection of Real Estate

HUD'S RATIONAL FOR CHANGING UPCS



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)

CONGRESSIONAL OBJECTIVES

- Increase safety requirements
 - Carbon monoxide
 - Fire doors
 - Smoke detectors
- Standardize inspections across all programs
 - HQS, UPCS, UPCS-V, NSPIRE, NSPIRE-V

INSPECTION TASK FORCE

Conduct

Conduct a wholesale reexamination of REAC inspections

Place

Place the greatest emphasis on eliminating health and safety hazards

Ensure

Ensure owners adopt sound maintenance practices year-round

NSPIRE TIMELINE

- 2019 – Analysis and Design
 - Demonstration listening session
 - 14-day notice released
 - Stakeholder outreach
 - Demonstration Notice Released

NSPIRE TIMELINE

- 2020 – COVID
 - 3/20 - Demonstration on pause, inspections stop
- 2021 – NSPIRE Proposed Rule Released
- 2021 – Inspections resume
 - 6/21 - High-risk public housing properties evaluated through NSPIRE for life threatening deficiencies
 - 6/21 - Demonstration Resumes
 - 6/21 - 14-day notice extended to 28 days

NSPIRE TIMELINE

- 2022 – Inspections
 - High risk properties return to UPCS inspections, PHAS scores reinstated
 - Demonstration extended through April 30, 2023
 - NSPIRE Standards comments due August 1
- 2023 – Implementation
 - March, 2023 – NSPIRE Scoring Notice Released (comments due 4/27)
 - Spring 2023 – Administrative Procedures Notice
 - Spring 2023 – NSPIRE Final Rule
 - July 1, 2023 – Implementation of NSPIRE for Public Housing with 3/31 FYE dates
 - October 1, 2023 – NSPIRE for PBRA and NSPIRE-V (proposed that PHAs can use HQS for an additional year, if PHA chooses)

DESIRED OUTCOME OF NEW INSPECTION MODEL

Protect families and reflect the true physical condition

- Convey HUD's property management expectations to owners - failing scores remain unacceptable
- Strengthen current standards, scoring models, and protocols used to assess properties
- Implement stricter enforcement protocols against owners who are not meeting standards

GOALS OF THE INSPECTION

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

NSPIRE MODEL – CONCEPTUAL VIEW

3 Types of Inspections – Confidence Increased

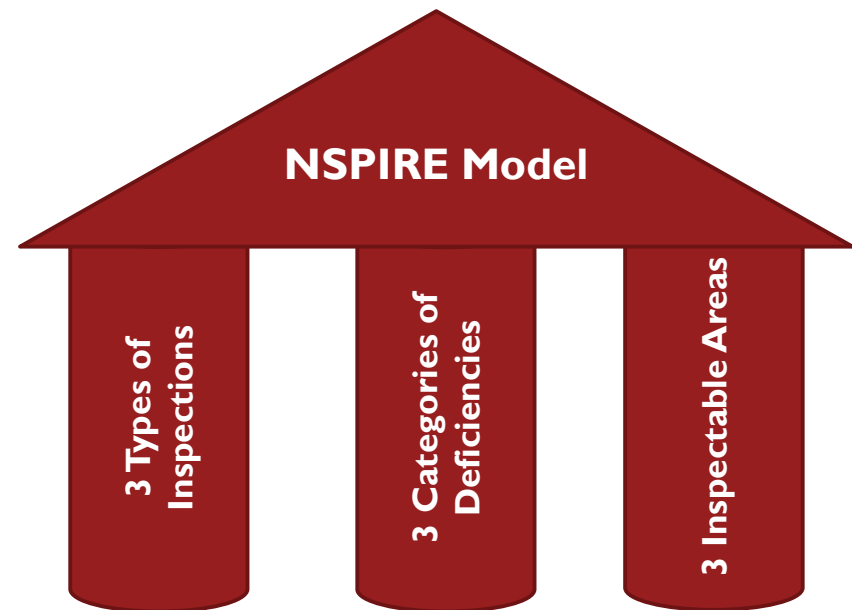
- Self-Inspections
- NSPIRE Inspections
- NSPIRE Plus Inspections

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

NEW MODEL: 3 TYPES OF INSPECTIONS



Self-Inspections

Who: Property Owners / Management

What: All deficiencies reported to HUD

When: Once a year

Where: All units

Why: To gain reasonable level of confidence in results & to ensure work orders are being generated.

