

Exhibit 7-1

National Standards for the Physical Inspection of Real Estate Standards

7-1.1 INTRODUCTION

The Department of Housing and Urban Development (HUD) has mandated that Public Housing Authorities (PHAs) have an inspection program for Conventional Low Rent units. This programs will use National Standards for the Physical Inspection of Real Estate (NSPIRE) as the benchmark. The primary purpose for adoption of these standards is to provide the tenant with decent, safe, and sanitary housing.

Interpretation, implementation, standardization, and enforcement of NSPIRE are the responsibility of the Management Specialist (MS) based in Anchorage. The word inspector as used throughout this policy shall refer to the following: asset technician, maintenance person, housing program specialist, housing technician or MS. When reference is made to the MS, it specifically refers to Anchorage.

The inspector's primary role is to ensure that NSPIRE requirements are being met. The inspector must thoroughly inspect all aspects of the property (dwelling unit, inside including building systems, site, common areas, and building exterior), while documenting the process through the Inspection Report, Property Manager Alert Form, Work Orders and tenant charges in (AHFC Owned Housing), or other documentation.

Prior to occupancy, an NSPIRE Inspection must be completed and each year thereafter a regular Inspection, until the occupancy is terminated. A dwelling unit must pass a NSPIRE Move In inspection before a tenant is allowed to occupy an AHFC Owned dwelling unit, no exceptions.

The Regular NSPIRE Inspection is based on the tenants move in date. Annual NSPIRE Inspections, along with the property manager's six-month Housekeeping Inspection, will ensure that the dwelling unit remains in compliance with NSPIRE requirements throughout the occupancy. Housekeeping inspections after the six months move-in inspection are only required for units with a history of failed inspections or damage observed by AHFC staff in the unit or damaged stemming from the unit affecting the inside or exterior of the building.

The following NSPIRE standard operating procedures shall be used in all Conventional Low Rent, and-Section 8 New Housing Programs. This includes AHFC's dwelling units in Anchorage, Bethel, Cordova, Fairbanks, Juneau, Ketchikan, Kodiak, Nome, Petersburg, Seward, Sitka, Valdez, Wasilla, and Wrangell.

7-1.2 NATIONAL STANDARDS FOR THE PHYSICAL INSPECTION OF REAL ESTATE

NSPIRE is defined and published by HUD (24 CFR 5.701). The standards are general guidelines with regulations intended for use on a nationwide basis.

The primary objective of these standards is to protect the tenant by assuring that a basic level of adequate housing is provided. NSPIRE requires that each dwelling unit and property meets 3 Inspectable Areas. These include:

1. Dwelling Unit
2. Inside
3. Exterior

Each Inspectable Area has an established acceptability criteria for determining the minimum acceptable conditions.

The development of NSPIRE for AHFC's Housing Programs are complicated due to the diversity of housing stock characteristics and geographic locations. Consideration has been taken to create a universal interpretation for all locations, while meeting HUD's Acceptability Criteria Standards for each Inspectable Area.

National Standards for the Physical Inspection of Real Estate Handbook and Inspection Checklist are the reference materials to be used by all housing locations throughout the state. These items should be readily available to inspectors.

When situations arise where there is no clear interpretation from the above reference materials, the inspector should consult with their Supervisor for a solution.

Additionally, all sites, building exteriors, building interiors including building systems, common areas, and units must meet the NSPIRE Standards listed below.

7-1.2.A Inside

Inside of HUD housing (or "inside areas") refers to the common areas and building systems that can be generally found within the building interior and are not inside a unit. Examples of building systems include those components that provide domestic water such as pipes, electricity, elevators, emergency power, fire protection, heating, and sanitary services.

Examples of "inside" common areas may include:

- Offices
- Community rooms
- Halls, corridors, or stairs
- Shared kitchens,

- Laundry rooms
- Trash collection areas
- Basements
- Interior or attached garages or enclosed carports
- Enclosed porches, patios or balconies
- Restrooms
- Closets
- Utility rooms or mechanical rooms

7-1.3 OUTSIDE

Outside of HUD housing (or “outside areas”) refers to the building site, building exterior components, and any building systems located outside of the building or unit. Components found on the exterior of the building are also considered outside areas, and examples may include doors, attached porches, attached patios, balconies, car ports, fire escapes, foundations, lighting, roofs, walls, and windows.

Examples of “outside” components may include:

- Parking lots, roads and driveways
- Walkways
- Fencing or retaining walls
- Grounds, play areas lighting, or exterior mailboxes,
- Refuse disposal
- Detached garage or carport or non-dwelling buildings

7-1.4 UNITS

A unit (or “dwelling unit”) of HUD housing refers to the interior components of an individual unit.

