

Exhibit 7-1

Inspection Process

National Standards for the Physical Inspection of Real Estate (NSPIRE) is defined and published by HUD (24 CFR 5.703). 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. Outside

1. Inspectable Areas

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

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.

1.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

1.B 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

1.C 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)

2. Notification

AHFC may provide verbal notification of an inspection when notified that an emergency or life-threatening condition exists at an assisted dwelling unit. Otherwise, AHFC will provide written notification of all pending inspections to families and landlords.

- If a condition is reported that appears to be life-threatening (AHFC would require a repair within 24 hours), AHFC must inspect the unit within 24 hours of when AHFC received the complaint.¹
- If a condition is reported that appears severe or moderate AHFC would require a repair within 30 days), AHFC must inspect the unit within 15 days of when AHFC received the complaint.¹

3. Initial (Move-In) Inspection

1. Initial inspections will be conducted within 15 days of receipt of the *Request for Tenancy Approval*. If the unit is not available at that time, AHFC will conduct the inspection within 15 days from available date.
2. AHFC will not inspect the unit if it is occupied by a family other than the family AHFC plans to assist. The landlord, voucher holder, and/or their representatives must be present.
3. AHFC will give the landlord and family written notice of any NSPIRE-violations and the time frame to correct at the inspection.
4. AHFC will conduct a physical re-inspection of all initial (move-in) inspection fail items to assure all NSPIRE violations are corrected prior to activating the Housing Assistance Payments Contract. AHFC may give the landlord up to 30 days to repair the fail items. However, the HAP contract cannot be active, and assistance on behalf of the family begun, until all repairs are made and re-inspection is complete. It is the responsibility of the landlord to contact AHFC as soon as repairs are complete to schedule the re-inspection.

AHFC may reject the *Request for Tenancy Approval* if the fail items are not repaired by the deadline.

¹ Section 220 of the 2014 HUD Appropriations Act, formally known as Title II of Division L of Public Law 113-76, 128 Stat. 5, approved January 17, 2014. This was set forth in the *Federal Register* on June 25, 2014.

4. Biennial Inspection

Each unit must be inspected no less than biennially (every two years) following the initial move-in. See the Special Programs chapter and exhibits for programs which require annual inspections.

1. Both the family and the landlord will be given reasonable notice for all inspections. The inspection will be scheduled no later than the end of the 24th month following the inspection. For example, if the last inspection was conducted in June 2024, the subsequent inspection will be conducted no later than June 30, 2026.
2. The voucher holder or other adult family representative must be present. AHFC strongly encourages the presence of the landlord or landlord's representative.
3. Biennial inspections will be conducted in the same manner as an initial inspection. If an inspection reveals that the dwelling unit does not meet NSPIRE or is not in compliance with terms of the HAP Contract, the landlord will be notified in writing of the need to take corrective action.
4. All units belonging to a landlord who falsified a self-certification will be physically re-inspected each year and not be eligible for biennial inspections unless and until AHFC determines that they are again eligible for self-certification.
5. A physical inspection will be required if the unit failed due to major fail items.
6. Depending upon the severity and overall compliance by a landlord, a physical inspection may be required annually if the unit failed the NSPIRE the previous year.

5. Other Inspections

AHFC may inspect the contract unit and premises at such times as staff determines necessary to ensure that the unit is in accordance with the NSPIRE.

6. NSPIRE Failures

The following lists of life threatening, severe or moderate fail items and unit comments (low items) provide clear guidance on severe versus minor deficiencies in a unit.

6.A Life-Threatening Fail Item

Failures categorized as life-threatening fail items cause the entire inspection to fail. These include, but are not limited to:

1. Call for aid system is blocked, not functioning or pull cored is higher than 6 inches off the floor
2. Chimney- Incomplete or damaged chimney, flue or firebox in unit, inside or outside
3. Dryer duct – detached, missing, restricted airflow or constructed of unsuitable material in unit, inside or outside
4. Egress- obstructed egress or fire escape access or sleeping room on 3rd floor or lower has obstructed rescue opening in unit, inside or outside
5. Electrical outlets or switches- damaged, exposed wiring, or in contact with water in unit or inside
6. Electrical panel- over protection device damaged (circuit breakers, fuses, etc) in unit, inside or outside
7. Exterior plugs- not properly covered
8. Exit sign- damaged, missing, obstructed or not adequately illuminated
9. Fire Extinguisher- damages, missing, over-charged, under-charged or service tag missing, illegible or expired in unit, inside or outside
10. Fire labeled door- missing in unit or inside
11. Gas, Oil or Propane- leak
12. Guardrail- missing, not installed or not functionally adequate in unit, inside or outside
13. Heat- the unit's temperature is below 64 degrees during the months October to March
14. Heating system- red-tagged, unvented space heater that burns gas, oil or kerosene in unit or inside
15. Heating system exhaust vent- misaligned, blocked, disconnected, damaged or missing in unit, inside or outside
16. Heating and water heater- flammable or combustible within 3 feet or improperly stored chemicals in unit, inside or outside
17. Leak- natural gas, propane or oil leak in unit, inside or outside
18. Mold-like substance- extremely high levels in unit
19. Smoke or carbon monoxide detectors- missing, not installed where required, does not produce audio or visual alarm, or not functioning properly in unit and inside
20. Sprinkler assembly- damaged, inoperable, missing, detrimental to performance, corroded, encased or obstructed within 18 inches of head in unit, inside or outside
21. Structure- exhibits serious failure in unit, inside or outside

22. Toilet- single toilet is missing in unit
23. Unit's entry door- missing
24. Water heater- shut off valve missing, damaged or not installed including incomplete or damaged chimney, flue or firebox in unit, inside or outside

These may require an in-person re-inspection to verify repairs have been made before HAP can be paid.

6.B Severe

Failures categorized as severe fail items cause the entire inspection to fail. These include, but are not limited to:

1. Bathroom or shower- only 1 and inoperable or does not drain in unit
2. Ceiling- component not functionally adequate in unit or inside
3. Cooking Appliance- does not ignite or produce heat, Microwave- primary cooking appliance does not work in unit
4. Unit's Entry door- cannot be secured or does not close, self-closing mechanism is damages missing or inoperable in unit
5. Electrical- GFCI or AFCI test or reset button inoperable or missing within 6 feet of water source, outlet- not energized, three-prong not properly wired or grounded in unit, inside or outside
6. Electrical panel- over protection device is contaminated (circuit breakers, fuses, etc) in unit, inside or outside
7. Exterior lighting- damaged, inoperable, missing, or unsecured
8. Fire labeled door- does not open, close, latch, self-closing hardware is damages or missing, has a hole, damaged or missing gasket in unit or inside
9. Heating system- safety shield missing or damaged in unit or inside
10. Heat- the unit's temperature is between 64- 67.9 degrees during the months October to March
11. Infestation- extensive infestations in the unit
12. Lead Based Paint Hazard- unit or inside paint is deteriorated or outside deteriorated above the level required for lead-safe work practices in unit or inside
13. Mold-like substance- extremely high on the inside or high levels in unit
14. Sewer problems – blocked, leaking or backed up system (soggy leach field, etc.) in unit, inside or outside
15. Sharp edges- cut or puncture hazard in unit, inside or outside
16. Toilet- single toilet is damaged or inoperable in unit
17. Unit's window- does not close

18. Water heater- temperature release valve leaks, obstructed, piping damaged, capped upward slop or constructed of unsuitable material in unit, inside or outside
19. Water heater- no hot water in unit

6.C Moderate Fail Item

These failures are categorized as moderate fail items.

1. Address or signage- broken, illegible or not visible on the outside
2. Bathroom or shower- cannot be used in private in unit or inside
3. Cabinet storage- food storage not present in unit or inside
4. Ceiling- unstable surface or hole in unit or inside
5. Cooking appliance- primary appliance is missing in unit
6. Cooking appliance- component is damaged or missing that makes the appliance is unsafe for use or burner does not produce heat but at least one works in unit and inside
7. Entry Door- will not open, has a hole, split, or crack that penetrates completely through, door surface is delaminated or separated, frame, threshold, or trim is damaged or missing. Seal, gasket, or stripping is damaged, inoperable, or missing in unit or inside
8. Passage Doors- does not open, or exterior component is damaged, inoperable or missing in unit of inside
9. Drain- completely block in unit, inside or outside
10. Electrical- permanently installed interior exterior lightning is damaged, inoperable or missing
11. Electrical- permanently installed interior lightning is damaged, inoperable, missing, not secure in unit and interior
12. Electrical minimums- At least two (2) working outlets are not present within each habitable room or at least one (1) working outlet and one (1) permanently installed light fixture is not present within each habitable room in unit
13. Electrical panel- is not accessible in unit, inside or outside
14. Elevator- inoperable, door doesn't fully open or close, cab is not level with floor or safety edge is malfunctioned in unit, inside or outside
15. Fence or Gate- component is missing, doesn't open, close or latch, demonstrates signs of collapse on the outside
16. Floor- substrate is exposed or component(s) not functionally adequate in unit or inside
17. Food Preparation Area- not present in unit
18. Foundation- cracked, exposed rebar, spalling, infiltrated by water, vent cover missing or damages in unit, inside or outside