Reasonable Assurance
into Property's Condition



NSPIRE Inspections

Who: Contract Inspectors and PHAs

What: NSPIRE

When: Periodic inspections (1-3 years)

Where: High sample rate

Why: To gain a high level of confidence in results.

Reasonable Assurance
into Property's Condition



NSPIRE Plus Inspections

Who: HUD Federal Inspectors

What: NSPIRE Plus

When: Requested, or triggered by poor conditions

Where: Highest sample rate

Why: To gain highest level of confidence in results.

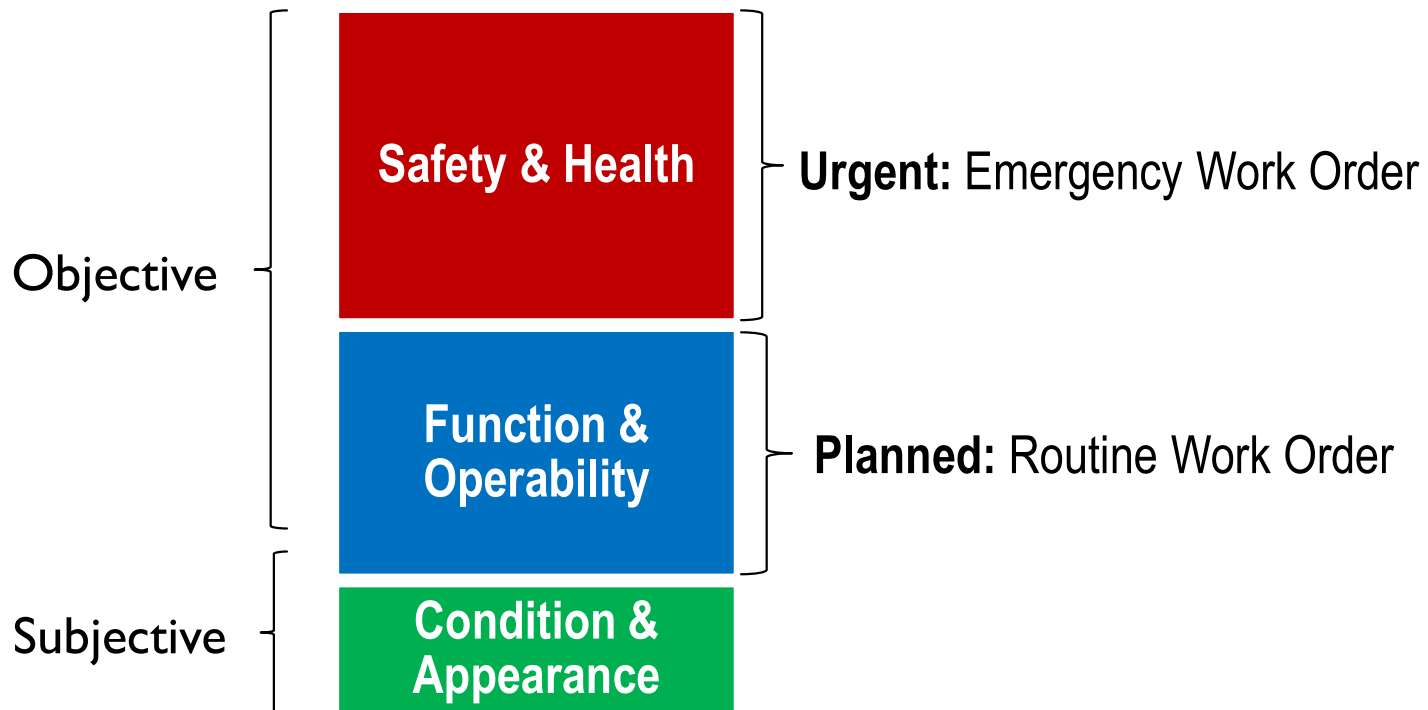
Evidentiary Support to
Enforcement and/or Sanctions

