

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Parts 5, 92, 93, 200, 570, 574, 576, 578, 882, 884, 886, 902, 965, 982, 983, and 985.

[Docket No. FR-6086-F-03]

RIN 2577-AD05

Economic Growth Regulatory Relief and Consumer Protection Act: Implementation of National Standards for the Physical Inspection of Real Estate (NSPIRE)

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, Office of the Assistant Secretary for Community Planning and Development, Office of the Assistant Secretary for Public and Indian Housing, U.S. Department of Housing and Urban Development (HUD).

ACTION: Final rule.

SUMMARY: This final rule establishes a new approach to defining and assessing housing quality: The National Standards for the Physical Inspection of Real Estate (NSPIRE). This rule is part of a broad revision of the way HUD-assisted housing is inspected and evaluated. The purpose of NSPIRE is to strengthen HUD's physical condition standards and improve HUD oversight through the alignment and consolidation of the inspection regulations used to evaluate HUD housing across multiple programs. This final rule also incorporates provisions of the Economic Growth and Recovery, Regulatory Relief and Consumer Protection Act that will reduce administrative burden on small rural public housing authorities (PHAs).

DATES: This final rule is effective July 1, 2023, except amendments to the following parts, which are effective October 1, 2023: 24 CFR part 92 (instructions 4 through 7); 24 CFR part 93 (instructions 9 and 10); 24 CFR part 200 (instructions 12 and 13); 24 CFR part 570 (instruction 15); 24 CFR part 574 (instruction 17); 24 CFR part 576 (instruction 19); 24 CFR part 578 (instruction 21); 24 CFR part 882 (instructions 23 and 24); 24 CFR part 884 (instruction 26); 24 CFR part 886 (instructions 29 through 31); 24 CFR part 982 (instructions 45 through 55); 24 CFR part 983 (instructions 57 through 61); and 24 CFR part 985 (instructions 62 through 65). For more information, see **SUPPLEMENTARY INFORMATION**.

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SW, Suite 100, Washington, DC 20410-4000, telephone number 202-708-1112 (this is not a toll-free number), NSPIRERegulations@hud.gov. HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit: <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

SUPPLEMENTARY INFORMATION:

Effective Dates

This rule has two effective dates: 1. Amendments to 24 CFR parts 5, 902, and 965 are effective on July 1, 2023. These amendments implement the NSPIRE regulations at 24 CFR part 5, subpart G and affect the Public Housing regulations.

2. Amendments to 24 CFR parts 92, 93, 200, 570, 574, 576, 578, 882, 884, 886, 982, 983 and 985 are effective on October 1, 2023. These amendments affect the Multifamily Housing regulations, the Housing Choice Voucher regulations, the Project-Based Voucher regulations, Section 8 Moderate Rehabilitation regulations and the Community Planning and Development (CPD) programs such as HOME Investment Partnerships Program (HOME), the Housing Trust Fund (HTF), Housing Opportunities for Persons with AIDS (HOPWA), Emergency Solution Grants (ESG) and Continuum of Care (COC) regulations. Participants and owners subject to these regulations are subject to the Code of Federal Regulations as it exists on the publication date of this rule, and are not subject to the regulatory changes being made by this rule on July 1, 2023, until October 1, 2023.

I. Background

On January 13, 2021, HUD published the “Economic Growth Regulatory Relief and Consumer Protection Act: Implementation of National Standards for the Physical Inspection of Real Estate (NSPIRE)” proposed rule (“proposed rule”) in the **Federal Register**.¹ In the NSPIRE proposed rule, HUD proposed to align and consolidate its inspection standards and procedures and incorporate provisions of the Economic Growth and Recovery, Regulatory Relief and Consumer Protection Act (Pub. L. 115-174) for all of HUD's programs. Specifically, HUD proposed to revise 24 CFR part 5 to become the focal point of consolidated standards, and proposed changes to

other regulations to cross-reference to the new streamlined part 5 standards.

The proposed rule also sought to consolidate, update, and improve the Housing Quality Standards (HQS) and the Uniform Physical Condition Standards (UPCS) to prevent standards and procedures from becoming out of date. In addition, the rule proposed to implement the Economic Growth and Recovery, Regulatory Relief and Consumer Protection Act (“Economic Growth Act”) to implement an alternate performance indicator and rating system for the Public Housing Assessment System (PHAS) and Section 8 Management Assessment Program (SEMAP).

HUD's proposed rule and this final rule were informed by HUD's NSPIRE Demonstration. On August 21, 2019, HUD established through notice² the implementation of the NSPIRE demonstration to develop a new inspection model for HUD programs. Through the demonstration, HUD built updated standards, procedures, and scoring methodologies. The NSPIRE Standards and procedures for the demonstration were first published on HUD's website in August 2019 and were subject to and improved through stakeholder feedback and test inspections. The Demonstration will continue for enrolled properties until implementation of this rule for the relevant program, or as otherwise announced by notice.

For additional background, please see the proposed rule.

II. NSPIRE Final Rule and NSPIRE Notices

Consistent with the proposed rule, this final rule will create a unified inspection protocol for three different overarching programs: programs for housing assisted under the U.S. Housing Act of 1937 other than section 8 of the Act (“public housing”), programs previously under the Housing Quality Standards regulations at 24 CFR 982.401 (HQS regulations), and programs previously covered under 24 CFR part 5, subpart G (“Multifamily housing”). CPD programs and regulations are included because these programs pointed to the HQS program regulations. This final rule maintains a regulatory framework that streamlines, consolidates, and aligns inspection standards over 14 sections of regulations for HUD's programs. This new framework for inspection focuses on inside the building, outside the building and

¹ “Notice of Demonstration To Assess the National Standards for the Physical Inspection of Real Estate and Associated Protocols,” 84 FR 43536.

² 84 FR 2582.

within the units of HUD housing and ensures that they are “functionally adequate, operable, and free of health and safety hazards.” Because of the scope of changes to the inspection process, HUD is setting a different implementation date for HUD’s programs to create as smooth a transition as possible.

A. Implementation Timeline

This rule will be implemented in two phases. On July 1, 2023, Public Housing will transition to NSPIRE. On October 1, 2023, the Multifamily Housing programs, Housing Choice Voucher (“HCV”) and Project Based Voucher (“PBV”) programs, and the CPD programs included in this rulemaking will transition to NSPIRE.

Public Housing regulations will be amended on July 1, 2023, and Public Housing program participants will be required to comply with this final rule and use the NSPIRE standards starting July 1, 2023. HUD will prioritize PHAs with a fiscal year end of June 30, 2023, to receive their next inspection under the updated regulations. Because the universe of Public Housing properties is smaller than those participating in Multifamily Housing programs, HUD is better able to prioritize and complete inspections of these properties first under NSPIRE, and then launch inspections in Multifamily Housing programs in October.

The Housing Choice Voucher (HCV), Project Based Voucher (PBV), Section 8 Moderate Rehabilitation Program, HOME, HTF, HOPWA, ESG and CoC regulations will be amended on October 1, 2023, and program participants will be required to comply with this final rule and begin using the NSPIRE standards on October 1, 2023. These programs are unique because inspections are done by PHAs, program participants, and participating jurisdictions (PJs) and not by HUD. These entities will need additional time to update forms and implement technological solutions. Therefore, programs that follow HQS will continue to follow HQS and will not need to comply with these regulations until October 1, 2023.

The Multifamily Housing programs will also begin to use the NSPIRE standards starting on October 1, 2023. After Uniform Physical Condition Standards (UPCS) inspections were delayed due to the COVID-19 pandemic, HUD has committed to providing Multifamily Housing program participants one more UPCS inspection before the transition to NSPIRE. HUD intends to meet this goal by the end of the 2023 Federal fiscal year. Therefore,

HUD will transition Multifamily Housing programs to NSPIRE on October 1, 2023. Part 5, subpart G, as it existed before this rule, provided at § 5.703 for the physical condition standards for Multifamily Housing and authorized HUD at § 5.705 to establish UPCS through notice. On July 1, 2023, when Public Housing transitions to NSPIRE, these regulations will be overwritten by the new part 5, subpart G. To enable Multifamily to continue using UPCS, HUD will delay the effective date for Multifamily Housing such that Multifamily Housing program participants are not subject to the new part 5, subpart G until October 1, 2023. Part 5, subpart G as it exists on the publication date of this rule, prior to the changes which will be made on July 1, 2023, will apply to Multifamily Housing until September 30, 2023.

Further transition information will be provided in three core “Subordinate Notices” which will follow this final rule. These core Subordinate Notices are the NSPIRE Standards notice, the NSPIRE Scoring notice, and the NSPIRE Administrative notice. HUD will also issue additional notices on the NSPIRE Standards for the HOME, HTF, ESG, HOPWA, and CoC programs. PIH will issue additional Departmental notices to implement the Small Rural Assessment requirements under part 902, subpart H and part 985. The function of each of these notices is provided in more detail below. All updated Standards and Scoring methodologies will be published—as required by this rule—through a **Federal Register** notice at least once every 3 years with the opportunity for public comment prior to implementation.

B. NSPIRE Standards Subordinate Notice

This rulemaking establishes at 24 CFR 5.705(a) that HUD will establish Standards through a subordinate **Federal Register** notice. HUD proposed standards through notice in the **Federal Register** with request for comments on June 17, 2022 (“Proposed NSPIRE Standards notice”).³ These proposed standards were developed in consideration of the NSPIRE Demonstration and feedback received in response to that demonstration. The notice sought comments on the proposed NSPIRE Standards and included thirteen specific questions for public input, including questions related to mold, safe drinking water, requirements for a permanent heating

source, minimum temperature, electrical outlets, deficiency correction time frames, and pest infestation. The individual NSPIRE Standards, posted on HUD’s website,⁴ provided detailed descriptions of housing components and hazards for inspection with descriptions of potential deficiencies and correction timeframes. The notice also proposed an update to the list of life-threatening conditions covered by the Housing Opportunity Through Modernization Act of 2016 (“HOTMA”). The comment period for the Proposed NSPIRE Standards notice closed on August 1, 2022. HUD will publish the final NSPIRE Standards notice before the effective date of this rule, which will consider feedback received in the NSPIRE proposed rule, the NSPIRE Demonstration, and the proposed NSPIRE Standards.

C. NSPIRE Scoring and Administrative Subordinate Notices

This rulemaking establishes at 24 CFR 5.705(b) that HUD will establish scoring methods through a **Federal Register** notice. The proposed NSPIRE Scoring notice was published in the **Federal Register** on March 28, 2023.⁵ It will be final and effective before HUD begins inspections under NSPIRE. The NSPIRE Scoring notice will outline the methodology for weighting the deficiencies found during inspections using the NSPIRE Standards notice and scoring those deficiencies for each program. It will discuss the gradations and severity levels of the new scoring system, including thresholds for potential enforcement action.

The NSPIRE Administrative notice will be published as a final notice shortly following this final rule. This notice will replace all UPCS guidance that HUD’s Real Estate Assessment Center (REAC) previously issued including the Compilation Bulletin for RAPID 4.0, Version 3, Inspector Notices, and other web-based guidance on requesting appeals, exigent health and safety reporting, and other inspection process topics. This subordinate notice will outline the updated NSPIRE process for inspections, submitting evidence of deficiency correction, technical reviews, administrative referrals and other administrative requirements changing with the final NSPIRE rule. It will also include the process HUD will use to gather resident feedback on property conditions. In an additional notice, HUD will provide

³ “Request for Comments: National Standards for the Physical Inspection of Real Estate and Associated Protocols,” 87 FR 36426.

⁴ Available at: www.hud.gov/sites/dfiles/PIH/documents/6092-N-02nspire_propose_standards.pdf.

⁵ 88 FR 18268.

guidance for PHAs on the new small rural assessment processes.

D. NSPIRE Implementation and PHAS Score Transition for Public Housing Authorities

With the implementation of the NSPIRE rule, REAC will begin performing physical inspections using the NSPIRE Standards after the effective date of the rule for each program. Recognizing that there may be operational or system transition issues in the initial year of NSPIRE implementation, HUD is specifying in the regulation at § 5.705(c)(1) that an inspection “shall be conducted no earlier than 6 months before and no later than 6 months after the date marking the anniversary of the previous inspection” for a period of one year after the effective date of this rule. After this transition period, the time frame will return to “no earlier than 3 months before and no later than 3 months after the date marking the anniversary of the previous inspection” or at a time period approved by HUD upon a PHA’s or owner’s good cause request.

For PHAS scores issued after this rule is effective, REAC will use scores calculated as described in the subordinate NSPIRE Scoring notice and aggregate these scores on a unit-weighted basis as described in § 902.25 to create the Physical Assessment Subsystem (PASS) indicator score. Additional information about NSPIRE and PHAS Score transition, including PHAs rated as Troubled, will be provided in the subordinate NSPIRE Administrative notice.

E. Other NSPIRE Notices

HUD’s Office of Community Planning and Development will issue separate notices before October 1, 2023, (“CPD NSPIRE notices”) to implement the rule for the individual programs, which generally do not adopt the methods in the three “core” Subordinate Notices discussed above, and provide guidance for how the NSPIRE Standards cover differing CPD program situations, such as homebuyer acquisition or where assistance is tied to a bedroom in shared housing. These notices will be published before the effective date of the rule. Also with this rule, HUD will issue a Departmental notice to provide guidance for the Small Rural PHAS and SEMAP scoring processes. At a later date, HUD will publish a third additional notice to implement a process for collecting and utilizing resident feedback as part of the inspection process.

III. Changes Made at the Final Rule Stage

In response to public comments, and in further consideration of issues addressed at the proposed rule stage, HUD is publishing this final rule with the following changes from the proposed rule.

Section 5.703 National Standards for the Condition of HUD Housing

Affirmative Requirements at § 5.703

In the proposed rule, HUD requested comment on the addition of affirmative requirements for ground-fault circuit interrupter (GFCI) outlets, an arc-fault circuit interrupter (AFCI); heating, ventilation, and air conditioning (HVAC) related to a permanent heating source; guardrails; and interior lighting. The final rule includes requirements for GFCI outlets near a water source, a permanent heating source for certain climate zones, guardrails, and permanent lighting in some living areas. In some cases, these requirements only apply to habitable rooms of the unit. HUD defines a habitable room as it is typically defined in model codes: a room in a building for living, sleeping, eating, or cooking, but excluding bathrooms, toilet rooms, closets, hallways, storage or utility spaces, and similar areas. Additional detail on the affirmative requirements will be provided in the NSPIRE Standards and Administrative notices. HUD makes the following changes from the proposed rule to the NSPIRE affirmative requirements:

Application of Affirmative Requirements to Inside and Outside at § 5.703(b) and (c)

In this final rule, HUD is clarifying that some of the affirmative requirements not only apply to “Units” but also apply to Inside and Outside requirements. This final rule applies the requirements for smoke detectors, carbon monoxide detectors, GFCI outlets, guardrails, and lighting to Inside, and applies the requirements for GFCI outlets and guardrails to Outside. HUD also added pipes to the non-exhaustive list of components that provide domestic water in § 5.703(b).

Smoke Detector Requirement at § 5.703(b)(1) and (d)(3)

In the proposed rule, HUD proposed to require that properties follow the National Fire Protection Association Standard (NFPA) 72 or successor standards, consistent with existing statutory obligations. This final rule removes the reference to NFPA 72 and instead lists requirements consistent

with NFPA 72. HUD also provides that following these requirements satisfies the specifications of NFPA 72. HUD also adds that properties must follow these standards and additional standards established by HUD through **Federal Register** notification. This clarifies that HUD may adjust its Standards to include additional requirements in the future, such as future added statutory requirements.

Safe Water Requirement at § 5.703(d)(1)

HUD is removing the requirement that water be “potable” from the proposed rule and instead requiring that water must be “safe.” After consideration of comments and further deliberation, HUD believes that these two words are, for the purposes of this rule, duplicative and it is not necessary to use both. HUD is also clarifying that this “safe” requirement applies to drinking water in the kitchen and bathroom and clarifies that the requirement that the unit have “hot and cold” running water applies in both the bathroom and the kitchen.

Sanitary Facility and Kitchen Area Requirements at § 5.703(d)(2) & (d)(4)

In the proposed rule, HUD requested comment on whether to define a “sanitary facility” and “kitchen area.” After considering comments, HUD has included additional language in the regulations for both terms at the final rule stage; this new language serves the same function as the definition suggested in the proposed rule for comment. HUD is requiring that sanitary facilities (or bathrooms) include a sink, a bathtub or shower, and an interior flushable toilet. HUD is removing the requirement that the sanitary facility be “adequate for personal hygiene and the disposal of human waste” because listing these elements adequately covers this same requirement. HUD is also requiring that kitchens must include a sink, cooking appliance, refrigerator, food preparation area, and food storage area.

Removal of the Occupancy Requirement Related to Children of the Opposite Sex From § 5.703(d)(5)

In this final rule, HUD is removing the requirement at § 5.703(d)(5) for units assisted under HCV or PBV that children of opposite sex may not be required to occupy the same bedroom or living/sleeping room. HUD views the restriction based on gender to be unnecessary and unrelated to physical conditions, and wanted to provide more flexibility to families and PHAs to determine the number of bedrooms needed as part of determining the payment standard. Removal of the term

“opposite sex” is also consistent with the January 20, 2021, Executive Order on “Preventing and Combating Discrimination on the Basis of Gender Identity or Sexual Orientation.” This language also avoids the implication that PHAs must inquire about gender identity to determine occupancy.

Addition of Carbon Monoxide Detection Requirement at § 5.703(d)(6)

Section 101, “Carbon Monoxide Alarms or Detectors in Federally Assisted Housing” of Title I of Division Q, Financial Services Provisions and Intellectual Property, of the Consolidated Appropriations Act, 2021, Public Law 116–260, 134 Stat. 2162 (2020) (“2021 Consolidated Appropriations Act”) included amendments to sections 3(a) and 8 of the United States Housing of 1937 (42 U.S.C. 1437a(a) and 42 U.S.C. 1437f) (1937 Act), section 202(j) of the Housing Act of 1959 (12 U.S.C. 1701q(j)), and Section 811(j) and 856 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(j) and 42 U.S.C. 12905). These amendments, which took effect on December 27, 2022, concern the installation of Carbon Monoxide alarms or detectors in public housing owned or operated by a PHA, dwelling units occupied by individuals with Housing Choice Vouchers, dwelling units assisted with project-based vouchers or project based rental assistance, dwelling units assisted under the 202 and 811 programs, and dwelling units assisted under the HOPWA program. In the proposed rule, HUD stated its intent to publish a separate proposed rule concerning the implementation of requirements to install carbon monoxide detectors in HUD-assisted and -insured Housing. HUD is still considering a proposed rule which would implement carbon monoxide detectors beyond what is now required by statute. In this rule, however, HUD has determined to make conforming changes so that the regulations of the programs covered by NSPIRE include the new statutory carbon monoxide detector requirement for each program. Because these conforming rule changes merely codify the new statutory requirements, HUD has determined that additional notice and public comment procedure is unnecessary.

Additionally, HUD notes that the 2021 Consolidated Appropriations Act only adds carbon monoxide-related requirements to the HUD programs listed above and the USDA programs authorized by sections 514 and 515 of the Housing Act of 1949. HUD programs such as HUD-insured housing not

subject to an assistance contract and the ESG, CoC, HOME, and HTF programs are not subject to statutory requirements concerning carbon monoxide detection. HUD has made corresponding changes at the final rule stage in §§ 92.251(b)(1)(viii), 93.301(b)(1)(viii), 576.403(c), 578.75(b) to clarify that these units will not be subject to the new carbon monoxide requirements. HUD urges grantees, owners, developers, and project sponsors in these programs to take action for the safety of residents and reminds them that there may be additional property standard requirements under applicable State and local laws regarding carbon monoxide detection.

Finally, HUD notes that this final rule only implements the statutory carbon monoxide detector requirement for programs covered under NSPIRE. However, programs not covered by NSPIRE are still subject to the statutory requirement where applicable. Specifically, the statutory requirement covers all of HOPWA, but NSPIRE only applies where HOPWA funds are used under § 574.300(b)(3), (4), (5), and (8). HUD intends to modify the HOPWA regulations to reflect the existing statutory requirement in a future rulemaking related to HOPWA.

Other Changes to § 5.703

Addition of Example Unit Components at § 5.703(d)

HUD is including balconies, carbon monoxide devices, and enclosed patio to the non-exhaustive list of components which may be included in a unit.

Addition of “Structural Soundness” and “Extreme Temperature” Health and Safety Concern Examples at § 5.703(e)(1)

HUD has added structural soundness to the non-exhaustive list of health and safety concerns at § 5.703(e)(1) previously required under § 576.403(c)(1).

HUD has also added “extreme temperature” to the non-exhaustive list of health and safety concerns at § 5.703(e)(1). HUD considers the failure to provide an adequate heat source to prevent extreme cold a deficiency as described in the NSPIRE Standards notice. By adding this language to the regulation and NSPIRE Standards, HUD further implements HOTMA Section 111, which required HUD to publish model guidelines for minimum heating requirements for public housing. As part of the consolidation under NSPIRE, HUD is removing § 982.401(e) regarding the thermal environment and making this addition here. HUD has added

language from § 982.401(e) prohibiting the indoor use of unvented fuel-burning space heaters in § 5.703(b) and (d).

Addition of “Carbon Monoxide” as a State and Local Requirement at § 5.703(f)(1)

At this final rule stage, HUD is adding “carbon monoxide” as an example in its non-exhaustive list of examples of State or local requirements that are not superseded by these regulations. This change has no substantive effect.

Section 5.705 Inspection Requirements

Inspection Standards Notice Clarification at § 5.705(a)(1)

In the final rule, HUD clarifies that in addition to the standards and procedures for identifying safe, habitable housing being set out by the Secretary and published in the **Federal Register**, HUD will also provide the scoring and ranking for HUD housing by publication in the **Federal Register**. HUD has also added language identifying the different levels of deficiency which will be used in the NSPIRE Standards notice.

Correction of Typographical Error at § 5.705(b)(2)

In the final rule, HUD corrects a citation in the proposed § 5.705(b)(2) which cited to “§ 982.352(b)(iv)” but should have cited to “§ 982.352(b)(1)(iv).” HUD instead cites to parts 982 and 983 generally.

Timing of Inspections at § 5.705(c)(1) and (c)(2)

HUD has added language to § 5.705(c)(1) clarifying that HUD may approve extension requests for good cause as determined by HUD. In HUD’s experience, inspections occasionally need to be rescheduled due to events outside the owner’s or PHA’s control or for other reasons which would cause the extension request to be justified. HUD has also added language making clear that HUD may extend inspection deadlines without the PHA or owner’s request, to account for situations in which HUD decides to grant a general extension, such as in an emergency situation.

HUD is also removing from paragraph (c)(1) the restriction that inspections must be done in the calendar year in which they are due. HUD does not find that this restriction is necessary or important to ensuring timely inspections, nor does it serve another administrative purpose.

In paragraph (c)(2), HUD proposed a default annual inspection for Multifamily and project-based housing,

with the potential for alternative timelines for inspection, such that a property or project may be inspected on a timeline between two and five years. After considering comments and reviewing inspections, HUD believes that such an extended timeline as four or five years would, in most cases, be too long to adequately review HUD-assisted housing. HUD believes that the current “3–2–1” approach utilized in Multifamily and Public Housing properly allocates HUD inspection resources to ensure the regular inspection of all properties while prioritizing those properties which require additional oversight. Properties of PHAs that meet the definition of Small Rural under § 902.101 will be inspected every three years, as described in § 902.103(b).

Addition of Citation Regarding Small PHAs at § 5.705(c)

In § 5.705(c)(4), HUD is adding a citation to § 902.13(a) to clarify that small PHAs shall continue to be inspected in accordance with the relevant regulation, and in paragraph (c)(8), HUD is adding a citation to § 882.516 to clarify that Section 8 Moderate Rehabilitation housing shall continue to be inspected under its own regulation.

Tenant Involvement in Inspections at § 5.705(f)

This final rule adds § 5.705(f) stating that HUD will allow, through notice, for tenant involvement in the inspection process of Public Housing and Multifamily housing programs by making recommendations regarding particular units to be inspected. Any units inspected in addition to the standard unit sample will not be part of the property’s score, but the owner or PHA will be required to repair any identified deficiencies. HUD has made this addition after consideration of public comments regarding tenant involvement and the aim to balance the need for tenant input with the procedural integrity of the inspection process.

Section 5.707 Uniform Self-Inspection Requirement and Report

HUD is revising § 5.707 to remove the electronic reporting requirement of self-inspections, and is instead requiring that the owner or PHA maintain records related to the self-inspection for three years. HUD agrees with commenters who suggested a universal reporting requirement for self-inspection results would pose an additional administrative burden. Additionally, HUD has removed language from § 5.707 that offered an

additional announcement and opportunity for public comment in the **Federal Register**. This language was removed because HUD will not use the results of self-inspections as proposed to determine risk or the frequency of REAC inspections. The results of self-inspections will also not affect a property’s score. Because the final version of the self-inspection requirement largely reflects current requirements for Public Housing and Multifamily programs and properties that score under 60, there is no need for additional comment. The process to perform self-inspections will be in the NSPIRE Administrative notice, which will be published without comment. For properties scoring below 60, HUD believes that this information would be uniquely useful as a tool to ensure all deficiencies are identified and corrected. HUD is also adding language to allow properties the option to perform the self-inspection in conjunction with the follow up inspection at § 5.711(c)(2). HUD has added additional language to § 5.711(c)(2) to clarify the post-inspection survey process and the self-inspection requirement related to the inspection score.

Section 5.709 Administrative Process for Defining and Revising Inspection Criteria

HUD is amending § 5.709 at the final rule stage to make two clarifying changes. First, HUD is distinguishing between the Standards notice and the Scoring notice. In the proposed rule, both were discussed as though they would be one notice. However, Standards and Scoring represent two distinct elements of the assessment of HUD housing, and HUD is publishing separate notices. Both notices are subject to the same procedures.

Second, HUD is clarifying, consistent with the proposed rule’s discussion of the matter, that HUD will publish its Standards and Scoring notices “at least” once every three years, to make clear that HUD may publish its notices before it has been three years, at HUD’s discretion.

Section 5.711 Scoring, Addressing, and Appealing Findings

Change to the Name of § 5.711

HUD is renaming § 5.711 to more accurately reflect the purpose of this section.

Changes to Deficiency Terminology at § 5.711(c)

HUD is revising the different levels of deficiency to Life-Threatening (LT),

Severe, Moderate, and Low. This change is reflected in the proposed NSPIRE Standards notice and HUD is also amending § 5.709(a)(2)(i) for consistency with this change. As discussed further in the NSPIRE Standards and Scoring notices, Low deficiencies are deficiencies which are critical to habitability but do not present a substantive health or safety risk to a resident. HUD is requiring that Low deficiencies be repaired within sixty days unless specified otherwise in the NSPIRE Standards.

Meaning of Correction at § 5.711(c)(1)

HUD also amends § 5.711(c)(1) to require that LT and Severe items must be “corrected” instead of mitigated. In the context of § 5.711, “corrected” means the owner or PHA has resolved or sufficiently addressed the deficiency in a manner that it no longer poses a severe health or safety risk to residents. A correction could include controlling or blocking access to the hazard by performing a temporary relocation of the resident while repairs are made.⁶ HUD recognizes that to permanently repair some deficiencies, the PHA or owner may need additional time for a licensed professional, or supplies that may not be available in a 24-hour timeframe. In some cases, for lead hazard control work, exterior paint stabilization can be delayed due to season conditions, or the resident family may need to be relocated temporarily while the work is completed, and HUD can approve extensions based on good cause.⁷ Additional information will be provided in the subordinate NSPIRE Standards and Administrative notices. For LT and Severe defects, HUD expects that permanent repairs will be completed expeditiously, and that evidence of the repair will be provided to HUD as described in § 5.711(c)(2). HUD has also removed the word “contiguous” from paragraph (c)(1) as unnecessary. In practice, PHAs, owners and HUD all understand that the 24-hour timeframe commences immediately upon notification and does not pause for non-working hours, including the weekend.

Timeline for Correction at § 5.711(c)(1)

HUD also amends § 5.711(c)(1) to clarify the timeline for the correction of health or safety deficiencies. The

⁶ HUD notes that correction of a LT deficiency has a specific meaning under HOTMA. § 5.711 does not apply to HCV or PBV, and therefore this definition of “corrected” does not apply to HCV or PBV.

⁷ Relocation for lead hazard control work may be required under 24 CFR 35.1345 and is subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

timeline for correcting LT and Severe health or safety deficiencies remains 24 hours after the inspection. The timeline for repairing Moderate and Low deficiencies has been revised from “expeditiously” to “within 30 days,” consistent with HUD’s intent as stated in the preamble of the Proposed Rule. HUD can authorize permanent repair timelines that exceed 30 days if the deficiency cannot be permanently repaired in 30 days.

The NSPIRE Standards provide HUD’s expectations regarding the timeline for repair of each type of deficiency. HUD will not change the requirement that LT health and safety deficiencies must be corrected within 24 hours. Under the NSPIRE Standards, for the Public Housing and Multifamily housing programs, Severe will also require correction in 24 hours.

Post-Report Inspection at § 5.711(c)(2)

HUD is removing the requirement that owners or PHAs provide electronic evidence of correction of Moderate deficiencies as HUD believes, after considering comments, the burden both of reporting and processing this evidence would outweigh the benefit. Paragraph (c)(1) continues to require evidence that Severe deficiencies have been corrected be provided to HUD within established timeframes. HUD is also adding a requirement that properties which score below a 60 must complete a full self-inspection, and not the limited self-inspection described in this regulation for identified deficiencies in units and areas of the property not inspected by REAC. This addition is necessary to ensure that owners and PHAs survey 100 percent of their properties when they have poor physical performance (*i.e.*, scores below 60) in order to identify additional health and safety defects in the units that were not part of the inspection sample. PHAs and owners that conduct a full inspection after the HUD inspection can consider this inspection to satisfy the requirements of § 5.707 for that year.

Start of the 45-Day Deadline To File a Request for Technical Review at § 5.711(d)(1)

In response to a public comment, HUD is revising § 5.711(d)(1) to clarify that the 45-day deadline to file a request for a technical review begins on the day the inspection report is provided to the owner or PHA.

Basis for Technical Review at § 5.711(d)(4)

Based on comments received, HUD revised § 5.711(d)(4) for clarity and

renumbered the three types of material errors appropriately.

HUD is also adding in paragraph (d)(4) the three qualifiers for requesting a database adjustment previously at 24 CFR 902.24. Commenters noted this was inadvertently removed, especially the exclusion of adjustments for modernization work in progress. At this final rule, HUD is combining these three qualifiers for adjustment with the three bases for technical review. These three qualifiers will have the same appeal and review process as the technical review process for errors. Given these revisions, HUD is removing paragraph (c)(3) and removing part of paragraph (e) which HUD believes is repetitive with revised paragraphs (d) and (d)(4).

HUD also removed the term “year built” as an item not scored under § 5.711(d)(4)(i), since a visual lead-based paint evaluation is now part of the NSPIRE inspection, and the results of this evaluation will be scored.

Posting on the Availability of Materials at § 5.711(h)(3)

HUD has revised this section to clarify that the owner or PHA must post a notice to residents on the date of submission to the owner of the inspection score for the property in which the residents reside. The notice must advise the residents of the availability of the inspection materials described in 24 CFR 5.711. HUD is also specifying that the notice must be translated into other languages if necessary to provide meaningful access for limited English proficient (LEP) individuals, consistent with HUD’s LEP guidance and Title VI.⁸

Departmental Enforcement Center (DEC) Evaluation at § 5.711(i)

HUD is revising the introductory text of § 5.711(i) to add that HUD will also take administrative review action against properties with two successive scores under 60. HUD also clarifies that while a score of 30 points or less automatically leads to DEC referral, referral is not automatic for the two successive scores under 60. Regarding the two successive scores under 60, HUD recognizes that there may be mitigating circumstances and HUD will take other review actions before HUD decides whether DEC referral is necessary. As proposed, this regulation covered both public and Multifamily housing programs, and HUD has

retained this in the final rule and clarified applicability. For public housing properties, HUD recognizes that there are situations where the responsible PHA’s PHAS score may have already triggered other forms of administrative review, rendering DEC review repetitive. HUD has also made other minor, technical changes to this paragraph.

No Limitation on Existing Enforcement Authority at § 5.711(j)

HUD has added the term “grant agreement” as an example of a potential authorizing authority.

Sections § 92.251 and 93.301 Property Standards

HUD has removed the clause, “pursuant to 24 CFR 5.705,” from §§ 92.251(b)(1)(viii), 92.251(c)(3), 92.251(f)(1)(i), 93.301(b)(1)(viii), 93.301(c)(3), and 93.301(e)(1)(i) because the requirements in 24 CFR 5.705 through 5.713 do not apply to HOME participating jurisdictions (PJs) under 24 CFR part 92 or HTF grantees under 24 CFR part 93. HUD included the clause in the proposed rule in these sections of 24 CFR part 92 and 24 CFR part 93 only to refer to the part in § 5.705 describing inspection standards and procedures that would be published in the **Federal Register**. However, to avoid further confusion, HUD is removing the clause. HUD will publish the specific deficiencies that must be addressed by HOME PJs and HTF grantees and explain how the requirements in 24 CFR 5.703 apply to PJs and HTF grantees in a standards document published in the **Federal Register**. This standards document for HOME and HTF will be separate from, although similar to, the NSPIRE Standards notice and apply only to HOME and HTF.

HUD is also making changes to these sections to clarify that “decent, safe, sanitary, and in good repair” means compliance with § 5.703 and deleting “as referenced in § 5.703” because § 5.703 does not use this term.

HUD is also making clarifying changes that the affirmative requirements at § 5.703 apply to single-room occupancy (“SRO”) housing where the housing contains the room or facility referenced in the affirmative requirements. This is necessary, for instance, where the SRO does not contain its own restroom and therefore does not need to meet affirmative requirements related to restrooms.

HUD is also revising §§ 92.251(f)(1) and 93.301(e)(1) to clarify that any property standards established by a participating jurisdiction must “require” instead of “ensure” that the

⁸ For more information on HUD LEP and Title VI guidance, see “Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons”, 72 FR 2731 (Jan. 22, 2007).

owners maintain the housing as decent, safe, sanitary, and in good repair. HUD believes that these two words, in this context, have the same meaning, but has made the change to make the requirement clear.

Sections 92.504 and 93.404 Regarding Inspectable Areas

HUD has revised the language in § 92.504(d)(1)(ii)(D) and § 93.404(d)(2)(v) to describe “inspectable areas for each building housing HOME-assisted units.” The regulation previously required that for HOME projects with one-to-four HOME-assisted units, the participating jurisdiction must inspect “100 percent of the HOME-assisted units” and 100 percent of the “inspectable items (site, building exterior, building systems, and common areas) for each building housing HOME-assisted units.” However, the parenthetical described the inspectable areas (e.g., site, building exterior, building systems, and common areas) within a HOME project and not “inspectable items.” In this final rule, HUD is correcting the language to require that when projects of one-to-four units are being inspected by the participating jurisdiction or HTF grantee, all of the units and 100 percent of the inspectable areas for each building must be inspected by the PJ or HTF grantee.

Section 570.208 Criteria for National Objectives

This final rule also updates an outdated citation in § 570.208(b)(1)(iv) to create a standard for determining whether Community Development Block Grant (CDBG) funds were used to rehabilitate a substandard residential building. Section 570.208(b)(1)(iv) describes whether an assisted activity is considered to have met the public benefit standard for an activity to address slum or blight on an area basis. One of the criteria for determining whether a CDBG-assisted activity qualifies as an area benefit standard is that the assisted activity must eliminate substandard housing, which is housing that would also fail to meet the housing quality standards for the Section 8 Housing Assistance Payments Program—Existing Housing (24 CFR 882.109).

On April 30, 1998, the final rule entitled “Section 8 Certificate and Voucher Programs Conforming Rule” removed and reserved 24 CFR 882.109 as part of comprehensive rulemaking where HUD revised 24 CFR part 882 to move requirements applying to the Section 8 voucher and certificate programs into 24 CFR part 982 and

983.⁹ Therefore, this citation is out of date. This final rule updates the citation in § 570.208(b)(1)(iv) from 24 CFR 882.109 to 24 CFR 5.703. This change is technical in nature, and HUD believes that this is an appropriate technical correction to incorporate into this final rule.

Section 574.310 General Standards for Eligible Housing Activities

At the final rule stage, HUD is removing certain housing covered under HOPWA from applicability from NSPIRE. Specifically, HUD is removing from § 574.310(b) NSPIRE’s applicability to housing for which HOPWA funds are used under permanent housing placement to pay an eligible person’s security deposit, utility hookup and processing costs, or move in costs, except rental application and credit check fees (§ 574.300(b)(7)). HUD has decided to no longer include stand-alone permanent housing placement (§ 574.300(b)(7)) due to the administrative burden it would place on HOPWA housing assistance providers for these one-time costs. Many HOPWA grantees utilize permanent housing placement in combination with the other permanent housing activities that will be subject to the HUD housing standards under the NSPIRE rule.

Section 576.403 Shelter and Housing Standards

For clarity and consistency, HUD is revising the organizational structure of the proposed § 576.403 consistent with the format of § 574.310(b)(2). HUD is also clarifying in § 576.403(c)(2) that the exemption from requiring self-inspection prior to move in for the first thirty days does not exempt the requirement under part 35 to inspect for lead-based paint.

Part 880—Section 8 Housing Assistance Payments Program for New Construction

In the proposed rule, HUD proposed to amend § 880.612 to require that contract administrators inspect projects to determine compliance with part 5, subpart G. Since the proposed rule was published, § 880.612 was modified by HUD’s “Streamlining Management and Occupancy Reviews for Section 8 Housing Assistance Programs” rule.¹⁰ Because of this change, HUD is now choosing not to amend § 880.612. Part 880 is already made subject to part 5, subpart G through § 880.104(d), which states that “the provisions of 24 CFR part 5 apply to all projects [under this

part.]” Therefore, no substantive change is made by the decision not to amend § 880.612.

Section 884.217, 886.123, 886.323 Maintenance, Operation, and Inspections

HUD is making a technical edit to §§ 884.217(b), 886.123(b), and 886.323(c). The previous regulation required the owner and family to certify before move-in that the unit had been inspected by both parties and the unit was decent, safe, and sanitary. The proposed rule, consistent with other changes, proposed changing “decent, safe, and sanitary” to read “compliant with part 5, subpart G.” HUD does not intend to require that a family is familiar with HUD’s housing requirements to certify compliance. Therefore, for clarity, HUD has revised the regulation to require that only the owner must certify compliance with part 5, subpart G. Both parties must still certify that they have each inspected the unit. Families are still entitled and encouraged to identify any deficiencies they believe may exist and, where an owner fails to make repairs, report those deficiencies to HUD.

Section 902.3 Definitions

At the final rule stage, HUD is removing the definition of “Subarea” from § 902.3. As discussed further in HUD’s proposed Scoring notice, HUD is not using “Subareas” in NSPIRE. HUD is also making a technical revision to the definition of “Inspectable item” to remove the reference to the “Item Weights and Criticality Levels document”, which no longer exists (as discussed in the proposed rule) under NSPIRE.

Section 902.13 Frequency of PHAS Assessments

The proposed rule removed from § 902.13(b)(2) language relating to inspection frequency under PHAS and replaced it with a citation to § 5.705(c). Incidentally, this change removed language clarifying that, for properties with a physical inspection score at or above 80—i.e., properties scored less than annually—the most recent physical inspection would be used in calculating the overall PHAS physical condition indicator score for a given fiscal year.

At this final rule stage, HUD has revised § 902.13(b)(2) to clarify that HUD will use the most recent physical inspection score for all properties, regardless of inspection frequency, in calculating the PHAS physical condition indicator score. Section 5.705(c), which provides the requirements for the timing of

⁹ 63 FR 23826 at 23854.

¹⁰ 87 FR 37990 (June 27, 2022).

inspections, does not tie inspections to a particular fiscal year. Therefore, this revision makes clear that an inspection does not have to occur during the PHA's assessed fiscal year to be included in that fiscal year's PHAS score. Troubled PHAs will continue to be assessed annually as previously required by § 902.13(b)(3).

Additionally, this final rule adds language to § 902.13(b)(2) regarding the transition from UPCS-based physical condition indicator scores to NSPIRE-based scores. For simplicity, and to prevent technical issues related to calculating scores using both the old UPCS system and the new NSPIRE system, HUD will not provide a PHAS physical condition indicator score that uses both UPCS scores and NSPIRE scores in its calculation. Instead, starting July 1, 2023, PHAs will keep their most recent physical condition indicator score until every public housing property associated with the PHA has been inspected under NSPIRE. After every property under a PHA has received an NSPIRE inspection, the PHA will receive a new physical condition indicator score which will exclusively use NSPIRE inspections in its calculation. After this transition period, scores will be calculated using the normal method laid out in § 902.13(b)(2). This exception does not apply to small PHAs under § 902.13(a) or to small rural PHAs under part 902, subpart H. These PHAs have a relatively small number of buildings compared to PHAs covered by § 902.13(b)(2) and inspections of these buildings are usually more coordinated in a specific period of time. Therefore, while this exception does not apply to these PHAs, HUD intends to ensure that all properties under small and small rural PHAs receive an NSPIRE inspection before calculating a PHA's new physical condition indicator score.

Section 902.103 Public Housing Assessment of Small Rural PHAs

HUD is revising § 902.103(a) to add one additional point for physical condition and neighborhood environment to better align the small rural PHAS regulation with the ordinary PHAS assessment. This additional consideration ensures consistency with 42 U.S.C. 1437d(j)(1), which acknowledges the differences in the difficulty of managing individual projects that result from their physical condition and their neighborhood environment. HUD is also revising the parenthetical examples in paragraphs (c)(1) and (2) to only provide one example to avoid implying that the list of examples is exhaustive.

Section 902.107 Withholding, Denying, and Rescinding Troubled Designation

The final rule includes Conciliation Agreements as a type of special agreement with HUD in § 902.107(a)(1) because a Voluntary Compliance Agreement refers to agreements under Section 504, Title VI, and the ADA, whereas Conciliation Agreement refers to agreements under the Fair Housing Act.

Section 983.101 Housing Quality Standards

In the proposed rule, HUD proposed to replace all of § 983.101 with a citation to § 5.703. After further consideration, HUD has decided, for clarity, to keep the entirety of § 983.101 in place, and to revise paragraph (a) to cite to § 5.703. HUD also makes minor conforming edits to paragraphs (b) and (c).

Section 985.205 Determination of Assessment Rating

HUD has revised the proposed § 985.205(a)(1)(i) at the final rule stage to add that a small rural PHA will be judged based on the last two years of HCV budget authority data. HUD has made this change because, for some PHAs, the sample size would be too small to rely on one year only as an accurate picture of the PHA's performance. The increased review period will improve a PHA's ability to achieve 98 percent in related indicators.

Conforming Changes

HUD makes the following conforming changes which do not impose or change substantive requirements.

Terminology in Part 5

In the proposed rule, in certain places HUD inadvertently used the term "owner" when the correct term should have been "owner or PHA." There are also instances in the proposed rule where HUD used the term "public housing" when the correct term should have been "HUD housing", which includes all the programs listed in § 5.701(a). HUD has corrected the terminology, where appropriate, in this final rule.