Examples of components included in the interior of a unit may include:

- Kitchen
- Bathroom/Laundry
- Ceiling, walls and floors
- Doors and windows
- Balcony
- Stairs
- Call-for-aid (if applicable)
- Fire Safety equipment such as carbon monoxide devices, smoke detectors, or sprinklers
- Electrical systems including switches, outlets, and panels
- Heating System and water heater (when present in the individual units)

7-1.5 LEAD-BASED PAINT (LBP)

7-1.5.A Introduction

These procedures are established to eliminate as far as practicable the immediate hazards from the presence of paint that may contain lead in housing owned by Alaska Housing Finance Corporation (AHFC-PHD). These procedures are intended for use by National Standards for the Physical Inspection of Real Estate inspector and other participants involved in the maintenance and modernization of housing projects which may contain lead-based paint (LBP).

All AHFC/PHD dwelling units constructed before 1978 have been inspected and tested for LBP as required by Lead-Based Paint Poisoning Prevention Act (LBPPPA) and in accordance with HUD regulations. The results of these tests have been distributed to each property manager and maintenance department throughout the state.

7-1.5.B Background

As far as is known, lead serves no useful purpose in the human body. The presence of lead in a human body may be considered an indicator of exposure to environmental pollution. Lead poisoning usually results from gradual accumulation to constitute a significant body burden.

From low level accumulative lead exposure, toxic levels in the body may take months to years to evidence clinical symptoms. These symptoms may include anemia, low hemoglobin arising from lead inhibition of the hemesynthesis, anomalies of the central and peripheral nervous systems, convulsions, delirium, and coma. Lower levels can cause headaches, dizziness, memory deficiencies, sleep disturbance, and personality defects such as extreme irritability.

7-1.5.C National Standards for the Physical Inspection of Real Estate

When conducting NSPIRE inspections of Family Projects, the following procedures should be followed when inspecting interior and exterior surfaces.

All painted surfaces of housing constructed before 1978 shall be inspected to determine whether defective painted surfaces exist. Defective paint surfaces must either be tested for lead content and, if found to contain lead concentrations equal to or exceeding levels specified above, the applicable surface must be treated. If the applicable surface has not been tested, the presence of lead-based paint shall be assumed. Upon detecting a defective painted surface, the NSPIRE inspector will notify the Environmental Specialist to test the applicable surface or provide testing information within five days of the

notice. For sites located outside Anchorage, the inspector will collect a sample of the paint and will be directed to send the sample to an approved laboratory (see attached sample collection procedure). Sample results will be reported within five days of receipt of the sample by the laboratory. The Environmental Specialist shall certify in writing the precise results of the testing within five days.

Applicable surfaces include all intact and non-intact interior and exterior painted surfaces of a residential structure located in a family project, built before January 1, 1978. Elderly projects are exempt. An NSPIRE inspection that identifies LBP surfaces which have cracking, scaling, peeling, or chipping paint that is noticeably loose, is considered defective surfaces.

1. Interior Surfaces

This requirement applies to all painted interior surfaces within the unit (including ceiling) that are chipping, peeling, cracking. It does not apply to furniture. To fail, the paint must be noticeably loose and separating from the surface material in the opinion of the inspector. The requirement enables assessment (without sophisticated equipment) of conditions strongly associated with lead-based paint poisoning.

If any surface in the unit has chipping, peeling, or cracking paint the unit fails, regardless of whether the paint has been tested for lead content. There is no "pass with comment" when inspecting interior surfaces, interior surfaces either pass or fail.

When fail conditions are identified, maintenance will contact the Environmental Specialist for LBP test results. If test results are positive, maintenance has a maximum of thirty (30) days (unless scheduled for renovation) for abatement of defective area. If LPB test results are negative, a normal work order should be generated through the work order system.

2. Exterior Surfaces

All exterior painted surfaces are subject to NSPIRE inspection. Exterior surfaces include common areas, such as stairwells, hallways, laundry rooms, enclosed decks or balconies, fences, carports, or other interior areas that tenants may have direct access too. Other exterior surfaces include; walls, eaves, fascia, window sills, doors, door jambs, stairs, steps, porches, decks, railing, guardrail, handrails, trim, outbuildings, and other exterior surfaces that are readily accessible to the tenants.

When fail conditions are identified, maintenance will contact the Environmental Specialist for LBP test results. If test results are positive, maintenance has a

maximum of thirty (30) days (unless scheduled for renovation) for abatement of defective area. If LPB test results are negative, a normal work order should be generated through the work order system.