THREE TYPES OF DEFICIENCIES

Precision

CTQs Per Category

Response Level



NSPIRE PROPOSED RULE

■ **Health and Safety**

- Conditions that could affect the resident's mental, physical, or psychological state
- A resident could become injured because of this condition
- Most critical to the quality of the residential dwelling unit

■ **Function and Operability**

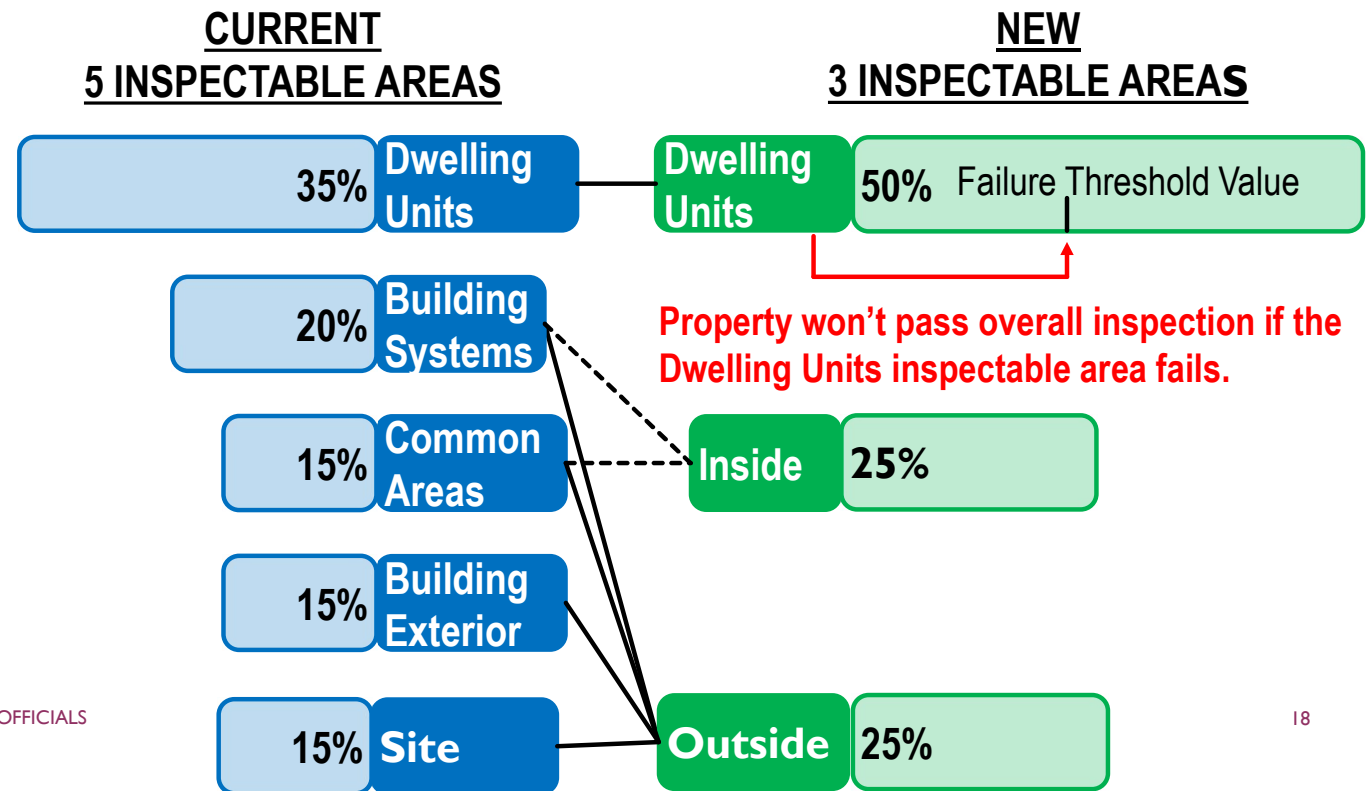
- Resident is unable to use certain fixtures, features, or appliances
- Items are reasonably assumed to be part of a tenant's rent