19. Garage Door- missing, damaged or has a hole in unit, inside or outside
20. Grab bar- not secure in unit or inside.
21. Handrail- missing, not secure or not functionally adequate in unit, inside or outside
22. Heating- source is damaged, inoperable or not installed during the months of April and September. Inoperable during the months October to March
23. Infestation- infestations in the unit or inside
24. Lead Based Paint Hazard- unit or inside paint is deteriorated or outside deteriorated above the level required for lead-safe work practices in unit or inside
25. Leak- environmental water intrusion
26. Parking lot- ponding or has a pothole 4 inches deep and 1 square foot or greater
27. Private road- pothole 4 inches deep and 1 square foot or greater
28. Refrigerator- inoperable, damaged that impacts functionality, or unit's refrigerator is missing from unit or inside
29. Roof- component is damaged, missing or unfixed, has a hole, damaged, substrate exposed, gutters are damaged, missing or unfixed, or restricts water flow
30. Sewer- clean out or pump cover cap missing or detached, cleanout cap or riser is damaged
31. Sidewalk, Walkway, Ramp- blocked, impassable, not functionally adequate on the outside
32. Sink- improperly installed, pulling away from the wall, leaning, has a gap between the sink and wall, cannot activate or deactivate hot and cold water, not draining in unit or inside
33. Sink- missing or not installed in primary kitchen in unit
34. Site drainage- grate is not secured or covered on the outside
35. Steps/Stairs- missing thread, damaged stringer in unit, inside or outside
36. Steps/Stairs- not functionally adequate on the outside
37. Toilet- toilet missing, damaged or inoperable but 1 operable toilet is available in unit and inside.
38. Toilet- cannot be used in private or not secure at the base on the inside
39. Trash chute- clogged, door does not open or self-close and latch on the inside
40. Trip hazard- walking surface has trip hazard in unit, inside or outside
41. Ventilation- restricted airflow, component missing or damages, or does not properly ventilate or dehumidify in unit or inside
42. Wall- peeling paint more than 20 square feet, not functionally adequate or missing section of at least 1 square foot per wall on the outside
43. Wall- loose or detached covering, components not functionally adequate, or hole greater than 2 inches in diameter or accumulation of holes greater than 6 by 6 inches in unit or inside

44. Water Heater- relief valve discharge piping is missing or terminates greater than 6 inches or less than 2 inches from waste receptor flood-level
45. Unit's window- damaged or missing a component but functionally adequate

7. NSPIRE Pass: Unit Comments

AHFC will note items of concern that are not fail items. If they worsen, they may become life-threatening, severe or moderate fail items. Examples of such items include, but are not limited to:

1. Bathtub or shower- component is damaged, inoperable or missing but does not limit ability to maintain personal hygiene in unit
2. Dryer- cover, cap or component is missing on the outside
3. Exterior Entry Door- component is damaged, inoperable or missing but does not limit ability to provide privacy, protection from weather or infestation
4. Doors- passage door component is damaged, inoperable or missing but is functionally adequate in unit or inside
5. Door- general door not intended to permit access between rooms is damaged, inoperable or missing in unit
6. Handrail- not installed where required on inside or outside
7. Sink- water is directed outside of basin, component is damaged or missing and sink is functionally adequate in unit or inside
8. Site drainage- erosion is present or water runoff is unable to flow through drainage on outside
9. Toilet- damaged, inoperable or missing and does not limit ability to discharge waste

Numbered Memo

25-25 Implementation of National Standards for the Physical Inspection of Real Estate for Voucher Programs