Sections 884.217 and 886.123

HUD is also making minor changes to the proposed §§ 884.217(c) and 886.123(c). HUD is removing language regarding the sample of units to be inspected and removing language regarding the frequency of inspections to ensure that these paragraphs are consistent with each other, and consistent in applying part 5, subpart G.

Part 965, Subpart I—Fire Safety

This final rule removes part 965, subpart I regarding fire safety. This subpart applied fire safety regulations to public housing. The NSPIRE rule applies these same requirements to public housing, rendering this subpart redundant.

Sections 982.402 and 982.618

This final rule updates part 982 to remove citations to paragraphs in § 982.401 to reflect the update to § 982.401.

Part 982, Subpart M—Special Housing Types

This final rule amends 24 CFR part 982, subpart M, which lays out alternative and additional requirements to the Housing Quality Standards. This final rule makes no substantive changes to subpart M, but only updates and removes citations and references to the Housing Quality Standards consistent with the changes proposed and now made. This is consistent with § 5.703(h) of both the proposed and final rule, which states that special housing types under part 982, subpart M are subject to different and additional requirements.

Part 983—Project-Based Voucher (PBV) Program

This final rule amends § 983.2(c)(4) to remove the citation to "§ 982.401(j)," which was removed in both the proposed and final rule. This does not change the lead-based paint obligations which apply to the part 983, as discussed at § 983.4.

IV. Public Comments

General Support Comments

Several commenters expressed general support for the changes in the proposed rule. A commenter stated that the rule would advance affordable housing. Another commenter anticipated a responsive real-life process to effect improvement in housing standards. Another commenter stated that the proposed rule would be an avenue for managing the workload and incentivizing properties that perform well, and also as a way for HUD to manage its own backlog of inspections. A commenter stated that there are many communities that do not enforce code regulations but having all agencies on the same platform would help local officials understand what is needed. One commenter supported the decreased subjectivity and increased accuracy of the proposed rule to achieve positive outcomes. Commenters also supported HUD's NSPIRE demonstration.

HUD Response: HUD appreciates this input and support for the changes in the rule. HUD agrees that having focused, objective, accurate and up to date regulations, processes, and standards can help achieve positive outcomes for millions of families while at the same time improving the way HUD operates. In this final rule, HUD has largely maintained the same framework as in the proposed rule.

Additional General Support Comments

Commenters expressed support for HUD's dedication to seeking stakeholder feedback. One commenter supported HUD engaging with the public to address the industry's difficulties with existing inflexibility on technical, mechanical, and engineering issues that have limited impact on the safety and habitability of existing structures but absorb a disproportionate amount of time and difficulty on sites. Another commenter stated that HUD has made clear that equity and transparency are key goals for this rule. One commenter noted that, while it is important that HUD lays out an expansive framework at the Federal level, it will be important that HUD works frequently with public authorities as they facilitate this transition to promote efficiency while limiting administrative burden when possible. A commenter urged HUD to expand outreach to include residents, State and local code enforcement agencies, legal service attorneys, housing advocates, public health advocates, and environmental justice advocates, to make enforcement effective and efficient.

HUD Response: HUD thanks commenters for their input on this topic. HUD continues to improve outreach efforts and obtain feedback from stakeholders and the general public. HUD agrees that equity and transparency are key considerations in this rule. HUD has retained the requirement at § 5.709(a)(1) to regularly revisit the requirements through public comment, allowing all stakeholders an opportunity to be heard. HUD also believes outreach efforts should include residents, State and local code enforcement agencies, and other housing stakeholders and advocates and continues to seek their feedback through this rulemaking process. The proposed NSPIRE Standards notice was posted for comment on June 17, 2022, for 45 days for public comment. HUD considers these comments important in finalizing the Standards notice. To promote feedback and encourage transparency, HUD also published information on the NSPIRE demonstration effort on its

website and sought feedback from participants through the demonstration.

Residents of HUD-assisted housing were encouraged to comment as members of public, but also through other available opportunities for participation. In public housing, residents can participate in resident advisory councils and attend regular meetings held by their Board of Commissioners. Board members are typically appointed by elected officials and include at least one resident member. All members of the public, including legal service attorneys and housing and public health advocates, can report housing standard violations or other concerns to HUD offices. A list of contacts for HUD's local offices can be found at <https://www.hud.gov/local>.

Economic Growth and Recovery Act

Question for Comment #1: Standards for Small Rural Section 8 Projects and PHA Public Housing Projects

Commenters recommended that HUD follow Congress's intent to provide less burdensome regulations for small PHA properties. One commenter supported HUD's proposal to align standards for small rural PHAs. Another commenter supported taking an expansive view and defining "standards . . . for the acceptable condition of public housing projects" to mean the entire NSPIRE model. A commenter also recommended HUD provide more technical assistance options for small rural PHAs. One commenter suggested the same standards should apply to all projects to ensure fair and equitable living conditions across PHAs.

A commenter stated that Housing Quality Standards (HQS) inspections for Section 8 properties were more consistent and objective than the Uniform Performance Condition Standards (UPCS) inspection protocol used for their public housing properties, and therefore small rural agencies should be allowed to use the HQS protocol to comply with inspection requirements. This commenter recommended that if HUD determines that maintaining HQS inspection protocols for small rural agencies is infeasible, then HUD should allow public housing units at small rural agencies to be inspected similar to Section 8 properties.

HUD Response: Through this rule, HUD is adopting the statutory requirement for specific relief for small rural PHAs but requires that properties of these PHAs will be assessed using the NSPIRE standards for physical conditions in both the Public Housing and HCV programs. The changes will

apply to PHAs as described in 24 CFR part 902, subpart H and 24 CFR part 985, subpart D. HUD declines to implement the recommendation to utilize Housing Quality Standards (HQS) for small rural PHAs. One of HUD's objectives is to align standards across numerous housing portfolios, and with this rule the HQS regulations incorporate the NSPIRE standards and refer to § 5.703. HUD believes that the NSPIRE standards provide more consistent and objective criteria with which to evaluate the safety and habitability of HUD-assisted housing. Residents that live in units managed by small rural PHAs should be provided the same level of safety and habitability as residents of other 572 public or HUD-assisted housing.

As proposed and now made final, HUD will make the initial determination of PHAs that qualify as small rural as defined in § 902.101 of this title no later than 120 days after the effective date of the final rule for Public Housing, or July 30, 2023. Additional deregulation efforts for other small PHAs are outside the purview of this rule but could occur through future rulemaking including updates to the Public Housing Assessment System (PHAS). Relief under this rule is provided in 24 CFR part 985, subpart D and a new subpart H under the current 24 CFR part 902. Section 902.103(b) includes a three-year cycle for overall scoring based on physical conditions for non-Troubled small rural PHAs.

HUD agrees with the need to align standards for small rural PHAs for Public Housing and Section 8 properties with other PHAs, and this rule provides the framework for this alignment to the NSPIRE standards. The NSPIRE standards were proposed for comment on June 17, 2022, and final standards will be published before this rule's effective date. Additional implementing information for the new standard, including the process for PHAS rule and SEMAP assessments, will be provided through a Departmental notice. HUD plans to provide more technical assistance for small rural PHAs with the administrative notice.

Section 5.701 Applicability

Commenters stated that the proposed rule should be broad in scope. Two commenters suggested expanding applicability to include tax credit communities and Section 232 properties. Another commenter welcomed HUD's efforts to codify uniform standards across HUD-assisted housing, noting that establishing uniformity will help empower residents to navigate different HUD assisted

housing systems over time and also improve the interface with local code inspection agencies, who otherwise may have to navigate conflicting standards and expectations across HUD programs.

A commenter expressed concern that the proposed rule does not take into account the differences between insured housing and affordable housing, pointing out that some types of HUD-insured housing, *e.g.*, assisted living and nursing homes, are subject to various State-imposed requirements and regulations. One commenter suggested that HUD should clearly state which specific program regulations are superseded or supplemented elsewhere, noting that part 5 may become the first stop a PHA, owner, or owner/agent (“POA”), member of the public, or other interested party makes to find housing quality regulations, and it may be their last stop if they are not directed to other applicable regulations. The commenter stated that absent this direction, individuals will have to cross-check program regulations manually which could lead to unnecessary confusion.

HUD Response: HUD agrees with the comments about the scope of the rule and believes that the rule improves the consistency and uniformity of housing standards for HUD-assisted programs given its broad applicability to all HUD-assisted residential properties and units. In order to ensure regulated parties know which standards apply to them, this rule revises specific program regulations to reference the new NSPIRE standards. The framework for evaluating physical condition addresses safety and habitability regardless of the type of HUD-assisted housing.

This rule applies to all types of HUD housing including health care facilities insured under Section 232 of the National Housing Act and Low-Income Housing Credit (LIHTC) properties receiving some form of HUD assistance and other properties under a HUD-assisted housing contract (*e.g.*, annual contributions contract). HUD does not have authority to create rules that apply to the Department of Treasury’s Internal Revenue Service LIHTC and therefore cannot apply this rule to the LIHTC generally, but can apply this rule whenever the LIHTC property also receives some form of HUD-assistance. HUD will engage other Federal agencies with potentially overlapping subsidies to further evaluate the applicability of the NSPIRE rule to these other Federal housing subsidy types.

With respect to conflicting standards and expectations, HUD physical condition requirements have always overlapped with State and local physical condition standards and

sometimes exceed these standards. In other cases, State and local standards exceed HUD standards. This rule does not change the proposed § 5.703(f) which states that for all covered programs, the NSPIRE Standards for the condition of HUD-assisted housing do not supersede State and local Housing codes. This rule establishes nationwide Federal minimum requirements for HUD-assisted housing and does not attempt to unify or preempt State and local housing standards. Because all HUD-assisted housing must meet the NSPIRE rule requirements, residents and other HUD-assisted housing stakeholders should have a nationwide expectation for the safety and habitability of housing; however, it will continue to be necessary to review all other applicable requirements including Federal accessibility requirements and State and Local requirements.

Section 5.703 Inspection Standards

Comments Regarding Alignment and Streamlining of Standards

Commenters expressed support for the alignment of standards and inspection processes, stating that this would have a positive impact on properties with mixed financing or subsidy layering, eliminate the need to subject residents to multiple, separate oversight mechanisms, and reduce administrative and cost burden to owners and agents. Commenters supported the proposed rule’s streamlining of the number of inspection categories and focus on the condition of individual units and stated that this approach is more aligned with municipal laws governing health and safety in rental housing. A commenter supported moving away from “curb appeal” deficiencies toward “substantial safety deficiencies,” while another commenter supported the linguistic change from “exigent health and safety” to “severe health and safety” deficiency, as reducing bias and variability in the inspections process.

One commenter noted that federally assisted rental properties are in varying states of disrepair with multiple deficiencies, and suggested that irrespective of the housing program HUD might require the same standards to be applied across the board, and according to the housing program requirements, require different levels of risk management measures or approaches to address the health and safety risks posed by the identified hazards.

One commenter stated that the proposed rule lacks coherence between HUD standards and other groups’

standards. The commenter further stated that given how housing has been contracted out and privatized, it can be more difficult to assess program-assisted housing.

HUD Response: HUD agrees with commenters that the regulatory consolidation, use of consistent standards across housing program, and program alignment within this rule will allow HUD and regulated entities to realize administrative benefits.

HUD agrees with commenters that the rule will reduce the administrative and cost burden to owners while improving the habitability and safety of HUD-assisted properties and units, which are not mutually exclusive objectives. HUD evaluated many other third-party organization standards and believes its standards are consistent with industry best practices for residential real estate. This rule provides a consistent means of assessing all types of HUD-assisted housing.

This rule will align all listed HUD-assisted programs under the NSPIRE Standards that were proposed on June 17, 2022 and will be final before the effective date of this rule. Resolution of identified deficiencies will be mostly consistent with resolution of deficiencies under the UPSCS and HQS standards but scoring and pass/fail decisions will be driven by the NSPIRE program requirements and applicable statutes. With this consolidation, HUD will better focus on habitability and the health and safety of residents.

Minimum Habitability Requirements

A commenter agreed with the idea of reinforcing the importance of minimum habitability requirements and adding the word “safe” to the existing rule and suggested that “safe” take on issues regarding lead exposure and mean “protected from the amount of exposure that will cause harm or damage after exposure.”

HUD Response: The term “safe” has been, and will continue to be, an important term for HUD inspection standards. This rule will reinforce the priority of maintaining a safe and habitable dwelling. HUD declines to adopt additional language around lead exposure in this regulation, as it is covered by 24 CFR part 35.

Environmental Factors

A commenter noted that “standard public health and safety metrics related to morbidity and mortality” are largely foreign to housing providers, and whether they align well with the unique environment of housing maintenance and management is unknown. This commenter agreed that the built

environment's effect on the health and safety of residents is more important than any building damage that is strictly cosmetic in nature but cautioned that HUD must ensure that protocols reflect that PHAs are constrained by funding and other funding priorities.

A commenter suggested HUD require inspection of roofs, foundations, storm water runoffs, trash receptacles, ERV systems, heat pumps, and air ducts. This commenter further suggested HUD require screens to prevent bugs, and humidity and environmental control to avoid unnecessary power bills. Another commenter stated that HUD must specifically consider hazards created by the outside environment and their effects on subsidized properties and on the low-income tenants who reside in these developments or are eligible to live there, and that the comment period should either be extended, or a new comment period opened, to specifically consider these important factors. This commenter suggested specifically that HUD should include 24 CFR 982.401(l) in the regulations, as well as 24 CFR 982.401(h), and other environmental hazards considerations (e.g., the proximity of the property to large polluters and transportation infrastructure, toxins in the soil and water, and the area's air quality).

A commenter proposed several additions to address general health and safety concerns. The commenter suggested that HUD address toxic mold and indoor air, largely caused by water leaks and poor ventilation in aging housing stock, by equipping REAC inspectors with moisture meters to detect moisture behind walls that may signal plumbing or roof leaks that cause mold. The commenter also suggested adding and/or revising requirements around a number of health and safety issues, including clogged ventilation; presence of asbestos/radon; presence of lead-based paint; presence of mice, rats, bedbugs and roaches. Finally, the commenter recommended that HUD re-adjust or remove the Point Loss Caps to allow for accurate deductions for deficiencies. The commenter opined that the practice artificially inflates REAC scores, negates the point of a "random sample," and is inherently biased against the health and safety of residents.

Commenters also focused on the issue of water-borne lead poisoning and provided several lead-related suggestions, including that HUD update its lead inspection requirements, by, for example, no longer allowing visual inspections to suffice as a valid way to assess lead risks, and by using a portable x-ray fluorescence tool, or XRF

gun to assess lead hazards. A commenter expressed concern that HUD's proposal to make no substantive changes to the lead-based paint requirements of its current regulations misses a critical opportunity to make long-overdue updates to outdated lead standards.

HUD Response: HUD appreciates acknowledgement of the built environment's effect on health and safety of residents; as such this rule focuses on the built environment supported by HUD subsidies and/or assistance, as described in § 5.703 for outside, inside and units and in the NSPIRE Standards notice. HUD acknowledges that capital funding across both its Public Housing and Multifamily programs has been limited in recent years, and this may have resulted in deferred maintenance and modernization. However, this cannot result in units that are unsafe for residents, and so the NSPIRE program has made life-threatening conditions a priority for standards development and scoring.

Comments concerning the scope of inspectable items will be addressed through the subordinate **Federal Register** notice on the NSPIRE physical condition standards, which was proposed for public comment on June 17, 2022.

In the final NSPIRE Standards notice, a screen will be considered a component of the window, and will be cited if damaged, missing or not functionally adequate. HUD acknowledges that some HUD-assisted housing may be located in areas with industrial contamination, and takes very seriously the comment concerning the risks posed to residents by the external environment. Contamination can be addressed as a health and safety concern under § 5.703(e) of this rule. HUD will provide additional information about the applicability of this section in the NSPIRE Administrative notice. Lead-based paint evaluation and hazard control is covered under 24 CFR part 35 and is outside the scope of this rulemaking.

With respect to the dangers posed by water-borne lead, HUD continues to work with the Office of Lead Hazard Control and Healthy Homes and the Environmental Protection Agency (EPA) where there are active, environmental hazards to residents, including lead in water. More information on the review of site contamination is available at: <https://www.hudexchange.info/programs/environmental-review/site-contamination/>.

With respect to other health and safety issues such as mold, moisture and

pest intrusion, this rule and the associated standards cover these housing-related hazards. The NSPIRE Standards were proposed on June 17, 2022, for public comment and will be finalized before this rule takes effect. NSPIRE will continue to include visual assessments only, but HUD will continue to consider other, specialized inspections for environmental health issues. The use of a moisture meter to assess moisture intrusion is one of several tools HUD has considered and, because this pertains to inspection standards, HUD will discuss this further in the final NSPIRE Standards notice.

HUD will elaborate more on its scoring methodology in its Scoring notice. HUD will take these comments and all additional comments into consideration before scoring under NSPIRE commences, including whether the point-loss cap will be retained.

Affirmative Requirements

A commenter cautioned that several of HUD's proposed affirmative safety requirements would exceed local building codes and create significant costs for housing stakeholders and create unnecessary confusion and urged HUD to base standards on existing International Building Code or fire Life Safety Codes wherever possible. The commenter suggested that if HUD proceeds with these affirmative safety requirements, the agency should be mindful of these impacts and help owners defray costs, while allowing transition times or the possibility to "earn" extra points, rather than lose points, for new affirmative safety requirements. The commenter further suggested that HUD make efforts to mitigate inconsistencies between inspectors to the extent possible.

HUD Response: HUD considered the costs and benefits of this rule and considered model codes in its development, where appropriate. The affirmative requirements in the final rule at § 5.703 align with the International Property Maintenance Code (IPMC) which is currently adopted for use in 40 States & 1000 plus local jurisdictions as their housing maintenance codes. Affirmative requirements are the basic requirements for an assisted unit and property that must be met for participation. These standards are what HUD considers the minimum requirements for habitability, and generally will not be scored for their presence or absence but will be designated as pass/fail. If they are not met, they will be cited, and must be corrected if the unit is approved for participation or continued occupancy. HUD has evaluated the costs of the new

rule in its Regulatory Impact Assessment. The NSPIRE Standards notice was published for comment on June 17, 2022; additional information regarding affirmative requirements will also be included in the forthcoming Scoring notice.

HUD agrees that inconsistencies between inspections and inspectors is an important issue that should be mitigated and has revised the requirements for eligibility and ongoing training as described in the subordinate NSPIRE Administrative notice which will be issued soon after this rule. This notice, and the contract used to procure REAC inspectors will include requirements for quality assurance and control to ensure consistency between inspectors and inspections.

The NSPIRE scoring methodology will be published in the Scoring notice. This Scoring notice will be published for effect but will seek public comments, including regarding scoring changes that reward certain properties for adoption of affirmative requirements, but HUD does not plan to award bonus points for standards that must be met and are not optional.

Alternative Standards

A commenter noted that Federal agencies are required to use voluntary consensus standards wherever possible in their procurement and regulatory activities in lieu of expending public resources developing government unique standards and encouraged HUD to leverage private sector codes by, at minimum, accepting the IPMC across HUD's programs as an optional, alternative compliance mechanism. The commenter opined that allowing adherence to the IPMC to satisfy HUD's maintenance requirements would harmonize these requirements and standardize practices, and that inspectors would be more efficient and effective at implementing a single maintenance standard than they would at three or more variations. The commenter noted the IPMC exceeds HUD's standards because HUD's standards have not been substantively updated for decades., while the IPMC is updated every three years.

HUD Response: HUD considered the IPMC as a model but believes the NSPIRE Standards are more appropriate for HUD programs. To apply the IPMC, the current inspector workforce would need to learn a new set of standards in addition to the statutory requirements that HUD must oversee that exceed IPMC. The IPMC also does not publish standards in areas that are safety concerns for HUD and is often a

prescriptive standard that does not consider current conditions.

Accessibility Compliance

Several commenters recommended that HUD require that common areas, indoor mailboxes, parking lots, waste disposal areas, walkways, and other areas should be ADA compliant for persons with disabilities.

HUD Response: Compliance with the requirements of the Americans with Disabilities Act (ADA) is already required for services, programs, and activities of State or local governments, as described in 28 CFR part 35. HUD-assisted properties must also comply with Section 504, as described in 24 CFR part 8. The Office of Fair Housing and Equal Opportunity (FHEO) is responsible for inspection and administrative enforcement related to compliance with accessibility standards under both the ADA and Section 504, as well as the Fair Housing Act. Those regulations are not proposed for modification through this rulemaking. The NSPIRE Standards will include elements of accessibility within the standards, but these elements are not the same as the Federal accessibility standards as they relate to housing. Compliance with these NSPIRE Standards does not mean the participant has complied with the Federal accessibility standards. HUD also notes that the NSPIRE standards include common areas under § 5.703(b), Inside, and the areas outside the property such as waste disposal areas, walkways in § 5.703(c), Outside.

Area Names and Definitions

A commenter suggested clarifying in paragraph (a) that "outside the building" includes the building site. This commenter also suggested that paragraph (b) be renamed as "Inside common areas," that both mechanical rooms and utilities rooms be stricken, and that the definition be qualified as applying only to areas that are accessible to residents. With respect to paragraph (c), the commenter suggested renaming it to "Outside areas" and that the definition be qualified as applying only to areas that are accessible to residents.

One commenter stated that HUD must define "functionally adequate" and also questioned the basis of the universal habitability requirements and design specifications.

HUD Response: HUD streamlined the number of inspection categories (or areas as previously defined) from five to three to simplify the inspection program and improve transparency for all stakeholders. HUD believes that

properties should be free from health and safety hazards, including all of the areas as described in (b) Outside, (c) Inside, and (d) Units. Section 5.703(c) includes the building site, building exterior components, and any building systems located outside of the building or unit. Examples of "outside" components on the site may include fencing, retaining walls, grounds, lighting, mailboxes, project signs, parking lots, detached garage or carport, driveways, play areas and equipment, refuse disposal, roads, storm drainage, non-dwelling buildings, and walkways. Regarding "inside common areas," mechanical rooms and utilities are included as areas to inspect, regardless of access because they could present a safety hazard that could impact units. For example, combustible materials near a water heater or furnace in a utility room could cause a fire that impacts the entire building. Regarding the definition of the term "functionally adequate," each standard in the NSPIRE Standards notice will define what "functionally adequate" means for that particular standard.

Living Rooms as Bedrooms

Commenters suggested that § 5.703(d)(5) should not count living rooms as a bedroom and should be modified to include Public Housing and Multifamily housing. A commenter stated that families with a member who experiences a disability should not be forced to use the living areas as a bedroom in lieu of granting the family's reasonable accommodation request for a larger voucher.

HUD Response: Proposed § 5.703(d)(5) included requirements that for units assisted under the HCV or PBV program, the unit must have at least one bedroom or living/sleeping room for each two persons. While HUD appreciates comments on bedroom sizes, the regulation has been retained with a modification to exclude gender qualifiers but retained language around age regarding what PHAs could require for families. The commentator's concerns, however, touch also on subsidy standards in § 982.402, which are not proposed for revision. The requirements for family size and composition are not applied to the Public Housing and Multifamily housing programs because those programs did not previously have strict occupancy requirements linked to the unit size. Families that include a person with a disability may request a waiver of the occupancy requirements to accommodate their needs as a reasonable accommodation. The Fair Housing Act and Section 504 of the Rehabilitation Act of 1973 each prohibit

discrimination against persons with disabilities, and PHAs and owners are obligated to grant requests for reasonable accommodation when it may be necessary to afford a person with a disability with equal opportunity to use and enjoy housing. For more information or to file a complaint, see www.hud.gov/fairhousing.

Superseding State and Local Code

A commenter suggested that § 5.703(f)(1) should be amended to state that HUD standards supersede local or State codes when HUD standards exceed local or State codes.

HUD Response: HUD declines to state that HUD's standards supersede local or State code. The NSPIRE rule establishes a standard for housing quality across covered HUD programs, while allowing applicability of State/local building codes that are more protective or necessary for local conditions. Superseding State or local code only where HUD standards exceed that code, and only for HUD housing, would be administratively difficult and unnecessary. HUD Housing is required to follow both Federal standards and State and local law.

Application to HCV and PBV Units

Commenters suggested that § 5.703(f)(2) should be amended to require HCV and PBV units (not just Public Housing and Multifamily housing) to meet State and local standards that are greater than those established by HUD in order to comply with the subpart. A commenter asserted that the inapplicability of State and local housing code to HCV and PBV units is in opposition of the statute and HUD's historical practices and stated that HCV and PBV units should not pass inspection if they do not comply with Federal, State, and local codes, asserting that voucher families should be able to benefit from using State and local laws to improve their housing conditions without the risk of their losing their subsidies, and that to the extent HUD is concerned that State and local codes are being used to target and exclude voucher holders, HUD could clarify that local and State code violations cannot result in the termination of the subsidy or used in a manner to penalize the tenant household. A commenter stated that HUD must ensure that inspection standards applicable to the HCV program do not impose requirements that exceed typical rental market standards and unintentionally limit housing choice or discourage landlords from participating. The commenter stated specifically that the standard for units to have "a living room and a

kitchen area" should reflect the existing definitions used in the HCV program and that the phrase "other than very young children" must be defined, or it must be clear that the housing provider has the discretion to define the age.

HUD Response: HUD believes that the language under § 5.705(a)(3) is sufficient to address these concerns. State and local codes still apply to HUD assisted housing, but the requirements would not be incorporated in the NSPIRE inspection. For the HCV and PBV programs, PHAs have the ability to consider variations in local laws and practices and provide appropriate flexibility to facilitate the efficient provision of assistance. Multifamily owners, managers and PHAs are encouraged to include State and local requirements in their annual self-inspections. HUD agrees that the HCV and PBV program should have certain flexibilities to ensure that the program does not unintentionally limit housing choice or discourage landlords from participating, while still requiring that units be healthy and safe for residents.

With respect to definitions of "living rooms" and "kitchens," HUD has not created new definitions for these spaces in regulatory text, and State/local standards will continue to apply. In the Administrative notice, HUD will include definitions that align with the American Housing Survey. HUD appreciates the comment on defining "very young children." As discussed elsewhere, HUD removed the regulation requiring separate bedrooms for children of the opposite sex, and therefore the term "very young children" is no longer used.

Comments Regarding Smoke/Carbon Monoxide Detectors and Fire Extinguishers

Commenters had concerns about the burden associated with providing the various items. One commenter suggested that requirements for CO/Smoke detectors in every sleeping room be grandfathered to requirements at the time of construction. The commenter noted that current regulations and code require them on each living level but, unless a minimum threshold is crossed in rehab/modification in any unit, they are not required in each bedroom. The commenter also opined that the likelihood for tampering and/or removal will increase by a level times the number required to be provided.

Another commenter opined that the proposed change of requiring fire extinguishers in every unit is a costly and bad idea to implement, and that it will be highly difficult to regulate extinguishers owned by residents, and

costly in dollars and points to the project. Another commenter urged HUD to reconsider the draft standard that would require a fire extinguisher in every unit, and to replace it with a requirement to install extinguishers regularly at a certain measure throughout the hallways of properties. The commenter stated that having a fire extinguisher in the unit will increase the likelihood that a resident will remain in the unit in the case of the fire and try to extinguish it, instead of exiting the unit as quickly as possible.

A commenter stated that requiring a fire extinguisher inside each rental unit would exceed local requirements and create administrative burden. Some commenters supported requiring carbon monoxide detectors. One commenter stated that HUD must move quickly to require the installation of carbon monoxide detectors in HUD-assisted and HUD-insured housing, and that, given that most local codes require the presence of carbon monoxide detectors, there is no need for delay. A commenter noted that HUD did not require carbon monoxide detectors to be installed consistent with the 2018 edition of the International Fire Code but noted that the IPMC has required carbon monoxide detectors in each of the last two editions. A commenter asked if fire stops could be used in place of fire extinguisher and noted success in installing fire stops, which deploy automatically, above stoves to prevent kitchen fires, which they found to be safer than using a fire extinguisher.

HUD Response: Regarding carbon monoxide detectors, the requirements in the 2021 Consolidated Appropriations Act took effect on December 27, 2022. The Act requires that PHAs adopt the provisions of the 2018 edition of the International Fire Code (IFC) Standards, sections 915 and 1103 (or subsequent versions if amended) for the covered programs. The NSPIRE Standards proposed to incorporate this requirement, but the statute is prescriptive for public housing owned or operated by a PHA, dwelling units occupied by individuals with Housing Choice Vouchers, dwelling units assisted with project-based vouchers or project-based rental assistance, dwelling units assisted under the 202 and 811 programs, and dwelling units assisted under the HOPWA program and required that units in these covered programs have carbon monoxide detection devices installed, effective December 27, 2022. No action from HUD was necessary to cause this requirement to take effect, and HUD is making these conforming changes at the final rule stage without notice and

comment because they only incorporate these statutory requirements.

Regarding fire extinguishers and other fire safety requirements, the proposed NSPIRE Standards notice published on June 17, 2022, included a fire extinguisher requirement and HUD will discuss this requirement, including comments received on this requirement, more in the final Standards notice. With respect to the comment about "fire stops," HUD interprets the comment as actually relating to a "StoveTop Firestop system." HUD does not intend to include such a system as an alternative manner of compliance because these systems do not have national standards and must be acceptable to the local authority having jurisdiction.

Other Suggestions

A commenter supported requiring pictures of failed items and recommended requiring pictures of items that are not fails but should nonetheless be documented. Another commenter supported current HUD asbestos abatement standards. Another commenter urged HUD to provide a single document with clear and objective scorable defects and weight of defects and required condition.

Two commenters suggested that HUD, in the final rule, refine the characteristics of some of the identified unit components, such as adequate heat (and cooling where appropriate) directly or indirectly in each room, well-functioning windows and doors with functioning locks, and an adequate number of electrical outlets and built-in lighting fixtures.

HUD Response: HUD appreciates the comments about the need for a clear and objective scoring methodology. NSPIRE will require documentation of deficiencies which inspectors will upload into a new streamlined system. Further guidance regarding documentation of deficiencies will be published in the final Standards notice, Scoring notice, and Administrative notice which will be published before the effective date of this rule.

The proposed rule did not propose new standards for asbestos in federally assisted housing and HUD is choosing not to do so now. Property owners, managers and PHAs are advised to continue to monitor any known or suspected asbestos containing materials (ACM) and ensure that they are not damaged or friable. If ACM will be disturbed during renovation activities, follow all applicable OSHA and EPA laws.

Comments Regarding Water Safety (Questions for Comment #1 and #2)

HUD asked several questions about water safety. HUD received comments on all of these questions, which are combined and discussed below. The first group of questions was directed at definitional issues, i.e., how should "safe and potable water" be defined and whether "safe" should mean that a public water system is in compliance with the Safe Drinking Water Act?

A number of commenters pointed out that PHAs are not in a position to monitor water safety, which is the responsibility of local water suppliers and local government agencies. Commenters also noted that there is an important distinction, unaddressed in the proposed rule, between properties served by public water systems and those served by well water systems. Some commenters stated that HUD had no business attempting to define "safe and potable water," with a few recommending specifically that "safe" be removed. These commenters stated that this determination is the province of other State and Federal entities, most notably the EPA, and that HUD lacks the requisite expertise with respect to determinations of water safety.

Many commenters did suggest definitions for "safe and potable water." Some commenters suggested keeping the definitions very basic: "Running water with temperatures of hot and cold running thru the pipes"; "water that is safe to drink and for food preparation"; potable water is water that is "safe to drink." One commenter suggested that HUD should define safe water as having "reasonable certainty that no harm will result," and that "there is a reasonable certainty in the minds of competent scientists that the substance is not harmful under the conditions of its intended use." This commenter, with respect to "potable water," suggested that potable means more than just safe, and that water can be used for drinking, cooking, bathing, and other household needs, and therefore must meet the required (chemical, biological and physical) quality standards at the point of supply to the users, and be of an acceptable color, odor and taste for each personal and domestic use. One commenter stated that "if water is coming from a public source, it is safe to assume the water is fit to drink." A commenter believed that HUD should establish a national definition, not driven by local standards or politics. Many commenters stated that it is appropriate for HUD to rely on EPA determinations under the Safe Drinking Water Act ("SDWA"). At least two

commenters, however, while supporting a general reliance on EPA's SDWA determinations, pointed out that those determinations are not acceptable in the presence of lead service lines.

HUD also asked several questions related to detection and enforcement of safe water standards, including how should HUD monitor whether water is safe; what elements should be reviewed during a physical inspection to determine water safety; and whether inspectors should verify that a municipal water supply authority is in compliance with EPA's Safe Drinking Water Act?

A number of commenters expressed an opinion that HUD should not be involved in "monitoring" water safety; rather, HUD should defer to the agencies that currently monitor the water supply under State and Federal law. One commenter noted that should HUD choose to enter this area, participation should be limited to confirmation that the property is served by a municipal water system through a water bill or that any private well system is monitored and tested regularly. Another commenter stated that adding a new safe water monitoring layer to something that is already regulated and monitored on a State and Federal level seems a bit redundant and unnecessary. Another commenter offered that 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.

Similar to monitoring, a number of commenters expressed an opinion that HUD should not be involved in conducting inspections related to water safety; or, in the alternative, that HUD conduct only the most cursory inspection with respect to water safety. One commenter opined that no elements should be reviewed during the physical inspection to determine water safety; that a PHA has met its responsibility if there is hot and cold running water. Another commenter suggested that HUD's inspection be limited to a visual observation of water for contamination or discoloration. Other commenters suggested that no elements should be included by HUD in requirements for physical inspections other than a visual inspection for poorly maintained pipes and valves and confirmation that water flow is present and can maintain at least 120 degrees.

One commenter suggested that as one element of inspection, HUD should seek to determine that owners are not delinquent in their water and sewer

accounts for individual properties, in order to ensure that properties are not at risk for service disconnection. Several commenters suggested that HUD could review local Water Quality Reports that are compliant with the U.S. EPA's National Primary Drinking Water Regulation for Consumer Confidence Reports, and/or other reports provided by municipalities/water supply authorities.

Two commenters opined that inspectors trained in water sampling techniques could take the water samples directly and send them to a certify laboratory for analysis. One commenter stated that HUD should monitor drinking water safety by testing housing facility infrastructure for contamination, not just public water systems. Another commenter stated that 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. If not, the Federal Government should work with the local jurisdiction managing the public water system to ensure those systems are upgraded and safe. The commenter noted that HUD can also inform PHAs in those areas that there may be water contamination so that they may inform their residents and provide those residents options for safe drinking water if the local or State government has yet to do so.

One commenter recommended that HUD must conduct its own monitoring of water safety in order to ensure that housing it supports provides safe and potable water to its residents. The commenter suggested periodic monitoring of every unit for lead; PFAS and other unregulated yet harmful contaminants; Legionella; and, objectionable smell, taste, color, or clarity, and that monitoring and sampling should be done in accordance with the best science to achieve accurate results. The commenter also stated that HUD must immediately notify residents of unsafe or unpotable water, what is being done to rectify the condition, and when the condition has been resolved.

With respect to whether HUD inspectors should verify that a municipal water supply authority is in compliance with EPA's Safe Drinking Water Act, the majority of commenters replied in the negative with several noting that building owners have zero recourse if the water provider is not in compliance with the Safe Drinking Water Act. One commenter expressed that if HUD seeks to verify the availability of safe and potable water for residents, the Department should

communicate with local water system administrators rather than with property owners and agents. One commenter stated that SDWA is designed to measure a water system's compliance with Federal standards, which the commenter finds lacking in several respects. This commenter stated that Federal lead standards, EPA enforceable limits, and maximum SDWA contaminant levels are out of date and do not reflect latest scientific evidence, with the result that some dangerous contaminants can be present in water within homes even though the water provided by the water system is free of the bacteria.

Some commenters supported the notion that HUD should verify SDWA compliance; one commenter strongly supported this idea. This commenter stated that HUD should create a uniform standard of water safety monitoring at HUD facilities nationwide. Another commenter opined that water safety should be determined using the guidelines of the EPA's Safe Drinking Water Act and that an inspector needs to ensure that the local municipal water supply authority is in compliance.

Those commenters who did suggest physical inspection criteria offered a number of recommendations. Multiple commenters suggested primary reliance on official reports from other governmental entities; one of these suggested that where there is no public water supply HUD's inspection should rely on appearance, odor and/or taste. Another commenter suggested that a basic turbidity test from randomly selected units at the property might give some immediate feedback for an inspection report about whether a plumbing issue might be impacting the potable drinking water, and that an inspector could also take a quick pH test at the same source. This same commenter suggested that privately sourced water could be sent to a laboratory for testing.

A commenter suggested that any Point of Use or Point of Entry treatment device should be identified and inspected to ensure it is properly installed and maintained, and that hot water tanks be inspected and drained, as appropriate. This commenter recommended inspection criteria for well water systems, including well inspection; proximity to and quality of any onsite or neighboring septic system; total coliform/microbial testing; lead and copper testing, and chemical testing for all known potential chemical contaminants in the aquifer.

HUD Response: HUD appreciates comments on how water is monitored, and the shared responsibility for

ensuring drinking water safety. HUD notes that drinking water requirements are not new to HUD standards.

Requirements already exist within the HQS and UPSCS regulations, with additional details in the HQS inspection guidance; the NSPIRE regulations consolidate and clarify the requirement. At this final rule stage, HUD is including a requirement that the unit provide safe drinking water, regardless of the source (well vs. municipal water supply). Additional information about this requirement is provided in the NSPIRE Standards notice proposed for comment on June 17, 2022.

When there is public health risk related to drinking water from a public source, the public water system is required under US Environmental Protection Agency (EPA) regulations¹¹ to notify its customers. Notice typically includes local media alerts, postings on public water system websites and alerts in water bills. Given this, HUD expects that PHAs, residents and landlords participating in the Section 8 programs will have a minimal burden to monitor public water safety. If a local public water system notifies a landlord or PHA that the public water is contaminated and recommends action, landlords participating in the Section 8 program are already expected to ensure that the action is taken. This same expectation applies to PHAs operating public housing. This rule standardizes both regulations to a single requirement and adopts the existing approved acceptability criteria for drinking water for all applicable programs.

HUD adopted the term "safe" to align its regulations with the term used under the Safe Drinking Water Act, as well as to support the broad HUD-wide goal to provide safe, habitable housing for residents. Water for drinking, bathing and other activities must be available to residents. After consideration of public comments, HUD has decided to continue to defer to EPA's determinations for allowable levels of drinking water contaminants, and what is considered safe. HUD expects that landlords, PHAs, and residents will be advised by a public water system, State or local health departments, or the EPA when the public water is unsafe and can rely on this determination without further testing. These alerts will be distributed through local media alerts, the public water system website or within water bills. PHAs and owners should be aware of local water safety alerts and take action to either implement recommendations or provided an alternate source of safe

¹¹ 40 CFR part 141, subpart I.

water, such as bottled water. Often, the impacted jurisdiction will provide bottled water for free. For more information about requirements for public notification, see <https://www.epa.gov/dwreginfo/lead-and-copper-rule>. Regarding the suggestion of a visual inspection for contamination or discoloration, this observation would not indicate if the water had high levels of lead. Additional details about the water inspection process will be provided in the NSPIRE Standards notice.

The NSPIRE rule, and the REAC physical inspection, does not require detailed reviews of documentation, and there is no current HUD regulatory requirement that PHAs and property owners maintain documentation of water and sewer payments or local water quality reports. This would be a substantial new administrative burden not contemplated in the proposed rule. Additionally, since this information is not federally standardized, it would add a significant time burden to the inspection. HUD has consulted with the EPA on whether it could monitor reporting in the Safe Drinking Water Information System (SDWIS), but the information reported is delayed, and may not indicate whether there is a current exposure risk. For example, when lead is identified through routine system monitoring, the public water supply can take actions to alter water chemistry to reduce leaching. In HUD's administrative notice, HUD intends only to include a requirement that PHAs and landlords be aware of local drinking water alerts that are already required under EPA regulations and to take action to implement an acceptability criteria variation (e.g., point of use water filtration) when necessary. These alerts are issued when actions taken by the public water system are not sufficient and there may be a risk of exposure. HUD also continues to evaluate means of using publicly available data to keep residents safe.

HUD declines to include a requirement under NSPIRE for inspection of water treatment devices, point of use filters, well systems, or water testing. Section 5.703(d)(1) requires that the unit include an adequate source of safe water and does not specify or establish different contaminant standards for whether the source is municipal or well. As discussed above in the preamble, HUD has removed the term "potable" and has clarified that safe drinking water must be provided in the kitchen.

Question for Comment #3: Site and Neighborhood Standards

HUD asked whether the site and neighborhood standards as found in 24 CFR 982.401(l), should be included in the regulation or only in the inspection standards. HUD also asked whether all of the explicit standards should be included or if there are certain site and neighborhood standards that HUD should consider changing. HUD received the following comments in response.

Site & Neighborhood Standards Generally

Several commenters stated that PHAs should be held responsible for environmental conditions within their control and that the standards remain relevant because it may sometimes be necessary to invoke site and neighborhood standards when conditions are genuinely unsafe, especially for children. A commenter stated that site and neighborhood standards have historically been important to ensure a balanced distribution of public housing projects within a locality.

A commenter suggested that a regulation for a site & neighborhood inspection is unnecessary because most of the facilities already follow the HUD and Tax Credit guidelines to not build in areas of industry, railroad tracks or traffic congestion; another noted that it would not make sense to include these standards in the regulation when the vast majority of inspection standards will not be in the regulation. Another commenter pointed to the difficulty inspectors would have enforcing local site and neighborhood standards.

Commenters cautioned that these standards could be prejudicial against older housing and transit-oriented properties and suggested that historical buildings should be exempted from the testing standard to preserve the rarity and quality of materials and finishes in these buildings.

Commenters expressed concerns that site and neighborhood standards can be subjective and very hard to judge, unless an area clearly represents a serious health hazard or safety concern. Thus, commenters urged HUD to provide explicit standards and to clarify how it determines whether there is a danger because it is important for HUD to provide specific and measurable guidance so that PHAs are able to incorporate any changes into existing processes. A commenter urged HUD to write the regulations to specify that properties must be "reasonably free" of "serious adverse environmental

conditions"; another suggested HUD add "landslide" and "hill slide" to the term "mudslide" and cited to examples of HUD-assisted properties being vacated due to hill slide events in both public housing and project-based housing.

With respect to the Section 8 program, where there is no scoring system similar to the PHAS system, a commenter suggested HUD clarify whether these items require failure of an HQS inspection.

One commenter opined that the site and neighborhood standards should be included in the inspection standards and the regulation, because there are no qualifications for inspectors and leaving enforcement to individuals who can only rely on instructions provided by their locality would defeat the implementation of establishing a uniform standard. This commenter also opposed giving these inspectors discretion, which the commenter said would effectively render them legislators.