■ **Condition and Appearance**

- Components of property do not meet reasonable expectations of appearance

THREE 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 Proposed Rule



NSPIRE PROPOSED RULE

- Implementation of National Standards for the Physical Inspection of Real Estate (NSPIRE) Proposed Rule
 - Released January 13, 2021
- Establishes the methods to implement NSPIRE through future *Federal Register* notices
 - Standards – what inspectors are looking for
 - Scoring – how PHAs fair in their inspections overall?
 - Processes – how the inspections are conducted and reported on
- Centralizes inspection standards across HUD programs in the regulations

NSPIRE PROPOSED RULE

- Three inspectable areas
 - Inside
 - Outside
 - Unit
- New annual self-inspection and reporting requirements (includes multifamily)
- New administrative process for the treatment of health and safety deficiencies

NSPIRE PROPOSED RULE

- NSPIRE standards creation and review process every 3 years
- New “affirmatives” (GFCI outlets, lighting, HVAC, water safety)
- Site and neighborhood requirements from HQS
- Special considerations for Single Room Occupancy (SRO)

CURRENT QUESTIONS

- Inspection Unknowns
- Timing
- Commenting on NSPIRE Standards
- Adjusting to NSPIRE
- NSPIRE Demonstration
- Water Safety
- Tenant Input
- Self-Inspections
- Tenant Damage

AMPLE TIME TO COMMENT ON UPDATED STANDARDS

- The proposed rule notes that HUD plans to revisit NSPIRE standards and scoring protocols every three years.
- NAHRO believes HUD should use discretion in updating standards and scoring protocols to ensure the inspection process is not upended every three years.

ADJUSTING TO NSPIRE

- As with any inspection protocol, it will be critical that proper training is provided to inspectors before the implementation of the NSPIRE inspection protocol.
- Agencies should not be penalized due to growing pains associated with a new program and new inspector requirements.
 - Advisory scores?
- NAHRO recommends that HUD dedicate substantial time and effort to training inspectors in NSPIRE before implementing the new inspection protocol
- Generating PASS Score
 - How to combine UPCS score and NSPIRE score?

WATER SAFETY

- NAHRO believes it is the responsibility of the local, state, or federal government, either through HUD or the Environmental Protection Agency (EPA), to monitor water quality across the country.
- If HUD is concerned about water quality, then HUD, either internally or through the EPA, should be able to perform regular, routine inquiries about public water systems around the country to ensure that those systems are in compliance with the Safe Drinking Water Act.

TENANT INPUT

- NAHRO is concerned about allowing tenants to either rate their properties or steer REAC toward inspecting certain units.
- Although it is important to ensure tenants can raise concerns about their units or the property itself to management, NAHRO believes there are too many potential factors at play to allow tenants to either rate their units personally or to insist their unit is a part of the random sample of inspected units.

TENANT INDUCED DAMAGE

- NAHRO recommends that the inspection process allows delineation between tenant-induced damage and non-tenant-induced damage, especially tenant-induced damage that is not reported to the PHA by the resident.

WHAT'S NEXT WITH THE NSPIRE RULE?

