

and which are not included in an approved rehabilitation plan.

(b) *Observed deficiencies.* During the inspection of a property, the inspector looks for deficiencies in each inspectable item within the inspectable areas. For example, the inspector looks for holes (deficiencies) in the walls (item) of a dwelling unit (area).

(c) *Health and safety deficiencies and EHS deficiencies.*

(1) *Health and safety deficiencies.* The PHA is required to promptly correct all health and safety deficiencies.

(2) *EHS deficiencies.* Before leaving the site, the inspector gives the property representative the list of every observed EHS deficiency (*i.e.*, every life-threatening health and safety deficiency). The property representative acknowledges receipt of the list of the observed deficiencies by signature. The PHA must immediately correct or remedy all EHS deficiencies cited in the deficiency report and the property inspection report within 24 hours. In addition, the PHA must certify, as directed by HUD, that all EHS deficiencies were corrected or remedied within 24 hours.

(d) *Definitions for grading.* The following definitions apply to the physical condition grading process in this subpart:

Base grade means the initial property grade derived from the number of livability deficiencies.

Deficiencies means the specific problems, such as a hole in a wall or a damaged refrigerator in the kitchen, that can be recorded for the inspectable items.

Deficiency Classification Summary Document refers to the Deficiency Classification Summary Document that is included as Appendix 2 to the PHAS notice on the Interim Physical Condition Scoring Process published in the **Federal Register** on November 26, 2001.

This document is also available from the Real Estate Assessment Center, 1280 Maryland Ave., SW., Suite 800, Washington, DC 20410. This document shows the grading class for each severity level of each deficiency listed in the Dictionary of Deficiency Definitions.

Dictionary of Deficiency Definitions ("Dictionary") refers to the Dictionary of Deficiency Definitions document that is included as Appendix 2 to the PHAS Notice on the Physical Condition Grading Process. The Dictionary lists each deficiency that may be observed, defines each deficiency, and sets forth the severity levels for each deficiency under this subpart.

Grading class is a group of deficiencies that are treated alike. Each

deficiency within a grading class has the same type of impact on a property grade. There are three grading classes:

(1) *Livability:* deficiencies that have a major impact on livability for residents (*e.g.*, toilet not working);

(2) *EHS:* deficiencies that are life-threatening and require immediate attention or remedy. This category includes all of the deficiencies for which the PHA receives a notice at the end of the physical inspection (*e.g.*, exposed wires); and

(3) *Other:* deficiencies that have little or no impact on livability for residents (*e.g.*, small hole in an interior door) but are a valuable management tool because they provide information on the condition of the property.

Inspectable areas (or area) means any of the five major components of the property that are inspected. They are: site; building exteriors; building systems; dwelling units; and common areas.

Inspectable item means the individual parts, such as walls, kitchens, bathrooms, and other things, to be inspected in an inspectable area. The number of inspectable items varies for each inspectable area.

Livability is the concept of grading the physical condition of PHA properties that focuses on the impact of the deficiencies on the residents. The severity levels of each deficiency in the Dictionary have been classified into one of three grading classes: livability, EHS or other.

PHAS Indicator #1 grade is a letter grade (A, B, C, D, or F) that corresponds to the weighted average of all of the property grades, reflecting the physical condition of all of a PHA's properties.

Property grade is a letter (A, B, C, D, or F), based on counts of deficiencies in grading classes, that reflects the physical condition of a property.

Property livability points mean a value derived from the number of deficiencies in the livability grading class that is used to assign a base grade to a PHA property.

Reported grade means the grade reported to a PHA, including any change in the base grade due to observed EHS deficiencies. Deficiencies in grading class "other" are recorded, but do not affect the base grade or the reported grade.

Severity means one of three levels (*i.e.*, level 1, level 2, and level 3) that reflects the extent of the damage or problem associated with each deficiency. The severity levels for each deficiency are set forth in the Dictionary. The Dictionary also sets forth the specific definitions for each severity level.

(e) *Dictionary and Deficiency Classification.* HUD shall publish for comment any significant proposed amendments to the Dictionary and the Deficiency Classification Summary Document. After comments have been considered, HUD shall publish a notice adopting the final Dictionary and Document or the amendments. The Dictionary and the Deficiency Classification Summary Document that are currently in effect can be found at HUD's Internet site at <http://www.hud.gov/reac> or obtained from the PIH-REAC Technical Assistance Center at 888-245-4860 (this is a toll free number).

(f) *Compliance with civil rights/nondiscrimination requirements.* HUD reviews certain elements during the physical inspection to determine possible indications of noncompliance with the Fair Housing Act (42 U.S.C. 3601-19) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). All Fair Housing Act and Rehabilitation Act observations recorded by an inspector are classified as "other" deficiencies under livability and are not included in the property grade. All information is provided to HUD's Office of Fair Housing and Equal Opportunity for further review.

§ 902.25 Adjustments to physical condition property grade.

(a) *Adjustment for physical condition and neighborhood environment.* In accordance with section 6(j)(1)(I)(2) of the Act (42 U.S.C. 1437d(j)(1)(I)(2)), the overall physical condition grade for a property shall be adjusted upward to the extent that negative conditions are caused by situations outside the control of the PHA. The intent of this adjustment is to avoid penalizing the PHA through appropriate application of the adjustment.

(b) *One-letter grade adjustment.* A PHA shall receive a one-letter grade adjustment (*i.e.*, increase) in the property grade if the property satisfies the criteria for either physical condition or neighborhood environment or for both. To be eligible for this adjustment, the PHA must certify that the property meets the definitions of physical condition and/or neighborhood environment. An adjustment made under this section will be an adjustment to an individual property grade determined by HUD on a case by case basis.

(c) *Definitions.* Definitions and application of physical condition and neighborhood environment factors are:

(1) Physical condition applies to documented structural or design defects in a property that a PHA cannot correct.