HUD Response: HUD appreciates the comments related to the importance of site and neighborhood standards to the NSPIRE rule. HUD believes that expanding the existing HQS site and neighborhood standards from § 982.401(l) to apply to additional programs would negatively impact existing properties for circumstances beyond their control and threaten already scarce affordable housing resources. With this final rule, the original text of § 982.401 is removed and the regulation refers to § 5.703. Site is included as the example "building site" at § 5.703(c). Neighborhood conditions are not directly included in § 5.703(c). The listed elements of the outside must be functionally adequate, operable, and free of health and safety hazards. The final subordinate NSPIRE Standards notice, to be published before this rule is effective, will provide more details on areas and components inspected. HUD will continue to update and publish guidance on other environmental hazards that are not fully addressed by NSPIRE, such as radon, lead-based paint, carbon monoxide, and other environmental health hazards. The NSPIRE inspection is not intended to serve as the only way HUD assesses compliance with all environmental health laws and related requirements. Compliance is verified through other oversight processes performed by different HUD staff. For example, radon is considered as part of certain environmental reviews conducted under 24 CFR parts 50 and 58. Because the revised § 982.401 will refer to the new § 5.703, the term "mudslide" is no

longer in regulation, and there is no need to add “landslide” or “hill slide” as examples in regulatory text. Finally, NSPIRE inspections will include the elements identified as “outside,” including the site as provided in the NSPIRE Standards notice. But the NSPIRE inspection will not include environmental sampling. The focus of NSPIRE is more toward residents’ units, where residents spend the most time.

Inspectors using the NSPIRE standards will be trained in the standards and have experience in performing housing inspections. The final NSPIRE Standards notice will provide guidance on what to evaluate, and the NSPIRE Scoring notice will provide factors for scoring. A software tool will be available to inspectors and PHAs to help ensure assessments are consistent and accurate. Property owners and managers will continue to have a process to appeal physical inspection scores to HUD, and REAC will continue to have a quality assurance team to monitor inspection scoring and trends. The process for appeals is provided in this final rule at § 5.711(c), (d) and (e) and the Administrative Procedures notice.

Environmental Conditions

Many commenters stated that the property or PHA should not be held accountable for adverse environmental conditions outside of its control, such as flooding, poor drainage, sewage hazards, mudslides, air pollution, smoke or dust, excessive noise of vehicular traffic, and issues with adjacent lots or buildings. A commenter noted that property owners’ ability to address these issues may be restricted by local laws. Another noted that fire hazards, garbage and infestations can be the result of tenant behaviors within their units, common areas or the site grounds.

Commenters pointed out that if properties are penalized for these issues, the voucher program may have fewer units available for families as landlords are increasingly frustrated with the inspection process. One commenter stated the neighborhood standards may also preclude provision of assistance to existing homeowners in substandard housing conditions that reside in rural communities where drainage, streets, sidewalks and other neighborhood improvements are not found or also require improvement.

Commenters suggested that the site and neighborhood standards should be considered for properties only at the time of development, prior to final endorsement, or prior to entering into a rental subsidy contract.

HUD Response: HUD appreciates the comments regarding site and neighborhood standards and environmental conditions that may be outside the control of the property owner or PHA. In addition to HUD’s responses above, NPSIRE inspections and scoring are more focused on the units, versus other inside and outside areas. This is because the unit is where residents spend most of their time, and the safety and habitability of the unit is critical. Additional details on inspectable areas and deficiencies were proposed for comment in the subordinate NSPIRE Standards notice and will be finalized before the rule is effective.

Questions for Comment #4-11 on HOME and HTF

HUD asked a number of related questions pertaining to minimum housing condition standards, minimum deficiencies, and other appropriate standards across HOME and HTF, including HOME Tenant-based rental assistance (TBRA) properties, in a variety of contexts (e.g., rehabilitation, rental, home ownership and affordability period) to solicit feedback on appropriate standards to ensure that HOME-assisted and HTF-assisted housing remains decent, safe, sanitary and in good repair.

Comments Regarding HOME and HTF Standards Generally

Across the different scenarios presented, several commenters expressed a need for a uniform, consistent set of standards, not only for HOME and HTF, but across all federally assisted housing programs. One commenter stated that minimum standards should not be asymmetrical depending on program or resident type, but broad sweeping to fit all sorts of housing units. The same commenter recommended that inspectors for HOME and HTF programs be provided clear definitions to limit firsthand interpretations of the guidance as well as appropriate supplemental training on future guidance.

HUD Response: HUD appreciates and agrees with the comment with respect to consistency and has aligned standards with only minor exceptions. The NSPIRE rule aligns HOME and HTF standards with other HUD-assisted housing programs subject to NSPIRE. There will be some differences by project type in certain cases (e.g., rental project, homebuyer acquisition, or units occupied by tenants receiving HOME TBRA). While the NSPIRE rule aligns standards for HUD-assisted housing programs where these programs share

common attributes (e.g., within the dwelling unit), HUD agrees with comments pointing out that the minimum deficiencies that must be corrected in a HOME- or HTF-assisted project should vary in certain cases. This is because NSPIRE includes standards for areas or components of a Multifamily building that do not exist in a single unit assisted with HOME TBRA or HOME or HTF-assisted single-family housing of one to four units. In addition, HOME and HTF may be used to assist a homebuyer to acquire housing, which is a fundamentally different type of housing project compared to the HUD rental programs for which NSPIRE is designed. HUD is concerned that unduly onerous property standards may severely limit the choice of unit for an individual or family receiving assistance for homebuyer acquisition. It is HUD’s intent to impose property standards that ensure both HOME- or HTF-assisted homebuyer acquisition projects are decent, safe, sanitary and in good repair but also sustainable so that the homebuyers are not subject to the financial burden of a system replacement or major repairs soon after acquisition.

Consequently, HUD has determined that it is necessary to impose HOME and HTF minimum property standards consistent with NSPIRE’s focus on safety and habitability, but which vary based on project type to balance the need for both quality and availability of housing. As requested by commenters, HUD will provide additional guidance and training to ensure that all PJs and HTF grantees understand the property standards requirements. HUD’s Office of Community Planning and Development (“CPD Office”) will issue an NSPIRE notice describing the applicability of the NSPIRE Standards for HOME and HTF.

Comments Regarding Minimum Housing Condition Standards for HOME and HTF Housing

Some commenters discussed the suitability of the current HQS as an appropriate standard to ensure that the housing remains decent, safe, sanitary and in good repair. One commenter believed that HQS in and of itself could apply across the programs covered by the proposed rule. Another commenter stated that HQS, in combination with the current HomeFirst inspection form, would establish a robust minimum housing condition standard.

One commenter recommended adoption of International Residential Code (IRC) for single family new construction projects and rehabilitation projects. With respect to rehabilitation, the commenter further recommended

inclusion of minimum health and safety standards in addition to IRC, as not all health and safety concerns are addressed by IRC rehabilitation requirements.

With respect to HOME TBRA specifically, the commenter urged HUD to consider that many participants elect to reside in single-family housing that may not meet the requirements set forth for HOME rental properties and expressed an opinion that existing Housing Quality Standards are well suited to both homebuyer, acquisition only, and HOME TBRA projects.

A commenter recommended that HUD include § 982.401(l) and (h) and other environmental hazard considerations.

HUD Response: HUD understands that some commenters prefer HQS as a standard for ensuring that HOME- and HTF-assisted housing is decent, safe, sanitary and in good repair upon completion and throughout the period of affordability for rental housing. HUD believes that the transition to NSPIRE will retain what commenters appreciate about HQS while accomplishing NSPIRE's goal of aligning standards across HUD programs.

For the HOME and HTF programs, CPD will issue a notice to implement the NSPIRE Standards and identify deficiencies related to the NSPIRE Standards for these specific programs. In CPD's experience with HQS as a minimum property and inspection standard for HOME TBRA units and certain HOME and HTF rental projects, HOME- and HTF-assisted housing have different statutory requirements than other NSPIRE programs and therefore, other factors that must be considered in implementing revised property standards. This rule revises the HQS regulations at § 982.401 to point to § 5.703. Due to this, HUD will implement requirements for HOME- and HTF-assisted projects that limit the applicability of the NSPIRE Standards to accommodate program-specific requirements.

HOME and HTF programs are formula block grants that allow for local decision-making by the State and local governments that administer these programs. Therefore, HOME and HTF cannot impose property standard requirements that ignore State and local codes. This requirement for compliance with State and local codes is also statutory under the HOME program. Consequently, it is not possible for the NSPIRE Standards to replace State and local codes in HOME and HTF-assisted projects. In the absence of applicable State or local codes, HOME and HTF program regulations apply the IRC or International Building Code (IBC) of the

International Code Council to new construction projects, as applicable to the type of housing, and the International Existing Building Code (IEBC) of the International Code Council to rehabilitation projects, as applicable.

References in HOME to § 982.401(l) and (h) and other environmental hazard considerations are now covered by § 5.703(c) and have been updated. HUD agrees that elements of § 982.401(l) and (h) and other environmental hazards are important and will be addressed in the supplemental CPD NSPIRE notice that will apply to HOME and HTF.

Comments Comparing NSPIRE Standards to HOME and HTF Housing and Minimum Deficiencies

One commenter, in comparing the NSPIRE Standards to minimum deficiencies that must be corrected in HOME- and HTF-assisted rehabilitation projects at §§ 92.251(b) and 93.301(b) or which must be corrected prior to HOME- and HTF-assisted homebuyer acquisition of standard housing, opined that the HomeFirst inspection form meets or exceeds the NSPIRE standards for minimum deficiencies that must be corrected since it incorporates State and local standards of housing safety and maintenance. Another commenter stated that there should not be a minimum or maximum of deficiencies that must be corrected during an onsite inspection; rather, there should be a system in place by which as many hazards are identified in a home, evaluated, and prioritized based on their severity for potential health and safety outcomes affecting the occupants. Once there is a prioritized list, the owner would address those hazards in the order of outcome severity. The same commenter specifically noted that addressing lead hazards should be part of that high standard for housing assisted with HOME or HTF, and that lead hazards assessed should include lead-based paint, lead in the drinking water with point of use testing, and soil contamination.

With respect to whether HUD should establish different minimum deficiencies that must be corrected in HOME- or HTF-assisted rental housing and homebuyer or owner-occupied housing rehabilitation projects at §§ 92.251(b) and 93.301(b), a commenter stated that instead of having minimum deficiencies that must be corrected, the property owner/manager should address the hazards based on the severity (*i.e.*, extreme, severe, serious, or moderate) of potential health and safety outcomes affecting the occupants.

HUD Response: Under the HOME and HTF regulations, an owner of a rental

property must immediately correct health and safety deficiencies. In addition, the lead-based paint requirements at 24 CFR part 35 continue to apply to HOME and HTF-assisted rehabilitation projects and during the period of affordability for rental projects; these regulations are not proposed for revision and this final rule includes cross-references to the applicable sections of part 35, including subparts B, J, K, M, and R. HUD disagrees that the programs should not set minimum deficiencies that must be corrected following an onsite inspection of rental housing during the period of affordability. If HOME or HTF funds are invested in a rental development project, HUD must ensure that the project remains decent, safe, sanitary and in good repair throughout the period of affordability. This is a statutory requirement for HOME. Furthermore, the HOME and HTF programs require that PJs and HTF grantees underwrite a rehabilitation or new construction rental project to ensure that funding is available to make necessary repairs throughout the period of affordability. Therefore, it is reasonable to expect HOME and HTF projects to support necessary repairs to maintain the housing at a standard that meets HOME and HTF minimum requirements and the PJ or HTF grantee's ongoing property standards.

HUD does not agree that the HQS, in combination with the current HomeFirst inspection form, would meet the new standards established with the NSPIRE final rule.

Comments Regarding Minimum Deficiencies for Small HOME and HTF Rehabilitation Projects

With respect to whether HUD should establish different minimum deficiencies that must be corrected in large and small HOME- or HTF-assisted rehabilitation projects at § 92.251(b) and § 93.301(b), commenters replied in the negative, and generally repeated the feeling that standards should be uniform across programs and occupancy categories. With respect to how HUD should define a large housing project, one commenter suggested that the appropriate threshold is 40 or more units.

HUD Response: HUD agrees with commenters and will not establish different minimum deficiencies for large and small HOME- and HTF-assisted rehabilitation projects in this final rule.

Comments Regarding Minimum Deficiencies That Must Be Corrected for HOME or HTF Housing

With respect to whether HUD should establish different minimum deficiencies that must be corrected for HOME or HTF-assisted rehabilitation and homebuyer or owner-occupied acquisition of standard housing projects at § 92.251(c)(3) and § 93.301(c)(3), one commenter opined that no updates to the minimum deficiency standards are recommended at this time.

Another commenter responded in the affirmative, noting that the current requirement for single-family housing to meet the requirements of UPCS includes inspecting for non-applicable items, and exceeds the standard for other federally assisted or insured mortgage programs. The commenter recommended that units for acquisition be subject only to homebuyer inspections as required by FHA financing, and not subject to a separate standard.

HUD Response: Updates to the required minimum deficiencies that must be corrected in a HOME- or HTF-assisted rehabilitation or homebuyer acquisition project are necessary because the current regulation references UPCS, which will no longer exist when this rule becomes effective. HUD agrees with the commenter that minimum deficiencies to be corrected should vary based on project type in certain cases because not all the standards of NSPIRE, which was developed for ongoing inspections of Multifamily rental developments, will apply to single-family housing.

Comments Regarding Minimum HOME TBRA Written Property Standards

With respect to whether HUD should establish minimum written property standards requirements for housing occupied by tenants receiving HOME TBRA at § 92.251(f) that exceed or are different than minimum requirements for the ongoing condition of HOME-assisted rental housing, one commenter noted that tenants of HOME TBRA often reside in single-family housing rather than in multifamily rental developments and that the use of a standard that is heavily focused on large rental developments, such as UPCS, would include items that are not present in single-family housing, and may neglect to fully inspect for hazards that are generally only present in single-family housing.

With respect to whether HUD, in the alternative, should apply the NSPIRE standards (not to include the inspection procedures, administrative processes for scoring and ranking, or the enforcement

requirements of NSPIRE) to housing occupied by tenants assisted with HOME TBRA at § 92.251(f), one commenter stated that this was a reasonable approach. The commenter stated that HUD can apply NSPIRE standards but allow local jurisdictions to establish stronger local standards which would apply in that jurisdiction. The NSPIRE standard should be a minimum, but if there are higher quality standards that local jurisdictions establish, those should be allowable as well. Another commenter replied in the negative, stating that HUD should treat this situation consistent with the proposed rule for HCV and PBV, and not another standard.

In response to whether another national housing quality or condition standard exists that HUD should apply to housing occupied by tenants assisted with HOME TBRA, one commenter recommended the use of the same standard for HOME TBRA as for the Section 8 HCV program, even if this standard is different than the standard for HOME rental projects. The commenter reasoned that HOME TBRA closely mirrors the Section 8 HCV program, and both programs are often administered by the same agencies, allowing them to utilize one common standard that is most applicable to the project type.

HUD Response: HUD agrees with commenters who requested consistency. The NSPIRE rule establishes standards that will cover all listed programs, with exceptions only where there are differing statutory or programmatic requirements. For example, the regulation at § 92.251(b)(1)(viii) continues to exclude HOME-assisted projects and units from using the scoring, item weights, criticality, and other requirements contained in §§ 5.705–5.713. Additionally, HOME PJs must create their own ongoing property standards for HOME rental housing or housing occupied by tenants receiving HOME TBRA, which must comply with State and local code requirements and ordinances. Where there are no applicable State or local code requirements and ordinances, the HOME PJ will be required to inspect the property so that the property does not contain the specific deficiencies prescribed by HUD based on the applicable standards in 5.703 and published in the **Federal Register**. By doing this, HUD is establishing c HOME PJs require owners maintain the housing as decent, safe, and sanitary housing in good repair.

Question for Comment #12: Special Housing

HUD asked whether the application of unique standards to certain specific special types of housing (i.e., single room occupancy housing; congregate housing; shared housing; and manufactured homes) in the HCV, PBV, and Moderate Rehabilitation Programs should be expanded to apply to CoC, ESG, and HOPWA programs as well.

Two commenters expressed general agreement with the expansion of the unique standards; however, one of these commenters limited endorsement of the application of the unique standards to CoC PBRA. One commenter stated that the unique standards should be expanded to apply to CoC, ESG, and HOPWA programs. The commenter opined that if a recipient of CoC, ESG, or HOPWA funding determines that using a special type of housing is the best course of action for a specific household, then they should be able to use that type of housing and not be penalized through poor inspection scores based off of standards that do not make sense for the unit. The commenter also noted that applying the unique standards to CoC, ESG, and HOPWA will help standardize inspection protocols across HUD programs.

One commenter stated that the unique standards should apply to CoC, ESG, and HOPWA programs in order to fulfill HUD's intent to align inspection requirements for all housing assistance programs to decrease the complexity and uncertainty associated with participating in HUD's programs that may deter some owners from future involvement, as well as to decrease regulatory burden. The commenter further suggested that HUD consider other housing types recently implemented by municipalities to address their housing crises such as the approval of Accessory Dwelling Units.

One commenter stated that the NSPIRE protocol should consider universally accepted norms associated with healthcare, assisted living and memory care occupancies, and that these should include specific allowances for egress issues associated with normal elopement risk reduction inherent to these facilities. The commenter further stated that the health care facility concept of "RACE" (Rescue, Alarm, Contain and Extinguish) should be accepted by NSPIRE as a standard method of fire and life safety within healthcare and senior facilities, greatly reducing the necessity of window egress exits.

One commenter stated that the unique housing standards in part 982 should

not be applied to ESG since the minimum standards for permanent housing in § 576.403 provide more flexibility for the program participant and consistency for the administrator. The commenter also recommended that the proposed addition of § 576.403(d) should be revised to state, “for the first 30 days in which a program participant receives homelessness prevention assistance, the recipient or subrecipient may provide services under § 576.105(b) and § 576.106 to help the program participant remain in their unit without inspecting the unit or determining whether it meets the requirement in this section.” The commenter reasoned that the payment of rental arrears or rental assistance under § 576.106 are often necessary to prevent eviction, and that requiring the habitability inspection within 30 days of assistance while also providing rental arrears or assistance would decrease the disruptive process of eviction. The commenter recommended further that HUD provide guidance about what resolution is required of a grantee if the unit that was assisted in the 30-day period does not meet the standard but should not require repayment of assistance provided during that term.

HUD Response: HUD appreciates the comments related to special housing types and the needs of participants in tenant-based rental assistance, as well as the feedback about consistent standards across housing programs, including expanding unique standards to certain types of housing within CoC, ESG and HOPWA programs. The NSPIRE Standards will apply to these programs, with some limitations that will be described in the CPD NSPIRE notices. For the HCV and PBV programs, Section 982.605 continues to allow for alternate requirements for sanitary facilities, food preparation, and space and security if there is no applicable local code standard for SRO housing. Housing that meets the affirmative habitability standards in § 5.703(d) can be eligible for HUD assistance, including Accessory Dwelling Units. With alignment of housing standards, the Department will better focus on habitability and the health and safety of residents.

With respect to universally accepted norms associated with health care, HUD evaluated many of these norms including RACE. Facilities that need to keep doors or windows locked for resident safety (e.g., memory care facilities) or to comply with other legal requirements, such as Federal civil rights laws, will be allowed to request a technical correction and score adjustment after the inspection. More information will be in the

Administrative Procedures notice. In addition, § 5.703(d) of this rule requires smoke detectors consistent with the requirements in NFPA 72, and more information will be provided in the NSPIRE Standards notice.

HUD will issue additional guidance on § 576.403(f) as pertains to payment of rental arrears or rental assistance and preventing evictions.

Question for Comment #13: Affirmative Requirements

HUD asked for input with respect to the inclusion of certain affirmative requirements at the final rule stage by adding deficiencies for the lack of a presence of certain specific features in HUD-assisted units. Specifically, HUD asked for input related to electrical outlets and switches; GFCIs and AFCIs; HVAC (permanently installed heating source); guardrails; and lighting.

General Comments

Two commenters noted their general agreement with all of HUD’s suggestions, without providing any specific comments. Many commenters sounded a common theme that HUD should weigh very carefully any attempt to introduce affirmative requirements across the entire portfolio of HUD-assisted housing, in light of all of the relevant considerations to the differences in such housing. One common theme was centered on the difference between older and newer housing. For example, one commenter noted that most new construction units have more than enough electrical outlets in each bedroom and living room. However, older cities, such as New York City, have aging housing stock which might not support multiple new outlets without upgrading to a new wiring system. Another commenter opined that properties built in the 1940s should not be held to the same standards as those more recently built, and that even those that may have undergone some modernization since initially built were modernized to the codes and standards of the time during which they were modernized. The commenter pointed out that to hold older properties to the same standards of recent buildings would be a financial burden and that the PHA has neither the funds nor the staff to stay in compliance and would discourage private property owners from participating in HUD programs.

Another common theme related to suggestions for HUD restraint centered around the existence of various housing codes, which commenters argued obviated the need for HUD to impose additional requirements. For example, one commenter pointed out that HUD’s

proposed requirements would not be in alignment with local code and would set higher expectations than local code, which could have far-reaching implications on the development and maintenance of properties and lead to much higher costs. Another commenter opined that in some cases the proposed changes represent very significant upgrades or overhauls and urged HUD to either defer to local building codes, or to slowly phase in the affirmative safety requirements, as well as to consider approving additional project or capital funds to cover the costs of these upgrades. Two commenters noted that to the extent that existing properties are subject to new standards, HUD must refrain from penalizing (unintentionally or otherwise) PHAs, owners, and operators that may not have funds for upgrades, particularly when those properties are in compliance with local/State codes which reflect local needs and conditions. Commenters suggested that the electrical requirements should match the code at the time the building was built, and that requiring electrical upgrades to existing building would be a financial hardship on building owners unless the building is being renovated. A commenter expressed that HUD should align the proposed requirements to the UCC and PHA’s local codes.

With respect to the proposed addition of new standards, generally, one commenter noted that some owners with older properties may decide not to participate if HUD requires significant upgrades to their units that they are not required to perform if they rent to someone in the private market. Another commenter noted that funding to maintain and improve properties is in limited supply, and that properties that are compliant under current standards should be considered compliant under the new standards, and that any new standards should apply only to new construction and properties that undergo renovation. One commenter agreed that all potential deficiencies that HUD is considering appear to be reasonable for safety considerations, but noted that to the extent that existing properties are subject to new standards, PHAs, owners and operators should have an ample notice period to bring their units into compliance. Another commenter opined that the proposed requirements could create new costs for PHAs and limit the supply of housing available to voucher holders. As such, HUD should assess the total cost to PHAs to comply. One commenter, while agreeing that the proposed features may be necessary, cautioned that the cost to produce the features must be heavily

weighed in view of additional affordable units lost versus created or preserved, and that dollars invested in these features will ultimately reduce the available subsidies for those applicants waiting to be housed, further straining American's scarce affordable housing stock.

HUD Response: HUD appreciates the comments about differences in housing stock related to age and location and reaffirms that the NSPIRE Standards will balance the need for housing with the mission to ensure that the housing is decent, safe, sanitary and in good repair, as well as the challenge of having consistent housing standards across programs with very different levels of Federal investment and assistance. HUD recognizes, and agrees with the commenters, that if inspection standards and process for tenant-based programs are onerous and delay lease up, private landlords may decline to accept a voucher and lease to other renters.

HUD also recognizes the challenge of meeting State or local housing codes for properties that will be covered by the NSPIRE Standards. Most importantly, the forthcoming NSPIRE Standards will apply nationally and provide standards for areas where there are no codes or safety requirements. In other areas, the State or local requirements may be more or less stringent. Often, State or local requirements account for special conditions in that jurisdiction such as local climate variation. Where a State or local requirement is more stringent than NSPIRE, the property must meet that requirement as well as the NSPIRE Standards.

With respect to comments regarding timelines to correct identified deficiencies, and the ability of property owners or PHAs to fund required renovations, the available time frame for response will vary depending on the deficiency, the program, and the process. In this final rule, HUD has revised "severe health and safety" to LT. HUD also developed a secondary category for other severe, but not LT deficiencies. Where a LT deficiency as described in § 5.711(c) is identified, the owner or PHA must correct it in 24 hours. For the HCV program, response times for LT deficiencies must be corrected in accordance with the HOTMA statute. HUD will discuss this matter further in the final NSPIRE standards. Other deficiencies can be resolved as described in existing program regulations. Those regulations are not included in this rulemaking for revision. HUD recognizes that standards should include reasonable expectations for repair, and the need for work to be

completed quickly and affordably. These expectations will be described in the Administrative Procedures notice which will be published before this final rule takes effect.

Comments Regarding the Electrical Outlet and Switch Requirement

Two commenters referred expressly to the presence of extension cords. One of them, in agreeing with the proposed requirement, explained that inadequate number of outlets within all habitable rooms leads the occupant to rely on the usage of power-strips and extension cords, and that these power strips and extension cords are often overloaded with plugs from multiple appliances, a condition that could lead to overheating and potential electrical fires. The commenter further noted that the presence of such cords is also the cause of trips and falls hazards which significantly affect elderly occupants. The other stated that the proposed requirement should not be addressed as an issue unless there are extension cords that could cause a trip hazard.

Several commenters raised the issues of the age of the property in question. One commenter stated that meeting this requirement may be challenging in older units that do not have either two electrical units or an electrical unit and a permanent light in all habitable rooms, as older buildings may have to undergo substantial electrical work on the unit, adding significant cost and burden to meeting the standard. Another commenter stated that many older units include bedrooms where there is only one outlet and no overhead lighting. One commenter specifically noted that the age of the building should be considered when determining the distance of the outlet to the sink. One commenter felt that establishing minimum standards to be maintained by properties that have already been constructed and under contract as affordable housing for decades exceeds the reach of an inspection which is supposed to ensure the property is being adequately maintained as safe, decent, and sanitary, and crosses into the realm of specifying how that property should have been constructed instead of confirming the adequacy of its maintenance.

Two commenters specifically expressed concerns with respect to historic properties. One noted that, because insured buildings are so diverse in age and design, to add this requirement would be a hardship on owners especially in older historic occupancies; the other opined that historic buildings should be exempted from this proposed requirement in order

to preserve the high quality of fixtures and materials.

One commenter expressed that the rationale in the rule (safety, usability, and illumination) demonstrates why a one-size-fits-all approach is inappropriate and opined that HUD should attempt to create standards around safety, usability, and illumination or demonstrate, with data, why the proposed requirements are necessary before adding the proposed deficiency. One commenter, while expressing general support for the proposed requirement, noted that wiring a second outlet can represent a significant undertaking, and therefore urged HUD to incorporate a mechanism for providing relief for housing under existing rental assistance contracts which may not have been built/renovated to this standard, providing a grace period until improvements can be made.

HUD Response: HUD appreciates feedback about the question of adding a deficiency for an inadequate number of outlets. HUD took these comments into consideration in drafting the proposed Standards notice and will address this matter more fully in the final NSPIRE Standards notice.

Comments Regarding the GFCI & AFCI Requirement

As with "electrical outlet and switch," many of the comments on GFCI and AFCI centered on issues of existing codes and/or implementation with respect to older properties. One commenter noted that while new and rehabilitated properties are in compliance with this standard, older properties that have not been upgraded may not be able to comply. Specifically, a commenter noted that bathrooms in older properties tend to be smaller and built before the era of ground fault indicators, but it is likely that GFCIs were installed at a later date during an electrical modernization, and that to now require that an outlet be located more than 6 feet from a shower or sink or be upgraded with a GFCI is not only unreasonable but unfeasible as well.

Another commenter repeated its position that imposition of this proposed requirement crosses into the realm of specifying how that property should have been constructed instead of confirming the adequacy of its maintenance. Commenters stated that GFCI outlet requirement should be grandfathered, *i.e.*, required where minimum rehabilitation thresholds for modification have been surpassed and that, if required in older Section 8 HCV units, owner participation may be discouraged due to prohibitive costs to

modify. One commenter stated that it does not believe that owners of older construction (pre-1975) housing units with proper operating outlets need to be forced to upgrade to GFCI and AFCI outlets in order for the unit to pass inspection and that, if HUD decides to move forward with this requirement, additional capital resources should be made available to convert to this protection. The commenter further urged that all NSPIRE inspectors should be equipped with the proper equipment to test the GFCI and AFCI outlets and not be reliant on a visual inspection.

With respect to AFCI in particular, two commenters noted that AFCI protection is a newer concept and would be burdensome and costly to install in older buildings. Another commenter, while supporting the GFCI proposal, distinguished AFCI as a higher standard that represents a significant undertaking because it requires the removal and replacement of circuit breakers. The commenter encouraged HUD to defer to local building code requirements rather than imposing a blanket AFCI requirement, and that, if the AFCI requirement is imposed, HUD should incorporate a mechanism for providing relief for housing under existing rental assistance contracts which may not have been built/renovated to this standard, providing a grace period until improvements can be made.

Several commenters provided comments with respect to the GFCI location standard (*i.e.*, within 6 feet of sinks, tubs, showers; or exterior, garage, or unfinished basement areas). Two commenters stated that while it is reasonable to expect GFCI protection when an outlet is within 6 feet of water or on the exterior of the building, it does not believe it is necessary to require GFCI protection in garages and unfinished basement areas.

With respect to refrigerators, a commenter questioned the need for GFCI protection as they are often located within 6 feet of a sink but are on their own dedicated circuit which does not have a GFCI installed. The commenter felt that such a requirement would be confusing.

HUD Response: HUD agrees that ARC Fault Circuit Interrupter (AFCI) should not be required in existing buildings. The ARC Fault Circuit Interrupter (AFCI) standard under consideration does not require the installation of AFCI breakers where they are not present. The standard requires the test button, when present, to function properly when pressed.

With respect to the physical placement of Ground Fault Circuit

Interrupter (GFCI) protected outlets or breakers, HUD continues to believe that Ground Fault Circuit Interrupter (GFCI) protected outlets or breakers should be a requirement near water sources as specified in the current Electrical—Outlet and Switch standard.¹² HUD agrees that major appliances do not need to be plugged into a GFCI outlet. HUD will address this matter further in the final NSPIRE Standards notice. The requirement for GFCI outlets was added to the affirmative requirements in § 5.703(b), (c) and (d).

*Comments Regarding HVAC
(Permanently Installed Heating Source)*

Several commenters expressed general approval of including a requirement for a permanently installed heating source and suggested there should be a deficiency for lack of proper heating. One commenter opined that because not having heat could be a life-threatening situation, not having a working and reliable heating system should be a deficiency; another pointed out that use of a portable heater (with HUD approval) is generally approved only in rural areas with warm climates, and that HUD should include a requirement for a permanently installed heat source. Another agreed that all units should have a heating source but suggested that HUD define this to include a properly installed and vented wood stove as a permanent heating source. One commenter urged consideration for existing properties which do not meet this standard and are not going through a substantial rehabilitation and suggested that it might be appropriate to exclude existing developments from the proposed requirement.

Other commenters differed. Two commenters stated that the requirement would greatly burden older and historic homes that do not have permanent heat sources installed, and that it would be more reasonable to require heating to be UL rated for use as a heating device so long as it is in safe, operable condition. One commenter pointed out that many areas do not require the use of HVAC systems to maintain a living space at a safe temperature, and that forcing tropical properties to install heating equipment and polar communities to install air conditioning is wasteful and unnecessarily complicates property maintenance. The commenter suggested that establishing that a target

temperature range be attainable would be a more cost-effective manner of protecting stakeholder interests.

One commenter stated that the heating source requirement is addressed under flammable materials and that the proposed requirement would be redundant and should be eliminated.

HUD Response: HUD agrees with the comments regarding the importance of properly functioning heating systems. Adequate heat is essential for the health and comfort of residents. The NSPIRE HVAC standard will include a deficiency for a minimum temperature requirement during the winter to prevent the potential negative health and safety effects of cold temperatures, including hypothermia, which can be fatal. HUD has replaced language originally in § 982.401(e) regarding the “thermal environment” with a requirement in § 5.703(e)(1) that the unit not be subject to “extreme temperatures” and will finalize provisions to meet the requirement in the NSPIRE standards.

HUD appreciates feedback particularly regarding tropical climates and will take it into consideration for future standards iterations. Additional consideration may be given to areas with extreme cold weather that falls within the 3rd standard deviation of winter temperatures. This will be revisited in subordinate Standards notices. HUD agrees that presence of air conditioning units should not currently be a requirement. The proposed NSPIRE HVAC standard does not include a requirement for air conditioning, just that installed AC units provide cool air, which is specified as lower than room temperature. NSPIRE does not have a deficiency for a maximum temperature requirement during the summer that is analogous to the minimum temperature winter requirement for heat. Where State or local jurisdictions have such requirements, covered programs must follow the more stringent requirement.

HUD does not agree with commenters that suggested that portable space heaters or fireplaces should be allowable as sources of heat. Portable space heaters, electric and fuel burning, have been associated with property fires and carbon monoxide poisoning. Fires and carbon monoxide poisoning resulting from space heater usage have caused serious injuries and deaths. Space heaters have also caused substantial property damage to properties throughout the United States sometimes leading to the complete loss of housing. Residents without adequate heating have occasionally used gas and electric ovens to provide heat, which have resulted in property fires and

¹² Electrical Safety Foundation International (ESFI), “Ground Fault Circuit Interrupters: Preventing Electrocution Since 1973” <https://www.esfi.org/ground-fault-circuit-interrupters-preventing-electrocution-since-1971/> (Last accessed May 2, 2022).

carbon monoxide poisonings as well. Requiring a properly functioning permanent heating source as an affirmative requirement in § 5.703(c) removes the health and safety risks associated with portable space heaters.

HUD also does not agree that a fireplace should be considered as a permanent heating source. Permanent heating sources are typically specified as being self-fueled. They are permanently affixed within the unit or building, safely connected to the unit or building electrical system, thermostatically controlled by the unit or building and appropriate for the size of the unit. The energy source for a permanent heating system can be electric, gas or oil. A fireplace does not meet the self-fueled criteria. Fireplaces also do not evenly distribute heated air throughout a property as effectively as permanently installed heating sources and are one of the leading causes of heating system caused fires in properties.

HUD notes that there have been instances of properties experiencing a heating emergency if a boiler or furnaces fail. In these situations, a temporary, back up heating source may be necessary.

Comments Regarding the Guardrail Requirement

While some commenters supported the proposed requirement, several noted the need for additional details. Two commenters stated that the requirement needs to have a minimum horizontal distance associated with it within which the 30-inch vertical drop exists; one recommended that HUD better explain the proposed requirement depending on site conditions such as hills, slopes, *etc.*; otherwise, the requirement could adversely affect the scoring while posing no threats to the residents or general public. One commenter noted that because a 30" drop over a 2" run is dramatically different from a 30" drop over a 20" run, a better definition of conditions requiring a railing would be helpful. The same commenter felt that the standard for handrails on an exterior ramp are excessively vague and in need of clarification about what constitutes a ramp versus an inclined sidewalk. One commenter requested additional details for the design of the railing, such as height, material, presence of balusters/spindles, *etc.*

One commenter stated that guardrails should be installed in elderly or disabled facilities only, and not in family facilities. One commenter suggested that HUD collect data to evaluate the costs associated with the proposed guardrail requirement, as it

could impose significant financial burdens on certain properties, and HUD should perform a comprehensive assessment of the potential impacts of this proposal before implementation. The commenter indicated support for a guardrail adjacent to a "walking surface," but not to an area of raised grass (*e.g.*, single family home with a front yard where there is a low retaining wall by the sidewalk).

HUD Response: HUD appreciates the commenters' feedback. Guardrails were added as an affirmative requirement in § 5.703, so they apply to all housing covered by that section. In addition, all HUD-assisted housing must comply with accessibility requirements, where applicable, including Section 504, the Americans with Disabilities Act, and the Fair Housing Act. The Section 504 accessibility standards, which are the Uniform Federal Accessibility Standards or the 2010 ADA Standards for Accessible Design as specified in the Deeming Notice (79 FR 29,671, May 23, 2014), have certain technical requirements for guardrails (referred to as handrails under the Federal accessibility standards) for ramps. In general, trip and fall related injuries occur with high frequency across multiple age groups throughout the country. These injuries result in emergency room visits, life altering impacts and sometimes death. Installing guardrails in higher risk walking locations will decrease the risk for residents throughout the HUD portfolio. The deficiency criteria for guardrails are closely aligned with housing codes throughout the country. The deficiency criteria reflect observable conditions documented during extensive field testing and demonstration inspections. HUD is not including specifications for balusters or spacing for vertical railing within the guardrail due to variations in building code requirements over time across the HUD property portfolio.

Comments Regarding the Interior Lighting Requirement

Several commenters were in general agreement with the proposed requirement. Two commenters expressed general agreement with the proposed requirement but opined that special considerations should be allowed for historic buildings or other special circumstances related to older buildings. One commenter agreed with the proposed requirement and added that similar consideration should be given to adequate illumination on interior stairs and to some extent on exterior entrances/stairs. The commenter further opined that a standard should be provided with

respect to what constitutes proper lighting (*e.g.*, lumens). One commenter stated that the rule should explicitly require a light fixture in the bathroom.

One commenter stated that there are already HUD guidelines for lights installed in bathrooms and kitchens, and that they are also included in building codes. One commenter urged that if HUD moves forward with this requirement, consideration be given to existing properties which do not meet this standard and are not going through a substantial rehabilitation.

HUD Response: HUD appreciates the comments regarding the safety and well-being of residents and quality of the HUD-assisted housing stock. Without artificial illumination, residents may not have a means of illumination at night when natural light is not available. Lighting is critical for safe egress during a potentially life-threatening emergency, allows people to see unsanitary and unsafe conditions, and thus leads to a healthier and safer living environment. Proper lighting also removes usability barriers allowing people to fully utilize the features of the built environment. HUD will take this feedback into consideration as it drafts the final Standards notice, which will be subject to further public comment.

With respect to historic properties, HUD's position is that a light source in the kitchen and bathrooms is the minimum standard for health and safety and has added this as an affirmative requirement in § 5.703. In the rare case that a historic property designation would not permit a permanent light fixture in the kitchen and bathroom, the PHA or owner may apply to HUD for a waiver of this affirmative requirement. If the unit is occupied, HUD will suspend the correction timeframe until the waiver is reviewed.

Question for Comment #14: Risk-Based Annual Inspection Requirement Expansion

HUD solicited comment on the proposed risk-based annual inspection requirement expansion from 2 to 5 years and received comments both for and against the proposal.

Several commenters supported the proposal, noting that most properties are compliant with inspection standards and therefore do not need such frequent inspection. Another noted generally that the proposed 2–5-year inspection cycle would be reasonable and welcome. Several commenters focused on the relief the proposal would provide to high performers and low risk properties. Two commenters noted that the proposal's flexibility will allow PHAs to shift inspection capacity and resources

to properties, units and households with the greatest need, with one adding that the inspection process is very costly for PHAs and the expansion of the requirement from 2 to 5 years would be consistent with the ever-decreasing funding.

Commenters specifically noted the appropriateness of the proposal in connection with self-inspections. Two commenters, in indicating strong support for the proposal, opined that paired with the annual self-inspection requirement, a risk-based inspection schedule would provide adequate oversight over the portfolio. Another commenter stated since HUD is adding an annual self-inspection requirement for its insured multifamily properties, project-based assisted properties, and public housing portfolio, this change is appropriate, and that expanding the time between risk-based physical inspections will reward high-performing properties, alleviate administrative burdens associated with inspections, minimize disruptions to residents and allow HUD to focus its resources on lower scoring properties that may require more oversight. One commenter, while supporting the proposal, urged HUD to leverage self-inspection reporting to require onsite inspector presence less often and recommended that HUD should maintain portfolio data through self-inspections that can continue to insulate against criticism of the condition of the portfolio.

Conversely, multiple commenters were opposed to the proposed risk-based annual inspection requirement expansion from 2 to 5 years, believing that such a change is not reflective of HUD's desire to improve oversight over assisted properties. These commenters generally felt that five years is too long between inspections and suggested a maximum interval of three years. Commenters stated that 5 years, and even 2 years, is a long time and a property may fundamentally change within that time, citing potential adverse occurrences within a five-year timeframe, including high turnover in the industry leading to change in management or ownership, natural disasters, unexpected capital needs or discovery of environmental hazards, mold caused by water line ruptures, fire hazards, heating/cooling systems breakdowns, pest infestations, and hazards resulting from extreme weather events.

A commenter stated that stretching REAC inspections out over a five year, rather than three-year maximum period, would be an extremely risky move, not warranted by any evidence that owners are suddenly more compliant with

health and safety codes than they have been in the past. Another commenter noted that Public Housing and Multifamily housing properties are already in extremely poor condition, another agreed and stated that even one property with poor living conditions is one too many and urged HUD to catchup on its backlog of inspections and focus resources on the lowest performing properties. Another commenter noted that while inspections on a more frequent basis are arguably costly for housing providers, it is localities that often bear the brunt of the cost burden when a property is not adequately maintained—both through inspection costs and the cost to the community if residents lose their housing or are forced to relocate due to dangerous conditions.

With respect to self-inspections, a commenter pointed out that self-inspections necessitated by the COVID pandemic were not appropriately diligent and that many units failed subsequent inspections, in some cases requiring relocation of tenants, and suggested that all units should have annual inspections for the first five years under this system in order to properly enforce the requirements.

A commenter suggested that for the Multifamily Section 8 or PBRA programs, the Contract Administrators could be a second source to "inspect" or follow-up on the units/property during years that an official REAC inspection is not performed and to verify POA self-inspections and work order system efficacy, and that the combination of POA self-inspections (annually), Contract Administration MOR inspection/follow-up, and REAC Inspections would ensure the physical health of the property and safe, habitable unit dwellings for the residents, all within a 3–4 year cycle.

A commenter noted specifically that the proposed rule also allows for changes in the inspection protocol to happen three years after implementation of previous changes to the inspection protocol, and that coupling five-year inspections with changes in the inspection protocol may result in a property being inspected under different protocols, calling into question the reliability of the assessment of the property's physical health.

Several commenters provided mixed support for the proposal. One commenter noted that in addition to providing a strong positive incentive for POA performance, the prospect of less-frequent unit inspections is likely to be attractive for many residents, for whom the unit inspection can feel invasive and traumatic but also noted that the criteria

for determination of inspection frequency, including the proposed risk assessment, will be crucial to ensuring this system both protects residents and provides incentives for strong performance and strongly urged HUD to work closely with stakeholders to develop these criteria, including publication of draft criteria for comment in the **Federal Register**. This commenter suggested that such criteria include not only the recent performance of the subject property, but also the POA's track record of performance at other HUD-assisted properties as well as the timespan since the property's construction or most recent renovation.

One commenter expressed that increasing the number of years in between inspections should be looked at in the context of the annual self-inspection and how burdensome that process will be as well as the triggers for reinspection, and that the proposed rule is not clear around the reinspection procedures, and suggested that HUD should make clear that only an owner or manager of HUD housing may request a reinspection and HUD may determine whether it is advisable and should specify the grounds on which HUD will make this determination. Another commenter expressed general support for the proposal, suggesting that if the property is in good shape and has passed all previous health and safety inspections the time for the next inspection should be pushed to 5 years, while cautioning that inspection intervals should always be based on the condition of the property and how well the inspections are conducted.

Some commenters suggested specific metrics related to proposal. One commenter suggested that a property achieving a score in the 90s could be inspected every 5 years, in the 80s every 4 years, in the 70s every 3 years, and in the 60s or below every 2 years. Another commenter suggested every 5 years for a score of 96–100; every 4 years for a score of 90–95, every 3 years for a score of 80–89, every 2 years for a score of 70–79 and annually for a score below 70. Two commenters suggested that 5-year inspection cycles should be reserved only for the highest-performing properties (90–100), with the inspection frequency increasing as the score drops by every 10 points. The commenters further suggested that HUD maintain the ability to override this schedule if needed, *e.g.*, in the case of significant tenant-input to HUD that seems to indicate a poor building quality.