- HUD must review the comments received on the proposed rule
- Still awaiting final rule
- HUD continues to work on standards, scoring, and administrative procedures
- Clarity on the Public Housing and Housing Choice Voucher protocol



NSPIRE Standards



NSPIRE STANDARDS

HUD has released their NSPIRE standards



HUD requested comments from interested individuals on each of the standards, including:

How inspections are
conducted

What inspectors should
look for

And what should count as a
deficiency

NSPIRE STANDARDS

- HUD currently has over 60 standards listed on their website
 - https://www.hud.gov/program_offices/public_indian_housing/react/nspire/standards
- Examples include:
 - Address and signage
 - Bath ventilation
 - Carbon monoxide
 - Cooking range
 - Doors
 - Egress
 - Dryer Vent
 - Electrical enclosures
 - Elevators
 - Exposed wire
 - Fence general
 - Fence security
 - Fire extinguisher
 - Floor coverings
 - HVAC
 - Leaks
 - Light fixtures
 - Mold
 - Parking lot
 - Roads and driveways
 - Sidewalks
 - Site drainage
 - Windows

NSPIRE STANDARDS EXAMPLE - HANDRAILS

DEFINITION:	A rail fixed to posts or a wall for people to hold on to for support.		
PURPOSE:	A rail designed to be grasped by the hand to provide stability or support. Handrails are commonly used while ascending or descending stairways and escalators in order to prevent injurious falls.		
NAME VARIANTS:	Bannister; Railing		
COMMON MATERIALS:	Metal; Wood		
COMMON COMPONENTS:	Rail; Baluster; Brackets; Anchor		
LOCATION:	<input checked="" type="checkbox"/>	Unit	Stairs, hallways, ramps
	<input checked="" type="checkbox"/>	Inside	Stairs, hallways, ramps, elevators
	<input checked="" type="checkbox"/>	Outside	Stairs, ramps, elevators

STANDARDS NOTICE

- Released June 17, 2022
- Included specific questions on mold, safe drinking water, requirements for a permanent heating source, minimum temperature, electrical outlets, deficiency correction time frames, and past infestation
- Proposed updates to the HOTMA Life Threatening or “HOTMA LT” standards for conditions that must be resolved before move-in/24 hours if occupied in the voucher program
 - Tied to statutory requirements in HOTMA



NSPIRE Scoring



NSPIRE PROPOSED SCORING NOTICE

- Published March 28, 2023
- Describes scoring and ranking methodologies
- Applies to:
 - Public Housing
 - Project-Based Rental Assistance
 - Section 202 and 811
 - HUD-Insured Multifamily Housing
- Available here: [https://www.hud.gov/sites/dfiles/PIH/documents/6086-N-04 NSPIRE Proposed Scoring posting.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/6086-N-04%20NSPIRE%20Proposed%20Scoring%20posting.pdf)

IMPACT WEIGHTS DETERMINED BY AREA AND SEVERITY

Maintains three inspectable areas:

- Unit
- Inside building (common areas)
- Outside Building

Maintains four levels of severity:

- Life-Threatening (LT) – 4.1 x severe
- Severe – 2.7 x moderate
- Moderate – 2.3 x low
- Low

LEVELS OF SEVERITY

- *Life-Threatening (LT)* – “present a high risk of death, severe illness, or injury to a resident”
- *Severe* – “present a high risk of permanent disability, or serious injury or illness, to a resident”
 - “deficiencies that would seriously compromise the physical security or safety of a resident or their property”
- *Moderate* – “present a moderate risk of an adverse medical event requiring a healthcare visit; could cause temporary harm; or if left untreated, could cause or worsen a chronic condition that may have long-lasting adverse health effects”
 - “deficiencies that would compromise the physical security or safety of a resident or their property”
- *Low* – “deficiencies critical to habitability but not presenting a substantive health or safety risk to a resident”

IMPACT WEIGHTS DETERMINED BY AREA AND SEVERITY

Table 1—Defect Impact Weights

Defect severity category	Inspectable area *		
	Outside	Inside	Unit
Life-Threatening (most severe)	49.6	54.5	60.0
Severe	12.2	13.4	14.8
Moderate	4.5	5.0	5.5
Low (least severe)	2.0	2.2	2.4

* Defect impact weights are rounded to the tenths place.

