



## Should We Be Inspired By NSPIRE?

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The National Standards for the Physical Inspection of Real Estate (NSPIRE), was adopted by the Texas Department of Housing and Community Affairs (TDHCA) in January 2024 as the inspection protocol for its affordable multifamily developments. Moving from the Uniform Physical Condition Standard (UPCS) inspections standard that was developed by the U.S. Department of Housing and Urban Development's (HUD) Real Estate Assessment Center (REAC) was not without some growing pains for TDHCA and its partners.

On October 1, 2023, 24 CFR 5.703 was modernized with the new NSPIRE protocol, and the UPCS standards were retired. Though the NSPIRE protocol was established for HUD programs, the Internal Revenue Service (IRS) has also embraced the protocol in accordance with Treasury Regulation 1.42(d)(2)(i) and (ii). Texas moved forward with implementing the NSPIRE protocol starting January 1, 2024, for all multifamily properties within the TDHCA portfolio.

As TDHCA conducts monthly NSPIRE inspections, we continue to learn the intricacies of the protocol. There are some stark differences between UPCS and NSPIRE inspections that could be viewed as positive or negative. The primary focus of the NSPIRE protocol is ensuring all housing is functionally adequate, operable, and free of health and safety hazards, with a priority on dwelling units rather than appearance. The scoring model under NSPIRE is much more heavily weighted in the units where residents spend most of their time. For instance, a loss of 30 points or more in the unit portion of the inspection will result in a score adjustment to 59, or failing, even if the inside and outside portions of the inspection allowed it to score over 60. The UPCS protocol has three levels of deficiencies (level 1, 2 or 3), and each level has a different weight that affects the overall score. Under the NSPIRE protocol, there are no levels of deficiencies; it either meets or does not meet the standard. We have discovered that the NSPIRE scores are more consistent because the inspector does not have to determine the specific level of deficiency for a violation. Another key difference is that UPCS has five inspectable areas: site, building exteriors, building systems, common areas and dwelling units. However, with NSPIRE, there are only three inspectable areas: unit, inside and outside. A challenge that we have found under NSPIRE is where certain deficiencies fall ("inside" versus "outside"), and we have received many questions from our housing partners on the difference between these two inspectable areas. We have quickly learned that it is imperative to become well versed in the new standard.

Under the NSPIRE protocol, there are over a 100 Life-Threatening and Severe deficiencies that must be mitigated and/or repaired within 24 hours, while any Moderate deficiencies must be



corrected within 30 days, and any Low deficiencies must be corrected within 60 days. While UPCS has a handful of Exigent Health and Safety deficiencies that are required to be corrected within 24 hours, any other deficiencies have a 90-day corrective action period. Also, under the NSPIRE protocol the placement of smoke detectors in the unit has become very important, as a smoke detector cannot be installed near an HVAC vent, while UPCS protocol does not specifically require the placement of smoke detectors as long as they are operational. Another key difference under NSPIRE is that an electrical outlet within six feet of a water source must be GFCI-protected, or it must be dedicated to a major appliance. In Texas, our interpretation of a dedicated outlet is only one open port. This differs from UPCS, which does not have this requirement. The GFCI requirement may affect older developments, as this requirement may not have been in the building code at the time of construction. The NSPIRE protocol also addresses blocked egress differently than UPCS. For example, if a window is blocked by resident-owned furniture, this is no longer considered a deficiency under NSPIRE, whereas under UPCS, anything blocking a window was an automatic deficiency.

Some additional positive outcomes that TDHCA has discovered with the implementation of the new NSPIRE inspection protocol is that prepared properties have scored comparable to the prior UPCS inspections or even slightly higher. We have found that the common denominator of high-scoring properties is that they all have internal inspection procedures, including annual unit inspections and regular overall property inspections, and they have become educated on the NSPIRE standards. We have also discovered that we are issuing about the same number of 8823 forms (Notice of Noncompliance) that are submitted to the IRS.

As a Housing Finance Agency (HFA), it is a pleasure to share the pluses and minuses of the implementation of the NSPIRE protocol, but we also wanted to share another perspective. I had the opportunity to interview Danna Hoover, Senior Vice-President / Owner with Hamilton Valley Management, which has a portfolio of over 150 TDHCA affordable housing properties. Danna had some very insightful thoughts about the implementation of NSPIRE.

**Do you feel that you and your team members have a good understanding of NSPIRE and how it impacts property physicals inspections?**

I would say we have a good start. HUD and TDHCA have done a very good job of providing information online and we attended live training at the Rural Rental Housing Association Annual Texas Convention. I feel we are getting a good handle on NSPIRE, but ultimately the best education will be the on-the-job training that the actual inspections will provide.



**When compared to UPCS, has NSPIRE resulted in greater or fewer findings during inspection?  
Any impact on the number of 8823s issued?**

Yes, the first few NSPIRE inspections resulted in a few findings that were not monitored previously, such as the proximity of the smoke alarm to the HVAC register. However, once we figure out what exactly the inspectors are looking for, we make those changes and we expect the findings to go back to normal.

**Do you feel that NSPIRE does a better job than UPCS of identifying the most important issues in need of repair?**

We hope so. One facet of UPCS that we were not particularly fond of was that sometimes a relatively minor deficiency could cause a major point deduction or emphasis on the appearance of items that are functional. So, we are hopeful that the new NSPIRE scoring model will yield more accurate and consistent results.

**Have any changes been made to your routine maintenance as a result of the new NSPIRE protocols?**

I don't think we have found any reason to change our routine maintenance, but we may alter our pre-inspection checklist so we can find and correct small issues prior to the NSPIRE inspection.

**Overall, do you feel NSPIRE is an improvement over UPCS?**

Yes. The old concept of giving every deficiency a predetermined weight just could not account for every situation. I am hopeful that NSPIRE will be able to more correctly prioritize those important health and safety concerns and give good scores to good properties, and vice versa.

All in all, to ensure successful NSPIRE inspections, learn the protocol, as there are significant differences between NSPIRE and UPCS. The NSPIRE inspection covers the unit, inside, and outside of the property, with a heavy focus on where residents spend their time – in their dwelling unit. It is highly recommended to have good inspection procedures, streamline operations, conduct annual unit inspections, and ongoing self-inspection of the property.

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