A commenter noted that the risk of a major problem increases in older properties and suggested that an option may be to require regular inspection

every 1–2 years for older properties, and 2–3 years for newer constructions and that, intermingled throughout each period, it might be convenient to have less invasive, virtual home assessments which have the right sensitivity to capture health and safety hazards caused by major sudden events in the home.

One commenter distinguished between Public Housing and HCV, recommending that for the former inspection should occur every other year on a pass/fail basis, and for the latter that the interval between inspections be no more than three years, and then only for landlords with a good history of maintaining their units.

One commenter expressed that it would be best to implement an inspection schedule based on a risk-based method. Another commenter suggested that HUD should reform REAC's scoring system, improve tenant participation and otherwise adopt lessons learned from NSPIRE to secure housing improvements first, before considering the relaxation of inspection protocols.

One commenter opined that HUD should give PHAs the discretion to define higher and lower risk categories, *i.e.*, a PHA should have the ability to place in the high-risk category those property owners who consistently take multiple attempts to pass inspections and/or have a high number of abatements while those who consistently pass on the first attempt can be placed in a low-risk category.

Three commenters expressed general support for the proposal but noted the need for additional details on how it would be put into practice. One commenter noted that under the current scheme properties that score 90 or over are scheduled for their next inspection on the 3rd anniversary, while those scoring 80–89 are inspected on the 2nd anniversary, and those scoring 79 or less annually. The commenter questioned how HUD is proposing to spread the scores over a 1–5 year period. Another commenter opined that HUD needs to provide additional information about how they would evaluate whether PHAs qualify for a 2- to 5-year inspection cycle, and that it would oppose an extended inspection cycle based on requirements that include submitting all self-inspection results and related work orders to HUD, which would likely negate any resource savings achieved through an extended inspection cycle. Another commenter expressed that determining the criteria that HUD will use to decide whether a PHA qualifies for a longer inspection time period or not must be clear and attainable, and

that if the criteria for a longer inspection time period is too stringent then the incentive PHAs have for expanded inspection periods would be decreased.

HUD Response: HUD appreciates the comments on the timeline for inspections, and has gained valuable insight into this issue as a result of the ongoing COVID-19 pandemic. REAC UPCS inspections resumed in June of 2021 and the almost two-year break in third-party inspections proved to be too long for some properties with performance issues. Five years is a very long period of time to go without visiting a property and presents a risk to the tenants and the Department—even a high-quality property could degrade in that time. Therefore, HUD supports maintaining the current risk-based inspection requirements ranging from 1 to 3 years (3–2–1).

For small rural PHAs the statute requires a three-year inspection cycle unless the PHA is Troubled. For PHAs that will continue to be assessed under PHAS and for multi-family properties, the inspection frequency would be either a 3-, 2-, or 1-year cycle based on the anniversary of the last inspection. HUD will continue to evaluate efforts to provide administrative relief to high performing properties, including the circumstances under which self-inspections may be accepted, through subordinate notices and additional public comment.

With respect to the suggestion that the entire portfolio of Public Housing and Multifamily assisted housing be inspected annually for the first five years under NSPIRE, HUD does not consider it feasible to do so with current resources. Because HUD is declining to adopt an extended timeline of two to five years for physical inspections, there is no need to provide information about how properties will be assessed, the process for implementation, and what information will be considered to allow less frequent inspections of up to five years. HUD notes that small rural PHAs that are not troubled under 902.105 will be inspected every three years.

HUD appreciates the feedback regarding self-inspections as it relates to risk-based annual inspections. HUD's risk-based approach seeks to balance administrative burden on owners and management and HUD will continue to review the appropriateness of self-inspection processes for its public housing and project-based portfolios in context with inspection timing. For the requirement for self-inspection reporting at § 5.705, HUD has limited the collection of these reports to those properties that receive a score of less than 60. This aligns with the current

process for Multifamily Housing programs. HUD will continue to rely on the results of independent, HUD-funded inspectors for scoring and to determine inspection frequency.

Question for Comment #15: Tenant Involvement

HUD solicited comments on how tenants could be involved in identifying poor performing properties.

Commenters asked HUD to provide more context around these ideas and how HUD would use these ideas so that the industry can respond in a more productive way. Some commenters opposed resident involvement in the inspection process, noting that tenant reviews, like consumer reviews, could be biased and unreliable and that disgruntled tenants may unduly influence inspection results, analogizing to disproportionate numbers of 1- or 5-star reviews for restaurants and products online. Commenters stated that tenant involvement would complicate the tenant-landlord relationship. For example, a tenant may give an unearned good review to gain favor with a landlord, or urge residents to participate in a survey prior to inspection could obligate property staff to please residents to get a positive review.

Several commenters opined that tenant involvement in the inspection process is simply not needed, noting that inspectors are the best, most reliable source for inspecting and reporting on the property, that residents have always had the ability to notify HUD when their work orders or repairs are not completed in a timely manner, that owners are already required to inform residents of their rights to notify HUD of any such concerns, and that tenants are already adequately protected by local landlord tenant laws, by the REAC process generally and by the residents' relationship with the HUD Account Executive. As an alternative to an added review program, commenters urged that HUD make sure that the reporting systems work well to inform the appropriate HUD staff of conditions and to ensure that these resources are fully staffed and communicated to residents through multiple channels. Another alternative offered was that HUD explore ways to facilitate and clarify this complaint/enforcement process through the NSPIRE demonstration and intervene to enforce its physical standards and compel owner/agents (OAs) to resolve identified issues.

Several commenters focused on the appropriate weight that should be assigned to tenant input, suggesting that resident reviews should not be given so

much weight as to disrupt the value of the random selection of units under the current scheme; that creating a separate inspection agenda that does not contribute to the final inspection result would create confusion; and that the results of tenant surveys should not increase or alter sample size, or affect the frequency of inspections.

Commenters cautioned that an inspection not based on a statistical random sample is not a legitimate representation of the property's physical condition. A commenter noted that residents would only want units inspected that they feel illustrate deficiencies, another noted that pre-identifying units to be inspected would allow prior targeting of those units either by OAs or residents to influence scoring.

Two commenters urged HUD not to turn the REAC inspection into a complaint-based inspection scheme and suggested investigation of tenant complaints should remain outside the purview of the REAC inspector.

HUD received a large number of comments with respect to the use of tenant surveys, with several commenters suggesting that a proper survey to all tenants could yield higher-than-average concerns about specific deficiencies which HUD could treat as a factor among others in determining inspection frequency or intensity.

Commenters advocating the use of surveys sounded several common themes: that HUD or its contract administrators administer the tenant survey to ensure confidence in the survey's independence; that tenant-based questions should not be subjective and should include clear definitions for a rating system with significant training and administrative system to avoid subjectivity; that surveys solicit specific information so responses would be less subjective; that surveys include random, anonymous questionnaires to residents; and that the survey be accessible to persons with disabilities and include a paper option.

Some commenters suggested a single, targeted question or short series of questions asked by inspectors to some residents during inspection, while another suggested an annual mailing to residents with a request to rate specific performance issues. A commenter suggested a simple, accessible tenant inspection form uploaded in a similar manner to owner self-inspection and on the same frequency/timeline. A commenter supported REAC's initial protocols (dropped in early 2000s), which required a Tenant Survey, by mail, of a sample of REAC-inspected properties; however, another commenter

opined that this resident questionnaire was not representative of the property.

Commenters recommended tenant surveys include questions about health and safety generally, water leaks, mold, insects such as bedbugs, rodents, lead-based paint, smoke detectors, carbon monoxide detectors, and other environmental hazards, management performance and treatment of tenants, the right to organize, and the existence of a working stove. A commenter suggested anonymized survey data be provided to properties to permit responses with respect to identified issues. Commenters suggested that tenant survey data (together with REAC scores) could be used by HUD to evaluate the accuracy of self-inspections. A commenter suggested that survey information that identifies a life-threatening condition(s) should trigger an inspection.

Commenters also suggested that tenants be allowed to recommend their unit for inspection. Commenters recommended adding five units to REAC's random selection if requested by a tenant organization. A commenter suggested that residents should be allowed to recommend homes for inspection as they are best positioned to direct HUD to conditions on the property, another opined that allowing tenants to designate substandard units for inspection will help offset the "point loss cap" bias built into the REAC system. A commenter suggested that an additional procedure to account for extra units inspected per resident request could be developed; one commenter suggested a resident council could work to ensure adding a more representative group of individuals' units to the inspection sample. A commenter supported the inclusion of units/issues subject to such enforcement action within the sample for the next REAC/NSPIRE inspection, to ensure ongoing compliance.

HUD Response: HUD appreciates the comments related to tenant involvement in the NSPIRE inspection process. HUD regularly hears from groups representing tenants about how residents can be more engaged in the inspection process and sought comment through the proposed rule as a way of advancing this conversation and agrees that HUD should consider working through resident councils and tenant organizations, for example. HUD's process will be addressed further in a subordinate notice specifically on tenant engagement.

HUD does not intend for resident feedback to supersede trained inspectors, nor does it intend to use resident ratings to score properties.

HUD's intent in proposing a rating of 1 (poor) through 5 (excellent) was to provide a mechanism for residents to identify additional units for inspection; however, HUD does not intend for these units to comprise part of the property score. HUD can direct owners and PHAs to repair identified deficiencies even if those deficiencies are not scored, because the requirement for housing to be maintained in accordance with 5.703 always applies. Based on public comment and other analysis, HUD will further evaluate scaled 1 to 5 responses as suggested in the question and other means of collecting tenant feedback. This aligns with comments about eliminating as much subjectivity as possible. HUD will also continue to explore tenant participation in an accessible manner to align feedback with potential deficiencies. The NSPIRE Scoring notice will provide more information about the sample that will be considered for the score. HUD agrees that professional inspectors are the most reliable source for assessing property conditions but believes tenant involvement in NSPIRE and feedback about the condition of properties is also very meaningful and should be taken seriously. HUD will continue to evaluate how the NSPIRE inspection process design best results in independent assessments of property condition while balancing a desire for more tenant feedback about property condition. HUD does not consider these two objectives mutually exclusive.

HUD takes into account the potential administrative burden on both the owners and the residents and plans to add additional units to the NSPIRE inspection if they are requested by the residents. Additional details will be provided in the Administrative Notice. With respect to tenant-selected units in the sample biasing an inspector, HUD will consider ways to protect anonymity of personally identifying factors, such as unit address and number. HUD will also consider the suggestion that an inspection be triggered or when a survey identifies the existence of a life-threatening condition.

HUD agrees with the comments regarding existing channels for tenants to report property conditions and engage with OAs and HUD Account Executives. HUD will look at ways to strengthen the existing operational protocols while exploring ways to expand tenant engagement in the NSPIRE process. Residents can also contact the State HUD field office.

HUD appreciates the feedback suggesting strengthening existing procedures before adding tenant participation into the unit selection

process. HUD agrees that more robust communication about REAC processes and final scores could improve overall conditions of HUD-assisted properties. HUD also agrees with the sentiment of improving REAC through NSPIRE—and the demonstration program—to compel OAs to resolve identified issues. HUD believes that NSPIRE's focus on health and safety of the residents will lead to better living conditions and outcomes. NSPIRE procedures for inspections, scoring, and collection of resident-nominated units will be in the NSPIRE Administrative notice.

With respect to comments about tenant-selected units influencing the overall inspection outcome and potential to turn into an alternative complaint process, HUD does not intend for tenant feedback to HUD to supersede existing work order and tenant complaint processes. HUD sees tenant involvement in the inspection process as an additional means to improve the overall quality of HUD-assisted housing by bringing the resident's voice to the table. HUD sees this as useful where random sampling falls short—e.g., it's possible that a random sample could completely miss units with infestation, and where pests are active only at night. Tenant involvement also provides an opportunity for HUD to ensure that known deficiencies raised by tenants are corrected. HUD will take into consideration the suggestions to engage Tenant Organizations, resident councils and other means to allow residents to select certain units to be included in the inspection sample, but these units will not impact the overall score, unless they were already randomly selected as part of the REAC inspection sample. HUD considered the suggestion that tenants to designate certain units for the inspection could help offset the "point loss cap" for system-based scoring and ensure accurate deductions for deficiencies, but determined that resident-selected units would not be scored unless randomly selected as part of the inspection performed by HUD. Additionally, as provided in the proposed Scoring notice, 88 FR 18268 (Mar. 28, 2023), HUD is proposing to eliminate point-loss caps allowed under UPSCs.

Other Suggestions

HUD received a number of additional comments regarding tenant involvement that relate to current REAC processes. Commenters recommended tenants be notified about REAC matters and results and given the opportunity to comment and that HUD remove the current 60-day limitation on the availability to tenants of REAC Reports, scores, and

related correspondence. Commenters also suggested REAC inspectors should access local code reports in localities if available online, as well as summary work order reports that many management companies maintain to provide a REAC inspector with a quick overview of how many repairs were reported, how long it took to complete them, and tenant satisfaction. Commenters requested HUD require a meeting between a REAC inspector and any legitimate tenant organization before starting an inspection and allow a representative of any legitimate tenant organization to accompany an inspector if a tenant organization requests, but not into an individual unit unless invited by a tenant. Commenters also suggested that tenants should have the opportunity to trigger a REAC inspection when at least 25 percent of the residents, or the local government, request one.

Other comments related to tenant involvement include a suggestion that HUD develop a separate and distinct program, with allocated funding and resources, to engage residents in evaluating their housing experience and the quality of their housing; that HUD require owners and agents to make tenants aware of reporting options, for example by requiring the phone number(s) to be posted or distributed with lease documents; and that HUD support tenants' right to organize and support building tenant association capacity by making \$10 million annually in Section 514 funding to local nonprofit tenant assistance organizations. In connection with the last suggestion, commenters noted that Congress has made available funding through Section 514 of MAHRAA to provide for tenant organizing and capacity building, and HUD currently has available funding for this purpose.

A commenter suggested that HUD resident feedback measures adopted for Multifamily and Public Housing could, in principle, be extended to any HUD-supported apartment complex, including RAD converted properties, Mod Rehab and PBVs.

HUD Response: HUD appreciates feedback regarding communication with residents regarding the REAC inspection results, including the opportunity to comment and suggested participation of tenant organizations. HUD regularly publishes its REAC physical inspection scores on its website and will continue to do so. Tenants also have the opportunity to review the REAC inspection report after the score is finalized. The owner must make the physical inspection report and all related documents available to residents

during regular business hours upon reasonable request for review and copying. Related documents include the owner's survey plan, plan of correction, certification, and related correspondence. HUD will take this feedback into consideration as it seeks to improve communication with HUD-assisted residents.

The comment suggesting a separately funded tenant evaluation program in parallel with the REAC NSPIRE inspection process is outside the scope of this rulemaking.

With respect to the suggestion that management provide HUD and REAC inspectors with summary work order reports for evaluation, HUD and/or its Performance Based Contract Administrators currently review work order processes as a component of their management reviews. HUD will take into consideration the suggestion to include evaluation of local code violations.

Regarding the comment suggesting that HUD require owners to inform residents about their rights and responsibilities, specifically in regard to complaints and physical conditions, HUD programs already require Owner/Agents to inform residents of the procedures for raising complaints and the various appeals available if the landlord, management agent, or Housing Authority is unresponsive. HUD will nonetheless take this feedback into consideration as it looks at ways to reinforce tenant education.

HUD appreciates comments on tenants' right to organize and supports building tenant association capacity but has not proposed changes in this rulemaking. Additional information about resident opportunities to provide HUD feedback will be provided in the NSPIRE Administrative notice and in a subsequent notice once HUD considers public and stakeholder burden. Comments about expanding resident feedback to other HUD-assisted programs, such as RAD conversions, Mod Rehab and PBVs, were shared with the program offices. At this time, HUD is not planning to require a resident feedback requirement in properties not inspected by REAC, as that would be new requirement and burden on PHAs and other owners that was not proposed. HUD will also take into consideration comments suggesting that appropriate triggers for an inspection should include when 25 percent of tenants request one.

Section 5.705 Inspection Requirements

Comments Regarding § 5.705(a), Procedures

A commenter suggested HUD extend the exception for Section 8 housing in proposed § 5.705(a)(3) to public housing, and that PHAs should be able to use variant inspection standards based on local building codes; otherwise, a PHA's inspection score may be adversely impacted even though the condition comports with local codes and has been determined to be safe.

HUD Response: HUD appreciates this feedback. With NSPIRE, HUD intends to further align the inspection standards for the Public Housing and Multifamily portfolios, while acknowledging the Housing Choice Voucher and Project-Based Voucher programs have some unique qualities that are taken into consideration with variant inspection standards in § 5.705(a)(3), as these are privately owned properties. HUD does not support expanding those to public housing because public housing does not have these unique qualities and under the U.S. Housing Act must meet HUD-defined standards for decent, safe, sanitary and in good repair. HUD recognizes that there may be situations in which a property comports with local codes, but still does not meet the standard for public housing. In those instances, HUD believes that the public housing must meet the higher NSPIRE standards.

Comments Regarding § 5.705(b), Entity Conducting Inspections

A commenter stated that in § 5.705(b)(2), the reference to the voucher regulation should be corrected to reference § 982.352(b)(1)(iv).

HUD Response: HUD thanks the commenter and has made this correction in this final rule.

Comments Regarding § 5.705(c), Timing of Inspections

A commenter suggested revising paragraph (c)(6) regarding Section 232 facilities to require a case-by-case analysis, remove a “complaint” as a basis of information received, and take into consideration whether the physical integrity of the project is at risk.

Another commenter objected to changing the timing of inspection from being linked to the previous inspection date to being linked with the property's anniversary date. This commenter recommended amending paragraph (c) such that, during the transition from the current timing protocol to the proposed timing protocol, HUD requires the inspection to take place on the earliest

of either the previous inspection date or the property's anniversary date, rather than delaying the inspection.

HUD Response: While HUD appreciates the commenters' concern about the quality of assisted living, board and care, and intermediate care facilities, HUD does not agree with these suggested revisions to § 5.705(c)(6). This final rule tracks with current policy and allows flexibility where needed for special circumstances, such as complaints about assisted living and care facilities. HUD has the authority to inspect properties where there are concerns about the safety of residents or project preservation.

With respect to the suggestion regarding inspection timing, HUD believes that the commenter misunderstood the meaning of “anniversary” in the proposed rule. This was meant to still be linked to the previous inspection date, not to any other date. With the exception of small PHAs as described in § 902.13(a), public housing properties will no longer be scored based on the fiscal year end for the portfolio and previous PHAS score, and properties will be assessed based on the anniversary and score of the previous inspection.

Comments Regarding § 5.705(d), Inspection Costs

Two commenters, while supporting a reinspection fee to increase accountability, urged HUD to clarify that it is not establishing a *new* reinspection protocol, only the ability for a fee to be imposed if the work that was reported complete is not in fact complete. The commenters further urged HUD to establish and maintain caps or benchmarks on reinspection fees to encourage reasonableness and standardization and to clarify whether the fee is authorized for Video Remote Inspections or only for onsite inspections.

Another commenter suggested limiting the reinspection payment to an amount no more than \$500, and also allowing such payment to be passed on to the household residing in the unit when the tenant has caused the damage at issue. A commenter noted that paragraph (d) does not provide for the imposition of such a reinspection fee on PHAs and suggested that the language should be amended to include PHAs.

HUD Response: HUD appreciates the commenters' recommendations regarding reinspection fees but is not making these changes in this final rule. A fee cap could be problematic if this requirement is in place indefinitely and does not allow for inflation. Additionally, landlords and PHAs can

collect fees for tenant-caused damages in accordance with their lease and policies and existing regulations. Adjusting a fee at the time it is assessed would create an additional burden. However, HUD took these comments into consideration in the subordinate notice for Administrative Procedures, which will specify the circumstances and details for re-inspections. For units in the HCV and PBV programs, HOTMA Section 101(a)(3) allows for the PHA to consider tenant-caused damage as a factor for HQS enforcement.

Comments Regarding § 5.705(e), Access to Property for Inspection

Commenters stated that giving a PHA a physical condition score of zero if the inspector is unable to access even one unit is unreasonably punitive, is a higher standard than the standard placed on other POAs and could lead to penalization for actions of residents beyond the PHA's control, such as where a tenant prevents an inspection or is ill. Another commenter suggested that HUD should not require access to an apartment where there is a sufficient number of similar apartments that the inspector can visit as alternates, as it is unreasonable to require all households to either stay home all day or have an adult present throughout the inspection, and that, in the alternative, inspectors should select a higher sample and larger number of alternate apartments or visit any additional units to reach the sample size required before providing a physical condition score of zero for the project. Another commenter suggested amending paragraph (e) to require reasonable advance notice of an inspection to the property owner.

A commenter noted that the opening paragraph of § 5.705(e) refers to HUD inspections of “HUD housing,” yet paragraph (e)(2) provides important details applicable only to public housing. The commenter suggested that paragraph (e)(2) should be revised to apply to all HUD housing.

HUD Response: HUD thanks the commenters for feedback concerning access to the property, advance notice and conformity of language concerning HUD housing. Because these matters are related to scoring methodology, HUD will further specify its scoring methodology including how access to the property impacts the methodology by which HUD scores or assesses property condition through the forthcoming NSPIRE Scoring notice. HUD continues to believe, however, that property access is a fundamental component of independent assessment. HUD will similarly address the notice of inspections requirements for its NSPIRE

inspections under the forthcoming subordinate Administrative Procedures notice, but believes its recent, existing notice period (ranging from 14–28 days) is reasonable. HUD declines the suggestion to include language in § 5.705(e) requiring reasonable advance notice of an inspection to the owner in regulation and will continue to provide advance notice of inspections to allow PHAs and owners may comply with lease agreements that require reasonable notice for residents. In this final rule HUD has, where appropriate, revised “public housing” where it meant to state “HUD housing” in the proposed rule.

Section 5.707 Uniform Self-Inspection Requirement and Report

Question for Comment #16 and Question for Comment 17 Regarding Self-Inspection

HUD solicited comment on how the clarification to self-inspect all HUD housing units in certain programs would impact operations.

Comments Supporting Requiring Self-Inspection

Many commenters supported annual self-inspections, noting that this requirement is a generally accepted best practice and it is good for HUD to make it a formal requirement. A commenter supported extending this requirement to any programs that do not currently require them; another noted that expanding the scope of the inspection across all the three inspectable areas will promote increased confidence in the self-inspection process, on the whole. Commenters noted that the self-inspection process has the potential advantage of decreasing the financial cost to HUD or the PHA of conducting a physical inspection.

A commenter stated that the time cost to the property was worth it because self-inspections allow staff to catch maintenance issues that might otherwise go unnoticed or unreported by the tenant. This commenter noted that if the maintenance problem is severe or persistent it could negatively impact the health of the tenant or cause long-term physical maintenance issues for the building.

Another commenter noted that a random unit selection like that used in a housing inspection cannot capture all maintenance issues, so it is important that the managing agent sees each unit firsthand annually.

HUD Response: With respect to the self-inspection requirement, HUD notes that an annual self-inspection was already required for the Public Housing

program at 42 U.S.C. 1437d(f)(3), and the requirement in the proposed rule was intended to mitigate gaps in inspections with the 2–5-year REAC inspection time frame, to ensure that unit conditions do not deteriorate in between inspections. HUD has retained the regulation that added this requirement to properties participating in Multifamily Housing programs. HUD considered the burdens associated with submission of self-inspection results of all properties and decided not to implement the proposed regular submission of self-inspection results for all properties. The full process for conducting self-inspections according to the NSPIRE standards will be detailed in the NSPIRE Administrative notice.

Comments Regarding Third Party Self-Inspections

A commenter cautioned against allowing a third party to complete self-inspections because allowing properties to shop for a friendly inspection company defeats the purpose of this potentially eye-opening tool. Conversely, another commenter suggested HUD require that annual inspections be conducted by a neutral third party, which often motivates PHAs and owners to finally address long overdue maintenance.

HUD Response: HUD appreciates these observations concerning the pros and cons of third-party self-inspections and will take this feedback into consideration as it further refines and details the NSPIRE self-inspection requirements in subordinate implementing notices. HUD will design quality assurance processes to achieve a high degree of confidence in the quality and objectivity of all types of inspections conducted under NSPIRE.

Comments Regarding Implementation and Enforcement of a Self-Inspection Requirement

Commenters had several questions about how HUD would implement a self-inspection requirement. Commenters suggested HUD provide a user-friendly and intuitive public software tool to perform the inspections at the property level. A commenter suggested including a mechanism for triggering a direct electronic report to HUD where an inspection revealed serious deficiencies. Another commenter asked what computer hardware would be required to perform the inspection and advised against requiring expensive hardware.

A commenter asked how property staff would be able to know all the rules that REAC NSPIRE inspectors are required to know, which the commenter

stated may require training and technical knowledge.

A commenter suggested self-inspection should be waived on years that an NSPIRE inspection is due to occur. A commenter asked how the requirements of a self-inspection approach align with a potential risk-based model.

Commenters urged HUD to provide details regarding the submission methods and self-inspection criteria that will be expected of owners and agents and urged HUD to carefully consider the feasibility of the new reporting requirements. A commenter cautioned that the process will not be efficient if owners aren't providing HUD with sufficient information in a usable format. A commenter noted that owners currently inspect different components of the unit during self-inspections, and flexibilities for COVID-19 have further adjusted self-inspection techniques. A commenter urged HUD to be transparent about what the submitted data/information will be used for and how it will be handled by the agency. A commenter urged the self-inspection protocol be as simple and intuitive as possible. A commenter recommended safe harbor guidelines around unit inspections, since issues such as tenants not allowing access often arise.

A commenter urged HUD to weigh the benefits of a standardized approach, which would supply data to the agency and allow HUD to compare “apples to apples” in terms of the state of the portfolio, vs. the ease of submission or completion of this requirement. This commenter urged HUD to maintain the lowest lift possible for owners to complete the self-inspection and reporting requirements.

A commenter urged HUD to make clear that the self-inspections can take place at any point throughout the year instead of all at once.

Commenters suggested HUD could seek to rely on local code enforcement history for a property, which is frequently complaint driven. A commenter suggested HUD should also accept complaints by local legal aid offices, public health officers, or other entities who have observed poor housing conditions or potential violations of State or local code violations. This commenter supported the NSPIRE demonstration's requirement that local code violations must be reported to HUD by participants and suggested HUD expand it to other complaints received.

A commenter urged HUD to utilize systems already in place for submitting information to HUD (e.g., the annual recertification process) or conducting

oversight (for example file reviews) instead of creating new systems for properties to submit self-inspection results to HUD. This commenter noted that if communities could simply document in the file that they have inspected 100 percent of units at any point throughout the year, or if they could submit a certification to that effect during the annual recertification process, it would eliminate the need to create new processes and systems.

A commenter asked what ramifications a property would face for failing to complete an inspection to REAC's expectations and how REAC would know if a 100 percent inspection is valid and reliable statistically.

A commenter asked how HUD will use information gathered from the self-inspections and what penalties housing providers could face as a result of the information obtained.

Another commenter suggested HUD make clear that any submitted results of self-inspections do not have any bearing on a property's official property inspection score. A commenter urged that the REAC inspection should be the central evidence for that claim.

A commenter suggested a self-inspection requirement must be coupled with an auditing process to verify the veracity of self-inspection reports. A commenter asked whether HUD has sufficient staff to review annual submissions from all covered properties. A commenter suggested HUD or PHAs verify self-inspection results when available, potentially every other year, but noted the administrative cost of doing so.

Comments Regarding Self-Inspection in Particular Programs

Commenters urged HUD to consider the differences between inspection requirements for the Public Housing program and the HCV, PBV, Mod Rehab, and CPD programs. A commenter stated that HCV landlords, especially small landlords, would be unable to absorb the cost of additional self-inspection.

A commenter suggested that the HCV, PBV, Mod Rehab, and CPD programs, which currently do not require self-inspection, should benefit from a reduction in risk-based annual inspections, similar to the 2–5-year inspection time period proposed for the Public Housing program. Other commenters stated that because these projects have annual or biennial unit inspections, they should not also have self-inspection requirements. A commenter stated it appeared that 232 health care facilities would have NSPIRE inspections waived and asked if

they would still be required to perform the annual 100 percent inspections.

A commenter asked who HUD believes would be responsible for self-inspections of voucher holder units. Commenters noted that since CoC-funded rental assistance projects have annual unit inspections, an additional self-inspection is onerous on the subrecipient as well as the PHA that would have to track and monitor subrecipients' compliance to this new requirement and recommended HUD not extend the self-inspection requirement to CPD programs.

A commenter advised against requiring self-inspections in the HOME program, which has a significantly different regulatory framework than the covered programs.

HUD Response: HUD notes that the requirement for a self-inspection was already a statutory requirement for public housing under 42 U.S.C. 1437d(f)(3) and was proposed to be extended to other programs under NSPIRE, except for owners participating in the HCV, PBV, and Moderate Rehabilitation Programs under proposed § 5.707. The final regulations include edits to clarify HUD's expectations for electronic submission only for properties scoring under 60 and retains the language that provides for additional notice with public comment before implementation. Generally, results of self-inspections will be used by HUD to monitor resolution of deficiencies and ongoing compliance with the NSPIRE Standards in failing properties, or those that score under 60 points. Requiring them broadly for all properties will help PHAs and Multifamily Housing owners ensure properties are regularly monitored and maintained. Reducing reporting burden for these inspections serves to align the Public Housing program with existing procedures in Multifamily Housing Programs.

HUD appreciates comments regarding the use of technology to facilitate self-inspection and swift transfer of information between the property and HUD. The Department is in the process of developing technology solutions and will take this feedback into consideration. Regarding concerns about the cost of hardware, HUD is developing a technology solution based off of the Salesforce platform. Inspection results will be uploaded via a phone, tablet, or computer—no specialized equipment will be necessary for the inspection, except a moisture meter as proposed in the NSPIRE Standards notice, if finalized. HUD also appreciates concerns regarding methods for uploading/transferring inspection data to HUD, inspectable areas, how data

will be used, timing, and user experience of inspection reporting systems. HUD's REAC is developing new technology to help facilitate easy transfer of the inspection results without any specialized hardware.

HUD agrees that adding this burden to small landlords participating in tenant-based programs may discourage landlords from accepting residents participating in the programs. PBV and moderate rehabilitation units are already subject to frequent inspections by the PHA, including PHA inspections resulting from tenant complaints. Additionally, the HCV, PBV, and Moderate Rehabilitation inspections are not numerically scored. Section 5.707 exempts owners participating in the HCV, PBV, and Moderate Rehabilitation Programs from self-inspection requirements. HUD declines to include Healthcare Programs, CPD-funded programs and Office of Multifamily properties that do not have an assistance contract at this time. The requirement to perform and upload an NSPIRE inspection would be a new burden for these programs.

When HUD implements the self-inspection requirements, training opportunities will be provided along with the implementing notice. Self-inspections performed to comply with § 5.707 shall be done in accordance with the NSPIRE Standards.

With respect to the comment about waiving self-inspections on the same year as the NSPIRE inspection of record, HUD has not allowed this flexibility under the NSPIRE rule because it would conflict with the statutory requirements for public housing under 42 U.S.C. 1437d(f)(3). Revisions to § 5.711(c)(2) allow PHAs and owners to fulfill this requirement in conjunction with the follow-up already required under that regulation.

With regard to the comments regarding local code violations or input from local organizations, HUD continues to seek ways to facilitate information sharing with local authorities. HUD-assisted housing will continue to be subject to local code requirements as covered in the regulations, but local code violations will not be included in the NSPIRE Standards or scoring at this time.

Comments Regarding How To Involve Residents in Self-Inspection

Commenters urged HUD to require the self-inspection be reported to residents and provided at no cost and also to add a provision providing a formal mechanism for residents to raise challenges to the HUD Field Office that must be investigated and addressed by

Field Office staff, requiring owners to cure any material deficiencies.

A commenter suggested that the tenant and the landlord walk the unit together and sign certifying the results, which would allow PHAs to have a reward program for tenants and landlords with good track record of completing the universal inspection certification (UIC). Another commenter urged HUD to make clear that self-inspections do not need to have a tenant signature attesting to the inspection, because many inspections occur while the residents is outside the unit.

A commenter urged HUD to implement the system allowing tenants to provide a “1–5” rating of their units, applied to categories including “HVAC,” “water,” and “electrical,” and recommended HUD aggregate these ratings for multi-unit properties to identify common issues at a single location. This commenter further recommended allowing feedback to be submitted both electronically and via regular mail to ensure involvement of all age demographics and avoid technological barriers.

A commenter requested HUD require PHAs and Owners provide at least 48 hours advance notice of inspections and notice of the completion of the inspection to residents and any present tenant organization, with information about the inspection that is accessible to the family.

A commenter recommended that during COVID the resident can do a self-evaluation inspection distributed by the management/owner with work orders being generated for completion, noting that it would cost less money to know that repairs are done immediately and not allowed to cause further damage.

HUD Response: HUD appreciates the suggestions related to tenant involvement in self-inspections but declines to implement them at this time. The self-inspection process will be spelled out in the NSPIRE Administrative notice, and HUD will provide an opportunity for tenant feedback in other areas of NSPIRE. There are formal procedures in place for residents to submit complaints regarding their property or unit and residents of HUD-assisted housing may call their local HUD office when they are unsure of how to navigate this process, as it varies by program. Public housing and HCV program residents can also bring concerns to their Board of Commissioners and attend board meetings. PHA Boards of Commissioners usually include at least one resident member. HUD also has field office coverage for every State and territory, see www.hud.gov/local.

Comments Opposing the Self-Inspection Standard and Suggesting Alternatives

Commenters stated that a self-inspection requirement is unnecessary, stating that most owners already do self-inspections and take good care of their property, rendering a requirement unnecessary and burdensome for owners and managers as they familiarize themselves with yet another protocol of inspection and reporting, especially if the owner chooses to hire a third party; that there is no convincing rationale for why REAC needs this level of information or how they plan to use it; and that HUD’s assumption that a universal self-inspection requirement would increase the quality of HUD-assisted housing is false because, were it true, there would be substantial differences in inspections scoring between Public Housing where self-inspections are required and other programs that do not require self-inspections. One commenter urged against new requirements being merely a “signal” and suggested new requirements must lead to improved outcomes which are predicted by data, particularly when there is no direct statutory basis for the requirement.

Other commenters opposed the self-inspection requirement as too costly, noting the increase in administrative burdens on staff and the PHA itself. Commenters expressed concerns that a self-inspection requirement would cause capacity constraints to private landlords that rent to voucher holders, threaten the ability to recruit and retain landlords, and prevent these landlords from urgently addressing move in inspection issues. A commenter opposed the requirement on the grounds that an annual self-inspection requirement might also be overly intrusive to tenants who are able to successfully care for their units, especially since many tenants in tax-credit properties also undergo inspections as part of tax-credit compliance.

Other commenters expressed an inability to assess the magnitude of the proposed requirement without understanding the parameters of the self-inspection or self-reporting requirements.

Commenters also stated that the proposed requirement would go beyond the Housing Act, which requires that PHAs “shall make an annual inspection of each Public Housing project to determine whether units in the project are maintained in accordance with” housing quality standards and noted the statute does not require that PHAs inspect each unit annually. A commenter noted that in a HUD Public

Housing Management E-newsletter in January 2012, HUD recognized that Congress did not intend that every unit be inspected every year, and noted that using another method, such as inspecting a representative sample of units or inspecting historically problematic units more frequently allows PHAs to “free up resources, especially those necessary to provide unit maintenance.”

As an alternative, a commenter suggested HUD work with Congress to remove the annual self-inspection requirement to be replaced by the risk-based inspection protocol as established by HUD to further deregulate and devolve control of public housing units to their owners.

Finally, commenters expressed concern that a self-inspection may not be effective if the inspector is not qualified to conduct a proper inspection and therefore will likely miss or misreport important issues. A commenter additionally expressed concern that housing providers might falsely self-certify compliance with lead-based paint certification and the remediation of defects.

HUD received the following comments in response to HUD’s request for alternatives to the self-inspection protocol.

Two commenters stated that the current annual self-inspection is adequate. Another suggested HUD require PHAs to inspect each public housing unit once every two years, rather than annually.

A commenter suggested HUD allow a documented entry for a maintenance purpose, during which a smaller scale inspection for safety hazards is conducted, to count as a self-inspection.

A commenter recommended implementing a Quality Control program that would provide Healthy Homes Assessment capacity to PHAs to ensure uniformity/consistency in the way the PHAs identify, evaluate, prioritize, and manage the hazards found in the home and provide random QC-checks to inspected homes using a combination of on-site and virtual home assessments.

Commenters suggested making the self-inspection protocol less burdensome. One recommended creating a self-inspection protocol that is the least burdensome possible, including no more than three categories, less than 5 sub-categories, and either paper or electronic submissions; another suggested HUD allow properties to simply document the inspections and work orders in the file instead of requiring the actual submission of an electronic report until requested by

HUD or monitored in an MOR. A commenter expressed concern over the submission of a self-inspection report, or a requirement that all a property's work order receipts for a rolling year be provided, as overly burdensome to property owners, and questioned what role the information will play in the REAC inspection or scoring.

Commenters suggested that HUD limit the reporting requirement so that properties will only report on the Health and Safety Risks identified and corrected at property within a given year. These commenters noted a narrower scope will ensure that the NSPIRE requirements are practicable while providing HUD with data on each property's most critical maintenance activities.

A commenter suggested that owners should not be allowed to self-certify that they have addressed severe health and safety citations on the grounds that HUD should not trust the certification.

Commenters suggested giving autonomy or options to residents to minimize the inconvenience or trauma of unit inspections, such as requiring 48 hours notice to residents before self-inspection, as well as allowing residents to opt in to doing a self-inspection, potentially with photo or video documentation. A commenter suggested allowing a resident to opt into less frequent inspections where historically the unit has been in very good condition. A commenter urged HUD to require that the annual inspections be no more than annual.

HUD Response: HUD appreciates the thoughtful feedback regarding self-inspections, and that property owners, managers and PHAs understand their obligation to provide decent, safe, sanitary housing in good repair at all times. HUD agrees that regular inspections should be occurring in well-managed properties, and that annual self-inspections should result in improved conditions and outcomes.

The United States Housing Act of 1937 requires that all PHAs "make an annual inspection of each Public Housing project to determine whether units in the project are maintained in accordance with the requirements."¹³ The requirement to perform an annual self-inspection in public housing did not change with the NSPIRE rule; however, in this rule, HUD has added a requirement for self-inspections for housing participating in Multifamily Housing programs, and a new regulatory requirement to electronically transmit the results of self-inspections for all properties that score less than 60.

Collecting self-inspections of every unit is consistent with current Multifamily Housing policy.¹⁴ HUD disagrees that self-inspections are overly burdensome and unnecessary and reminds PHAs and owners that they should not rely solely on HUD's inspections to manage their properties. If self-inspections are occurring as part of routine operations, or for compliance with the Housing Act, a new regulation clarifying this requirement is not a new burden.

HUD clarifies that self-inspections submitted to HUD should include all units. Inspecting every unit during a self-inspection (vs. sampling) was discussed in the preamble to the "Uniform Physical Condition Standards (UPCS) and Physical Inspection Requirements for Certain HUD Housing" rule published on September 1, 1998.¹⁵ While this final rule requires self-inspections for all properties on an annual basis, only properties scoring below 60 will be required to transmit a report with the results of the inspection to HUD. Self-inspections submitted to HUD must also adhere to the NSPIRE standards. The process for performing a self-inspection and transmitting it to HUD will be discussed in detail in a subordinate notice.

HUD is aware of the obligation on owners to certify to lead-based paint compliance through other processes and its limitation. These requirements are not included or changed in the NSPIRE rule. HUD agrees that results of self-inspection will not be used as part of calculating the physical inspection score, and instead will be part of the follow up HUD performs on properties that are failing, *i.e.*, score below 60. This requirement creates an incentive for PHAs and owners to ensure their properties are maintained and in good repair. If HUD program offices or the DEC are following up on results, they may request additional documentation, such as work orders, but the regulation at § 5.707 does not require that. For self-inspections, HUD continues to allow the use of remote video inspections as described in PIH Notice 2020-31, which could be done in coordination with the resident. PHAs and owners should continue to follow lease agreements for notice to residents before an inspection occurs.

HUD understands that residents are interested in the results of NSPIRE inspections and self-inspections, but because inspections contain detailed information down to the unit level, they may contain sensitive information. For

example, residents with pest infestations may not want that information made public along with their unit number. Information from REAC-performed inspections will be available to residents as described in § 5.711(h).

HUD acknowledges the suggestion to include Mod Rehab, PBVs and other CPD-funded programs in the self-inspection requirement but declines to include such a requirement at this time. First, these properties are not scored as Multifamily Housing and Public Housing programs. Secondly, for the PBV and Mod Rehab programs, these owners work directly with PHAs and do not submit reports to HUD. Moreover, under CPD-funded programs such as HOME and HTF, grantees already have the flexibility to require self-inspection as part of their ongoing property standards. To minimize the burden of inspections, HUD has allowed flexibility to PHAs and owners to combine the self-inspection requirement in the years HUD performs an inspection with the follow up inspection in § 5.711(c)(2). With respect to "Healthy Homes Assessments" and their use to identify, evaluate, prioritize, and manage the hazards found in the home, REAC collaborates with HUD's Office of Lead Hazard Control and Healthy Homes to help ensure inspections include hazards that can cause death, illness, and injury in residents, and intends to include many elements of a health and safety assessment in the NSPIRE Standards notice. HUD will require that self-inspections use the NSPIRE Standards so that results are consistent and can be compared to inspections performed by REAC. For quality assurance, HUD will provide information on the qualifications and training recommended for persons performing self-inspections. Additional details about the self-inspection process will be discussed in detail in the administrative notice. This process will also allow PHAs and owners additional time to establish or modify a self-inspection program.

Section 5.709 Administrative Process for Defining and Revising Inspection Criteria

Comments Regarding Updating Revisions to Inspection Procedures Every 3 Years

Commenters supported revisions of standards every three years to allow HUD to respond to the changing needs of an evolving housing portfolio. One commenter opposed any new changes to inspection standards and requirements

¹⁴ See Housing Notices H 2015-02 and H 2018-08.

¹⁵ 63 FR 46566.

that are made outside of the **Federal Register**.

Some commenters cautioned that HUD should avoid upending inspection standards every three years. One commenter, while supporting the transparency behind continual updates to standards on a 3-year cycle, noted concerns with respect to the impact on building systems and suggested that HUD should be mindful of costs and impacts on housing owners, managers, and tenants caused by significant updates and changes. Commenters suggested HUD adopt advisory scores and transition times for major changes to standards, and support properties as they make significant new upgrades, including when new standards are first implemented, and that stakeholders be given ample time to comment and understand the guidelines. A commenter recommended 30 days' notice prior to new procedures becoming effective.

HUD Response: HUD believes that a periodic scheduled review of the Standards and Scoring Model will allow for iterative improvements to the NSPIRE inspection process, adapting to changing technologies and circumstances in our portfolio. The routine triennial revision process will allow for a public comment period of no less than 30 days in the **Federal Register**. HUD will take feedback related to advisory scores and transition times for major changes into consideration. Scoring under PHAS may have a transition period to be announced at a later date. Additional guidance will be in subordinate notices which will be published in the **Federal Register** and available for public comment.