- Defect impact weights also change at constant rates across the three inspectable areas (Outside, Inside, and Unit), but by a smaller amount.

EXAMPLE OF A PROPERTY WITH A PASSING SCORE OF 80 (10 UNITS INSPECTED)

Defect severity category	Outside	Inside	Units
Life-Threatening	0	0	2
Severe	0	2	1
Moderate	0	3	0
Low	1	10	0
Total by Inspectable Area	1	15	3

Defect severity category	Outside	Inside	Unit G	Unit B	All other units
Life-Threatening	$0 \times 49.6 = 0$	$0 \times 54.5 = 0$	$1 \times 60 = 60$	$1 \times 60 = 60$	$0 \times 60 = 0$
Severe	$0 \times 12.2 = 0$	$2 \times 13.4 = 26.8$	$0 \times 14.8 = 0$	$1 \times 14.8 = 14.8$	$0 \times 14.8 = 0$
Moderate	$0 \times 4.5 = 0$	$3 \times 5 = 15.0$	$0 \times 5.5 = 0$	$0 \times 5.5 = 0$	$0 \times 5.5 = 0$
Low	$1 \times 2.0 = 2.0$	$10 \times 2.2 = 22.0$	$0 \times 2.4 = 0$	$0 \times 2.4 = 0$	$0 \times 2.4 = 0$
Sum of Defect Deduction Value	2.0	63.8	60.0	74.8	0.0
Inspectable Area Defect Deduction Value	2.0	63.8	134.8		
Total Property Defect Deduction Value	$2.0 + 63.8 + 134.8 = 200.6$				

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Inspectable Area Defect Deduction Value	2.0	63.8	134.8		
Total Property Defect Deduction Value	$2.0 + 63.8 + 134.8 = 200.6$				

- Total Defect Deduction Value All Areas/Unit Sample Size = Defect Deduction Value Per Unit
 - $200.6/10 = 20.06$
- $100 - \text{Defect Deduction Value Per Unit} = \text{Preliminary Score}$
 - $100 - 20.06 = 79.94$ (rounded up to 80)

FAIL THRESHOLDS

- Scores below 60
- Unit Point Deductions of 30 or above
 - Automatic score of 59 or below
- Example to right: failed inspection, 10 units inspected
 - Final unit defect deduction value (value per unit): 31

Units

$$\begin{array}{r} 4 \times 60 = 240 \\ 4 \times 14.8 = 59.2 \\ 2 \times 5.5 = 11 \\ 0 \times 2.4 = 0 \\ \hline 310.2 \end{array}$$

SCORING CALCULATIONS

- Final Score = $100 - \text{Defect Deduction Value Per Unit}$
 - Defect Deduction Value Per Unit = $\text{Total Defect Deduction} / \text{Total Units Inspected}$
- In addition to final point score:
 - Asterisk for smoke detectors (not scored)
 - Carbon monoxide detector symbol
 - Table of defects by severity
 - Unscored new affirmative requirement deficiencies, including score if these were counted
 - Letter grade
- Will not count toward PHAS until PHA's entire portfolio inspected under NSPIRE

SAMPLING

- 90% Confidence Level
- Capped at 32 units
- Buildings must have inspected units to be inspected

TABLE 9—NUMBER OF UNITS SAMPLED UNDER NSPIRE SCORING AND SAMPLING METHODOLOGY BASED ON PROPERTY SIZE

Units in property	UPCS sample	NSPIRE sample
1	1	1
2	2	2
3	3	3
4	4	4
5	5	5
6	5	6
7	6	6
8	7	7
9	7	8
10	8	8
11-12	8	9
13-14	9	10
15-16	10	11
17-18	11	12
19-21	12	13
22-24	13	14
25-27	14	15
28-30	14	16
31-35	15	17
36-39	16	18
40-45	17	19
46-51	18	20
52-59	18	21
60-67	19	22
68-78	20	23
79-92	21	24
93-110	21-22	25
111-120	22-23	26
121-166	23-24	27
167-214	24-25	28