7-1.5.D Reducing the Risk of Lead-Based Paint Poisoning

Abatement is an extremely important strategy for reducing the risk of lead poisoning from exposure to lead-based paint, but abatement as part of modernization is only one element of a broader strategy to protect residents from lead-based paint poisoning. A three part strategy for reducing the risks of lead-based paint poisoning: resident education, maintenance training and setting priorities for abatement.

Tenants can further reduce the risk of lead-based paint by educating themselves about the dangers of lead and steps that can be taken to protect children. Many educational materials on lead poisoning have been developed. Two commonly used pamphlets are; What Everyone Should Know about Lead Poisoning from the Channing L. Bete Co. and Stop Lead Poisoning -- A Sesame Street Guide to Prevention.

The following is a list of reduction measures that can be taken to reduce the chances of lead poisoning:

- HEPA vacuuming and wet wipe dust and paint chips;
- Routine Maintenance - inspect for defective paint during routine periodic unit inspections and turnover.

1. Definitions

Defective Lead Based Paint Surface: Paint on applicable surfaces having a lead content of greater than or equal to 1 mg/cm, which is cracking, scaling, chipping, peeling or noticeably loose.

Applicable Surface: All intact and non-intact interior and exterior surfaces of a family project.

Defective Paint Surface: In the opinion of the inspector, paint on an applicable surface that is non-intact, i.e., cracking, scaling, chipping, peeling, or noticeably loose.

2. Abatement

When defective surfaces are identified and suspect, contact the Maintenance Supervisor at (330-6285) for testing results or for proper abatement/treatment procedures.

7-1.6 MANAGEMENT STANDARDS

Management Standards are established by the Public Housing Department (PHD). They cover those subjects not addressed by NSPIRE and consist of stricter and more specific requirements than NSPIRE.

Management Standards shall not be used to deviate from any local or federal codes: health, safety, structural, fire, uniform federal accessibility standards, building, mechanical, electrical, or plumbing codes. When alternative materials or construction methods conflict with management standards or the above codes, the most stringent shall apply.

Management standards shall meet the following codes and standards:

- REAC NSPIRE Standards
- Codes - UBC, UPC, UMC, NEC, UFC
- accessibility standards
- construction documents
- manufacturers' recommendations

The Management Standards shall include:

1. a fire extinguisher provided in each unit
2. provision of fire escape ladders in appropriate facilities
3. deadbolt lock systems on all entry doors
4. sump pumps in wet crawl spaces
5. gutters and downspouts
6. Repainting all vacant units occupied for two or more years before a new tenant occupancy
7. All glazing within 24 inches arch of a door or within 5 feet of the bottom or top of stairways, including landings, and where the bottom edge is less than 60 inches above the adjacent walking surface, shall be safety glass and permanently labeled.

7-1.7 TYPES OF INSPECTIONS

Effective inspections are those that can be used as a tool to provide relevant information for maintenance staff and property managers.

7-1.7.A Move-In Inspections

A Move-In inspection is required prior the start of Housing Assistance Payments. The purpose of the move-in inspection is to ensure the dwelling unit is in compliance with NSPIRE and to ensure adherence with Management Standards.

In AHFC-Owned housing, property managers will not move tenants into a dwelling unit with the intent of having maintenance correct NSPIRE or Management Standards deficiencies in the immediate future.

7-1.7.B Housekeeping Inspections in AHFC Owned Housing

PHD will conduct six months after move in and will inspect when there exists a threat to health and/or safety.

7-1.7.C National Standards for the Physical Inspection of Real Estate Inspections

1. Regular Inspections

The regular inspection ensures that the dwelling unit and related facilities continues to meet minimum NSPIRE conditions. The primary focus of the Regular inspection is to identify any outstanding deficiencies. See the Property and Program Coding Chart for frequency of inspections.

2. Re-Inspection

An additional inspection for any items that previously failed during an inspection.

3. Special Inspection

Any additional inspection that may be required to verify that deficiencies have been properly completed, follow-up on tenant complaints, asset technicians, property managers request, etc.

7-1.7.D Move-Out Inspection for

A move-out inspection is conducted after a dwelling unit becomes vacant, and the format is similar to the annual inspection. The inspector makes a detailed inspection of the dwelling unit and documents all required repairs, making note of any damages that are to be charged to the tenant.

7-1.8 INSPECTION NOTICE

Prior to conducting an NSPIRE inspection of an occupied dwelling unit, a minimum written notice must be provided to the tenant. Written advance notice is not required for move-ins or when emergency or life threatening conditions exist at an assisted unit.