Comments Regarding Emergency Revisions to the NSPIRE Standards

Some commenters opposed the proposed changes to § 5.709(a)(2), which would allow HUD to publish a notice implementing changes to the inspection standards without public comment in an emergency, defined as “a significant health hazard, a new safety concern due to changing construction technology, or another event as defined by the Secretary.” One commenter stated that HUD did not provide an example of what changes would constitute an emergency under this definition, and urged HUD to provide a comment period for all significant changes made to the standards so that various stakeholders have an opportunity to weigh in. Another commenter suggested that no type of severe health or safety deficiencies, new safety concerns, or other events would necessitate the

Secretary to publish a final notice without 30 days of public comment in the case of an emergency that permanently changes inspection standards and scoring methodology. This commenter suggested that the regulation should be amended to make it clear that any regulations published without notice and comment will be implemented on an emergency basis, time-limited, and subject to notice and comment prior to final implementation. Another commenter suggested that if HUD decides to proceed with emergency provisions without such a comment period, there must be a grace-period of at least 30 days for inspections that occur immediately following the release of the emergency revision, and that such deficiencies should not negatively impact a property's score for the first inspection which such emergency revisions are included. A commenter expressed preference for a 30-day public comment period on all published notices but understood health and safety emergencies require swift action.

Commenters also noted that § 5.709(a)(2) concerning emergency revisions refers only to public housing and suggested that the provision in the final rule should include all HUD housing.

HUD Response: HUD thanks commenters for their suggestions about the process to announce and implement emergency provisions without public comment. HUD believes that there are types of LT and Severe concerns that would require an emergency notice, and as written in the final rule the provision is available for “HUD housing”, or programs covered by this rule. When a significant health or safety hazard exists, allowing 30 days for public comment before taking corrective action may cause severe injury or loss of life. HUD intends to weigh the exigency of the situation in advance of decisions and limit provisions to a reasonable timeframe, or to the duration of the declared emergency. HUD may also consider notices that are final upon issuance but still include an option for comment.

Question for Comment #18: Definitions for Kitchens and Sanitary Facilities

HUD sought input on whether and how it should define kitchens and sanitary facilities. HUD received the following responses.

Comments Regarding Whether To Define Kitchens and Sanitary Facilities

Many commenters supported definitions for both kitchens and sanitary facilities, stating that

definitions would ensure everyone is inspecting and providing the same standard across the board and that doing so would help eliminate ambiguity during inspections.

Other comments opposed defining these facilities, suggesting they are already adequately represented by local building codes and any effort to standardize these definitions nationally could result in a discrepancy between HUD's definitions and State or local approaches. A commenter cautioned that defining these rooms could limit the number of units available to voucher holders and may risk owner participation in the HCV program if units do not meet HUD's proposed specifications.

Other commenters had suggestions for both standards. Commenters suggested that HUD defer to local code or go no further than local code. One commenter stated that a definition should be defined by the number of fixtures, another stated that definitions should apply only to new construction or properties that are renovated, and only if the definitions match current building code. A commenter recommended that if HUD decides to amend or change these definitions, HUD do so in a uniform manner across programs; another suggested that the definitions used in the HCV program are reasonable and should be used as a guide for the purposes of NSPIRE.

A commenter suggested that the definitions be broad enough to account for different types and eras of housing, such as variations in SROs, micro-studios, and older housing. This commenter noted the NSPIRE standards currently require kitchen ventilation or a range hood that filters air to the exterior, a building design that is uncommon in older homes and apartment buildings and which could be costly for some owners to upgrade.

Comments Regarding How To Define Kitchen and Sanitary Facilities and Their Related Components

Commenters supported defining a kitchen and its related components.

Commenters recommended that a kitchen be defined as having an approved cooking appliance (such as a stove or oven with overhead vent fan, range, or heating plate), a sink (with hot and cold running water), a refrigeration unit, and a garbage disposal, sufficient light and ventilation, and a minimum clear working space of 30 inches. A commenter cautioned that HUD should keep in mind the size of the units. A commenter recommended using the IPMC.

A commenter cautioned that HUD should not define “functional adequacy” to allow stoves and refrigerators when they have outlived their “useful life” because residents should not be saddled with outmoded, unsightly, antiquated appliances that send a message that HUD tenants are “second class citizens” or that that HUD tenants do not deserve the best.

A commenter recommended HUD provide some flexibility to ensure that units, like SROs for example, that do not have cook tops or other components typically associated with kitchens are not penalized if the unit does not come equipped with those components. A commenter urged HUD not to regulate by equipment type.

Commenters supported defining a sanitary facility and its related components, noting that the quality of these facilities is closely tied to the ability of residents to be safe and healthy in their homes, and HUD should clearly identify its expectations for these critical facilities. A commenter stated that because bathrooms are more standard than kitchens, it is appropriate to define a bathroom in the standards.

Commenters suggested HUD require a toilet, sink, and bathtub or shower in sanitary, safe working condition. A commenter noted that this would be consistent with the IPMC. A commenter noted that the bathroom should have hot and cold running water.

Some commenters recommended a ventilation requirement to avoid mold. Another comment noted that many building codes across the country do not require bathroom ventilation, and as such ventilation should not be considered a component required for functional adequacy unless it is required by local codes.

A commenter suggested standards should reflect appropriate standards for compact and micro units. A commenter suggested that a bathtub be replaced with only a way of washing that is not necessarily a shower or bathtub depending on the size of the unit. Another commenter suggested a sanitary facility should also provide privacy to those using the facility.

A commenter opposed adding a definition for sanitary facility and stated that the inspectors are trained professionals and based on general HUD guidance should be able to assess each component/fixture normally tested during the NSPIRE inspection.

HUD Response: HUD appreciates the diverse comments received on kitchens and sanitary facilities and agrees that there are variations in different types and eras of housing, and that some level of definition is needed. HUD will

include definitions that align with the American Housing Survey in the Administrative notice. Further, all HUD-assisted units should meet a minimum standard for habitability, but this definition could allow for some flexibility. HUD also reviewed how kitchens and sanitary facilities are defined in the American Housing Survey. As provided in the final regulation at § 5.703(d) as an affirmative habitability requirement, kitchens must have a sink with hot and cold water, a cooking appliance, a refrigerator, food preparation area and a food storage area. Sanitary facilities must have a sink with hot and cold water, a bathtub or shower, interior flushable toilet and be usable in private. For the HCV and PBV programs, the regulations for Special Housing Types at part 982 subpart M will continue to apply.

Outside of the minimum affirmative habitability requirements, the NSPIRE standards will also account for health and safety concerns related to kitchens and bathrooms, such as minimum ventilation and mold. Additional information on the individual components, their definition and functionality will be in the NSPIRE Standards notice, within the relevant standard (e.g., Bathtub and Shower Standard, Kitchen Countertop Standard).

Section 5.711 Scoring, Ranking Criteria, and Appeals

Comments Regarding § 5.711(a), Applicability

A commenter recommended HUD include a cross-reference to the Section Eight Management Assessment Program regulations in § 5.711(a).

HUD Response: HUD notes that this cross-reference already existed in HUD’s proposed rule. HUD is keeping this cross-reference at the final rule stage.

Comments Regarding § 5.711(c)(1), Inspection Requirements

A commenter objected to expanding what qualifies as an exigent health and safety deficiency in need of a 24-hour work order as unnecessary.

A commenter urged HUD to provide a formal mechanism for residents to raise challenges to the certification and supporting evidence to the HUD Field Office that must be investigated and addressed.

Commenters noted that the proposed rule’s preamble stated that severe health or safety deficiencies would have to be addressed within 24 hours, while other deficiencies would need to be corrected within 30 days, but the text of paragraph (c)(1) only discusses severe health or

safety deficiencies that must be “mitigated” within 24 hours and paragraph (c)(2) merely directs an owner to correct non-life-threatening severe health and safety deficiencies “expeditiously”—not within 30 days. Commenters urged HUD to clearly require an owner to correct non-life-threatening severe health and safety deficiencies within 30 days. A commenter noted that establishing clear timelines for redressing deficiencies is paramount to health and safety of citizens, and noted that deficiencies may be regionally contextual, such as the failure of HVAC in a warm climate in summertime.

Commenters objected to the term “mitigated” as it does not mean to eliminate or abate and recommended HUD use “corrected or resolved or sufficiently abated.”

A commenter recommended that HUD should state the party responsible for the physical inspection will provide the owner and PHA with the entire physical inspection report (electronically through the internet or by mail), which provides the physical inspection results and other information relevant to inspections, including all deficiencies, similar to the language currently in § 200.857(c)(1).

HUD Response: HUD is designing its NSPIRE standards with the goal of prioritizing the health and safety of residents. In this final rule, the term “Severe Health and Safety” is revised to LT to better align NSPIRE to the terminology and correction time frames in HOTMA. As described in the NSPIRE Standards notice, LT deficiencies are those that, if evident in the home or on the property, present a high risk of death or severe illness or injury to a resident. For the HCV and PBV programs, HOTMA also defines the response times for LT deficiencies to be corrected within 24 hours, and for all other deficiencies to 30 days. Because different deficiencies will have different ways to resolve the deficiency, the expectation for what can be completed in these time frames will be adjusted, while still allowing for some local flexibility and discretion. For a LT deficiency in the context of Multifamily and Public Housing, “corrected” means that the PHA or owner has either completed all repairs, or at least controlled or blocked access to the hazard in a manner that it no longer poses a severe health or safety risk to residents of the property. HUD recognizes that to permanently repair some deficiencies, the PHA or owner may need additional time for a licensed professional or specialized supplies that may not be available in a 24-hour

timeframe. Guidance for correction timeframes and evidence that correction is complete is in the Administrative notice. Repairs will vary by the component and level of deficiency, and some mitigations will be approved on a case-by-case basis to meet the statutory and regulatory timeframes. For example, if a PHA has to procure specialized or certified trades professionals, it may take 30 days just to prepare a request for proposals and get approval from the Board of Commissioners.

HUD does not agree that all non-life-threatening deficiencies can be completely resolved in 30 days or less and wants to retain the flexibility already available. Some deficiencies may be property-wide, require special expertise, and/or the services may not be readily available to fully address the deficiency. HUD also appreciates that some deficiencies may be exacerbated by local conditions, especially local climates, and this should be considered to ensure the health and safety of residents. For LT deficiencies, HUD has used the term “corrected” to align with HOTMA. If the PHA or owner at least prevents or blocks potential harm to residents in 24 hours, more extensive repairs can be done over a longer time frame, with approval from HUD and as described in the NSPIRE Administrative notice. HUD can also allow temporary relocation of residents as a method to prevent harm to residents while repairs are completed. In some cases, temporary relocation of residents is required.¹⁶ Under § 5.711(c)(1), the deficiency must be corrected, and owners and PHAs cannot simply block access in perpetuity. With respect to comments about providing the owner with a copy of the inspection report, HUD is developing technology solutions to provide quick, seamless transmittal of results to owners and agents.

Comments Regarding § 5.711(c)(2), Post-Report Inspection

A commenter stated that submitting all work orders related to an NSPIRE inspection would be an unnecessary administrative burden and noted HUD did not provide a rationale for requiring this data or plan for how HUD would use it. This commenter questioned whether HUD has the capacity to review and respond to such a data flood effectively and consistently and asked if HUD is going to require PHAs/POAs to use a specific type of maintenance work order reporting platform.

A commenter suggested § 5.711(c)(2) should be modified to remove the extra post-inspection 100 percent self-

inspection, noting that this is now a second 100 percent self-inspection and a REAC inspection in one year, and that three inspections in one year is burdensome to owners and managers.

HUD Response: At the final rule stage, HUD has changed the reporting requirement to only apply to LT and Severe deficiencies, and offered flexibility to combine the self-inspection under § 5.707 with the post-report inspection described in § 5.711(c)(2).

Comments Regarding § 5.711(c)(4), Technical Review of Inspection Results

Commenters noted in § 5.711(c)(4) the language references “four sources of error” but there appear to be only three sources. Commenters supported making the “fourth source of error” the currently entitled “database adjustment” and suggested it should be moved to this section.

A commenter recommended HUD indicate that the basis for a technical review is a material error associated with the physical inspection score, and that building data errors, unit count errors, and non-existent deficiency errors are types of material errors.

A commenter suggested that paragraph (c)(4)(ii) be amended such that HUD’s system of records do not actually need to be updated, but the owner only needs to notify HUD and request that HUD’s system of records is updated, to account for situations in which it is not the owner’s fault that the system is not updated.

HUD Response: HUD agrees that the numbering of this part of the proposed rule was incorrect. HUD has corrected this numbering. HUD is also amending the final rule to restore the language for database adjustments in §§ 902.24 and 200.857.

Comments Regarding § 5.711(d), Technical Reviews

A commenter supported the extension of technical review submission from the current 30 days to 45 days and the ability for electronic submissions. Another commenter opposed the change because the increased time period to submit a request for a technical review would unduly delay the remediation of deficiencies at properties, particularly in light of HUD not including a time period for which a PHA or owner must complete its survey of the property and remediation of any non-life threatening severe health and safety defects. This commenter also asked HUD to define what day will be considered the “day of release” of the physical inspection report.

HUD Response: In this final rule, HUD has retained 45 days in § 5.711(d)

for technical reviews. The technical review process should not delay the process to remediate deficiencies. LT conditions will still require correction in 24 hours. With regard to “day of release,” HUD has revised this term to be “the day the inspection report is provided to the owner or PHA.”

Comments Regarding § 5.711(d)(2), Request for Technical Review

A commenter noted that currently REAC can issue a new physical condition score or keep the same physical condition score and asked why HUD needed to change this option. This commenter stated that in order to fully comment on this HUD should provide the parameters pursuant to which REAC will make these determinations and urged that REAC should only undertake a new inspection if the owner requests it. Another commenter urged HUD to accept for review any property’s technical review regardless of the number of points at stake for any individual property.

HUD Response: HUD appreciates the feedback and will discuss this matter in the subordinate Administrative Procedures notice.

Comments Regarding § 5.711(d)(3), Burden of Proof That Error or Adverse Conditions Occurred

A commenter agreed that the burden of proof should rest with the PHA/POA, but noted HUD has the obligation to carefully consider the evidence presented, to research and carefully examine the protocol, guidance and precedent, and to provide a response that lists what was considered and the reasoning for the decision so that the response serves as a teaching tool, providing insight about the deficiency in question, not just to those who requested the technical review, but to others as well.

A commenter suggested all technical reviews and decisions need to be available and accessible to the public to provide residents the ability to know more about the final result of the inspection, serve as a teaching tool for PHAs/POAs who can see if there is any precedent for a deficiency they are attempting to appeal, and ensure a more consistent application of the protocol by inspectors who will be able to see if they are citing deficiencies that are non-existent. This commenter noted that REAC has rejected documentation and arguments that they previously accepted without any explanation as to the change in standards.

A commenter recommended HUD should revise “owner” to read “owner or PHA” in § 5.711(d)(3) for clarity.

¹⁶ See, e.g., § 35.1345(a)(2).

HUD Response: Details regarding burden of proof are included in the Administrative Procedures notice which will be published before this final rule is effective. HUD regularly used “owner” for either the PHA or Multifamily owner entity but has revised the regulations that apply to both PHAs and owners to indicate applicability more clearly.

Comments Regarding § 5.711(d)(5), Significant Improvement

A commenter asked how “significant improvement” is to be interpreted and noted that for any one property, even a 1–5 point improvement in a score might not move that property’s ranking from one level (such as standard) to another (high performer), but can collectively within a portfolio improve the PHA’s overall PHAS score.

HUD Response: HUD agrees that moving a ranking level up (e.g., substandard vs. standard) is significant. The term “significant improvement” was included to ensure that PHA, owner and government resources are used efficiently. Additional details about the technical review are in the Administrative Procedures notice.

Comments Regarding § 5.711(d)(6) Reinspection

A commenter believed that HUD should bear the expense from reinspection where HUD determines that the reinspection is required, and suggested that if there is a threat to the inspecting party of bearing the cost if the new inspection score results in a significant improvement, then that inspection will not be impartial. This commenter also noted that if a PHA/POA has the threat of bearing the cost if no significant improvement occurs, that will have the effect of discouraging them from requesting the technical review even if they strongly believe there was an error.

A commenter cautioned that an inspector could fail a site to get additional money from reinspection, and also that tenant-induced damage or a tenant’s refusal to allow access could lead to a fail that management does not deserve.

Commenters asked for clarification on what HUD considers a reasonable inspection fee. A commenter opposed HUD determining whether a reinspection is appropriate and suggested that the inspection occur only upon request from an owner or manager, and that HUD should make the inspection within 30 days of the owner’s request.

HUD Response: HUD appreciates the comments on issues surrounding

reinspection and cost, but has decided not to change this language at the final rule stage. If a new inspection is undertaken by the inspecting party and the new inspection score results in a significant improvement in the property’s overall score, the entity responsible for the inspection shall bear the expense of the new inspection. If no significant improvement occurs, then the owner or PHA responsible for the property must bear the expense of the new inspection. Owners and PHAs can collect reasonable fees for tenant damages through lease enforcement.

Comment Regarding § 5.711(d)(7), Deficiencies

A commenter suggested § 5.711(d)(7) is punitive and the triple point deduction should be removed as it would bar earnest owners and managers from appealing or requesting reinspection.

HUD Response: HUD appreciates the commenter’s feedback and accepts this recommendation. The regulations include other enforcement mechanisms to ensure that deficiencies are corrected.

Comments Regarding § 5.711(e) Independent HUD Review

A commenter also suggested that “modernization work in progress,” which is a common ground for appeal for aged properties undergoing moderate substantial rehabilitations, should be grounds for independent HUD review. A commenter noted the language in the proposed text mirrors 24 CFR 200.857(e)(1), but the proposed language does not include “owners” and recommended HUD include “owners” in the proposed language along with PHAs to ensure clarity. A commenter also urged HUD to include the process and timing for requesting a score adjustment in the final rule for clarity.

HUD Response: Modernization work in progress was previously included in § 902.24(c) and was not included in the proposed rule. HUD has added this language at the final rule stage. The final rule keeps the proposed rule’s requirement that a score adjustment request be made no later than the 45th calendar day following the release of the inspection report. Because the basis for the technical correction may be complicated, HUD has not provided a limit on the time it may take to review these requests. HUD intends to provide additional information on this issue in guidance.

Comment Regarding § 5.711(f) Responsibility of Final Score and Publication of Scores

A commenter stated there should be no reinspection mandated by HUD outside of the 2–5-year range or as required by statute and only the owner should be able to request reinspection. This commenter also suggested HUD should have clear guidelines around when and how it will grant a reinspection to requesting parties and noted that the new inspection score should be considered the final score only if the owner requested it.

HUD Response: HUD appreciates the feedback but disagrees with the commenter’s perspective. Reinspection can be a necessary tool for HUD to review score disputes and to conduct oversight at properties and ensure compliance with the regulatory agreement at the property. While having some guidelines around how reinspections will be conducted is appropriate, HUD needs to have the flexibility to make dynamic decisions to reinspect in response to emergency situations. Once a reinspection occurs the resulting score will become a score of record and will be made available to the owner.

Comments Regarding § 5.711(g) Issuance of Final Score and Publication of Score

A commenter stated it is unclear whether posting of the final score will be publicly available and suggested HUD must maintain confidentiality in terms of providing access to reports or ownership information and this should be clarified. Another commenter requested HUD correct § 5.711(g)’s two references to paragraph (c), stating that both of these references should be references to paragraph (e).

HUD Response: The final rule keeps the proposed rule’s language at § 5.711(g) that HUD will make final scores public on HUD’s internet site or other appropriate means. Section 5.711(h) also provide a process for owners, managers or PHAs to notify residents of inspections and make the results available. HUD regularly publishes its REAC inspection scores on the HUD website for both Public Housing and Multifamily properties: www.huduser.gov/portal/datasets/pis.html. HUD program areas also maintain websites with certain data. The Office of Multifamily Housing regularly publishes REAC inspection scores here: www.hud.gov/program_offices/housing/mfh/remslremslinspecscores/remslinspsscores.

Under § 5.711(h)(2), tenants may request to view inspection reports after the 45-day appeals process is complete. Section 5.711(h) is based on and replacing the old Multifamily Housing requirement which was previously included in 24 CFR 200.857(g). HUD has corrected the citation to paragraph (c) to paragraph (e) and thanks this commenter for identifying this incorrect citation.

Comments Regarding Paragraph (h)(1), Notification to Residents

Commenters suggested HUD require 7-days notice to residents before an inspection, with a minimum notice of 48 hours, or at least the time period proscribed by State and local law. A commenter noted that the current 24 hours is not enough time for residents to prepare their units or make appropriate arrangements.

Commenters suggested owners be required to explain to residents the details about the inspection such as why it is happening, residents must be informed of their right to be present during an inspection, to identify problems to the inspector, to meet with the inspector prior to its start, and to designate a tenant representative to accompany the inspector on their rounds. Commenters recommended HUD prescribe specific, plain language for owners to utilize regarding REAC inspections, as it does for Section 8 Opt Out Notices, to mitigate this problem.

A commenter suggested that HUD clarify that notification to residents must be done in accordance with the resident lease.

HUD Response: HUD appreciates the feedback but declines to expand the language in this provision to include a 48-hour to 7-day notification window for unit/property inspection. Notification requirements are already included in leases and will vary by owner and program. In the Public Housing program, for example, the model lease requires at least 48-hours notice. HUD therefore declines to revise this requirement in this rulemaking.

With respect to additional tenant guidance regarding the inspection process, this final rule does require owners and PHAs to post in the management office and on common bulletin boards availability of the final inspection report for review along with supporting documents and correspondence as specified in § 5.711(h)(2). HUD continues to seek avenues to expand tenant participation in the NSPIRE inspection process which will be addressed in subordinate notices via the **Federal Register** and available for public comment.

HUD supports the suggestion to include language that notification should also be in accordance with the resident lease, as this is consistent with current practices.

Comments Regarding Paragraph (h)(2), Availability of Documents for Review

Commenters recommended that these documents should be provided at no additional cost. A commenter recommended HUD specify that documents available for review, including but not limited to the REAC inspection Report and related correspondence and the results of any re-inspection and appeals, should be available for residents to copy during normal business hours upon request.

Commenters recommended owners and agents should be required to retain these documents for inspection or review by tenants or the tenant association for five years, not just the current 60-day limitation. A commenter stated this would echo the five-year retention and availability provision of the statute creating the Comprehensive Housing Affordability Strategy (CHAS), one of the statutory underpinnings of the Consolidated Plan. Another commenter recommended removing the time limit requirement entirely.

HUD Response: As stated in § 5.711(h)(2)(i) of this rule, tenants of HUD housing have a right to review and copy the final inspection report and related documents upon reasonable request during regular business hours. There is no cost associated with reviewing the documents. The rule language specifies related documents include the owner's survey plan, plan of correction, certification, related correspondence, appeals, reinspection, etc.

HUD declines to mandate a longer document tenant-review period. Program record retention periods are determined in accordance with agency document retention policies and applicable Federal law. Because property conditions can change over time, inspections that are four or five years old may not still be current. Members of the public interested in older property inspection information from REAC can submit a Freedom of Information Act (FOIA) request to HUD.

Comments Regarding Paragraph (h)(3)

A commenter asked for more details regarding the required date on which the notice must be posted and the duration of the posting.

Commenters recommended HUD add that the materials provided by the owner for resident inspection should include the owner's certification that

severe health and safety deficiencies have been abated within three days and the owners' materials should also be provided to any legitimate tenant association, as defined by HUD at 24 CFR part 245, subpart B.

Commenters also recommended HUD require that the notices in § 5.711(h)(3) should encourage residents to comment directly to the HUD Field Office with the name of the responsible Field Office staff and their direct phone number and email address, and Field Office staff must acknowledge receipt of comments from residents with seven days of receipt and respond substantively within 14 days.

HUD Response: HUD agrees and added a requirement that owners and PHAs post this notice within three days of the inspection. HUD also appreciates the feedback that the rule should require owner certification that severe health and safety deficiencies have been corrected. This final rule keeps language from the proposed rule that states that certification must be made available for tenant review and copying, which would include severe health and safety certification. HUD believes the final rule language addresses the commenters' concerns by keeping language from the proposed rule that requires that the owner's posts include the name, work address and telephone number of the HUD Account Executive and tenants are encouraged to contact HUD with any concerns or noted discrepancies.

Comments Regarding § 5.711(i) Administrative Review of Properties

Commenters recommended residents should receive notice and DEC should be obligated to consult residents when evaluating the property.

Commenters recommend that HUD add that owners must post the notice regarding submission of the property for DEC evaluation and enforcement to tenants explaining what a below 30 score means, why the property has been referred, and what that implies. A commenter suggested the explanation must state that transfer of the file does not mean the subsidy will be terminated but is a process to address concerns and bring the property into compliance. A commenter suggested tenants and their representatives should be encouraged to submit their own comments to DEC, if they choose. A commenter noted it has often been the efforts of residents and advocates that have resulted in the preservation of assisted properties and improved housing conditions for families.

A commenter recommended HUD amend paragraph (i) to clarify that documents, reports and correspondence

between the owner and DEC shall be made available to residents and their representatives, with the aim of including their input in DEC's analysis, recommendations and remedial action, before final decisions are made, consistent with Housing Notice 2018-8.

Commenters supported paragraph (i)(2) but stated that DEC's analysis "may" include input from tenants, along with HUD, elected officials and others and requested should be changed to "shall", and that any subsequent site visit by DEC to the property include a meeting with residents and/or the legitimate tenants association, if any.

A commenter recommended HUD clarify that ownership and management need 2-week advance written notice of DEC evaluation site visits.

A commenter noted that the proposed rule did not incorporate important language about DEC's compliance and enforcement from 24 CFR 200.857(h)(2) and (i) and urged HUD to include it, especially regarding supporting and relevant information and documentation, and the development of a compliance plan.

A commenter suggested HUD should make information regarding enforcement actions taken by HUD publicly available and noted proactive residents and local advocates are essential to the type of efficiency HUD says it is seeking, such that HUD must publicly provide property-level information regarding conditions, mortgage maturity dates, housing assistance payment contract expiration dates, and HUD's actions to enforce its programmatic requirements.

HUD Response: Referrals to the DEC will be automatic for Public Housing and Multifamily Housing properties that score 30 or below. Properties receiving two successive scores of less than 60 may also be referred. Additional information about this process will be in the Administrative notice including a requirement that the PHA, owner or agent must provide a copy of notification of referral to the Department Enforcement Center to residents and certify it has done so by reasonable means such as leaving a notice under each door, posting in a mail room and on each floor, which is consistent with past practice outlined in Housing Notice 2018-08. HUD is not planning any additional notice or communication to residents or the public about referrals to the DEC, or information about the investigation and follow up, but the public has the right to submit a Freedom of Information Act Request. If a DEC review includes unit inspections, residents will receive notification in accordance with their lease. HUD

declines to include a two-week notification requirement to owners and PHAs in regulation for site visits. HUD acknowledges the role tenants and advocates play in identifying conditions in housing and advocating for repair and preservation of existing affordable housing but declines to require that all administrative reviews include tenant input by adding "shall." HUD believes that the addition of tenant participation into the REAC inspection process via the NSPIRE final rule gives residents a substantive feedback apparatus and that additional tenant participation during a DEC referral should be at the discretion of the DEC after consultation with program offices. Additional administrative procedures will be provided in a subordinate notice. This notice will include guidance on supporting and relevant information and documentation and the development of a compliance plan.

Other Comments Regarding § 5.711

A commenter suggested HUD remove "significant" from "significant improvement" in paragraphs (c)(3) and (d)(2), and other instances. This commenter stated there is no intent to waste the Department's time with appeals and to make an appeal takes time and resources from the owner or manager appellant, such that this is a sufficient bar to frivolous appeals. This commenter noted that under the current scoring system, it is not simple to ascertain whether different appeals will result in improvements to the score and going from a 29 score to a score of 32 may not be "significant" in terms of scoring, but is significant enough to withdraw a trigger for DEC referral. This commenter noted that increasing your score from a 59 to a 61, while not being a "significant" improvement in score, does take an owner or manager from "failing" to "passing."

A commenter recommended generally that tenants, legitimate tenant associations, and their representatives be given Notice, Comment and Appeal rights parallel to owners and agents, at each step of the REAC process and requested that HUD recognize this explicitly at each step, and allow tenants to post comments and photos electronically and/or in writing, in response to each stage, from initial inspection report; a final report after technical appeals; and an owners certification that severe health and safety citations have been addressed.

A commenter recommended HUD set a stationary scoring threshold to be used to refer properties to the Departmental Enforcement Center (DEC) and retain HUD's ability to send properties scoring

higher than the stationary threshold to DEC so that HUD sets clear expectations for the owner, residents, and advocates regarding what will trigger HUD's enforcement action. This commenter noted HUD's current enforcement practices for specific properties are often inaccessible or unknown to residents and advocates. This commenter stated that the stationary scoring threshold should not be lower than 30 and suggested HUD also consider if properties scoring at the specified threshold generally have numerous life-threatening severe health and safety deficiencies, have difficulty correcting the defects within the HUD given timeframe, have difficulty substantially raising their score in the subsequent inspection, and have numerous State or local code violations.

HUD Response: HUD appreciates the feedback but declines to implement the suggested revisions with respect to use of the term "significant" in paragraphs (c)(3) and (d)(2). This language was added to discourage owners and PHAs from requesting technical reviews that will likely not result in substantial change to the score. In drafting this regulation, HUD considered current Federal resources and the administrative burden that technical reviews require and establishes a basis for HUD to decline a request.

With regard to expanding tenant participation in the appeals process, HUD will continue to explore the appropriate ways in which to engage tenants in the NSPIRE inspection process outside of what is already included in § 5.711(i)(2). Adding a required tenant element to this process would be administratively challenging for HUD, the DEC, PHAs and owners and could delay case resolution. Consultation with residents will remain as an option under the regulations. Tenant participation outside of administrative referrals will be outlined in future subordinate notices published in the **Federal Register**.

The scoring threshold for DEC referrals will be 30 and under, and properties that score under 60 in two successive inspections. The language in § 5.711(i)(1) and (3) has been revised to reflect that this process will include both Multifamily housing programs and Public Housing and the relevant HUD program offices. The addition of properties with scores of less than 60 in two successive inspections matches the current process outlined in Housing Notices H 2015-02 and 2018-08. HUD notes that an administrative referral to the DEC is not the only way HUD's program offices follow up on physical deficiencies. Staff in HUD's program

offices, field offices and the Performance-based Contract Administrators (PBCAs) also do this oversight and follow-up. HUD will take this feedback into consideration as it details administrative procedures in subordinate notices.

Question for Comment #19: How To Approach Tenant-Induced Damage

HUD solicited comment on how to fairly approach tenant-induced damage and received the following responses.

Comments Regarding Problems Caused by Tenant-Induced Damage

Commenters noted that tenant-induced damages can be expensive and often go unreimbursed. A commenter stated that HUD has long been aware of the problem of tenant-induced damage and should have acted long ago. Commenters noted HUD's intended update to inspectable areas would increase the weight of in-unit scoring, which has the potential to significantly increase the impact of tenant-induced damage on the scoring.

Commenters stated that the biggest problem with tenant-induced damage isn't the cost of repair but being penalized by HUD for the damage. A commenter noted that most repairs can be easily handled in due course, another noted that tenant-induced damage can be inside and outside the unit.

Commenters noted that properties are often not aware of tenant-induced damage and that scoring physical deficiencies caused by tenants forces owners to invade residents' privacy to check for tenant-induced damage.

A commenter identified the following as types of tenant-induced damage: (i) deficiencies for blocked egress where a tenant has moved furniture in front of doors and windows, even after owner or its agent has requested that the item be moved and verified that it was moved; (ii) resident installed fans and air conditioning units; (iii) improper storage of items in the oven by residents; and (iv) condition of tenant owned appliances over which the owner has no control.

A commenter stated that owners and managers often use "tenant induced damage" as an excuse to avoid responsibility for ordinary wear and tear, or other damage not induced by the tenant to pass along charges to tenants, and to harass tenants. This commenter noted that owners and agents blame tenants for mold in their units, when the mold is due to the presence of moisture caused by water leaks and poor ventilation. This commenter stated that owners and managers seek to foist on residents charges through questionable

"House Rules" for items which should be part of the ordinary maintenance of the property such as lightbulb or lock/key replacement. This commenter recommended HUD investigate this matter further and carefully construct future rules on this matter with consultation from tenant leaders and legal service agencies.

Support for HUD's Current Method of Handling Tenant-Induced Damage

Commenters stated that HUD should not treat tenant-induced damage differently because tenant-induced damage is still damage and an indicator of a problem that needs to be addressed by property management.

Commenters stated that sufficient protections are already in place, noting that: tenant-induced damages are already addressed by current regulatory provisions under family obligations which covers disincentives and program termination; the owner already has the right to pursue damages against the tenant; many housing authorities already include tenant damage charges in their ACOP and in their standard leases; properties can collect security deposits, and properties can have systems in place to deal with extraordinary damage caused by tenants.

HUD Response: HUD understands the commenters' concerns about the potential impact of tenant-induced damage on costs, scoring, and the burden of additional owner/management inspections. The Department also appreciates the comments and concerns about normal wear and tear and ownership responsibilities of maintaining units. PHAs and landlords can use policies and lease enforcement to prevent and collect fees for tenant damages. With the addition of affirmative habitability requirements in § 5.703(d) there is a clear expectation that the landlord is responsible for certain elements of the unit. If there are tenant-owned items cited in the inspection, the PHA or owner can request a technical review.

For units in the HCV and PBV programs, HOTMA provides that if a PHA determines that any damage (other than any damage resulting from ordinary use) was caused by the tenant, the agency may waive the applicability of the housing quality standards, except as it applies to the tenant. As HUD progresses with notices around Scoring and Standards, the Department will continue to seek to strike a balance to hold all parties accountable to their responsibilities outlined in their respective contractual documents and

HUD guidance in caring for and maintaining units.

HUD generally agrees with the sentiment that damage, regardless of the source, must be addressed and that excessive tenant-induced damage may also indicate problems with property management and enforcement of lease provisions and house rules. Lease agreements and security deposits are essential vehicles for managing these issues.

Comments Regarding Incentives

Several commenters stated that landlords should use existing tools to handle tenant-induced damage. Commenters suggested that property owners should hold residents accountable for severe damage to units by issuing lease violations, going through mediation, charging for the damages, terminating the tenancy, and evicting tenants. Commenters recommended that properties use minimum monthly repayment agreements. Commenters suggested that providing a list of potential charges at move-in might help discourage a tenant from damaging the unit beyond normal wear and tear; one commenter suggested properties serve a 3-day notice to quit in situations where the amount of damage is equal to a year of rent.

Commenters recommended several incentives to tenants for maintaining their units, including: a gift card for the best kept unit administered by the management/owner, yearly community awards, privileges, recognition ceremonies for the apartment/unit/block/building kept in best conditions, rent incentives, a small saving account with deposits for taking care of units, or a new microwave. Other commenters noted that the incentive to maintain the unit should be the opportunity to live in the unit, and most do maintain their units. A commenter suggested that owners and PHAs can establish incentive programs if they want to.

A commenter noted that non-MTW PHAs do not have funding flexibility to provide creative incentives outside of current regulatory provisions and funding levels; another noted a disincentive requiring residents to pay additional charges due to damage and neglect would not work because residents would not be able to afford to pay.

HUD Response: HUD agrees that owners and agents must abide by their rights and responsibilities which includes enforcing lease provisions and house rules and PHA policies alongside of their responsibilities to maintain the physical condition of the property. PHAs and owners can ensure that

residents are aware of policies, understand their responsibilities, and collect reasonable fees for damages. PHAs and owners can also stay abreast of property conditions with regular inspections and the annual self-inspection process included in NSPIRE. HUD also agrees that additional punitive financial charges above what is allowed in the lease provisions and security deposit administration would likely not be an effective means to discourage tenant-induced damage.

Comments Regarding How Inspections Should Take Into Account Tenant-Induced Damage

Commenters stated that tenant-induced damage should not be scored against an owner or PHA. One commenter stated, in the alternative, that tenant-induced damage should result in the minimum point deduction; another suggested that tenant-induced damage should count only if the PHA failed to address it. Commenters suggested adding an appeal option to allow demonstrating that damage is repeatedly caused by tenants and repaired by the owner. A commenter suggested that if the owner can show the tenant caused the damage, the owner should not be sanctioned or see score reductions through the NSPIRE process.

Commenters suggested that HUD should use an advisory approach which allows properties to remove deficiencies for superficial damage that is likely to have occurred in the days immediately preceding the inspections, or if the damage was not reported to the property by the tenant, if the owner submits work orders showing the repairs within a certain number of days following the inspection. A commenter suggested that inspectors negate any point deductions where the housing authority can provide documentation to substantiate resident noncompliance as is often required when these lease infractions are taken before local courts.

A commenter suggested that HUD allow a property to negate points if they can identify a significant number of such deficiencies attributable to an individual unit that are not present in other units in the sample and are otherwise unreflective of the property condition. A commenter suggested an inspector should be given latitude to assign blame for damage to a resident and not the property management. Another commenter suggested that a property could gain points back based on especially pristine condition of a property.

HUD Response: HUD appreciates the feedback but disagrees with the comments suggesting that tenant-

induced damage not be scored as part of an inspection. HUD believes this approach would be overly subjective as it is not always clear what damage may be tenant-induced versus normal wear and tear. Additionally, inspectors would not be able to account for poor property management or other potential factors. Scoring should reflect the overall condition of the property regardless of the source of the damage, and inspectors will not be able to fully assess and determine responsibility for damages while onsite. With respect to the comment regarding pristine properties, HUD believes NSPIRE will result in scores that accurately reflect the health and safety of a property. If a property is pristine, it will be reflected in the inspection score.

Other Suggested Changes

Commenters recommended that HUD support lessor rights under the lease. Other commenters recommended that the HUD lease be modified to include language such that the lease is more enforceable regarding property damage.

Commenters made several additional specific recommendations with respect to tenant-induced damage, including: that HUD clearly define "tenant-induced damage," provide guidance on what timeline is appropriate for tenant-induced damage, and provide guidance on what legal recourse is available to the owner; that HUD make distinctions between tenant-induced damage and wear-and-tear and provide clear examples; and that tenants receive training on how to maintain their home and how the condition of their home impacts their health and safety.

Commenters recommended HUD allow the collection of a security deposit or increased security deposit that can cover damages, with one commenter noting that many programs currently have a limit on what can be collected. A commenter requested that HUD permit payment of surety bonds in programs where payment of security deposits is an eligible program expense which would result in a cost-savings to the tenant and the program, and would protect the asset to a greater degree for less cost than a traditional security deposit.

A commenter suggested that tenant-induced costs should be reportable similar to debts owed to PHAs. Commenters suggested that tenant-induced damage could be a sign that the tenant needs additional resources from HUD such as resident service coordinator assistance, or help with behavioral or other problems.

Commenters suggested that PHAs should have the discretion to disallow

transfers both within the program and between programs (from Public Housing to HCV for example) if the tenant has caused damage. A commenter suggested HUD explore reduced utility reimbursements, or ineligibility to receive utility reimbursements, for tenants who cause damage.

A commenter recommended that HUD require notice and opportunity to respond, with copies to HUD, to tenants who are assessed charges or fees for alleged "tenant-induced" damage. A commenter suggested HUD conduct listening sessions with both tenant and owner stakeholders on this topic to determine the best path forward.

HUD Response: Regarding comments on lessors and the lease, HUD supports a balanced approach where all parties to the lease agreements understand their rights and responsibilities. HUD appreciates the feedback on providing further clarification and guidance on tenant-induced damage. Regarding HUD's ability to provide guidance on legal recourse, State and local jurisdictions administer landlord-tenant laws and eviction processes vary by jurisdiction.

Regarding resident training or service coordinators, HUD encourages Multifamily owners and agents to speak with their Account Executive about service coordinator funding opportunities and eligibility. HUD also encourages owners and agents to explore local social service providers who may help assisted residents with housekeeping skills. Any participation with social services must be voluntary, and providers must comply with nondiscrimination laws.

With respect to suggestions related to security deposits, surety bonds, debt reporting, and punitive responses to tenant-based damage, HUD believes these program issues are beyond the scope of this rule.

Insufficient Information

A commenter stated that due to the weight HUD will place on unit condition, there is insufficient information about how HUD will address tenant-created issues.

HUD Response: REAC inspectors will not consider whether tenants caused the damages that lead to the deficiency, because they will not be able to fully assess and determine responsibility for damages while onsite. For the HCV and PBV programs, however, the PHA may provide more flexibility to owners as provided in a future HOTMA rulemaking. HUD will publish a Scoring notice before this final rule becomes effective.

Question for Comment #20: Scoring Threshold for Referring Properties to the DEC

HUD sought input on the scoring threshold to use for referring a property to the Departmental Enforcement Center. HUD received the following responses.

Factors To Consider

Commenters recommended HUD periodically review its referral system, and a commenter recommended this review be in consultation with tenants and other stakeholders. A commenter recommended HUD develop a threshold that includes automatic referral to the DEC when certain significant issues are discovered, such as: structural concerns, severe roof conditions, foundation failure, significant water intrusion, or severe exterior dilapidation or deterioration. Another commenter recommended that HUD consider building code violations, abatements and emergency fail items.

A commenter recommended that HUD elaborate that the DEC may include input from residents in its analysis of the property, noting that tenants have not been able to consult with the DEC recently and that FOIA requests to the DEC for a copy of REAC report and scores have denied on the grounds that the referral is a “judicial proceeding.” This commenter noted that this type of consultation is important to ensure that HUD pursues the proper remedies and pursues termination or abatement only as a last resort option, by seeking input from residents as to the most appropriate remedy.

HUD Response: HUD will take the input regarding its referral system and factors that it should evaluate in its administrative referrals to the DEC into consideration. The basis for referrals under NSPIRE will be the property score. More information on the scoring process will be provided in the NSPIRE Scoring notice. Section 5.711(i) covers administrative enforcement of the NSPIRE Standards and regulations, which may include elements of structural concerns, severe roof conditions, foundation failure. Other building code violations that are not in the NSPIRE Standards would not be enforced by HUD unless specified in HUD program regulations (e.g. 24 CFR part 92 for HOME and 24 CFR part 93 for HTF). HUD will consider better information sharing with State and local code enforcement agencies. Regarding sharing of information under review by the DEC, many areas of enforcement are exempted under FOIA. HUD will provide other avenues for resident input

and notification through its field offices. Where there are direct impacts to residents—such as a need for temporary or permanent relocation, there are other resident notification processes in other HUD regulations. That process is not part of the NSPIRE rulemaking.

Point Based Referrals

Commenters recommended that HUD keep the DEC threshold as stable as possible and maintain the 30-point automatic referral and the 31–59 optional referral, paired with the additional requirements of owners below the 60-point threshold.

A commenter urged HUD to adopt the recommendations put forth by the Government Accountability Office in their 2019 report titled “Real Estate Assessment Center: HUD Should Improve Physical Inspection Process and Oversight of Inspectors” (GAO-19-254) to strengthen its oversight mechanisms and ensure adequate quality of life in HUD-assisted communities. The 2019 report calls attention to the discrepancy between the 2017 and 2018 Consolidated Appropriations Acts (which stipulate that HUD must provide a notice to owners of properties that score 60 or below on the REAC physical inspection), and current and long-standing HUD practice (which is to send notices at scores 59 and below). The report also discusses the sampling margin of error, in particular instances in which the longer range of the margin could encompass scores of 59 or below, and yet because the score itself is above 60, no administrative consequence results. The report states that “If REAC were to resume reporting on sampling errors and develop a process to address properties that fall below certain cutoff scores when the sampling error is taken into account, it would have the information it needs to identify properties that may require more frequent inspections or enforcement actions”.