Units in property	UPCS sample	NSPIRE sample
215-295	25	29
296-455	25-26	30
456-920	26	31
921+	27	32

LETTER GRADES

TABLE 8—LETTER GRADES BY DISTRIBUTION OF THE ZERO TO 100-POINT INSPECTION SCORE

Property score	Letter grade	Meaning
>= 90 points	A	The property is in good physical condition with the fewest number of concerning defects, which are also easily addressed.
>= 80 points, <90 points	B	The property is in good physical condition with comparatively more concerning defects, but these defects are also easily addressed.
>= 70 points, <80 points	C	The property is in an acceptable physical condition with a greater number of concerning defects. The property should be closely monitored to see if these issues are correctable or present larger concerns about resident health and safety and overall asset condition.
>= 60 points, <70 points	D	The property is in a very challenged and near failing physical condition, with a high prevalence of concerning health and safety defects that may not be easily addressed and/or reflect possible concerns about maintenance or overall asset condition. The property should be closely monitored to avoid it becoming a failed property.
>30 points, <60 points	E	The property is in a failing physical condition, with a high prevalence of concerning health and safety defects that clearly reflect larger concerns with the maintenance and short-term condition of the asset. The property should be monitored regularly <i>and may be reinspected more than annually</i> to protect resident health and safety. If the property receives two successive scores in this range, HUD will consider administrative actions to protect residents as described in the final NSPIRE rule.
<= 30 points	F	The property is in a failing physical condition, with an extremely high prevalence of concerning health and safety defects that clearly reflect larger concerns with the maintenance and short-term condition of the asset. The property should be monitored <i>and inspected regularly</i> to protect resident health and safety and, if necessary, actions should be taken to protect residents including, but not limited to relocation and/or changes in property ownership and/or management. These properties will be automatically referred to the DEC.

SUMMARY OF DIFFERENCES

	UPCS	NSPIRE
Defect scoring	Severity and Criticality	Weighting based on location and severity
Inspectable areas	5	3, with added clarity surrounding location, only inspecting buildings where units are inspected
Limits and point caps	Number of buildings, inspectable areas, and inspectable items	No inspectable areas or items, normalized only according to number of units, no point caps
Fire alarms and Smoke detectors	Asterisk, time requirement to repair	Asterisk, time requirement to repair, letter grade, and new affirmative requirements TBD
Score calculation	100 - Defects	100 - Defect deduction value per unit



NSPIRE Implementation



NSPIRE IMPLEMENTATION

- Spring 2023 – Scoring and Administrative Procedures
- Spring 2023 – Final NSPIRE Rule
- Still determining NSPIRE-V
 - The pass/fail structure will remain

ADMINISTRATIVE NOTICE

- Still not released, will not include a comment period
- Will cover information PHAs will submit prior to an inspection – potentially including:
 - Elevator, fire sprinkler certificates
 - Current water safety alerts, name of public water system
 - Property construction date verification, scan of lead-based paint inspection (if built before 1978)
- Process for technical reviews
- Post inspection report process, how to report correction of deficiencies
- Communication with residents, making final inspections available for review
- Self inspection process
- Administrative referrals process for failing scores

NSPIRE IMPLEMENTATION

- April 1, 2023 – Public Housing effective date
 - HUD’s goal is to have all FYE in 2023 fall under NSPIRE for PHAS
- June 2023 – implement resident feedback pilot
- June 2023 – Public Housing compliance date
- Fall 2023 (?) – NSPIRE-V, PBRA
- Operational Flexibility
 - 1st 2 years – extend window to complete inspections to a 6-month window
- Generating a PASS Score
 - Transition period for UPCS and NSPIRE
 - Office of General Council hesitant about Advisory Scores, but still uncertain

NSPIRE IMPLEMENTATION

- According to HUD:
 - If score was good in UPCS, most likely good in NSPIRE
 - HUD is intentionally weighting inside the unit higher
 - If unit scores were low in UPCS, may be lower in NSPIRE

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