Written notice to enter the unit at during reasonable times is given. Notice to tenant must be in writing, delivered to tenant or to any adult member of the household

residing in the dwelling unit, posted on the door, or sent by first-class mail, properly addressed to tenant.

Inspections should be scheduled for the first part of each month. The maintenance crew will then have the remainder of the month to complete any repairs identified from the inspection. This process should allow time to complete the inspection/repair cycle each month.

When conducting annual, move out or move in inspections, the ~~Inspection Checklist~~ will be used.

When the tenant is not home when the inspector arrives, place a door hanger on the exterior door handle that states, "AHFC Property Inspector Inside." Before using a pass key, the inspector should determine if the door is locked. Leave a "Notice to Tenant" in a conspicuous location in the dwelling unit. The notice should note that the door was either locked or unlocked when the inspector arrived, and state the date and time of the inspection, and any comments.

When the tenant is home, the inspector should introduce themselves. The inspector should respect personal property, be courteous, and maintain a businesslike manner. Make appropriate written comments regarding NSPIRE or Management standards violations and note other conditions, such as poor housekeeping skills.

When maintenance personnel accompany the inspector they should have hand tools, small parts inventory, smoke detectors, and fire extinguisher so some repairs can be completed on the site.

The inspector should be consistent and thorough the inspection. With an approved NSPIRE *Inspection Checklist* (form PM08), the inspector should conduct the inspection.

7-1.9 NSPIRE INSPECTION CHECKLISTS

All NSPIRE inspections will be completed on the approved *Inspection Checklist*. The checklist has been specifically developed to streamline the inspection reporting and documentation process. The first page can be either filled out by hand or used as a template and filled out using the computer.

7-1.10 STATE AND LOCAL CODES

The NSPIRE do not supersede or preempt State and local codes for building and maintenance with which HUD housing must comply. HUD housing must continue to adhere to these codes beyond our Standard.

7-1.11 DUTIES, RESPONSIBILITIES, AND QUALIFICATIONS OF THE INSPECTOR

It is the duty of the inspector to ensure NSPIRE compliance adherence to the NSPIRE Checklist. Inspectors shall report housekeeping concerns to the property manager and maintenance concerns to maintenance personnel. A Property Manager Alert Form shall be used to report tenant abuse to property in AHFC-Owned Properties. The NSPIRE Inspection Results form shall be used to report deficiencies to owner/landlords in Voucher Programs.

7-1.12 SCHEDULING INSPECTIONS

NSPIRE regular inspections shall be ideally scheduled during the tenant's move-in month. The month of inspection will change should the tenant vacate and move in to another unit, thus changing the move-in date.

7-1.13 WORK ORDERS FOR AHFC OWNED PROPERTIES

Work orders are generated from inspections, maintenance staff, and tenants. The priority at which maintenance responds depends upon the type of work to be performed. There are five levels of priority, based on service categories. The following is a list of those categories and the maximum amount of time allowed for repairs.

1. Level I - Life Threatening

NSPIRE emergency situations have the highest priority level of all maintenance-related work items and must be abated within 24 hours. Life-Threatening category includes deficiencies that, if evident in the home or on the property, present a high risk of death to a resident.

2. Level I—Severe

Severe includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident; or the physical security or safety of a resident or their property would be seriously compromised. Must be abated within 24 hours.

A "Hot Sheet" that identifies Life Threatening or severe items, such as gas leaks, loss of electricity, no heat, sewer backed up, no water, water leaks causing damage, etc.

3. Level II -Severe (Non-Life Threatening) and Moderate

Severe fail items that are not life threatening and moderate fail items; completion of the repairs is a priority-and have maximum of 30 calendar days to complete the necessary repairs.

4. Level III - Low

Low fail items are deficiencies critical to habitability but not presenting a substantive health or safety risk to residents. There is a 60 day repair time.

After the inspection process is complete, appropriately coded deficiencies must be entered in AHFC's system from the NSPIRE Report.

AHFC-Owned Housing will also record the following types work orders:

- **Level IV - Preventative**
 - Documentation of all preventive maintenance repairs should be designated with a priority code of P.
- **Level V - Extraordinary**
 - Work to be completed as part of EM or BA projects. Repairs that are deferred should be designated with a priority code of X.
- **Level III - V**

Work generated by a move-out inspection. This inspection identifies all work that is required to repair the dwelling unit for occupancy. Crews have a maximum of 14 days to complete these items.

7-1.14 REPORTS/RECORDKEEPING

Housing staff will run monthly reports detailing NSPIRE inspections for each property or program location. Inspections including re-inspections are recording and may determine the frequency of future inspections.