HUD Response: HUD evaluated the GAO Report as part of its efforts to identify mechanisms to improve its inspection program under NSPIRE. HUD will take this input into consideration as part of the Administrative Procedures notice. This notice will include information about its sampling methodology. For administrative referrals, HUD clarifies in this final rule that these referrals will be essentially consistent for both Public Housing and Multifamily housing programs.

Suggested Standards for Referring Properties to the DEC

Commenters suggested that a property should be referred to the DEC only when there is blatant disregard for the property condition and/or the significant presence of health and safety issues. Commenters noted that an inspection can have as little as 5–6 specific deficiencies, some of which could be fixed in seconds or are unknown to property staff and fail the UPSC inspection. Another commenter noted that some repairs may be expensive but not relevant to maintaining a safe living environment. A commenter noted that an agency may not be aware of all tenant-induced damage on their property.

Several commenters stated that HUD should refer a property to the DEC only where there are multiple low scores or repeat failures on the same issue. Commenters expressed that due to the wide variance in how HUD inspectors evaluate properties, a single score, that could be an outlier, should not trigger corrective action.

Commenters suggested DEC referrals should be reserved for serious cases of malfeasance or misappropriations of funds that rise to potential violations of the law. A commenter noted that DEC does not have the resources to be utilized as an additional entity providing oversight to the physical condition of assisted properties and inspection scoring should be considered as one element in determining if referral to the enforcement center is warranted; another stated that HUD should consider the history and condition of other properties in an owner’s portfolio before referral.

Commenters suggested that, if a property is about to undergo a renovation (or is in the midst of a renovation) which will address the factors leading to a score which might otherwise lead to its referral to DEC, HUD should factor the renovation scope into its decision as to whether to refer.

A commenter suggested lenience for older properties regarding certain areas that are not avoidable and are not necessarily health and safety issues.

HUD Response: Properties that score under 60 under the NSPIRE Standards will have health and safety hazards that merit follow up, and in some cases, administrative review by the DEC or HUD. The method for scoring properties under NSPIRE will be discussed further in the NSPIRE Scoring notice. HUD’s process regarding administrative or DEC referrals will be for properties that score 30 or less or have two successive scores of under 60, as described in Housing

notices 2015–02 and 2018–08. The DEC can also investigate cases under the False Claims Act, including situations when a PHA or owner certifies that deficiencies have been corrected when they have not. Additional information on administrative referrals will be provided in the NSPIRE Administrative notice.

Regarding scores that did not consider renovations, owners or PHAs can request a technical review of the inspection to determine if the inspection considered these factors. If these conditions would raise a score over 30 or 60, HUD would consider that significant. For tenant-induced damages, REAC inspectors will not attempt to determine this at the site, and owners and PHAs already have options under their lease and policies to discourage damage and collect fees.

Timeline for Repair of Severe Health and Safety Defects

A commenter suggested that the requirement of severe health or safety defects being repaired within 24 hours should be conditional on what the deficiency is, and that replacing a smoke detector battery on 5–10 units is reasonable to perform in 24 hours, but, in cases where some disagreement exists as to whether a fix is required due to the potential for an appeal or local code allowances, an alternative to this requirement should be in place. This commenter also suggested that, for issues found outside of normal resident access areas, especially in cases requiring the use of qualified professionals outside of the property for proper repair, there should be alternative requirements for repair timelines.

This commenter stated that the requirement of all non-life-threatening defects to be repaired within 30 days is burdensome because certain capital improvements may require time to analyze, budget, and obtain bids for and complete. This commenter noted that areas affected by natural disasters frequently have labor shortages that need to be considered, and non-catastrophic repairs of roofing, siding, trip hazards or repairs associated with concrete or asphalt repairs may be delayed or made impossible by seasonal weather delays.

HUD Response: HUD appreciates this feedback about the timeline of correcting severe health and safety defects, now referred to as LT to align the NSPIRE rule with HOTMA statute. Under HOTMA Section 101(a)(3) life threatening conditions must be corrected within 24 hours after such notice has been provided, and non-life-

threatening conditions within 30 days after such notice has been provided or such longer period as the PHA may establish. Because NSPIRE is aligning requirements across its programs, these timeframes will also apply to Public Housing and Multifamily housing programs, except that Severe deficiencies for Public Housing and Multifamily housing will require 24 hour repairs, HUD will provide additional flexibility for Public Housing and Multifamily housing programs on what is considered an acceptable correction within the timeframes for other programs covered by this rulemaking. HUD understands that in 24 hours, PHAs and owners may only be able to prevent exposure to a hazard and that some permanent repairs may take longer, and also that that some repairs may require specialized services that will need to be procured, or professionals that may not be immediately available. These determinations will be made case-by-case, with the understanding that HUD can allow flexibility on what is acceptable given the time frame, provided the immediate hazard is corrected. PHAs and owners should avoid relying on “quick fixes” and plan for effective or permanent repair (e.g., at least 20 years) where possible, so that hazards do not re-develop. More detail about correcting deficiencies will be published in the subordinate NSPIRE Administrative notice.

Not Enough Information To Respond

Commenters responded that this question cannot be adequately commented upon until the scoring model is released because it is known that it will be different from the model currently in existence, and therefore using the current model to assess findings under an unknown model is incomplete and unreliable.

HUD Response: HUD appreciates this feedback. The NSPIRE Scoring notice will be final before this regulation is effective. More detail about correcting deficiencies will be published in subordinate notices.

Section 5.713 Second- and Third-Party Rights

Commenters opposed the proposed exclusion of third-party beneficiary rights to tenants and others regarding enforcement of HUD contracts with owners or PHAs. A commenter noted that when HUD or owners fail to enforce standards, tenants should have the opportunity to pursue remedies in court. This commenter also noted that some HUD Multifamily programs, such as Mark Down to Market, already

include tenant third-party rights and HUD has not been overburdened with frivolous claims.

Another commenter suggested there is no need to include this language in 24 CFR part 5 because the ability to assert second- or third-party beneficiary status is already prohibited because many, if not all, of the regulatory agreements and subsidy contracts already include a clause disclaiming third-party beneficiary status to residents. This commenter suggested removing second- and third-party beneficiary status in part 5, and other changes in Part A of this notice, are just a continuation of HUD's “old” business approach and stated that HUD's clients are the families assisted through these programs and statutory and regulatory law has consistently included the identification of poor physical conditions and maintenance concerns as an area in which active resident participation is critical. This commenter stated that HUD continues to hamper residents' ability to be a partner to HUD and housing providers by making HUD's enforcement actions opaque to residents, and by limiting residents' rights that they normally should have as direct beneficiaries of the contracts between HUD and its housing providers. This commenter noted the slow pace in which HUD often holds PHAs and owners accountable for gross and flagrant violations of housing condition standards, and that HUD should not be concerned about getting sued for failure to act because HUD is already being sued.

HUD Response: HUD declines to make revisions to § 5.713 in this final rule. This regulation acknowledges that covered programs have different mechanisms for addressing second- and third-party beneficiary status, as it can be covered in the Annual Contributions Contract (ACC), Housing Assistance Payments (HAP) agreement subsidy contracts, and regulatory agreements. The NSPIRE rule is not intended to override existing program requirements. Tenant participation and feedback is already included in many areas of these regulations.

Addition of Part 902, Subpart H and Part 985, Subpart D Regarding Small Rural PHAs

Question for Comment #21: Threshold for Troubled PHAs Under the Small Rural Assessment

HUD sought comment on the proper threshold for troubled PHAs under the small rural assessment. A commenter recommended that HUD assure that if a reduced score would result in action by

HUD that would affect a resident's occupancy, the action should not be taken until HUD has provided an alternative housing option to the tenant. Another commenter suggested that adding a second property below 70 percent creates a more accurate picture of whether an agency is troubled or not as it shows a pattern of struggling developments. Multiple commenters responded that without details of the scoring protocol, commenters could not provide informed input as to the threshold for designation a troubled agency regardless of size.

HUD Response: HUD acknowledges the impact reduced assessment scores may have on a resident and the need for alternative housing. Residents of HUD-assisted housing are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601 *et seq.*) (URA) and other HUD requirements. A failing inspection or PHAS score would not displace residents, as PHAs are provided time to correct the deficiency. When a public housing property is approved for demolition or disposition under Section 18 of the 1937 Act (42 U.S.C. 1437p), residents must be offered comparable housing or provided a tenant protection voucher. As provided in the final rule at § 902.103, small rural PHAs shall be assessed and scored based only on the physical condition of their public housing properties, which will include all projects. Additional information about the scoring protocol will be provided in the Scoring notice.

Question for Comment #22: Indicators To Determine if the PHA is Failing To Fulfill Its Responsibilities, Small Rural PHA Assessment

HUD requested comment on the four indicators proposed to determine if the PHA is failing to fulfill its responsibilities for unit inspections under the HCV program and the method by which HUD is proposing to determine if the PHA has passed or failed the indicator.

Two commenters supported the proposed indicators. A commenter stated that a score of 70 or better to prevent being designated as troubled seemed lofty and suggested using the current level. This commenter expressed that the HQS system for Section 8 HCV has worked well since inception and any additional requirements added to those in place for owners will likely discourage participation.

A commenter responded that the threshold HUD proposed to determine if the PHA has passed or failed the

indicator is overly stringent because provisions in HOTMA allow agencies to move families into Section 8 units before a unit inspection occurs if there was an inspection before like LIHTC or one that is as stringent as HQS and requiring 98 percent of all units to be inspected before a tenant moves into the unit defeats this flexibility. This commenter also expressed concern about the provision requiring 98 percent of units to be inspected every 3 years because if HUD provides the HCV program the flexibility to have risk-based assessments every 2 to 5 years, then this acts as a disincentive for agencies to benefit from 5-year inspection time periods. This commenter recommended either reducing the 98 percent threshold for those provisions or including a caveat for units with non-HQS inspections before move-in to count toward the threshold and changing language to note that 98 percent of units are inspected in the time period they should be inspected, as specified by HUD criteria.

A commenter proposed the following Indicators: (1) Failing to recognize hazards with potentially extreme or severe outcomes; (2) Failing to evaluate and prioritize the hazards; (3) Failing to recommend adequate housing measures to address hazards; (4) Failing to develop a comprehensive, integrated, and prescriptive scope of work that can be effectively used by subcontractors installing the measures.

A commenter responded that it is difficult to comment on the indicators without knowing how deficiencies will be rated or scored.

HUD Response: HUD appreciates comments on the Small Rural PHA Assessment program for SEMAP indicators and PHAS scoring. The NSPIRE standards, as proposed, will include the list of "life threatening" conditions, which were proposed as severe health and safety deficiencies so that the NSPIRE regulations are consistent with HOTMA. With this final rule, the NSPIRE standards are the applicable housing quality standards for the HCV and PBV programs, and these define the deficiencies. HCV and PBV housing inspections will still be on a pass/fail rating system and not scored. The Standards notice affirmed the elective allowance under HOTMA to have residents move into units with only non-life-threatening conditions is retained, and the proposed time frame of risk-based inspections every 2 to 5 years does not apply to the HCV and PBV programs. Section 5.705(c)(4) and (5) reference existing regulations for the timing of inspections. Section 985.203(c)(2) accounts for the PHA

initial inspection option for non-life threatening deficiencies or alternative inspections. Alternative inspections will be accepted by HUD if they meet the NSPIRE standards for health and safety.

HUD acknowledges the comment about a score of 70 or better to prevent being designated as Troubled for public housing, which is referencing the score of 60 or less used as the Troubled standard for other PHAs. HUD declines to revise § 902.105(a) to 60 at this time. Small Rural PHAs will be assessed for physical conditions only and will no longer be scored under the financial, management and Capital Fund indicators of 24 CFR part 902. Removing this administrative burden of managing performance of other indicators will offer Small Rural PHAs more time to focus on improving the physical conditions of their properties. A score of 70 or better should be easily attainable for all HCV programs. For SEMAP, the indicators in part 985 are provided as pass/fail. HUD retained the language that a PHA that failed any of the four indicators under § 985.201 will be designated as troubled, as these indicators measure compliance with the program regulations, are required activities, and rarely missed. The final rule also retains indicator levels at 98 percent to be consistent with the SEMAP ratings for PHAs that are not small rural. Achieving 98 percent for these indicators is the norm for PHAs regardless of size. To provide more flexibility, under § 985.205(a)(i), HUD will consider budget authority utilization based on the most recent two calendar years prior to the assessment.

HUD generally appreciates the proposal to revise the indicators to be more focused on hazards, but did not include these revisions for small rural PHAs to remain consistent with the SEMAP regulations for other PHAs, which are not proposed for revision with this rule. HUD will consider these comments for future revisions to the SEMAP regulations for all PHAs.

With respect to the suggestion to create an integrated scope of work (SOW) that could be used by subcontractors, HUD does not prescribe the methods by which the PHA resolves issues identified during the inspection. It is the PHA's responsibility to repair the deficiencies by either using its maintenance staff, external vendors or contracts, or other means. Any identified life-threatening deficiencies are required to be mitigated within 24 hours. Regarding how deficiencies will be rated or scored, the NSPIRE Standards notice will provide the standards and the pass/fail rating already in place for HCV and PBV

programs. Individual HCV and PBV properties will not be scored under NSPIRE, per § 5.711(a).

Question for Comment #23: Criteria To Determine if the PHA is a High Performer or a Standard Performer, Small Rural PHA Assessment Under SEMAP

HUD asked for comment on the criteria for determining if a PHA is a high performer or a standard performer. Commenters supported the current scoring system. A commenter supported recognizing the challenging environment in which small rural HAs operate HCV programs by predominantly focusing the ratings on the functions under the control of the PHA.

Commenters noted that there is a small margin for error for small PHAs, which have up to 550 combined Public Housing and HCV units, and suggested that the scoring percentage should be widened, with two commenters suggesting moving from 98 percent to 90 percent, and one of these commenters suggesting this move for small HCV programs (250 or fewer units). A commenter noted that small agencies may have difficulty achieving high performer status if it is predominately based on funding utilization and pointed out that voucher program utilization can fluctuate because of housing availability and fair market rent (FMR) fluctuations, and that this can be especially true in rural areas where there is often a lack of decent, affordable rental housing available. A commenter noted this is unfair and contrary to Congress' deregulatory goals. A commenter urged HUD that Housing availability and FMR fluctuations, which are outside of the control of PHAs, should not be held against an agency. This commenter also noted that special-purpose vouchers, like HUD-VASH can also be challenging to meet utilization thresholds—especially in rural areas and recommended excluding special-purpose vouchers for the utilization rate requirement. Another commenter suggested there should be more differentiation on point scoring between the High Performer status and Troubled status.

Commenters also advised that without understanding the property inspection scoring protocol, it is hard to evaluate the Public Housing Assessment System.

HUD Response: For small rural agencies, Public Housing, HCV and PBV properties will be inspected using the NSPIRE Standards. The proposed indicators for Small Rural SEMAP are retained in the final rule to remain consistent with the SEMAP program for

other PHAs. However, Small Rural PHAs will undergo a SEMAP assessment only every three years as provided in § 985.207, and indicators will be evaluated only on a pass/fail basis. Individual properties will not be scored under NSPIRE.

Other Small Rural Comments

A commenter expressed concern that updating the small rural PHA list every three years may add undue uncertainty to PHAs that qualify as small rural as there is a chance their status may change depending on factors outside of their control such as population growth or changes to regulations at the CFPB. This commenter recommended that HUD allow for agencies determined to be small rural to be grandfathered into the small rural definition, unless there is significant and substantial change to the agency, to provide additional consistency to small rural agencies so that they do not have to worry about their inspection protocol potentially changing every three years. Alternatively, this commenter suggested at least allowing an agency to be grandfathered in for one additional 3-year period after falling outside of the definition of "small rural" to ensure the agency would have ample time update their inspection process and prepare for the new inspection protocol.

HUD Response: HUD appreciates the commenter's concern regarding the definition of small rural PHAs and the timeframe for updates to the list of every three years. HUD does not expect that the list will change from year to year given the relatively stable indicators provided in statute and § 902.101, but HUD did not have discretion on this definition as it is statutory. All PHAs will be provided time before the final rule is effective, and small rural PHAs will have an additional 120 days after the rule is effective for HUD to designate small rural status per § 902.101(b).

Insufficient Information To Provide Meaningful Opportunity To Comment

Several commenters stated that they were unable to provide meaningful comments on the proposed rule because information had not been released. Commenters stated that they lacked key information about: NSPIRE Standards; NSPIRE scoring methodologies; Criteria to qualify for longer risk-assessment inspection periods; Electronic data collection of self-inspections; List of deficiencies including severe health and safety deficiencies and which of those deficiencies are life-threatening and which are not; Deficiencies and methodologies to use for scoring and ranking HUD housing; Factors for HCV unit pass/fail;

Specific minimum project and unit deficiencies for multiple programs, including HOME and homeownership; Minimum property standards deficiencies; Submission of PHA certifications for small rural PHAs; Calculation for determining excess HAP reserve for small rural PHAs; the criteria required for PHAs to qualify for a longer inspection cycle; and flexible protocols to accommodate the unique circumstances of each program and housing type.

A commenter urged HUD to provide detail about whether REAC will begin to provide the necessary information regarding deferred maintenance as required by investors who provide liquidity to the market.

A commenter noted that they are unable to consider HUD's HOTMA rulemaking and the NSPIRE rulemaking for lack of information about the new NSPIRE inspection model.

A commenter noted that they lacked key information about the status of electronic submission, the result of reducing inspectable areas, how the new deficiencies improved inspector objectivity, and how inspection results compare to past inspections.

Because of the lack of information available, commenters requested extension. Commenters suggested HUD extend the demonstration period until scoring methodologies can be incorporated into the Standards notice so reviewers can weigh all factors before commenting. Commenters suggested that the demonstration has not been able to provide as much information due to the COVID-19 pandemic.

HUD Response: HUD appreciates this feedback. The NSPIRE Standards were proposed on June 17, 2022, and the NSPIRE Scoring notice was proposed on March 28, 2023, for public comment. HUD will consider additional comment before making these requirements final, and NSPIRE inspections will not begin until after HUD publishes final NSPIRE Standards and Scoring notices. HUD does not have details regarding deferred maintenance as required by investors who provide liquidity to the market, as that is outside the scope of this rulemaking. Information about the status of electronic submission will be provided in a notice to implement the new self-inspection requirements in § 5.707. Information on inspectable areas and deficiencies will be in the NSPIRE Standards notice. Information on improved inspector objectivity is discussed above in this preamble. Information on how NSPIRE inspection results compare to past inspections performed under UPSCS is not yet available. Additional notices and rules

under HOTMA since the NSPIRE proposed rule and notices were published. HUD will consider comments on Standards and Scoring before they are final and effective for HUD housing.

Environmental Justice Issues

Two commenters asked, pursuant to the January 20, 2021, Regulatory Freeze Pending Review memorandum from Ronald A. Klain, Assistant to President Biden and White House Chief of Staff, ("Klain memo") which was published in the **Federal Register** on January 28, 2021,¹⁷ for an extension until such time as there can be further consideration of environmental justice issues and the impact of the outdoor environment on the residents who live in HUD-assisted housing. These commenters noted that statutes and implementing regulations have largely failed to address the common environmental risks present in the outdoor environment surrounding HUD-assisted housing, unless an environmental review has been triggered under the National Environmental Policy Act. 42 U.S.C. 4321 et. seq. (1969). This commenter noted that on February 21, 2021, HUD's Office of Inspector General (HUD OIG) issued a report, *Contaminated Sites Pose Potential Health Risks to Residents at HUD funded properties*, in which HUD OIG found that HUD's current approach to identifying and addressing contaminated sites has resulted in federally-assisted housing residents experiencing prolonged exposure to toxic contamination, including dangerously high level of lead and proximity to Superfund sites that continue to present significant risks to human health. This commenter noted that the proposed rule was silent on the issue of inspecting the outdoor environment at HUD-assisted sites, including inspecting adjacent soil or the proximity of the housing to Superfund sites.

HUD Response: HUD notes that the NSPIRE final rule is one rulemaking and one component of HUD's broader approach to addressing environmental justice, which involves other offices within HUD as well as coordination with other Federal agencies such as EPA. HUD does not view this proposed rule as requiring regulatory freeze. The regulations at § 5.703(c) include the building site, and § 5.703(e) affirms that the outside must be free of health and safety concerns. Additional information is in the NSPIRE Standards notice

published on June 17, 2022, for public comment. HUD's regulations at 24 CFR parts 50 and 58 include a process for considering site contamination and are not within the scope of this rulemaking. Additional information about HUD's efforts with EPA on HUD-assisted sites and Superfund sites will be made public as part of that effort, and not within the context of the NSPIRE rulemaking. HUD will take the commenters' feedback into consideration and encourages additional public comment on subsequent NSPIRE Subordinate Notices and other HUD rulemaking or policymaking concerning environmental justice.

Other Comments

Resident Rights

Several commenters expressed that inspection information should be made available for comment to residents and their representatives. Such information noted by commenters included severe health and safety citations, notice before inspections, notice regarding submission of the property for DEC evaluation and inspection, certification and supporting evidence of repairs within 3 days of when a severe health and safety risk has been corrected, and notification of inspection.

Commenters requested that the information provided include a named HUD contact official with their contact information, include tenant organizations, be accessible, be posted in the owners' management office and bulletin boards in common areas, at no cost to residents, be in plain language, provide information about what is happening and why.

HUD Response: REAC inspection data is available online at www.huduser.gov/portal/datasets/pis.html, and NSPIRE inspection data will also be online once inspections commence. Residents will be provided notice before inspections in accordance with their leases, and PHAs and owners will make inspection information available per § 5.711(h). All information collected by HUD is available through FOIA, and residents can contact their local HUD office (see <https://www.hud.gov/local>) to seek more information or for complaints. Information related to enforcement referrals and actions is usually confidential until the matter is closed and exempted from FOIA. Because of the many ways residents are kept informed of the NSPIRE process, HUD does not agree that resident rights must be included the NSPIRE regulations.

HUD has sought public comment on tenant participation in the NSPIRE inspection process and will continue to explore ways to engage residents.

Initially, this will include inspecting additional units recommended by residents or resident groups. Additional details regarding resident engagement in forthcoming subordinate notices published in the **Federal Register** and available for public comment.

Requests Due to the Coronavirus Pandemic

A commenter urged HUD to waive the shortened physical inspection notification timeframe (14 days) for assisted housing properties, as announced on February 22, 2019, through PIH Notice 2019-02 and return to the 30-to-60-day timeframe to ensure the maximum safety of residents, management staff, and inspectors.

A commenter noted that during the COVID-19 pandemic, personnel have had to meet difficult standards at risk to their own personal health, and some residents have been hesitant to allow facility personnel into their dwelling units for fear of infection, and therefore owners and managers have fallen behind on unit repairs that will take several months to catch up with. This commenter cautioned that NSPIRE's scoring methodology more heavily scrutinizes and penalizes in-unit deficiencies, which owners and managers need time to catch up on. This commenter therefore called for HUD to suspend REAC inspections in elderly facilities, specifically those inspections under the new NSPIRE standard, for a minimum of one year. This commenter also noted that many of the reports of poor assisted housing focused on certain pockets of the US, and many focused on the property portfolios of specific owners/management agents. This commenter urged HUD not to punish other regions and properties.

Commenters urged HUD to learn from the pandemic and expand electronic communication and remote listening sessions to gather stakeholder feedback video remote inspections to HUD. Multifamily properties, utilize properties' existing software mechanisms to check work orders and proof of annual self-inspections, and examine how ventilation and other health retrofits are incorporated into physical condition standards for HUD-assisted housing.

HUD Response: Adjustment of inspection notification timeframes due to COVID-19 is an issue outside of this final rule. HUD can adjust certain requirements when there is a national emergency in effect. Inspection administration protocol will be outlined in subordinate notices that will be published in the **Federal Register** and available for public comment.

¹⁷ <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/regulatory-freeze-pending-review/> (86 FR 7424).

On June 1, 2021, the Secretary announced that REAC inspections would resume after a 15-month pause due to the COVID pandemic. While the NSPIRE Demonstration is underway, HUD continues to use UPCS to conduct inspections of record. Inspections under the NSPIRE Standards will not phase in until the Standards and Scoring notices are final, and the rule is effective. HUD takes the health and safety of residents and property staff very seriously and has strict protocols in place.

In response to the pandemic and in preparation for future concerns, HUD issued a notice on Remote Video Inspections, PIH Notice 2020-31. HUD is also developing new technology solutions to facilitate convenient transfer of information including inspection findings, photographic evidence and certification of completion of repairs. Regarding time for PHAs, owners and agents to inspect and update units after the pandemic, HUD resumed REAC inspections on June 1, 2021, and has not observed a significant reduction in scores. The timeline discussed earlier in this preamble, will give PHAs, owners, and agents additional time to prepare for the transition. PHAs are reminded that the requirement for self-inspections was in place before the NSPIRE regulation, and owners may commence self-inspections at any time.

HUD has considered the comments about retrofits for health and well-being in light of the pandemic and resident health and safety were a key consideration in developing the NSPIRE Standards.

Additional Suggestions

A commenter urged HUD to build robust oversight systems and consider accountability and feasibility. This commenter urged HUD to consider cost and time impacts of newly required technical/building upgrades; the breadth and scope of inspections, paired with the staffing capacity at HUD and at HUD-assisted communities; and the impact of inspections on residents' lives and private living spaces.

A commenter asked HUD to consider integrating or coordinating revisions with the Management and Occupancy Review (MOR) process so that these two monitoring tools are complementary.

A commenter suggested that PHAs and owners/agents should be incentivized or rewarded for maintaining a higher level of on-going maintenance of the property/units, as determined by REAC scoring and ranking of covered units.

One commenter noted that consistent with the notion of fairness to parties not

responsible for adverse conditions, third party management companies should be rated based on the performance of their duties in the context of the resources provided, and that management companies with no identity-of-interest relationship to the owner should be able to note their performance in the context of resources made available to them by the ownership. The commenter further suggested while decent, safe and sanitary housing must be provided, administrative conclusions, sanctions and "flags" should be sensitive to the owner's performance based on the possible available funding and recapitalization alternatives where all funds were efficiently spent on operations.

A commenter cautioned that HUD should avoid setting new requirements for the sake of alignment where it lacks statutory authority.

A commenter applauded the alignment of inspections in projects with multiple HUD funding and/or subsidy sources and recommended the same alignment of inspections in circumstances involving funding sources outside of HUD, e.g., State or Federal historic preservation funds.

HUD Response: HUD appreciates the additional suggestions on its oversight systems, and accountability and feasibility. The NSPIRE rule did not propose revisions to the Management and Occupancy Review (MOR) process, but HUD appreciates comments to streamline oversight processes. PHAs and owners/managers that have higher assessment scores will be rewarded with reduced inspection frequency under NSPIRE. High performing PHAs may receive additional funds under the Public Housing Capital Fund program. The comments on fairness to parties not responsible for adverse conditions and third-party management companies are noted but are outside the scope of the regulations. The NSPIRE Standards will include information on the deficiencies, and the NSPIRE Scoring notice will cover how properties will be scored, regardless of management type. With respect to the comments about statutory authority, HUD has ensured that this rulemaking is consistent with its authority as provided by Congress and the relevant statutes.

HOME/HTF

A commenter suggested that, because the Housing Trust Fund regulations were modeled on the HOME regulations, §§ 93.301(c)(3) and 93.301(e)(1)(i) should be modified to provide cross-references back to the regulations at § 5.703 that would, under

the proposed rule, govern HOME, as well as a specific reference to NSPIRE.

HUD Response: HUD appreciates the comment and has made changes as appropriate in the final rule.

Inspector Issues

Comments Regarding Inspector Qualifications

Several commenters noted problems with inconsistent or subjective inspections that could not be effectively appealed. Commenters cautioned against punishing agencies due to growing pains associated with a new program. A commenter suggested dedicating substantial time and effort to training inspectors in NSPIRE before implementing the new inspection protocol; another recommended HUD itself train inspectors. A commenter recommended requiring inspector certification with availability of voluntary training with a link and phone number.

Several commenters suggested HUD require a level of training or qualification for inspectors. A commenter recommended at least basic standards such as the current Inspector Qualifications for REAC UPCS Inspector Certification Training candidates.¹⁸

A commenter noted that since 1970, State licensure of home inspectors has expanded and 36 States regulate home inspectors, requiring education, field training, and a number of supervised inspections.

A commenter recommended inspectors have two years of experience in the last four years as a full-time combination inspector or similar government-certified position, or two years of full-time experience as a licensed Home Inspector, or in States without licensing, two years within the last four years of full-time experience and documentation of passage of the National Home Inspector Examination. This commenter recommended inspectors be required to have completed a minimum of 250 physical commercial real estate or residential inspections as sole inspector. The commenter recommended FEMA inspections, termite inspections, appraisals, and site visits not be included. This commenter also recommended HUD require providing 25 inspections completed on an excel spreadsheet, inspectors be required to possess general computer skills, and inspectors be required to possess a high school education or equivalent.

¹⁸ See: UPCS Inspection Certification Training, Page 2, (1) B. <https://www.hud.gov/sites/dfiles/PIH/documents/UPCSInspectorCertificationTraining.pdf>.

A commenter cautioned that inspectors not familiar with the property and local codes may not follow the HUD inspection standards and noted that the owner/agent may pay for pre-inspection by a third party.

A commenter stated that inspectors are corrupt and in league with property management teams, thereby ignoring clear maintenance issues, and that landlords ignore tenant complaints and seek to constructively evict complaining tenants.

HUD Response: HUD appreciates the comments regarding inspector qualifications, experience, and training. Inspections performed by REAC will continue to include contract-based inspectors for the Public Housing and Multifamily housing programs. In addition to revising the inspections standards and scoring, REAC will revise the contract model to include performance expectations and metrics and require that awarded firms have an internal quality assurance and training program. These requirements will supplement the technical assistance and oversight performed by HUD's Quality Assurance (QA) division. These enhancements will help ensure that inspectors are experienced at hire and will become proficient through training so they can consistently assess and score properties against the NSPIRE standards. Knowledge of local code requirements of the building are not necessary if the inspector is adhering to the NSPIRE standards, but this information could be assessed as part of self-inspections. REAC's goal is to ensure that contract inspectors will have experience in home inspections but will become proficient in the NSPIRE Standards through training and hands-on field work. Licensed and/or certified home inspectors will qualify for hire and complete training on the NSPIRE standards before performing inspections of records. HUD agrees that the model followed by State-licensed home inspectors is valuable and will consider that for the new contract requirements. The recommendations for minimum hours and inspections completed is also very helpful and a model REAC will consider in the contract design. Lastly, with the new system supporting inspection data and scoring, HUD QA staff will be better able to see and act on scoring anomalies, and perform enhanced monitoring.

HUD's expectations for inspector training and qualifications will be detailed in the Administrative notice issued with this rule so that PHAs and external firms can mirror their own programs on the REAC model. The NSPIRE Standards and system will be

available in electronic format for public use before the requirements are effective.

With respect to the comment about perceived bias of housing inspectors, HUD's oversight of the physical inspection process and resolution should help curb anomalies and abuse. Residents can continue to report concerns to HUD offices at hud.gov/local. Residents of HUD-assisted properties are protected from retaliation by their lease and HUD regulations. Program terminations must be for cause, and residents in many programs have grievance rights available to review terminations in advance of eviction.

HUD is aware that properties may employ outside inspectors to review their property before a REAC inspection. This practice could be used to help satisfy the requirements of the self-inspection, where required, if the inspection follows the NSPIRE standards. While the NSPIRE regulations do not require a review for local codes, combining this with a regular inspection could reduce administrative burden on PHAs and owners.

Comments Regarding an Inspector Shortage

A commenter advised that its pool of inspectors certified to conduct a REAC inspection is so minimal that it is impossible for all lenders to complete their REAC inspection responsibilities within the current prescribed timeframes. This commenter therefore opposed the current rule that an inspection must be conducted within three months before the Ideal Future Date (IFD) and three months after the IFD.

A commenter recommended adopting a version of the GSEs' current certification standards and processes to not further shrink the pool of FHA inspectors and create further timing and cost issues.

A commenter recommended allowing servicing mortgagees (SMs) or their inspection contractors to set up a parallel program of inspector training including the ability to recruit candidates, submit them to HUD for approval and then facilitate their training until they are certified. This commenter noted that, since REAC is moving away from training inspectors, SMs need the ability to train inspectors to use to perform NSPIRE (and UPSCS) inspections, and if REAC requires an associated Quality Control program developed like what it requires for HUD Contracted companies, SMs should be allowed to do so. This commenter suggested SMs can develop their QC

program in a parallel fashion to assure inspector and inspection validity and reliability, and whatever privileges that are given to HUD Contractors working in the Public/Multi-Family side to recruit and train inspectors should be extended to the SM community.

A commenter noted that because of the alignment between programs, more new inspections may fall under HUD's consolidated inspection protocol than were covered previously and cautioned that HUD should be clear about how it will handle the additional inspections and who will be conducting them. Another commenter urged HUD to consider the impacts of additional inspections under REAC's umbrella, and to be clear about workload adjustments and capacities, noting that more new inspections may fall under HUD's consolidated inspection protocol than were covered previously.

HUD Response: HUD appreciates the comments with respect to inspector shortages, inspector management and administration. HUD's requirement that all REAC inspectors be certified through the current process helped contribute to the inspector shortage. HUD also agrees that a regulatory requirement that inspections be completed within three months before the anniversary (or Ideal Future Date (IFD)) and three months after the IFD in the same calendar year is restrictive and removed "calendar" from the regulation and added language to reflect the current process of allowing extensions for good cause. Additionally, HUD may need more time to meet this schedule in the first year of NSPIRE implementation, and so the final rule allows for up to six months in the initial year of NSPIRE implementation. With respect to comments about servicing mortgagees establishing training programs, at this time HUD is not planning to review or recognize other organizations' training programs. HUD's NSPIRE Standards, scoring and system will be publicly available, and HUD will also make its own training programs available. This will also help PHAs establish and manage their own inspector programs for the HCV and PBV programs. HUD has provided more details on inspector administration and oversight in the NSPIRE Administrative notice.

With respect to additional inspections and who will be conducting them, the NSPIRE rule aligns the different HUD assistance programs but does not change the organization responsible for performing the inspection. For example, PHAs will continue to inspect HCV and PBV units, and PJs will continue their normal inspection processes.

V. Findings and Certifications

Regulatory Review—Executive Orders 12866 and 13563

Pursuant to Executive Order 12866 (Regulatory Planning and Review), a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the order. Executive Order 13563 (Improving Regulations and Regulatory Review) directs executive agencies to analyze regulations that are “outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned.” Executive Order 13563 also directs that, where relevant, feasible, and consistent with regulatory objectives, and to the extent permitted by law, agencies are to identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public.

HUD believes that this rule, by consolidating physical condition inspection standards into a streamlined format and utilizing improved technology and methods will aid all parties—PHAs, property owners, agents, and inspectors—in complying with HUD’s physical condition standards creating a smaller burden while maintaining or increasing the effectiveness of HUD’s physical condition requirements. The rule has been determined to be a “significant regulatory action,” as defined in section 3(f) of the Order, but not economically significant under section 3(f)(1) of the Order. The docket file is available for public inspection online at www.regulations.gov.

HUD prepared a Regulatory Impact Analysis (RIA) that addresses the costs and benefits of the final rule. HUD’s RIA is part of the docket file for this rule at <http://www.regulations.gov>. HUD strongly encourages the public to view the docket file at www.regulations.gov.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. There are 2,297 small PHAs all of which will be affected; however, the economic impact will not be significant.

The economic impact will not be significant because the rule does not

change the substantive requirement that HUD program participants are required to maintain the physical condition of HUD housing. The rule also, in most cases, maintains the same level of review for compliance in the form of physical inspections. Regulatory relief would also be provided to small rural PHAs, which would only be subject to triennial inspections under PHAS and SEMAP. Accordingly, the undersigned certifies that the rule will not have a significant economic impact on a substantial number of small entities.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to the environment has been made in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available through the Federal eRulemaking Portal at <http://www.regulations.gov>. The FONSI is also available for public inspection between the hours of 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410-0500.

Executive Order 13132, Federalism

Executive Order 13132 (entitled “Federalism”) prohibits an agency from publishing any rule that has federalism implications if the rule either: (i) imposes substantial direct compliance costs on State and local governments and is not required by statute, or (ii) preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This rule merely revises existing Federal standards in a way which would not increase or decrease compliance costs on State or local governments and therefore does not have federalism implications and does not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive Order.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538) (UMRA) establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and Tribal governments, and on the private sector. This rule does not impose any Federal mandates on any State, local, or Tribal governments, or on the private sector, within the meaning of the UMRA.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520), an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information, unless the collection displays a currently valid Office of Management and Budget (OMB) control number. Generally, the information collection requirements contained in this rule have already been approved by OMB under the Paperwork Reduction Act and assigned OMB control numbers, but these final regulations include additional requirements not previously considered. Given that, HUD will consolidate existing information collections into a new collection for the NSPIRE final rule prior to the effective date of the new requirements. The information collection requirements when approved will be assigned an OMB approval number and the public will be notified of this number.

Related collections that will be incorporated include 2502–0369 (Uniform Physical Standards and Physical Inspection Requirements), 2577–0241 (Exigent Health and Safety Deficiency Correction Certification), 2577–0257 (Public Housing Assessment System (PHAS) Appeals, Technical Reviews and Database Adjustments), 2577–0289 (National Standards for the Physical Inspection of Real Estate (NSPIRE)), 2577–0169 (HCV Program and Tribal HUD–VASH), 2577–0289. HUD estimates that the burden under 2502–0369 (Uniform Physical Standards and Physical Inspection Requirements) will be approximately the same as described in the proposed rule. The inspection time burden will slightly increase from the proposed rule’s estimate because inspection sample may also include up to five units recommended by residents, which was not considered during the proposed rule. The Self-inspection burden will be substantially less than in the proposed rule, however, as HUD will only collect results for properties that score 60 and below, instead of all properties.

Additionally, in the proposed rule, HUD requested comment on how HUD could utilize tenant feedback to better achieve its goals of identifying poor performing properties. In the PRA package associated with this final rule, HUD is including an additional information collection for resident feedback. HUD will request that the property representative identify the resident council or tenant organization for the property. HUD will communicate with that resident group to ask about housing conditions and ask the group to

identify additional units for HUD to inspect. HUD expects that it will add up to five resident-nominated units regularly scheduled inspections. HUD anticipates the burden of this additional collection will be minimal at about five minutes for the property representative per property and about thirty minutes for each resident group that chooses to respond.

The collection requirements will be amended to reflect the altered burden contained in this final rule.

List of Subjects

24 CFR Part 5

Administrative practice and procedure, Aged, Claims, Crime, Government contracts, Grant programs—housing and community development, Individuals with disabilities, Intergovernmental relations, Loan programs—housing and community development, Low and moderate income housing, Mortgage insurance, Penalties, Pets, Public housing, Rent subsidies, Reporting and recordkeeping requirements, Social security, Unemployment compensation, and Wages.

24 CFR Part 92

Administrative practice and procedure, Low and moderate income housing, Manufactured homes, Rent subsidies, and Reporting and recordkeeping requirements.

24 CFR Part 93

Administrative practice and procedure, Grant programs—housing and community development, Low and moderate income housing, Manufactured homes, Rent subsidies, and Reporting and recordkeeping requirements.

24 CFR Part 200

Administrative practice and procedure, Claims, Equal employment opportunity, Fair housing, Housing standards, Lead poisoning, Loan programs—housing and community development, Mortgage insurance, Organization and functions (Government agencies), Penalties, Reporting and recordkeeping requirements, Social security, Unemployment compensation, and Wages.

24 CFR Part 570

Administrative practice and procedure, American Samoa, Community development block grants, Grant programs—education, Grant programs—housing and community development, Guam, Indians, Loan programs—housing and community

development, Low and moderate income housing, Northern Mariana Islands, Pacific Islands Trust Territory, Puerto Rico, Reporting and recordkeeping requirements, Student aid, Virgin Islands.

24 CFR Part 574

Community facilities, Grant programs—housing and community development, Grant programs—social programs, HIV/AIDS, Low and moderate income housing, and Reporting and recordkeeping requirements.

24 CFR Part 576

Community facilities, Grant programs—housing and community development, Grant programs—social programs, Homeless, and Reporting and recordkeeping requirements.

24 CFR Part 578

Community development, Community facilities, Grant programs—housing and community development, Grant programs—social programs, Homeless, and Reporting and recordkeeping requirements.

24 CFR Part 882

Grant programs—housing and community development, Homeless, Lead poisoning, Manufactured homes, Rent subsidies, and Reporting and recordkeeping requirements.

24 CFR Part 884

Grant programs—housing and community development, Rent subsidies, Reporting and recordkeeping requirements, and Rural areas.

24 CFR Part 886

Grant programs—housing and community development, Lead poisoning, Rent subsidies, and Reporting and recordkeeping requirements.

24 CFR Part 902

Administrative practice and procedure, Public housing, and Reporting and recordkeeping requirements.

24 CFR Part 965

Government procurement, Grant programs—housing and community development, Lead poisoning, Loan programs—housing and community development, Public housing, Reporting and recordkeeping requirements, Utilities.

24 CFR Part 982

Grant programs—housing and community development, Grant programs—Indians, Indians, Public

housing, Rent subsidies, and Reporting and recordkeeping requirements.

24 CFR Part 983

Grant programs—housing and community development, Low and moderate income housing, Rent subsidies, and Reporting and recordkeeping requirements.

24 CFR Part 985

Grant programs—housing and community development, Public housing, Rent subsidies, and Reporting and recordkeeping requirements.

For the reasons discussed in the preamble, HUD amends 24 CFR parts 5, 92, 93, 200, 570, 574, 576, 578, 882, 884, 886, 902, 965, 982, 983, and 985 as follows:

PART 5—GENERAL HUD PROGRAM REQUIREMENTS; WAIVERS

■ 1. The authority for part 5 continues to read as follows:

Authority: 12 U.S.C. 1701x; 42 U.S.C. 1437a, 1437c, 1437d, 1437f, 1437n, 3535(d); Sec. 327, Pub. L. 109–115, 119 Stat. 2936; Sec. 607, Pub. L. 109–162, 119 Stat. 3051 (42 U.S.C. 14043e *et seq.*); E.O. 13279, 67 FR 77141, 3 CFR, 2002 Comp., p. 258; and E.O. 13559, 75 FR 71319, 3 CFR, 2010 Comp., p. 273.

■ 2. Effective July 1, 2023, revise subpart G to read as follows:

Subpart G—Physical Inspection of Real Estate

Sec.

- 5.701 Applicability.
- 5.703 National standards for the condition of HUD housing.
- 5.705 Inspection requirements.
- 5.707 Uniform self-inspection requirement.
- 5.709 Administrative process for defining and revising inspection criteria.
- 5.711 Scoring, addressing, and appealing Findings.
- 5.713 Second- and third-party rights.

Subpart G—Physical Inspection of Real Estate

§ 5.701 Applicability.

