

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF FINANCIAL ASSISTANCE  
ASSET MANAGEMENT AND COMPLIANCE BRANCH**

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**DATE:** January 10, 2025

**TO:** Sponsors, Borrowers and Management Agents of Rental Projects Directly Funded by the Department of Housing and Community Development (HCD)

**FROM:** JoAnna Nguyen, Occupancy Compliance Section Chief, HCD

**RE:** National Standards for the Physical Inspection of Real Estate (NSPIRE) Guidance for HCD-Funded Projects

In May 2023, the Department of Housing and Urban Development (HUD) published the final rule implementing the National Standards for the Physical Inspection of Real Estate (NSPIRE) in the Federal Register. To prioritize health, safety, and functional defects thereby improving the quality of life for residents, HCD has elected to adopt NSPIRE standards to align with other applicable federal and state entities. In lieu of the NSPIRE scoring process, HCD continues to conduct ongoing site visits on the usual three-year rotation.

### **Applicability**

Beginning January 1, 2025, NSPIRE standards will be applied to all existing and future HCD-funded projects that previously used the Uniform Physical Condition Standards (UPCS).

Sponsors are encouraged to review all NSPIRE standards and must continue to conduct self-inspections to identify potential deficiencies. The HUD Exchange contains various [NSPIRE resources](#) including official notices, standards, and webinars.

### **Negative Points**

[HCD's negative points policy](#) ensures that limited critical funding resources are directed to sponsors that demonstrate ongoing capacity to successfully operate and manage affordable housing developments. Failure to cure any findings will result in the applicable sponsor(s) receiving negative points on any future applications for HCD funding.

If there are any questions regarding the policies or information noted above, please feel free to contact your assigned Occupancy Representative or the following:

Asset Management and Compliance (AMC) Branch  
[AMCBranch@hcd.ca.gov](mailto:AMCBranch@hcd.ca.gov)