

(2) Neighborhood environment applies to documented conditions within the immediate surrounding neighborhood that adversely impact a property's physical condition such as:

(A) A landfill;

(B) Flood plain; or

(C) Other environmentally hazardous areas.

(d) *Certification to an adjustment for physical condition and/or neighborhood environment.* The PHA certifies to the adjustment for physical condition and/or neighborhood environment as part of its management operations submission.

(e) *Maintenance of supporting documentation.* A PHA shall maintain supporting documentation (pursuant to § 902.63(c)) to show how it determined that the property's grade is subject to adjustment under this section.

(1) If the basis for adjustment was neighborhood environment, the PHA shall have on file the appropriate documentation supporting the adjustment. Properties that fall into this category but which have already been removed from consideration for other reasons (permitted exemptions and modifications and/or exclusions) shall not be counted in this calculation.

(2) For the physical condition adjustment, a PHA must maintain documentation showing the structural or design defects. A PHA shall also maintain documentation showing that any property exempted for other reasons was not included in the calculation.

§ 902.26 Database adjustments to physical condition assessments.

(a) *Generally.* HUD may review the results of a PHA's physical inspection and make adjustments to the property grade based on certain circumstances such as:

(1) Factors not reflected or inappropriately reflected in the physical property grade;

(2) Adverse conditions beyond the PHA's control; and

(3) Modernization work in progress.

(b) *Adjustments for factors not reflected or inappropriately reflected in the property grade.* (1) Factors not reflected or inappropriately reflected in the property grade include inconsistencies between local code requirements and the HUD UPCS physical inspection protocol (24 CFR part 5, subpart G); conditions which are permitted by local variance or license or which are preexisting physical features that do not conform to, or are inconsistent with, HUD's UPCS physical inspection protocol; or the inspector grading the PHA for elements (e.g., roads, sidewalks, mail boxes, resident-owned appliances, etc.) that the PHA

does not own and is not responsible for maintaining, and for which it has notified the proper authorities regarding the deficient structure.

(2) The PHA may request an adjustment due to these circumstances through the applicable Hub Office/Program Center. The request shall be in writing and include appropriate proof of the reasons for the unusual or incorrect result. A PHA may submit the request for this adjustment either prior to or after the physical inspection has been concluded. If the request is made after the conclusion of the physical inspection, the request shall be made within 15 days of issuance of the Physical Inspection Report and grade for the property. Based on the recommendation of the applicable HUD Hub Office/Program Center following its review of the PHA's documentation, HUD may determine that a reinspection and/or re-grading of the PHA's property is necessary.

(c) *Adjustments for adverse conditions beyond the PHA's control.* Under certain circumstances, HUD may determine that certain deficiencies that adversely and significantly affect the property grades of the PHA were caused by circumstances beyond the control of the PHA. The correction of these conditions, however, remains the responsibility of the PHA.

(1) Adverse conditions beyond the PHA's control 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 property that results in damage to the property) or natural disasters.

(2) A PHA may request an adjustment due to these circumstances through the applicable HUD Hub Office/Program Center. The request shall be submitted within 15 days of the issuance of the Physical Inspection Report and grade for the property to the PHA and shall be accompanied by a certification that all deficiencies identified in the original report have been corrected. Based on the recommendation of the applicable HUD Hub Office/Program Center after its review of the PHA's evidence or documentation, HUD may determine that a reinspection and/or re-grading of the PHA's property is necessary.

(d) *Adjustments for modernization work in progress.* HUD may determine that an occupied dwelling unit or other areas of a PHA property, subject to physical inspection under this subpart, which are undergoing modernization work in progress require an adjustment to the physical condition grade.

(1) Occupied dwelling units or other areas of a PHA property undergoing

modernization are not exempt from physical inspection. All elements of the dwelling units or of the other areas of the PHA property that are subject to inspection and are not undergoing modernization at the time of the inspection (even if modernization is planned) shall be subject to HUD's physical inspection protocol without adjustment. For those elements of the dwelling units or of the property that are undergoing modernization, deficiencies shall be noted in accordance with HUD's physical inspection protocol, but the PHA may request adjustment of the physical condition grade as a result of modernization work in progress.

(2) The PHA may request an adjustment due to modernization work in progress through the applicable HUD Hub Office/Program Center. The request shall be in writing and include supporting documentation of the modernization work underway at the time of the physical inspection. A PHA may submit the request for this adjustment either prior to or after the physical inspection has been concluded. If the request is made after the conclusion of the physical inspection, the request shall be made within 15 days of issuance of the Physical Inspection Report and grade for the property. Based on the recommendation of the applicable HUD Hub Office/Program Center, HUD may determine that a reinspection and/or re-grading of the PHA's property is necessary.

§ 902.27 Physical inspection report.

(a) *Report generally.* Following the physical inspection of each property and the determination of the property grade under this subpart, the PHA shall receive an Inspection Summary Report. The Inspection Summary Report allows the PHA to see all observed deficiencies by inspectable area, and the impact of livability and EHS deficiencies on the property grade.

(b) *Report contents.* The Inspection Summary Report includes the following items:

(1) A list of the livability, EHS, and other deficiencies observed;

(2) The health and safety deficiencies for each of the five inspectable areas; a listing of all observed smoke detector deficiencies; and a projection of the total number of health and safety deficiencies that the inspector potentially would see in an inspection of all buildings and all units;

(3) The overall property grade;

(4) The values of the livability points; and

(5) The reported property grade.