(a) **Scope.** This subpart applies the national standards for the physical inspection of real estate standards to the following HUD programs:

(1) All Public Housing programs (programs for housing assisted under the U.S. Housing Act of 1937 other than section 8 of the Act);

(2) The Housing Choice Voucher program under section 8(o) of the U.S. Housing Act of 1937, part 982 of this title and the Project-Based Voucher program under section 8(o)(13) of the Act and the regulations at 24 CFR part 983 (referred to in this part as the HCV

and PBV programs, or HCV and PBV housing);

(3) All project-based Section 8 programs;

(4) Section 202 Supportive Housing for the Elderly (Capital Advances);

(5) Section 811 Supportive Housing for Persons with Disabilities (Capital Advances);

(6) Section 202 direct loan program for projects for the elderly and persons with disabilities as it existed before October 1, 1991 (including 202/8 projects and 202/162 projects); and

(7) Housing with mortgages insured or held by HUD, or housing that is receiving assistance from HUD, under the following authorities:

(i) Section 207 of the National Housing Act (NHA) (12 U.S.C. 1701 *et seq.*) (Rental Housing Insurance);

(ii) Section 213 of the NHA (Cooperative Housing Insurance);

(iii) Section 220 of the NHA (Rehabilitation and Neighborhood Conservation Housing Insurance);

(iv) Section 221(d)(3) of the NHA (Market Interest Rate (MIR) program);

(v) Section 221(d)(3) and (5) of the NHA (Below Market Interest Rate (BMIR) program);

(vi) Section 221(d)(4) of the NHA (Housing for Moderate Income and Displaced Families);

(vii) Section 231 of the NHA (Housing for Elderly Persons);

(viii) Section 232 of the NHA (Mortgage Insurance for Nursing Homes, Intermediate Care Facilities, Assisted Living Facilities, Board and Care Homes);

(ix) Section 234(d) of the NHA (Rental) (Mortgage Insurance for Condominiums);

(x) Section 236 of the NHA (Rental and Cooperative Housing for Lower Income Families);

(xi) Section 241 of the NHA (Supplemental Loans for Multifamily Projects). (Where, however, the primary mortgage of a Section 241 property is insured or assisted by HUD under a program covered in this part, the coverage by two HUD programs does not trigger two inspections); and

(xii) Section 542(c) of the Housing and Community Development Act of 1992 (12 U.S.C. 1707 note) (Housing Finance Agency Risk Sharing program).

(b) *Conflicts.* The regulations in this subpart may be supplemented by the specific regulations for the HUD-assisted programs listed in paragraph (a) of this section. The program-specific regulations may address the frequency of inspections, who performs the inspections and whether alternative inspections are available given the statutory and regulatory framework for

the program. When there is a conflict between the regulations of this subpart and the program-specific regulations, the program-specific regulations govern.

(c) *HUD housing.* For purposes of this subpart, the term “HUD housing” means the types of housing listed in paragraph (a) of this section.

§ 5.703 National standards for the condition of HUD housing.

(a) *General.* To ensure that all residents live in safe, habitable dwellings, the items and components located inside the building, outside the building, and within the units of HUD housing must be functionally adequate, operable, and free of health and safety hazards. The standards under this section apply to all HUD housing. HUD housing under the HCV, PBV, and Moderate Rehabilitation programs shall be subject to these standards only for:

(1) The subsidized unit itself; and

(2) Items and components within the primary and secondary means of egress from a unit’s entry door(s) to the public way, those common features related to the residential use of the building (e.g., the laundry room, community room, mail room), and the systems equipment that directly services the subsidized unit.

(b) *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 “inside” common areas may include, basements, interior or attached garages, enclosed carports, restrooms, closets, utility rooms, mechanical rooms, community rooms, day care rooms, halls, corridors, stairs, shared kitchens, laundry rooms, offices, enclosed porches, enclosed patios, enclosed balconies, and trash collection areas. Examples of building systems include those components that provide domestic water such as pipes, electricity, elevators, emergency power, fire protection, HVAC, and sanitary services. The inside area must meet the following affirmative requirements:

(1) The inside area must include at least one battery-operated or hard-wired smoke detector, in proper working condition, on each level of the property. The Secretary may establish additional standards through **Federal Register** notification;

(2) Except for housing subject to this subpart only through § 5.701(a)(6) or (7), or housing otherwise exempt from this requirement as provided elsewhere in this title, the inside area must meet or exceed the carbon monoxide detection standards set by the Secretary through **Federal Register** notification;

(3) For the inside area, any outlet installed within 6 feet of a water source must be ground-fault circuit interrupter (GFCI) protected;

(4) The inside area must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically;

(5) The inside area must have permanently mounted light fixtures in any kitchens and each bathroom; and

(6) The inside area may not contain unvented space heaters that burn gas, oil, or kerosene.

(c) *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. Examples of “outside” components may include fencing, retaining walls, grounds, lighting, mailboxes, project signs, parking lots, detached garage or carport, driveways, play areas and equipment, refuse disposal, roads, storm drainage, non-dwelling buildings, and walkways. 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. The outside area must meet the following affirmative requirements:

(1) For the outside area, outlets within 6 feet of a water source must be GFCI protected; and

(2) The outside area must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically.

(d) *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 the balcony, bathroom, call-for-aid (if applicable), carbon monoxide devices, ceiling, doors, electrical systems, enclosed patio, floors, HVAC (where individual units are provided), kitchen, lighting, outlets, smoke detectors, stairs, switches, walls, water heater, and windows. The unit must also meet the following affirmative requirements:

(1) The unit must have hot and cold running water in both the bathroom and kitchen, including an adequate source of safe drinking water in the bathroom and kitchen;

(2) The unit must include its own bathroom or sanitary facility that is in proper operating condition and usable in privacy. It must contain a sink, a bathtub or shower, and an interior flushable toilet;

(3) (i) The unit must include at least one battery-operated or hard-wired

smoke detector, in proper working condition, in the following locations:

- (A) On each level of the unit;
- (B) Inside each bedroom;
- (C) Within 21 feet of any door to a bedroom measured along a path of travel; and
- (D) Where a smoke detector installed outside a bedroom is separated from an adjacent living area by a door, a smoke detector must also be installed on the living area side of the door.

(ii) If the unit is occupied by any hearing-impaired person, the smoke detectors must have an alarm system designed for hearing-impaired persons;

(iii) The Secretary may establish additional standards through **Federal Register** notification;

(iv) Following the specifications of National Fire Protection Association Standard (NFPA) 72 satisfies the requirements of this paragraph (d)(3);

(4) The unit must have a living room and a kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area;

(5) For units assisted under the HCV or PBV program, the unit must have at least one bedroom or living/sleeping room for each two persons;

(6) Except for units subject to this subpart only through § 5.701(a)(6) or (7), or housing otherwise exempt from this requirement as provided elsewhere in this title, the unit must meet or exceed the carbon monoxide detection standards set by HUD through **Federal Register** notification;

(7) The unit must have two working outlets or one working outlet and a permanent light within all habitable rooms;

(8) Outlets within 6 feet of a water source must be GFCI protected;

(9) For climate zones designated by the Secretary through notice, the unit must have a permanently installed heating source. No units may contain unvented space heaters that burn gas, oil, or kerosene;

(10) The unit must have a guardrail when there is an elevated walking surface with a drop off of 30 inches or greater measured vertically; and

(11) The unit must have a permanently mounted light fixture in the kitchen and each bathroom.

(e) *Health and safety concerns*—(1) *General*. The inside, outside and unit must be free of health and safety hazards that pose a danger to residents. Types of health and safety concerns include, but are not limited to carbon monoxide, electrical hazards, extreme temperature, flammable materials or other fire hazards, garbage and debris, handrail hazards, infestation, lead-based paint, mold, and structural soundness.

(2) *Lead-based paint*. HUD housing must comply with all requirements related to the evaluation and control of lead-based paint hazards and have available proper documentation of such (see 24 CFR part 35). The Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4821–4846), the Residential Lead-based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851–4856), and the applicable regulations at 24 CFR part 35 apply.

(f) *Compliance with State and local codes*. (1) The standards for the condition of HUD housing in this section do not supersede State and local housing codes (such as fire, mechanical, plumbing, carbon monoxide, property maintenance, or residential code requirements).

(2) All HUD housing other than units assisted under the HCV and PBV programs must comply with State or local housing codes in order to comply with this subpart.

(3) State and local code compliance is not part of the determination of whether a unit passes the standards for the condition of HUD housing under this section for the HCV and PBV programs (except in accordance with § 5.705(a)(3)).

(g) *Use of an alternative inspection or additional standard for HCV and PBV programs*. A PHA is not subject to the standards set by this section when the PHA is relying on an alternative inspection in accordance with 24 CFR 982.406. PHAs may also elect to establish additional requirements for quality, architecture, or design of PBV housing, and any such additional requirements must be specified in the Agreement to enter into a HAP Contract or HAP Contract as provided in 24 CFR part 983.

(h) *Special housing types in the HCV, PBV and Moderate Rehabilitation programs*. Part 982, subpart M, of this title identifies special housing types which require standards unique to special types of housing. Unless modified by program-specific regulations, NSPIRE Standards will apply for these special housing types.

§ 5.705 Inspection requirements.

(a) *Procedures*—(1) *General*. Any entity responsible for conducting an inspection of HUD housing to determine compliance with this subpart, must inspect and score such HUD housing in accordance with the standards and procedures for identifying safe, habitable housing set out by the Secretary and published in the **Federal Register** as described in § 5.711. The entity conducting the inspection shall identify each deficiency as “Life

Threatening”, “Severe,” “Moderate”, or “Low.”

(2) *Inspection scope*. The inspection requirement for HUD housing generally requires the inside, outside and unit to be inspected, in accordance with § 5.703. The inspection requirement for the tenant-based HCV program and the unit inspection for the PBV and Moderate Rehabilitation programs only applies to units occupied or to be occupied by HCV, PBV, and Moderate Rehabilitation participants, and common areas and exterior areas which either service or are associated with such units.

(3) *HCV and PBV variant inspection standards*. (i) HUD may approve inspection criteria variations for the following purposes:

(A) Variations which apply standards in local housing codes or other codes adopted by the PHA; or

(B) Variations because of local climatic or geographic conditions.

(ii) Acceptability criteria variations may only be approved by HUD pursuant to paragraph (a)(3)(i) of this section if such variations either:

(A) Meet or exceed the performance requirements; or

(B) Significantly expand affordable housing opportunities for families assisted under the program.

(iii) HUD will not approve any inspection criteria variation if HUD believes that such variation is likely to adversely affect the health or safety of participant families, or severely restrict housing choice.

(iv) Approved variations must be added to the Administrative Plan as described in 24 CFR 982.54(d)(21).

(b) *Entity conducting inspections*. HUD housing must be inspected by the appropriate entity as described in paragraph (b)(1) of this section, except as described in paragraph (b)(2) of this section.

(1) *General*. The owner, lender, contract administrator, or HUD is the entity responsible for performing inspections of HUD housing as provided in this title, or a regulatory agreement or contract. For properties with more than one HUD-insured loan, only the first mortgage lender is required to conduct the inspection. The second mortgage lender will be provided a copy of the physical inspection report by the first mortgage lender.

(2) *Exception*. Under the HCV and PBV programs, the Public Housing Agency is responsible for inspecting HUD housing under those programs, unless another entity is assigned the inspection by the program regulations governing the housing, regulatory agreements or contracts. A PHA-owned

unit receiving assistance under section 8(o) of the 1937 act must be inspected by an independent entity as specified in 24 CFR parts 982 and 983. Under the Moderate Rehabilitation program, the PHA is responsible for inspecting the HUD housing unless the PHA is managing units on which it is also administering the HAP Contract in accordance with 24 CFR 882.412, in which case HUD is responsible for the inspections in accordance with 24 CFR 882.516(d).

(c) *Timing of inspections*—(1) *Generally*. A property must be inspected before the property is approved for participation in any of the HUD housing programs under this part unless there is a program specific exception to this requirement. An entity responsible for conducting an inspection of HUD housing to determine compliance with this subpart must inspect such housing annually unless specified otherwise below. An inspection shall be conducted no earlier than 3 months before and no later than 3 months after the date marking the anniversary of the previous inspection, except that inspections due on or before July 1, 2024, shall be conducted no earlier than 6 months before and no later than 6 months after the date marking the anniversary of the previous inspection. HUD may approve requests by an owner or PHA for extensions of the deadline for an inspection for good cause as determined by HUD and HUD may extend inspection deadlines without owner request, as deemed necessary by the Secretary.

(2) *Extended inspection cycle*. HUD housing, except as specified below, shall be scored and ranked in accordance with the methodology provided through **Federal Register** notification.

(i) *Standard 1 performing property*. If a property receives a score of 90 points or higher on its physical condition inspection, the property will be designated a standard 1 performing property. Properties designated as standard 1 performing properties will be required to undergo a physical inspection once every three (3) years.

(ii) *Standard 2 performing property*. If a property receives a score of 80 points or higher but less than 90 on its physical condition inspection, the property will be designated a standard 2 performing property. Properties designated as standard 2 performing properties will be required to undergo a physical inspection once every two (2) years.

(iii) *Standard 3 performing property*. If a property receives a score of less than 80 points, the property will be designated a standard 3 performing

property. Properties designated as standard 3 performing properties will continue to undergo an annual physical inspection as currently required under covered HUD programs.

(3) *Triennial cycle for small rural PHAs*. Small rural PHAs as defined in 24 CFR 902.101 shall be assessed in accordance with part 902, subpart H of this title.

(4) *Triennial cycle for small PHAs*. Small PHAs as defined in 24 CFR 902.13(a) shall be assessed in accordance with 24 CFR 902.13(a).

(5) *Housing choice vouchers*. PHAs must inspect units subject to part 982 of this title in accordance with the frequency described in 24 CFR 982.405.

(6) *Project based vouchers*. PHAs must inspect units subject to 24 CFR part 983 in accordance with the frequency described in 24 CFR 983.103.

(7) *FHA insured mortgages section 232 facilities*. HUD may exempt assisted-living facilities, board and care facilities, and intermediate care facilities from physical inspections under this part if HUD determines that the State or local government has a reliable and adequate inspection system in place, with the results of the inspection being readily and timely available to HUD. For any other section 232 facilities, the inspection will be conducted only when and if HUD determines, on the basis of information received, such as through a complaint, site inspection, or referral by a State agency, on a case-by-case basis, that inspection of a particular facility is needed to assure protection of the residents or the adequate preservation of the project.

(8) *Section 8 Moderate Rehabilitation program*. PHAs must inspect units subject to the Moderate Rehabilitation program under 24 CFR part 882 in accordance with the frequency described in 24 CFR 882.516.

(d) *Inspection costs*. The cost of an inspection shall be the responsibility of the entity responsible for the inspection as identified in paragraph (a) of this section, except that a reasonable fee may be required of the owner of a property for a reinspection if an owner notifies the entity responsible for the inspection that a repair has been made or the allotted time for repairs has elapsed and a reinspection reveals that any deficiency cited in the previous inspection that the owner is responsible for repairing was not corrected. No fee may be passed along to the household residing in the unit or units.

(e) *Access to property for inspection*. Nothing in this subpart shall restrict the right of HUD, or an entity contracted by HUD, to inspect a property. All owners

and PHAs are required to provide HUD or its representative with full and free access to all HUD-assisted properties. All owners and PHAs are required to provide HUD or its representative with access to all units and appurtenances in order to permit physical inspections, monitoring reviews, and quality assurance reviews under this part. Access to the units shall be provided whether or not the resident is home or has installed additional locks for which the owner or PHA did not obtain keys. In the event that an owner or PHA fails to provide access as required by HUD or its representative, the owner or PHA shall be given a physical condition score of zero for the project or projects involved. A score of zero for an owner or PHA shall be used to calculate the physical condition indicator score and the overall assessment score for that owner or PHA.

(f) *Tenant involvement in inspections*. HUD will establish, through notice, a procedure for tenants to recommend to HUD particular units which HUD may choose to inspect either during or separate from its standard inspection. HUD will evaluate the condition of these units and issue a report on findings, but they will not be included in the official score unless they were randomly selected independent of the tenant's recommendation. The owner or PHA is required to correct any deficiency HUD identifies within the timeframes HUD has established for the identified deficiency.

§ 5.707 Uniform self-inspection requirement and report.

All PHAs and owners of HUD housing subject to an assistance contract, other than owners participating in the HCV, PBV, and Moderate Rehabilitation programs, are required to annually self-inspect their properties, including all units, to ensure the units are maintained in accordance with the standards in § 5.703. The owner or PHA must maintain the results of such self-inspections for three years and must provide the results to HUD upon request. This self-inspection is independent of other HUD inspections discussed in § 5.705. The owner or PHA may choose to conduct this inspection after a HUD inspection to satisfy this requirement and the post-report survey requirement at § 5.711(c)(2) simultaneously.

§ 5.709 Administrative process for defining and revising inspection criteria.

(a) *Inspection standards and scoring methodology*. The Secretary will publish in the **Federal Register**, following notice and the opportunity to

comment, a standards notification with a list of deficiencies and the relative severity of these deficiencies to use for inspecting HUD housing. This **Federal Register** document will also include the factors for determining if an HCV, PBV, or Moderate Rehabilitation unit passes or fails the inspection. The Secretary will also publish in the **Federal Register**, following notice and opportunity to comment, a scoring notification containing the methodologies to use for scoring and ranking HUD housing. After considering the public comments received on these **Federal Register** documents, the Secretary will publish documents announcing the new inspections standards and scoring methodologies, and the date on which these notifications become effective.

(1) *Revisions.* The Secretary will issue a notification in the **Federal Register** published for at least 30 days of public comment making any revisions to the inspection and scoring procedures HUD deems necessary, at least once every three years, or three years after the most recent revision, whichever is later.

(2) *Emergency revisions.* The Secretary may publish a notification without 30 days of public comment in the case of an emergency to protect Federal financial resources or the health or safety of residents of HUD housing, after HUD makes a documented determination that such action is warranted due to:

(i) A Life-Threatening deficiency or Severe deficiency and other significant risks to safety as outlined in § 5.703;

(ii) A new safety concern due to changing construction technology; or

(iii) Other events as determined by the Secretary.

(b) [Reserved]

§ 5.711 Scoring, ranking criteria, and appeals.

(a) *Applicability.* Administrative process for scoring and ranking the physical condition of HUD housing properties under this section does not apply to the HCV, PBV or Moderate Rehabilitation programs. PHAs administering HCV and PBV programs will be assessed under the Section 8 Management Assessment Program (“SEMAP”) or the small rural PHA assessment in accordance with 24 CFR part 985, and PHAs administering the Moderate Rehabilitation programs are subject to HUD review in accordance with 24 CFR 882.517.

(b) *Scoring and ranking of HUD housing—(1) General.* HUD’s Real Estate Assessment Center (REAC), or the appropriate entity either as described in § 5.705(b), or as identified in the

regulator agreement or contract for the property as described in § 5.705(b)(1), will score and rank the physical condition of HUD housing properties in accordance with the procedures set out by the Secretary in § 5.709.

(2) *Public housing programs.* PHAs operating public housing will be scored and ranked under the Public Housing Assessment System (“PHAS”) outlined in part 902 of this title.

(c) *Inspection report requirements.* (1) *Life-Threatening deficiencies and Severe deficiencies.* Upon completion of an inspection, or at the end of each day on a multiple-day inspection, REAC, or the appropriate party as described in § 5.705(b), will provide the owner or PHA or owner’s representative, a notice of any items classified as Life-Threatening or Severe deficiencies. All Life-Threatening items must be corrected within 24 hours of receipt of notice of these items, unless HUD approves a variation. All Severe items must be corrected within 24 hours of receipt of notice, unless indicated otherwise within the individual inspection standards published in the **Federal Register** with notice and the opportunity for comment, or HUD approves a variation. The owner or PHA or owner’s representative must electronically certify and provide supporting evidence within 2 business days after the deadline to correct the Life-Threatening and Severe items that the items have been resolved or sufficiently corrected such that they no longer pose a severe health or safety risk to residents of the property, or that the hazard is blocked until permanent repairs can be completed. If permanent repair will take longer than the allowable time in the relevant standard for the deficiency, the owner or PHA must provide HUD a timeframe for completing permanent repairs for HUD approval.

(2) *Post-report inspection.* The owner or PHA must carefully review the inspection report and is responsible for conducting its own survey of the total property. Moderate deficiencies must be corrected within thirty days and Low deficiencies must be corrected within sixty days, unless indicated otherwise within the individual inspection standards published in the **Federal Register** with notice and the opportunity for comment or within such other reasonable time prescribed by a HUD notice to the owner or PHA. For properties that scored at or above 60, the survey may be limited to inspecting for deficiencies based on the inspecting entity’s inspection findings. For properties that scored below 60, the owner or PHA must conduct a survey of

the entire project, including all units, inside areas, and outside areas, for any deficiency, and must electronically submit a copy of the results of the survey to HUD.

(d) *Technical review of inspection results—(1) Timing.* A request for a technical review of inspection results must be submitted electronically and must be received by the inspecting entity no later than the 45th calendar day following the day the inspection report is provided to the owner or PHA.

(2) *Request for technical review.* The request must be accompanied by the owner’s or PHA’s relevant evidence that an objectively verifiable and material error occurred or adverse conditions beyond the owner or PHA’s control occurred, which if corrected will result in a significant improvement in the overall score of the property. A technical review of the inspection results will not be conducted based on conditions that were corrected subsequent to the inspection. Upon receipt of this request from the owner or PHA, the REAC will review the inspection and the evidence. If the REAC review determines that an objectively verifiable and material error (or errors) or adverse condition(s) beyond the owner’s or PHA’s control has been documented and that it is likely to result in a significant improvement in the property’s overall score, the REAC will take one or a combination of the following actions:

- (i) Undertake a new inspection;
- (ii) Correct the original inspection; or
- (iii) Issue a new physical condition score.

(3) *Burden of proof that error or adverse conditions occurred rests with owner or PHA.* The burden of proof rests with the owner or PHA to demonstrate that an objectively verifiable and material error (or errors) or adverse conditions occurred in the REAC’s inspection through submission of evidence, which if corrected will result in a significant improvement in the property’s overall score. The REAC will apply a rebuttable presumption that the inspection was conducted accurately. To support its request for a technical review of the physical inspection results, the owner or PHA may submit photographic evidence, written material from an objective source with subject matter expertise that pertains to the item being reviewed such as a local fire marshal, building code official, registered architect, or professional engineer, or other similar evidence.

(4) *Basis for technical review.* An objectively verifiable material error must be present, or an adjustment to the score must be necessary, to allow for a

technical review of inspection results. The basis for a technical review must not be due to the fault of the owner or PHA and must exhibit specific characteristics and meet specific thresholds. The applicable types of material errors and bases for adjustment are as follows.

(i) *Building data error.* A building data error occurs if the inspector inspected the wrong building or a building that was not owned by the property, including common or site areas that were not a part of the property. Incorrect data due to the failure of an owner or PHA to ensure HUD's systems of records are updated cannot form the basis of a review. Incorrect building data that does not affect the score, such as the address and building name would not be considered material.

(ii) *Unit count error.* A unit count error occurs if the total number of units considered in scoring is incorrect due to the fault of HUD. Since scoring uses total units, REAC will examine instances where the participant can provide evidence that the total units used was incorrect and that the results were not representative of the condition of the property.

(iii) *A non-existent deficiency error.* A non-existent deficiency error occurs if the inspection records an observed deficiency that does not satisfy or does not meet a reasonable interpretation of the definition of that deficiency as defined by inspection procedures.

(iv) *Adjustments for factors not reflected or inappropriately reflected in physical condition score.* HUD may determine it is appropriate to review the results of a property's physical inspection if facts and circumstances affecting the owner's or PHA's property are not reflected in the inspection or are reflected inappropriately in the inspection. The circumstances addressed in this may include inconsistencies between local code requirements and the HUD physical inspection protocol; conditions that are permitted by local variance or license or which are preexisting physical features that do not conform to, or are inconsistent with, HUD's physical condition protocol; or the project or PHA having been scored for elements (e.g., roads, sidewalks, mail boxes, resident-owned appliances, etc.) that it does not own and is not responsible for maintaining.

(v) *Adjustments for adverse conditions beyond the control of the owner or PHA.* HUD may determine that certain deficiencies that adversely and significantly affect the physical condition score of the project were

caused by circumstances beyond the control of the owner or PHA. The correction of these conditions, however, remains the responsibility of the owner or PHA. The circumstances addressed by this paragraph may include, but are not limited to, damage caused by third parties (such as a private entity or public entity undertaking work near a Public Housing project that results in damage to the project) or natural disasters.

(vi) *Adjustments for modernization work in progress.* HUD may determine that occupied dwelling units or other areas of a property, which are subject to physical inspection, and which are undergoing modernization work, require an adjustment to the physical condition score. An occupied dwelling unit or other areas of an owner's or PHA's property undergoing modernization are subject to physical inspection; the unit(s) and other areas of the property are not exempt from physical inspection. All elements of the unit or of the other areas of the owner or PHA's project that are subject to inspection and are not undergoing modernization at the time of the inspection (even if modernization is planned) will be subject to HUD's physical inspection protocol without adjustment. For those elements of the unit or of the property that are undergoing modernization, deficiencies will be noted in accordance with HUD's physical inspection protocol, but the owner or PHA may request adjustment of the physical condition score as a result of current modernization or rehab work in progress.

(5) *Significant improvement.* Significant improvement in the project's overall score refers to an increase in a score for the owner or PHA such that the new score crosses an administratively significant threshold.

(6) *Reinspection.* If HUD determines that a reinspection is appropriate, it will arrange for a complete reinspection of the project(s) in question, not just the deficiencies previously identified. The reinspection will constitute the final inspection for the project, and HUD will issue a new inspection report (the final inspection report).

(e) *Independent HUD review.* Under certain circumstances, HUD may find it appropriate absent an owner or PHA request for technical review to review the results of an inspection which are anomalous or have an incorrect result due to facts and circumstances affecting the inspected property which are not reflected in the inspection or reflected inappropriately in the inspection.

(f) *Responsibility for the cost of a new inspection.* If a new inspection is

undertaken by the inspecting party and the new inspection score results in a significant improvement in the property's overall score, then the entity responsible for the inspection shall bear the expense of the new inspection. If no significant improvement occurs, then the owner or PHA responsible for the property must bear the expense of the new inspection. The inspection cost of a new inspection, if paid by the owner or PHA, is not an eligible project operating expense. The new inspection score will be considered the final score.

(g) *Issuance of final score and publication of score.* (1) The score of the property is the final score if the owner or PHA files no request for technical review, as provided in paragraph (d) of this section, or for other adjustment of the physical condition score, as provided in paragraph (e) of this section. If the owner or PHA files a request for technical review or score adjustments in accordance with paragraphs (d), or there is a HUD review under paragraph (e) of this section, the final inspection score is the score issued by HUD after any adjustments are determined necessary and made by HUD at the conclusion of these processes.

(2) HUD will make public the final scores of the properties of the owners and PHAs through posting on HUD's internet site, or other appropriate means.

(h) *Responsibility to notify residents of inspection; and availability of documents to residents—(1) Notification to residents.* An owner or PHA must notify its residents of any planned inspections of their units or the housing development generally.

(2) *Availability of documents for review.* (i) Once a final score has been issued the owner or PHA must make the physical inspection report and all related documents available to residents during regular business hours upon reasonable request for review and copying. Related documents include the owner's or PHA's survey plan, plan of correction, certification, and related correspondence.

(ii) Once the owner's final inspection score is issued and published, the owner or PHA must make any additional information, such as the results of any reinspection or appeal requests, available for review and copying by its residents upon reasonable request during regular business hours.

(iii) The owner or PHA must maintain the documents related to the inspection of the property, as described in paragraphs (h)(2)(i) and (ii) of this section, for review by residents for a

period of 60 days from the date HUD provides the inspection score for the property in which the residents reside.

(3) *Posting on the availability of materials.* The owner or PHA must post a notice to the residents in the owner's or PHA's management office and on any bulletin boards in all common areas on the date of submission to the owner of the inspection score for the property in which the resident resides that advises residents of the availability of the materials described in this section. The notice must be translated into other languages if necessary to provide meaningful access for limited English proficient (LEP) individuals. The notice should include, where applicable, the name, address, and telephone number of the HUD field office contact.

(4) Residents are encouraged to comment on this information provided by the owner or PHA and submit any comments directly to the applicable HUD field office or responsible entity. Should residents discover the owner or PHA provided HUD with a false certification during the review, they are encouraged to notify the applicable HUD field office where appropriate inquiry and action will be taken.

(i) *Administrative review of properties.* The file of a property that receives a score of 30 points or less, or two successive scores under 60, on its inspection will be subject to additional administrative review. Properties that receive two successive scores under 60 may be referred to HUD's Departmental Enforcement Center (DEC) for evaluation. Properties that receive a score of 30 points or less shall be automatically referred to the DEC for evaluation.

(1) *Notification to owner of submission of property file to the DEC.* Upon referral to the DEC, the Department will provide for notification to the PHA or owner that the file on the owner's property is being submitted to the DEC for evaluation. The notification will be provided at the time the REAC issues the inspection report to the owner or at such other time as a referral occurs.

(2) *Evaluation of the property.* During the DEC's evaluation period, the DEC will perform an analysis of the property, which may include input from tenants, HUD officials, elected officials, maintenance staff and others as may be appropriate. Although program offices will assist with the evaluation, the DEC will have primary responsibility for the conclusion of the evaluation of the property after taking into consideration the input of interested parties as described in this paragraph. The DEC's

evaluation may include a site visit to the PHA's or owner's property.

(3) *Continuing responsibilities of HUD program offices and mortgagee.* During the period of DEC evaluation, HUD's program offices continue to be responsible for routine business, oversight, and monitoring. In addition, during this period of evaluation, the mortgagee, as applicable, shall continue to carry out its duties and responsibilities with respect to the mortgage.

(4) *Enforcement action.* Except as otherwise provided by statute, if, based on the DEC's evaluation and in consultation with HUD program offices, the DEC determines that enforcement actions are appropriate, it may take those actions for which the DEC has delegated authority and/or make recommendations to HUD program office with respect to resolving identified physical deficiencies and owner or PHA noncompliance.

(j) *No limitation on existing enforcement authority.* The administrative process provided in this section does not prohibit HUD from taking whatever action may be necessary (notwithstanding the commencement of this process), as authorized under existing statutes, regulations, contracts, grant agreements or other documents, to protect HUD's interests in HUD housing properties and to protect the residents of these properties.

§ 5.713 Second- and third-party rights.

Nothing in this subpart is intended to create any right of the family residing in HUD Housing or any party, other than HUD or a PHA, to require enforcement of the standards required by this subpart or to assert any claim against HUD or the PHA for damages, injunction, or other relief for alleged failure to enforce the standards.

PART 92—HOME INVESTMENT PARTNERSHIPS PROGRAM

■ 3. The authority for part 92 continues to read as follows:

Authority: 42 U.S.C. 3535(d), 12 U.S.C. 1701x and 4568.

§ 92.2 [Amended]

■ 4. Effective October 1, 2023, amend § 92.2 by removing the definition of "Uniform Physical Condition Standards (UPCS)".

■ 5. Effective October 1, 2023, amend § 92.209 by revising paragraph (i) to read as follows:

§ 92.209 Tenant-based rental assistance: Eligible costs and requirements.

* * * * *

(i) *Housing standards.* Housing occupied by a family receiving tenant-based rental assistance under this section must meet the participating jurisdiction's property standards under § 92.251. The participating jurisdiction must inspect the housing initially and re-inspect it annually.

* * * * *

- 6. Effective October 1, 2023, amend § 92.251 by:
 - a. Revising paragraphs (b)(1)(viii) and (c)(3);
 - b. Removing and reserving paragraph (d); and
 - c. Revising the paragraph (f) heading and paragraphs (f)(1) introductory text and (f)(1)(i).

The revisions read as follows:

§ 92.251 Property standards.

* * * * *

(b) * * *
(1) * * *

(viii) *HUD housing standards.* The standards of the participating jurisdiction must be such that, upon completion, the HOME-assisted project and units will be decent, safe, sanitary, and in good repair. This means that the HOME-assisted project and units will meet the standards in 24 CFR 5.703, except that the carbon monoxide detection requirements at 24 CFR 5.703(b)(2) and (d)(6) shall not apply. For all HOME-assisted projects and units, the requirements at 24 CFR 5.705 through 5.713 do not apply. At minimum, the participating jurisdiction's rehabilitation standards must require correction of the specific deficiencies published in the **Federal Register** for HOME-assisted projects and units. For SRO housing, 24 CFR 5.703(d) shall only apply to the extent that the SRO unit contains the room or facility referenced in 24 CFR 5.703(d).

* * * * *

(c) * * *

(3) Existing housing that is acquired for homeownership (e.g., downpayment assistance) must be decent, safe, sanitary, and in good repair. The participating jurisdiction must establish standards to determine that the housing is decent, safe, sanitary, and in good repair. At minimum, the standards must provide that the housing meets all applicable State and local housing quality standards and code requirements and the housing does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR 5.703 and published in the **Federal Register**.

for HOME assisted projects and units. The participating jurisdiction must inspect the housing and document this compliance based upon an inspection that is conducted no earlier than 90 days before the commitment of HOME assistance. If the housing does not meet these standards, the housing must be rehabilitated to meet the standards of this paragraph (c)(3) or it cannot be acquired with HOME funds.

* * * * *

(f) Ongoing property condition standards: Rental housing and housing occupied by tenants receiving HOME tenant-based rental assistance—(1)

Ongoing property standards. The participating jurisdiction must establish property standards for rental housing (including manufactured housing) that apply throughout the affordability period and for housing occupied by tenants receiving HOME tenant-based rental assistance. The standards must require that owners maintain the housing as decent, safe, sanitary, and in good repair. The participating jurisdiction's description of its property standards must be in sufficient detail to establish the basis for a uniform inspection of HOME rental projects and housing occupied by tenants receiving HOME tenant-based rental assistance. The participating jurisdiction's ongoing property standards must address each of the following:

(i) Compliance with State and local codes, ordinances, and requirements.

The participating jurisdiction's standards must require the housing to meet all applicable State and local code requirements and ordinances. In the absence of existing applicable State or local code requirements and ordinances, at a minimum, the participating jurisdiction's ongoing property standards must provide that the property does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR 5.703 and published in the **Federal Register** for rental housing (including manufactured housing) and housing occupied by tenants receiving HOME tenant-based rental assistance. The requirements in 24 CFR 5.705 through 5.713 do not apply to the participating jurisdiction's ongoing property standards.

* * * * *

■ 7. Effective October 1, 2023, amend § 92.504 by revising paragraphs (d)(1)(ii)(D) and (d)(1)(iii) to read as follows:

§ 92.504 Participating jurisdiction responsibilities; written agreements; on-site inspections.

* * * * *

- (d) * * *
- (1) * * *
- (ii) * * *

(D) Inspections must be based on a statistically valid sample of units appropriate for the size of the HOME-assisted project, as set forth by HUD through a document published in the **Federal Register**. For projects with one-to-four HOME-assisted units, a participating jurisdiction must inspect all of the HOME-assisted units and all inspectable areas for each building with HOME-assisted units.

(iii) *Annual inspections.* Tenant-based rental assistance (TBRA). All housing occupied by tenants receiving HOME tenant-based rental assistance must meet the property standards of § 92.251. The participating jurisdiction must perform annual on-site inspections of rental housing occupied by tenants receiving HOME-assisted TBRA to determine compliance with these standards.

* * * * *

PART 93—HOUSING TRUST FUND

■ 8. The authority for part 93 continues to read as follows:

Authority: 42 U.S.C. 3535(d), 12 U.S.C. 4568.

■ 9. Effective October 1, 2023, amend § 93.301 by revising paragraphs (b)(1)(viii), (c)(3), (e)(1) introductory text, and (e)(1)(i) to read as follows:

§ 93.301 Property standards.

* * * * *

- (b) * * *
- (1) * * *

(viii) *Housing standards.* The standards of the grantee must be such that, upon completion, the HTF-assisted project and units will be decent, safe, sanitary, and in good repair. This means that the HTF-assisted project and units will meet the standards in 24 CFR 5.703, except that the carbon monoxide detection requirement at 24 CFR 5.703(b)(2) and (d)(6) shall not apply. For all HTF-assisted projects and units, the requirements at 24 CFR 5.705 through 5.713 do not apply. At minimum, the grantee's rehabilitation standards must require correction of the specific deficiencies published in the **Federal Register** for HTF-assisted projects and units. For SRO housing, the requirements at 24 CFR 5.703(d) shall only apply to the extent that the SRO unit contains the room or facility referenced in 24 CFR 5.703(d).

* * * * *

(c) * * *

(3) Existing housing that is acquired for homeownership (e.g., down payment assistance) must be decent, safe, sanitary, and in good repair. The grantee must establish standards to determine that the housing is decent, safe, sanitary, and in good repair. At minimum, the standards must provide that the housing meets all applicable State and local standards and code requirements, and the housing does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR 5.703 and published in the **Federal Register** for HTF-assisted projects and units. The grantee must inspect the housing and document compliance based upon an inspection that is conducted no earlier than 90 calendar days before the date of commitment of HTF assistance. If the housing does not meet these standards, the housing must be rehabilitated to meet the standards of this paragraph or it cannot be assisted with HTF funds.

* * * * *

(e) * * *

(1) *Ongoing property standards.* The grantee must establish property standards for rental housing (including manufactured housing) that apply throughout the affordability period. The standards must require that owners maintain the housing as decent, safe, sanitary and in good repair. The grantee's description of its property standards must be in sufficient detail to establish the basis for a uniform inspection of HTF rental projects. The grantee's ongoing property standards must address each of the following:

(i) *Minimum Property Standards.* At a minimum, the grantee's ongoing property standards must provide that the property does not contain the specific deficiencies established by HUD based on the applicable standards in 24 CFR 5.703 and published in the **Federal Register** for rental housing (including manufactured housing). The requirements in 24 CFR 5.705 through 5.713 do not apply to the grantee's ongoing property standards.

* * * * *

■ 10. Effective October 1, 2023, amend § 93.404 by revising paragraph (d)(2)(v) to read as follows:

§ 93.404 Grantee responsibilities; written agreements; onsite inspections; financial oversight.

* * * * *

- (d) * * *
- (2) * * *

(v) Inspections must be based on a statistically valid sample of units appropriate for the size of the HTF-

assisted project, as set forth by HUD through notification published in the **Federal Register**. For projects with one to four HTF-assisted units, the HTF grantee must inspect all of the HTF-assisted units and all inspectable areas for each building housing HTF-assisted units.

* * * * *

PART 200—INTRODUCTION TO FHA PROGRAMS

- 11. The authority for part 200 continues to read as follows:

Authority: 12 U.S.C. 1702–1715z–21; 42 U.S.C. 3535(d).

- 12. Effective October 1, 2023, revise § 200.850 to read as follows:

§ 200.850 Physical condition standards and physical inspection requirements.

The requirements in 24 CFR part 5, subpart G, are applicable to the multifamily properties assisted or insured that are listed in 24 CFR 5.701.

§§ 200.853, 200.855, and 200.857 [Removed and Reserved]

- 13. Effective October 1, 2023, remove and reserve §§ 200.853, 200.855, and 200.857.

PART 570—COMMUNITY DEVELOPMENT BLOCK GRANTS

- 14. The authority citation for part 570 continues to read as follows:

Authority: 12 U.S.C. 1701x, 1701x–1; 42 U.S.C. 3535(d) and 5301–5320.

- 15. Effective October 1, 2023, amend § 570.208 by revising paragraph (b)(1)(iv) to read as follows:

§ 570.208 Criteria for national objectives.

* * * * *

(b) * * *

(1) * * *

(iv) The assisted activity addresses one or more of the conditions which contributed to the deterioration of the area. Rehabilitation of residential buildings carried out in an area meeting the above requirements will be considered to address the area's deterioration only where each building rehabilitated is considered substandard under local definition before rehabilitation, and all deficiencies making a building substandard have been eliminated. At a minimum, the local definition for this purpose must be such that buildings that it would render substandard would also fail to meet the standards for the condition of HUD housing at 24 CFR 5.703.

* * * * *

PART 574—HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS, SUBPART D—USES OF GRANT FUNDS

- 16. The authority for part 574 continues to read as follows:

Authority: 12 U.S.C. 1701x, 1701x–1; 42 U.S.C. 3535(d) and 5301–5320.

- 17. Effective October 1, 2023, amend § 574.310 by revising paragraphs (b) introductory text and (b)(2) and adding paragraph (b)(3) to read as follows:

§ 574.310 General standards for eligible housing activities.

* * * * *

(b) * * *. The following standards apply for all housing for which HOPWA funds are used under § 574.300(b)(3), (4), (5), and (8).

* * * * *

(2) *HUD housing standards.* Except for such variations as are proposed by the grantee and approved by HUD, the housing must meet the standards for HUD housing in 24 CFR 5.703, except that:

(i) As applied to HOPWA, “HUD housing” in 24 CFR 5.703 means the units eligible persons occupy or will occupy, systems equipment that directly services those units, items and components within the primary and secondary means of egress from those units’ doors to the public way, and common features related to the residential use of the building (e.g., the laundry room, community room, mail room).

(ii) Housing that continues to meet the HOPWA housing quality standards that applied when the eligible person(s) moved into that housing shall not be required to meet new or different standards under 24 CFR 5.703.

(3) The requirements of 24 CFR 5.705 through 5.713 do not apply.

* * * * *

PART 576—EMERGENCY SOLUTIONS GRANTS PROGRAM

- 18. The authority for 24 CFR part 576 continues to read as follows:

Authority: 12 U.S.C. 1701x, 1701x–1; 42 U.S.C. 11371 *et seq.*, 42 U.S.C. 3535(d).

Subpart E—Program Requirements

- 19. Effective October 1, 2023, amend § 576.403 by revising paragraph (c) to read as follows:

§ 576.403 Shelter and housing standards.

* * * * *

(c) *Minimum standards for permanent housing.* When ESG funds are used for permanent housing under 24 CFR

576.105 or 576.106, the minimum standards in 24 CFR 5.703 apply, except that:

(1) *Definition of HUD housing.* For the purposes of ESG, “HUD housing” in 24 CFR 5.703 means the program participant’s unit, systems equipment that directly services those units, items and components within the primary and secondary means of egress from those units’ doors to the public way, and common features related to the program participant’s use of the building (e.g., the laundry room, community room, mail room).

(2) *Housing inspections.* For the first 30 days in which a program participant receives homelessness prevention assistance, the recipient or subrecipient may provide services under 24 CFR 576.105(b) to help the program participant remain in their unit without inspecting the unit to determine whether it meets the minimum standards identified in this paragraph (c), except that the recipient or subrecipient must still comply with the requirements under 24 CFR part 35. Before otherwise using ESG funds under 24 CFR 576.105 or 576.106 to help a program participant remain in or move into specific housing, however, the recipient or subrecipient must inspect that housing to confirm that it meets the requirements in this section. In addition, recipient or subrecipient must inspect the housing at least once every 12 months during the period of assistance to confirm the housing continues to meet the minimum standards in this paragraph (c).

(3) *Correction of deficiencies.* If an inspection reveals one or more deficiencies that prevent the housing from meeting the requirements in this section, ESG funds must not be used under 24 CFR 576.105 or 576.106 with respect to that housing unless the owner corrects the deficiencies within 30 days from the date of the initial inspection and the recipient or subrecipient verifies that all deficiencies have been corrected.

(4) *Rental arrears.* Housing for which rental arrears are paid is only subject to the requirements in this section, if a program participant is seeking to stay in that housing.

(5) *Additional standards.* The recipient may also add standards that exceed these minimum standards.

(6) *Other exemptions from 24 CFR part 5, subpart G.* The requirements in 24 CFR 5.703(b)(2) and (d)(6) and 5.705 through 5.713 do not apply.

PART 578—CONTINUUM OF CARE PROGRAM

- 20. The authority for 24 CFR part 578 continues to read as follows:

Authority: 12 U.S.C. 1701x, 1701x-1; 42 U.S.C. 11381 *et seq.*, 42 U.S.C. 3535(d).

- 21. Effective October 1, 2023, amend § 578.75 by revising paragraph (b) to read as follows:

§ 578.75 General operations.

* * * * *

(b) *Housing standards.* Housing leased with Continuum of Care program funds, or for which rental assistance payments are made with Continuum of Care program funds, must meet the applicable standards under 24 CFR 5.703, except that the carbon monoxide detection requirement at 24 CFR 5.703(b)(2) and (d)(6) shall not apply. For housing that is occupied by program participants receiving tenant-based rental assistance, 24 CFR part 35, subparts A, B, M, and R apply. For housing rehabilitated with funds under this part, the lead-based paint requirements in 24 CFR part 35, subparts A, B, J, and R apply. For housing that receives project-based or sponsor-based rental assistance, 24 CFR part 35, subparts A, B, H, and R apply. For residential property for which funds under this part are used for acquisition, leasing, services, or operating costs, 24 CFR part 35, subparts A, B, K, and R apply. Additionally, for tenant-based rental assistance, for leasing of individual units, and for sponsor based rental assistance where not all units in a structure are or will be assisted, the standards apply only to the unit itself, and to the means of ingress and egress from the unit to the public way and to the building's common areas.

(1) Before any assistance will be provided on behalf of a program participant, the recipient, or subrecipient, must physically inspect each unit to assure that the unit meets 24 CFR 5.703. Assistance will not be provided for units that fail to meet 24 CFR 5.703, unless the owner corrects any deficiencies within 30 days from the date of the initial inspection and the recipient or subrecipient verifies that all deficiencies have been corrected.

(2) Recipients or subrecipients must inspect all units at least annually during the grant period to ensure that the units continue to meet 24 CFR 5.703.

(3) The requirements in 24 CFR 5.705 through 5.713 do not apply.

* * * * *

PART 882—SECTION 8 MODERATE REHABILITATION PROGRAMS

- 22. The authority for part 882 continues to read as follows:

Authority: 42 U.S.C. 1437f and 3535(d).

§ 882.404 [Amended]

- 23. Effective October 1, 2023, amend § 882.404 by removing paragraph (d).
- 24. Effective October 1, 2023, amend § 882.516 by revising the section heading and paragraphs (b), (c), and (e) to read as follows:

§ 882.516 Maintenance, operation, and inspections.

* * * * *

(b) *Periodic inspection.* In addition to the inspections required prior to execution of the Contract, the PHA must inspect or cause to be inspected the contract units in accordance with the physical inspection requirements under 24 CFR part 5, subpart G, at least annually, and at such other times as may be necessary to assure that the Owner is meeting the obligations to maintain the units so they are compliant with 24 CFR part 5, subpart G, and to provide the agreed upon utilities and other services. The PHA must take into account complaints and any other information coming to its attention in scheduling inspections.

(c) *Units with health and safety hazards.* If the PHA notifies the Owner that the unit(s) under Contract are not being maintained in compliance with the standards under 24 CFR part 5, subpart G, and the Owner fails to take corrective action (including corrective action with respect to the Family where the condition of the unit is the fault of the Family) within the time prescribed in the notice, the PHA may exercise any of its rights or remedies under the Contract, including abatement of housing assistance payments (even if the Family continues in occupancy) or termination of the Contract on the affected unit(s) and assistance to the Family in accordance with § 882.514(e).

* * * * *

(e) *Periodic reviews.* Periodic PHA audits must be conducted as required by HUD, in accordance with 2 CFR part 200, subpart F.

PART 884—SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM, NEW CONSTRUCTION SET-ASIDE FOR SECTION 515 RURAL RENTAL HOUSING PROJECTS

- 25. The authority for part 884 continues to read as follows:

Authority: 42 U.S.C. 1437a, 1437c, 1437f, 3535(d), and 13611–13619.

- 26. Effective October 1, 2023, revise § 884.217 to read as follows:

§ 884.217 Maintenance, operation, and inspections.

(a) *Maintenance and operation.* The Owner shall maintain and operate the project consistent with 24 CFR part 5, subpart G, and shall provide all the services, maintenance, and utilities which the Owner agrees to provide under the Contract, subject to abatement of housing assistance payments or other applicable remedies if the Owner fails to meet these obligations.

(b) *Inspection prior to occupancy.* Prior to occupancy of any unit by a Family, the Owner and the Family shall inspect the unit. On forms prescribed by HUD, the Owner and Family shall certify, that they have inspected the unit and the owner shall certify that the unit is compliant with 24 CFR part 5, subpart G, and the criteria provided in the prescribed forms. Copies of these reports shall be kept on file by the Owner for at least 3 years, and may be required to be electronically submitted to HUD.

(c) *Periodic inspections.* HUD (or the PHA, as appropriate) will inspect or cause to be inspected the contract units and related facilities in accordance with the physical inspection requirements in 24 CFR part 5, subpart G, and at such other times (including prior to initial occupancy and renting of any unit) as HUD (or the PHA) may determine to be necessary to assure that the Owner is meeting the obligation to maintain the units in accordance with 24 CFR part 5, subpart G, and to provide the agreed upon utilities and other services.

(d) *Units with health and safety hazards.* If HUD (or the PHA, as appropriate) notifies the Owner that the Owner has failed to maintain a unit that is in accordance with 24 CFR part 5, subpart G, and the Owner fails to take corrective action within the time prescribed by notice, HUD (or the PHA) may exercise any of its rights or remedies under the Contract, including abatement of housing assistance payments, even if the Family continues to occupy the unit. If, however, the Family wishes to be rehoused in another unit with Section 8 assistance and HUD (or the PHA) does not have other Section 8 funds for such purposes, HUD (or the PHA) may use the abated housing assistance payments for the purpose of rehousing the Family in another unit. Where this is done, the Owner shall be notified that the Owner will be entitled to resumption of housing assistance payments for the vacated unit if:

(1) The unit is restored to in accordance with 24 CFR part 5, subpart G;

(2) The Family is willing to and does move back to the restored dwelling unit; and

(3) A deduction is made for the expenses incurred by the Family for both moves.

PART 886—SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM—SPECIAL ALLOCATIONS

■ 27. The authority for part 886 continues to read as follows:

Authority: 42 U.S.C. 1437a, 1437c, 1437f, 3535(d), and 13611–13619.

§ 886.113 [Amended]

■ 28. Effective October 1, 2023, amend § 886.113 by removing and reserving paragraphs (b) and (i).

■ 29. Effective October 1, 2023, revise § 886.123 to read as follows:

§ 886.123 Maintenance, operation, and inspections.

(a) *Maintenance and operation.* The Owner shall maintain and operate the project so as to provide housing that is compliant with 24 CFR part 5, subpart G, and the Owner shall provide all the services, maintenance, and utilities which the Owner agrees to provide under the Contract, subject to abatement of housing assistance payments or other applicable remedies if the Owner fails to meet these obligations.

(b) *Inspection prior to occupancy.* Prior to occupancy of any unit by a Family, the Owner and the Family shall inspect the unit. On forms prescribed by HUD, the Owner and Family shall certify that they have inspected the unit, and the owner shall certify that the unit is compliant with 24 CFR part 5, subpart G, and with the criteria provided in the prescribed forms. Copies of these reports shall be kept on file by the Owner for at least three years.

(c) *Periodic inspections.* HUD will inspect or cause to be inspected the contract units in accordance with the requirements in 24 CFR part 5, subpart G, and at such other times as may be necessary to assure that the owner is meeting contractual obligations.

(d) *Units not free of health and safety hazards.* If HUD notifies the Owner that the Owner has failed to maintain a unit that is compliant with the requirements in 24 CFR part 5, subpart G, and the Owner fails to take corrective action within the time prescribed by notice, HUD may exercise any of its rights or remedies under the Contract, including abatement of housing assistance

payments, even if the Family continues to occupy the unit.

§ 886.307 [Amended].

■ 30. Effective October 1, 2023, amend § 886.307 by removing and reserving paragraphs (b), (i), and (m).

■ 31. Effective October 1, 2023, revise § 886.323 to read as follows:

§ 886.323 Maintenance, operation, and inspections.

(a) *Maintain housing free of health and safety hazards.* The Owner shall maintain and operate the project so as to be compliant with 24 CFR part 5, subpart G, and the Owner shall provide all the services, maintenance, and utilities which the Owner agrees to provide under the contract and the lease. Failure to do so shall be considered a material default under the contract and Regulatory Agreement, if any.

(b) *HUD inspection.* Prior to execution of the contract, HUD shall inspect (or cause to be inspected) each proposed contract unit and related facilities to ensure that they comply with the requirements at 24 CFR part 5, subpart G.

(c) *Owner and family inspection.* Prior to occupancy of any vacant unit by a Family, the Owner and the Family shall inspect the unit. The Owner shall certify that they have inspected the unit, and the owner shall certify that the unit is compliant with 24 CFR part 5, subpart G. Copies of these reports shall be kept on file by the owner for at least 3 years.

(d) *Periodic inspections.* HUD will inspect the project (or cause it to be inspected) in accordance with the requirements in 24 CFR part 5, subpart G, and at such other times as HUD may determine to be necessary to assure that the owner is meeting the Owner's obligation to maintain the units and the related facilities in accordance with 24 CFR part 5, subpart G, and to provide the agreed-upon utilities and other services.

(e) *Failure to maintain housing.* If HUD notifies the Owner that he/she has failed to maintain a unit that is compliant with 24 CFR part 5, subpart G, and the Owner fails to take corrective action within the time prescribed in the notice, HUD may exercise any of its rights or remedies under the Contract, or Regulatory Agreement, if any, including abatement of housing assistance payments (even if the Family continues to occupy the unit) and rescission of the sale. If the Family wishes to be rehoused in another unit, HUD shall provide assistance in finding such a unit for the Family.

PART 902—PUBLIC HOUSING ASSESSMENT SYSTEM

■ 32. Effective July 1, 2023, the authority for part 902 is revised to read as follows:

Authority: 42 U.S.C. 1437d(j), 42 U.S.C. 3535(d), 1437z–10.

■ 33. Effective July 1, 2023, amend § 902.3 by:

■ a. Removing the definition of “Criticality”;

■ b. Revising the definitions of “Dictionary of Deficiency Definitions”, “Inspectable areas (or area)”, and “Inspectable item”; and

■ c. Removing the definitions of “Item Weights and Criticality Levels document”, “Normalized weights”, “Score”, “Severity”, “Statistically valid sample” and “Subarea”.

The revisions read as follows:

§ 902.3 Definitions.

* * * * *

Dictionary of Deficiency Definitions means the documents published in the **Federal Register** that contain the inspection standards and scoring values pursuant to 24 CFR part 5, subpart G.

* * * * *

Inspectable areas (or area) mean any of the three major components of public housing that are inspected, which are: inside, outside, and unit.

Inspectable item means the individual parts, such as walls, kitchens, bathrooms, and other things, to be inspected in an inspectable area.

* * * * *

■ 34. Effective July 1, 2023, amend § 902.13 by revising paragraph (b)(2) to read as follows:

§ 902.13 Frequency of PHAS assessments.

* * * * *

(b) * * *

(2) The physical condition score for each project will determine the frequency of inspections of each project in accordance with the inspection cycle laid out in 24 CFR 5.705(c). The PHAS physical condition indicator score for an assessment period shall be calculated by taking the unit-weighted average of the most recent physical condition score for each project, except that, starting July 1, 2023, no new physical condition indicator will be issued for a PHA until every project under the PHA has been inspected on or after July 1, 2023.

* * * * *

§ 902.20 [Removed and Reserved]

■ 35. Effective July 1, 2023, remove and reserve § 902.20.

■ 36. Effective July 1, 2023, revise § 902.21 to read as follows:

§ 902.21 Physical condition standards for public housing.

Public housing must be maintained in a manner that meets the physical condition standards set forth in 24 CFR part 5, subpart G.

- 37. Effective July 1, 2023, revise § 902.22 to read as follows:

§ 902.22 Inspection of PHA projects.

The PHA's score for the physical condition indicator is based on an independent inspection of a PHA's project(s) provided by HUD and using the requirements and timelines laid out in 24 CFR part 5, subpart G, to ensure projects meet acceptable basic housing conditions. Mixed-finance projects will be subject to the physical condition inspections.

§ 902.24 [Removed and Reserved]

- 38. Effective July 1, 2023, remove and reserve § 902.24.

§ 902.26 [Removed and Reserved]

- 39. Effective July 1, 2023, remove and reserve §§ 902.24, 902.26, and 902.68.

§ 902.68 [Removed and Reserved]

- 40. Effective July 1, 2023, remove and reserve §§ 902.24, 902.26, and 902.68.

- 41. Effective July 1, 2023, add subpart H to read as follows:

Subpart H—Assessment of Small Rural Public Housing Agencies

Sec.

- 902.101 Definitions of small rural PHAs.
- 902.103 Public housing assessment of small rural PHAs
- 902.105 Troubled small rural PHAs
- 902.107 Withholding, denying, and rescinding troubled designation.
- 902.109 Right to petition and appeal troubled designation.
- 902.111 Sanctions for troubled small rural PHAs.
- 902.113 Incentives for small rural PHAs high-performers.

Subpart H—Assessment of Small Rural Public Housing Agencies**§ 902.101 Definition of small rural PHAs.**

(a) *Definition.* A PHA is a small rural PHA if it administers 550 or fewer combined public housing units and vouchers under section 8(o), and either:

(1) Has a primary administrative building as determined with a physical address in a rural area as described in 12 CFR 1026.35(b)(2)(iv)(A); or

(2) More than 50 percent of its combined public housing units and voucher units under section 8(o) are in rural areas as described in 12 CFR 1026.35(b)(2)(iv)(A).

(b) *Determination.* (1) HUD will make the initial determination of PHAs that

qualify as small rural as defined in this section no later than October 30, 2023.

(2) HUD will determine if a PHA qualifies as a small rural PHA under paragraph (a) of this section every 3 years.

(c) *Appeals.* A PHA may challenge HUD's determination concerning whether the PHA qualifies as small rural PHA by presenting an objectively verifiable material error which resulted in the incorrect determination, or by presenting information showing that the status of the PHA has changed to justify a redetermination.

§ 902.103 Public housing assessment of small rural PHAs.

(a) *Small rural public housing assessment.* The public housing program of small rural PHAs as defined in § 902.101 shall be assessed and scored based only on the physical condition of their public housing properties in accordance with 24 CFR part 5, subpart G, except that properties that meet the definition specified in § 902.44(b) of physical condition and neighborhood environment shall receive one additional point for physical condition and neighborhood environment. Such agencies shall not be subject to PHAS except as noted below.

(b) *Triennial assessment.* Public housing programs operated by small rural PHAs will be assessed no more than once every three years, except that a small rural PHA shall be subject to annual inspection if it is designated by the Secretary as troubled as defined in § 902.105.

(c) *Initial public housing assessment.* (1) For PHAs subject to small PHA deregulation, the first assessment and inspections will be determined based on the PHA's next scheduled PHAS assessment (e.g., a higher performing PHA would receive the first inspection 3 years after the most recent PHAS assessment).

(2) For PHAs not subject to small PHA deregulation, the first inspection is based on the PHA's overall weighted project physical condition indicator score (e.g., a PHA with a physical condition indicator score of 90 or greater would receive the first inspection three years after most recent PHAS assessment).

§ 902.105 Troubled small rural PHAs.

(a) *Definition of troubled small rural PHA.* A small rural PHA will be determined to be troubled under the public housing program if the weighted average score of all property inspections is below 70 percent of the total available points, or if a small rural PHA has a weighted average score of between 70

and 80 percent of the total available points and has at least one property that receives fewer than 70 percent of the total available points.

(b) *Referral to the local field office.* Upon a PHA's designation as a troubled performer HUD must notify the PHA and shall refer the troubled performer PHA to the PHA's field office, or other designated office(s) at HUD, for remedial action, oversight, and monitoring. The actions to be taken by HUD and the PHA will include statutorily required actions, and such other actions as may be determined appropriate by HUD.

(c) *Corrective Action Agreement (CAA).* Within 30 days of notification of a PHA's designation as a troubled performer, HUD will initiate activities to negotiate and develop a CAA. A CAA is required for a troubled performer. The final CAA is a binding contractual agreement between HUD and a PHA. The scope of the CAA may vary depending upon the extent of the problems present in the PHA. The term of the CAA will not exceed one year and is subject to renewal at the discretion of HUD if HUD determines that the circumstances requiring the CAA still exist at the expiration of the term of the CAA based on the annual assessment frequency as included in § 902.103. It shall include, but not be limited to:

(1) Baseline data, which should be data without adjustments or weighting but may be the PHA's score identified as a deficiency;

(2) Performance targets for such periods specified by HUD (e.g., annual, semiannual, quarterly, monthly), which may be the attainment of a higher score or the description of a goal to be achieved; however, safety, health, and environmental performance targets and deadlines otherwise specified by regulation, including the lead safety regulations at 24 CFR part 35, are not superseded by the CAA performance targets;

(3) Strategies to be used by the PHA in achieving the performance targets within the time period of the CAA, including the identification of the party responsible for the completion of each task and for reporting progress;

(4) Technical assistance to the PHA provided or facilitated by HUD;

(5) The PHA's commitment to take all actions within its control to achieve the targets;

(6) The consequences of failing to meet the targets; and

(7) A description of the involvement of local public and private entities, including PHA resident leaders, in carrying out the agreement and rectifying the PHA's problems. A PHA

shall have primary responsibility for obtaining active local public and private entity participation, including the involvement of public housing resident leaders, in assisting PHA improvement efforts. Local public and private entity participation should be premised upon the participant's knowledge of the PHA, ability to contribute technical expertise with regard to the PHA's specific problem areas, and authority to make preliminary commitments of support, financial or otherwise.

(d) *PHA review of the CAA.* The PHA will have 10 days to review the CAA. During this 10-day period, the PHA shall resolve any claimed discrepancies in the CAA with HUD and discuss any recommended changes and target dates for improvement to be incorporated in the final CAA. Unless the time period is extended by HUD, the CAA is to be executed 30 days following issuance of the draft CAA.

(e) *Maximum recovery period.* Upon the expiration of the one-year period that started on the date on which the PHA receives initial notice of a troubled performer designation, the PHA shall improve its performance in order to no longer be considered troubled under the assessment.

(f) *Parties to the CAA.* A CAA shall be executed by:

(1) The PHA Board Chairperson (supported by a Board resolution), or a receiver (pursuant to a court-ordered receivership agreement, if applicable) or other AME acting in lieu of the PHA Board;

(2) The PHA Executive Director, or a designated receiver (pursuant to a court-ordered receivership agreement, if applicable), or other AME-designated Chief Executive Officer; and

(3) The field office.

(g) *Involvement of resident leadership in the CAA.* HUD encourages the inclusion of the resident leadership in the execution of the CAA.

(h) *Failure to execute CAA or make substantial improvement under CAA.* If a troubled performer PHA fails or refuses to execute an CAA within the period provided in paragraph (d) of this section, or a troubled performer PHA operating under an executed CAA does not achieve a passing physical inspection score, as provided in paragraph (e) of this section, the field office shall refer the PHA to the Assistant Secretary to determine such remedial actions, consistent with the provisions of the ACC and other HUD regulations, including, but not limited to, remedies available for substantial default.

(i) *Continuation of services to residents.* To the extent feasible, while

a PHA is in a troubled performer status, all services to residents will continue uninterrupted.

§ 902.107 Withholding, denying, and rescinding troubled designation.

(a) *Withholding designation.* In exceptional circumstances, even though a PHA has satisfied the requirements for high performer or non-troubled designations, HUD may conduct any review as it may determine necessary, and may deny or rescind incentives or high performer designation or non-troubled performer designation, in the case of a PHA that:

(1) Is operating under a special agreement with HUD (e.g., a civil rights Conciliation or Voluntary Compliance Agreement);

(2) Is involved in litigation that bears directly upon the physical performance of a PHA;

(3) Is operating under a court order;

(4) Demonstrates substantial evidence of fraud or misconduct, including evidence that the PHA's certifications, submitted in accordance with this part, are not supported by the facts, as evidenced by such sources as a HUD review, routine reports, an Office of Inspector General investigation/audit, an independent auditor's audit, or an investigation by any appropriate legal authority; or

(5) Demonstrates substantial noncompliance in one or more areas of a PHA's required compliance with applicable laws and regulations, including areas not assessed under the small rural assessment. Areas of substantial noncompliance include, but are not limited to, noncompliance with civil rights, nondiscrimination and fair housing laws and regulations, or the ACC. Substantial noncompliance casts doubt on the capacity of a PHA to preserve and protect its public housing projects and operate them consistent with Federal laws and regulations.

(b) *High performer and standard designations.* If a high performer designation is denied or rescinded, the PHA shall be designated either a non-troubled performer, or troubled performer, depending on the nature and seriousness of the matter or matters constituting the basis for HUD's action. If a non-troubled performer designation is denied or rescinded, the PHA shall be designated as a troubled performer.

(c) *Effect on score.* The denial or rescission of a designation of high performer or non-troubled performer shall not affect the PHA's numerical small rural assessment score, except where the denial or rescission is under paragraph (a)(4) of this section.

§ 902.109 Right to petition and appeal troubled designation.

(a) *Appeal of troubled performer designation and petition for removal of troubled performer designation.* A PHA may take any of the following actions:

(1) Appeal its troubled performer designation;

(2) Petition for removal of troubled performer designation; and

(3) Appeal any refusal of a petition to remove troubled performer designation.

(b) *Appeal of small rural Assessment score.* (1) If a PHA believes that an objectively verifiable and material error(s) exists in its small rural assessment score, which, if corrected, will result in a significant change in the PHA's score and its designation, the PHA may appeal its score in accordance with the procedures of paragraphs (c) through (e) of this section. A significant change in a score is a change that would cause the PHA's score to increase, resulting in a higher designation for the PHA (i.e., from troubled performer to non-troubled performer, or from non-troubled to high performer).

(2) A PHA may not appeal its score or designation based on the subsequent correction of deficiencies identified as a result of a project's physical inspection.

(c) *Appeal and petition procedures.*

(1) To appeal a troubled performer designation or petition for the removal of a troubled performer designation, a PHA must submit a request in writing to the Deputy Assistant Secretary of the Real Estate Assessment Center, which must be received by HUD no later than 30 days following the issuance of the score to the PHA.

(2) To appeal the denial of a petition to remove a troubled performer designation, a PHA must submit a written request to the Deputy Assistant Secretary of the Real Estate Assessment Center, which must be received by HUD no later than 30 days after HUD's decision to refuse to remove the PHA's troubled performer designation.

(3) An appeal of a troubled performer designation or an appeal of the denial of a petition for removal of a troubled performer designation must include the PHA's supporting documentation and reasons for the appeal or petition. An appeal of an assessment score must be accompanied by the PHA's evidence that a material error occurred. An appeal or petition submitted to HUD without supporting documentation will not be considered and will be returned to the PHA.

(d) *Denial, withholding, or rescission.* A PHA that disagrees with the basis for denial, withholding, or rescission of its designation under § 902.66 may make a written request for reinstatement within

30 days of notification by HUD of the denial or rescission of the designation to the Assistant Secretary, and the request shall include reasons for the reinstatement.

(e) *Consideration of petitions and appeals.* (1) Consideration of a petition or the appeal of a final overall assessment score, of a troubled performer designation, or of a petition to remove troubled performer designation. Upon receipt of such an appeal or a petition from a PHA, HUD will evaluate the appeal and its merits for purposes of determining whether a reassessment of the PHA is warranted. HUD will review the PHA's file and the evidence submitted by the PHA to determine whether an error occurred.

(2) Consideration of an appeal of refusal to remove a troubled performer designation. Upon receipt of an appeal of refusal to remove a troubled performer designation, HUD will evaluate the appeal and its merits for the purposes of determining whether a reassessment of the PHA is warranted. The HUD staff initially evaluating an appeal of refusal to remove a troubled performer designation will not be the same HUD staff who evaluated the PHA's petition to remove the troubled performer designation. The Assistant Secretary will render the final determination of such an appeal.

(f) *Notice and finality of decisions.* (1) If HUD determines that one or more objectively verifiable and material error has occurred, HUD will undertake a new inspection of the project, adjust the PHA's score, or perform another reexamination of information, as appropriate in light of the nature of the error that occurred. A new score will be issued and an appropriate performance designation made by HUD. HUD's decision on appeal of an assessment score, issuance of a troubled performer designation, or refusal to remove a troubled performer designation will be final agency action. No reconsideration will be given by HUD of such decisions.

(2) HUD will issue a written decision on all appeals and petitions made under this section.

§ 902.111 Sanctions for troubled small rural PHAs.

The sanctions for small rural PHAs with troubled public housing programs that remain troubled as required by § 902.108 will be the same as those sanctions for PHAs assessed under PHAS as described in § 902.83.

§ 902.113 Incentives for small rural PHAs high-performers.

(a) *High performer.* PHAs with a weighted average score for all

inspections of at least 90 percent of all available points will be considered high performers and will be eligible for benefits as described in § 902.113(b) and § 905.400(l) of this chapter.

(b) *Incentives.* High performer small rural PHAs under the public housing program will be eligible for the same incentives as high performer PHAs under PHAS as described in § 902.71.

PART 965—PHA-OWNED OR LEASED PROJECTS—GENERAL PROVISIONS

■ 42. The authority for part 965 continues to read as follows:

Authority: 42 U.S.C. 1437, 1437a, 1437d, 1437g, and 3535(d). Subpart H is also issued under 42 U.S.C. 4821–4846.

Subpart I—[Removed and Reserved]

■ 43. Effective July 1, 2023, remove and reserve subpart I, consisting of §§ 965.800 and 965.805.

PART 982—SECTION 8 TENANT-BASED ASSISTANCE: HOUSING CHOICE VOUCHER PROGRAM

■ 44. The authority for part 982 continues to read as follows:

Authority: 42 U.S.C. 1437f and 3535(d).

Subpart A—General Information

■ 45. Effective October 1, 2023, amend § 982.4 in paragraph (b) by revising the definition of "Housing quality standards (HQS)" to read as follows:

§ 982.4 Definitions.

* * * * *

(b) * * *

Housing quality standards (HQS). The minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for the HCV program or the HUD approved alternative standard for the PHA under 24 CFR 5.703(g).

* * * * *

Subpart H—Where Family Can Live and Move

■ 46. Effective October 1, 2023, amend § 982.352 by revising paragraph (b)(1)(iv)(A)(3) to read as follows:

§ 982.352 Eligible housing.

* * * * *

(b) * * *

(1) * * *

(iv) * * *

(A) * * *

(3) To inspect the unit for compliance with the HQS in accordance with §§ 982.305(a) and 982.405. The independent entity shall communicate

the results of each such inspection to the family and the PHA.

Subpart I—Dwelling Unit: Housing Quality Standards, Subsidy Standards, Inspection and Maintenance

■ 47. Effective October 1, 2023, revise § 982.401 to read as follows:

§ 982.401 Housing quality standards.

As defined in § 982.4, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for housing assisted under the HCV program or a HUD approved alternative standard for the PHA under 24 CFR 5.703(g).

§ 982.402 [Amended]

■ 48. Effective October 1, 2023, amend § 982.402 in paragraph (b)(2) by removing "§ 982.401(d)" and adding in its place "§ 982.401".

■ 49. Effective October 1, 2023, amend § 982.405 by revising paragraph (a) to read as follows:

§ 982.405 PHA initial and periodic unit inspection.

(a)(1) *General requirements.* The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least biennially during assisted occupancy, and at other times as needed, to determine if the unit meets the HQS. (See § 982.305(b)(2) concerning timing of initial inspection by the PHA.)

(2) *Small rural PHAs.* Instead of biennially, a small rural PHA as defined in § 902.101 of this chapter must inspect a unit during occupancy at least once every three years.

* * * * *

Subpart M—Special Housing Types

■ 50. Effective October 1, 2023, amend § 982.605 by revising paragraph (a) to read as follows:

§ 982.605 SRO: Housing quality standards.

(a) *HQS standards for SRO.* As defined in § 982.4, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for housing assisted under the HCV program or a HUD approved alternative standard for the PHA under 24 CFR 5.703(g). However, the standards in this section apply in place of standards related to sanitary facilities, food preparation and refuse disposal, and space and security. Since the SRO units will not house children, the standards at 24 CFR part 35, subparts A, B, H, and

R, applying to the PBC program, concerning lead-based paint, do not apply to SRO housing.

* * * * *

■ 51. Effective October 1, 2023, amend § 982.609 by revising paragraph (a) to read as follows:

§ 982.609 Congregate housing: Housing quality standards.

(a) *HQS standards for congregate housing.* As defined in § 982.4, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for housing assisted under the HCV program or a HUD approved alternative standard for the PHA under 24 CFR 5.703(g). However, the standards in this section apply in place of standards related to food preparation and refuse disposal. Congregate housing is not subject to the requirement that the dwelling unit must have a kitchen area.

* * * * *

■ 52. Effective October 1, 2023, amend § 982.614 by revising paragraphs (a) and (b)(1) to read as follows:

§ 982.614 Group home: Housing quality standards.

(a) *Compliance with HQS.* The PHA may not give approval to reside in a group home unless the unit, including the portion of the unit available for use by the assisted person under the lease, meets the housing quality standards. As defined in § 982.4, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for housing assisted under the HCV program or a HUD approved alternative standard for the PHA under 24 CFR 5.703(g).

(b) * * *

(1) The standards in this section apply in place of standards in 24 CFR 5.703 that relate to sanitary facilities, food preparation and refuse disposal, space and security, structure and materials, and site and neighborhood.

* * * * *

■ 53. Effective October 1, 2023, amend § 982.618 by revising paragraphs (b) and (c) to read as follows:

§ 982.618 Shared housing: Housing quality standards.

* * * * *

(b) *Applicable HQS standards.* As defined in § 982.4, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for housing assisted under the HCV program or a HUD approved alternative standard for the PHA under 24 CFR

5.703(g). However, the HQS standards in this section apply in place of standards related to space and security in 24 CFR 5.703.

(c) *Facilities available for family.* The facilities available for the use of an assisted family in shared housing under the family's lease must include (whether in the family's private space or in the common space) a living room, sanitary facilities in accordance with the standards set in 24 CFR 5.703, and food preparation and refuse disposal facilities in accordance with 24 CFR 5.703.

* * * * *

■ 54. Effective October 1, 2023, amend § 982.621 by revising the introductory text to read as follows:

§ 982.621 Manufactured home: Housing quality standards.

As defined in § 982.4, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for housing assisted under the HCV program or a HUD approved alternative standard for the PHA under 24 CFR 5.703(g). A manufactured home also must meet the following requirements:

* * * * *

■ 55. Effective October 1, 2023, amend § 982.628 by revising paragraph (a)(4) to read as follows:

§ 982.628 Homeownership option: Eligible units.

(a) * * *

(4) The unit satisfies the HQS (see 24 CFR 5.703 and § 982.631).

* * * * *

PART 983—PROJECT-BASED VOUCHER (PBV) PROGRAM

■ 56. The authority for part 983 continues to read as follows:

Authority: 42 U.S.C. 1437f and 3535(d).

§ 983.2 [Amended]

■ 57. Effective October 1, 2023, amend § 983.2 in paragraph (c)(4) by removing “§ 982.401(j)” and adding in its place “§ 982.401”.

■ 58. Effective October 1, 2023, amend § 983.3 in paragraph (b) by revising the definition of “Housing quality standards (HQS)” to read as follows:

§ 983.3 PBV definitions.

* * * * *

(b) * * *

Housing quality standards (HQS). The minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for the PBV program or the HUD

approved alternative standard for the PHA under 24 CFR 5.703(g).

* * * * *

■ 59. Effective October 1, 2023, amend § 983.10 by revising paragraph (b)(2)(ii) to read as follows:

§ 983.10 Project-based certificate (PBC) program.

* * * * *

(b) * * *

(2) * * *

(ii) *Lead-based paint requirements.*

The Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4821–4846), the Residential Lead-based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851–4856), and implementing regulations at 24 CFR part 35, subparts A, B, H, and R of this title, apply to the PBC program.

* * * * *

■ 60. Effective October 1, 2023, amend § 983.101 by revising paragraphs (a) through (c) to read as follows:

§ 983.101 Housing quality standards.

(a) *HQS applicability.* As defined in § 983.3, housing quality standards (HQS) refers to the minimum quality standards developed by HUD in accordance with 24 CFR 5.703 of this title for housing assisted under the PBV program or a HUD approved alternative standard for the PHA under 24 CFR 5.703(g).

(b) *Requirements for special housing types.* For special housing types assisted under the PBV program, HQS applies to the PBV program except as specified in 24 CFR part 982, subpart M. Provisions contained within 24 CFR part 982 that are inapplicable to the PBV program pursuant to § 983.2 are also inapplicable to special housing types under the PBV program.

(c) *Lead-based paint requirements.*

The Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4821–4846), the Residential Lead-based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851–4856), and implementing regulations at 24 CFR part 35, subparts A, B, H, and R, apply to the PBV program.

* * * * *

■ 61. Effective October 1, 2023, amend § 983.103 by revising the paragraph (d) heading and adding paragraph (d)(4) to read as follows:

§ 983.103 Inspecting units.

* * * * *

(d) *Periodic inspections.* * * *

(4) Instead of at least biennially, a small rural PHA as defined in § 902.101 of this chapter must inspect the random sample of units in accordance with paragraph (d)(1) of this section at least once every three years.

* * * * *

PART 985—SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) AND SMALL RURAL PHA ASSESSMENTS

■ 62. Effective October 1, 2023, the authority citation for part 985 is revised to read as follows:

Authority: 42 U.S.C. 1437a, 1437c, 1437f, 1437z–10, and 3535(d).

■ 63. Effective October 1, 2023, revise the heading of part 985 to read as set forth above.

■ 64. Effective October 1, 2023, amend § 985.1 by revising paragraph (b) and adding paragraph (c) to read as follows:

§ 985.1 Purpose and applicability.

(b) *Applicability.* This rule applies to PHA administration of the tenant-based Section 8 rental program (part 982 of this chapter), the project-based voucher program (part 983 of this chapter) to the extent that PBV family and unit data are reported and measured under the stated HUD verification method, and enrollment levels and contributions to escrow accounts for Section 8 participants under the family self-sufficiency program (FSS) (part 984 of this chapter).

(c) *Small rural PHA assessments.* Subpart D of this part covers the HCV and PBV assessment for a small rural PHA as defined in § 902.101 of this chapter. Section 985.3 and subparts B and C of this part do not apply to small rural PHAs.

■ 65. Effective October 1, 2023, add subpart D to read as follows:

Subpart D—Small Rural PHA Assessment

Sec.

985.201 Applicability.

985.203 Assessment indicators and HUD verification methods.

985.205 Determination of assessment rating.

985.207 Frequency of assessments.

985.209 Troubled small rural PHAs.

985.211 Small rural PHAs assessment records.

Subpart D—Small Rural PHA Assessment

§ 985.201 Applicability.

(a) This subpart applies to small rural PHAs as defined in § 902.101 of this chapter.

(b) Small rural PHAs shall be assessed and rated on the indicators and methodology of this subpart and shall not be subject to the SEMAP requirements.

§ 985.203 Assessment indicators and HUD verification methods.

(a) This section describes the performance indicators used to assess a

PHA's designation as troubled resulting from the small rural PHA assessment. HUD will use the verification method identified for each indicator. The four indicators are determined on a pass or fail basis.

(b)(1) *Inspection standards.* This indicator shows whether the PHA applied the correct inspection standards to HCV and PBV unit inspections.

(2) *HUD verification method.* The PHA's assessment certification and on-site HUD review when applicable.

(3) *Rating.* The PHA passes the indicator if it applied the correct inspection standards for all unit HCV and PBV unit inspections conducted during the assessment period. If the PHA applied the incorrect inspection standards for any HCV or PBV unit inspection during the assessment period, the PHA fails the indicator.

(c)(1) *Initial unit inspections.* This indicator determines if the PHA conducted the initial HQS inspections within the required time period.

(2) *HUD verification method.* HUD systems show percent of newly leased units where the beginning date of the assistance contract is before the date the unit passed the initial unit inspection or, if the PHA employed the PHA initial inspection option for non-life-threatening deficiencies or alternative inspections, the timing requirements for the applicable PHA initial inspection option.

(3) *Rating.* The PHA passes the indicator if at least 98 percent of units placed under HAP contract during the assessment period passed the initial PHA HQS inspection within the required time period. If fewer than 98 percent of units placed under HAP contract during the assessment period passed the HQS inspection within the required time periods, the PHA fails the indicator.

(d)(1) *Frequency of HQS inspections.* This indicator shows, for units that have been under HAP contract for at least three years, whether the PHA re-inspected tenant-based units under HAP contract and the required sample of PBV units at least once during the three-year period from the last PHA inspection.

(2) *HUD verification method.* HUD systems show the percentage of units that have been under HAP contract for at least three years that have been re-inspected within the required three-year period from the last inspection.

(3) *Rating.* The PHA passes the indicator if at least 98 percent of the units that have been under HAP contract for at least three years have been re-inspected within the required three-year period from the last inspection. The PHA fails the indicator

if fewer than 98 percent of these units have been re-inspected within the required three-year period.

(e)(1) *Unit condition enforcement.* This indicator shows whether, following the inspection of a unit under contract where the unit fails to meet the required standards, any cited life-threatening and non-life-threatening deficiencies are corrected within the required cure period in accordance with §§ 982.404 and 983.103 of this chapter. In addition, if HQS deficiencies are not corrected timely, the indicator shows whether the PHA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period or terminates the HAP contract or, for family-caused defects, takes prompt and vigorous action to enforce the family obligations. (§ 982.404 of this chapter)

(2) *HUD verification method.* The PHA certification and on-site HUD review (if performed), and HUD system data.

(3) *Rating.* In order to pass the indicator, the applicable verification method, which may include sampling, determines that the PHA took corrective action within the required timeframes for at least 98 percent of inspections with identified life-threatening or other HQS deficiencies.

(f)(1) *PHA submission of certifications.* The PHA must submit its certifications for the applicable indicators within the designated timeframe required by HUD, and in the form and manner as required by HUD. HUD will issue instructions on the submission of PHA certifications by **Federal Register** notification, which will be subject to public comment.

(2) *Failure to submit.* Failure of the PHA to submit any certification in accordance with this paragraph will result in the PHA failing the indicator and being designated as troubled under the small rural PHA assessment.

§ 985.205 Determination of assessment rating.

(a) *High performer designation.* (1) A PHA is designated a high performer under the small rural PHA assessment if the PHA has passed all four indicators identified in § 985.203 and the PHA:

(i) Has utilized at least 98 percent of its HCV budget authority in the two most recent calendar years, or the percent of HCV units leased by renters or occupied by homeowners in the two most recent calendar years was at least 98 percent;

(ii) Did not end that calendar year with excess HAP reserves; and

(iii) Did not end that calendar year in a funding shortfall or receive shortfall prevention funding from HUD.

(2) HUD shall publish the calculation for determining excess HAP reserves in the **Federal Register**, and such calculation shall provide for public comment before becoming effective.

(b) *Standard performer designation.* A PHA that passed all four indicators but did not meet the funding utilization criteria for a high performer designation in paragraph (a) is designated as a standard performer.

(c) *Troubled PHA designation.* A PHA that failed any of the four indicators under § 985.201 is designated as a troubled PHA under the small rural PHA assessment.

§ 985.207 Frequency of assessments.

(a) *Frequency of small rural PHA assessments—(1) Initial assessment.* The initial small rural PHA assessment will be effective when the PHA's next SEMAP assessment would have been applied. For PHAs that qualify for SEMAP biennial review as a small PHA (less than 250 assisted units), the transition to the small rural PHA assessment will occur when the PHA's next biennial SEMAP assessment is required.

(2) *Triennial assessments.* HUD shall assess small rural PHAs no more than once every three years, except that a troubled small rural PHA shall be subject to an annual assessment in accordance with § 985.209.

(b) [Reserved]

§ 985.209 Troubled small rural PHAs.

(a) *Appeals—(1) HUD action.* HUD must review, consider, and provide a final written determination to a small rural PHA that appeals its designation as a troubled PHA.

(2) *Deciding HUD official.* The HUD decision on the PHA appeal shall be made by a HUD official who has not been involved in and is not subordinate to any person who has been involved in

the original determination to designate the PHA as a troubled PHA under the small rural PHA assessment.

(b) *Corrective action agreement.* No later than 60 days after the date on which the PHA is designated a troubled PHA, the PHA and HUD will enter into a corrective action agreement (CAA) under which the PHA shall take actions to correct the deficiencies upon which the troubled PHA designation is based. The PHA must comply with HUD requirements for the submission of the CAA, including but not limited to the date by which the CAA must be submitted to HUD. The CAA must:

- (1) Have a term of one year, and shall be renewable at the option of HUD;
- (2) Specify goals to be achieved;
- (3) Identify obstacles to goal achievement and ways to eliminate or avoid them;
- (4) Identify resources that will be used or sought to achieve goals;
- (5) Provide, where feasible, for technical assistance to assist the PHA in curing its deficiencies;
- (6) Identify a PHA staff person with lead responsibility for completing each goal;
- (7) Identify key tasks to reach each goal;

(8) Specify time frames for achievement of each goal, including intermediate time frames to complete each key task;

(9) Provide for regular evaluation of progress toward improvement;

(10) Provide for the reconsideration of the PHA's designation as a troubled PHA no less than annually, and provide for the termination of the CAA when HUD determines the PHA is no longer troubled;

(11) Provide that in the event of substantial noncompliance by the PHA under the CAA, HUD may (i) contract with another PHA or a private entity to administer the HCV program; and (ii) withhold funds otherwise distributable to the troubled PHA;

(12) Be signed by the PHA board of commissioners chairperson and by the PHA executive director. If the PHA is a unit of local government or a State, the CAA must be signed by the Section 8 program director and by the chief executive officer of the unit of government or his or her designee.

(c) *Monitoring.* The PHA and HUD must monitor the PHA's implementation of its CAA to ensure performance targets are met.

(d) *Annual small rural assessment.* A troubled PHA shall be subject to the small rural assessment on an annual basis.

(e) *Use of administrative fee reserve prohibited.* Any PHA designated as troubled may not use any part of the administrative fee reserve for other housing purposes (see § 982.155(b) of this chapter).

(f) *Upgrading poor performance rating.* HUD shall change a PHA's overall performance rating from troubled to standard or high performer if HUD determines that a change in the rating is warranted because of improved PHA performance and a standard or high designation on a subsequent small rural PHA assessment.

(g) *Default under the Annual Contributions Contract (ACC).* HUD may determine that a PHA's failure to correct identified deficiencies resulting from its small rural PHA assessment or to execute and implement a CAA as required by HUD constitutes a default under the ACC.

§ 985.211 Small rural PHA assessment records.

HUD shall maintain small rural PHA assessment files, including designations, notifications, appeals, corrective action agreements, and related correspondence for at least 3 years.

Adrienne Todman,

Deputy Secretary.

[FR Doc. 2023-09693 Filed 5-9-23; 8:45 am]

BILLING CODE 4210-67-P