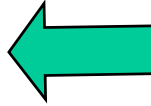| Adjustments for Physical Condition and/or Neighborhood Environment	
I. Definition: The overall physical score for a property will be upwardly adjusted to the extent that negative conditions are caused by situations outside the control of a PHA. These situations are related to the poor physical condition of the property or the overall depressed condition of the immediate surrounding neighborhood. The intent of this adjustment is to not penalize a PHA for conditions and situations outside the control of the PHA through the appropriate application of the physical condition and/or neighborhood environment adjustment. Adjustments to the PHA's physical condition score are considered for the following three inspectable areas: ➢ Physical condition of the site; ➢ Physical condition of the common areas on the property; and ➢ Physical condition of the building exteriors. The definition and application of the physical condition and neighborhood environment factors are: ➢ *Physical Condition*: Applies to properties over 10 years old and that have not received substantial rehabilitation in the past 10 years. *And/Or* ➢ *Neighborhood Environment*: Applies to properties located where the immediate surrounding neighborhood (that is a majority of the population that resides in the census tracts or census block groups on all sides of the development) has at least 51 percent of families with incomes below the poverty rate as documented by the latest census data.	**Maximum Point(s):** **3**
II. Statute and Regulations: ➢ Section 6(j)(1)(I)(2) of the Act ➢ 24 CFR Part 902, Subpart B	

III. Process Workflow:

PHA with a PASS score < 30 points
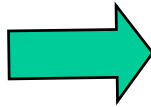
Property is over 10 years old and/or the neighborhood environment has at least 51% of families below poverty line
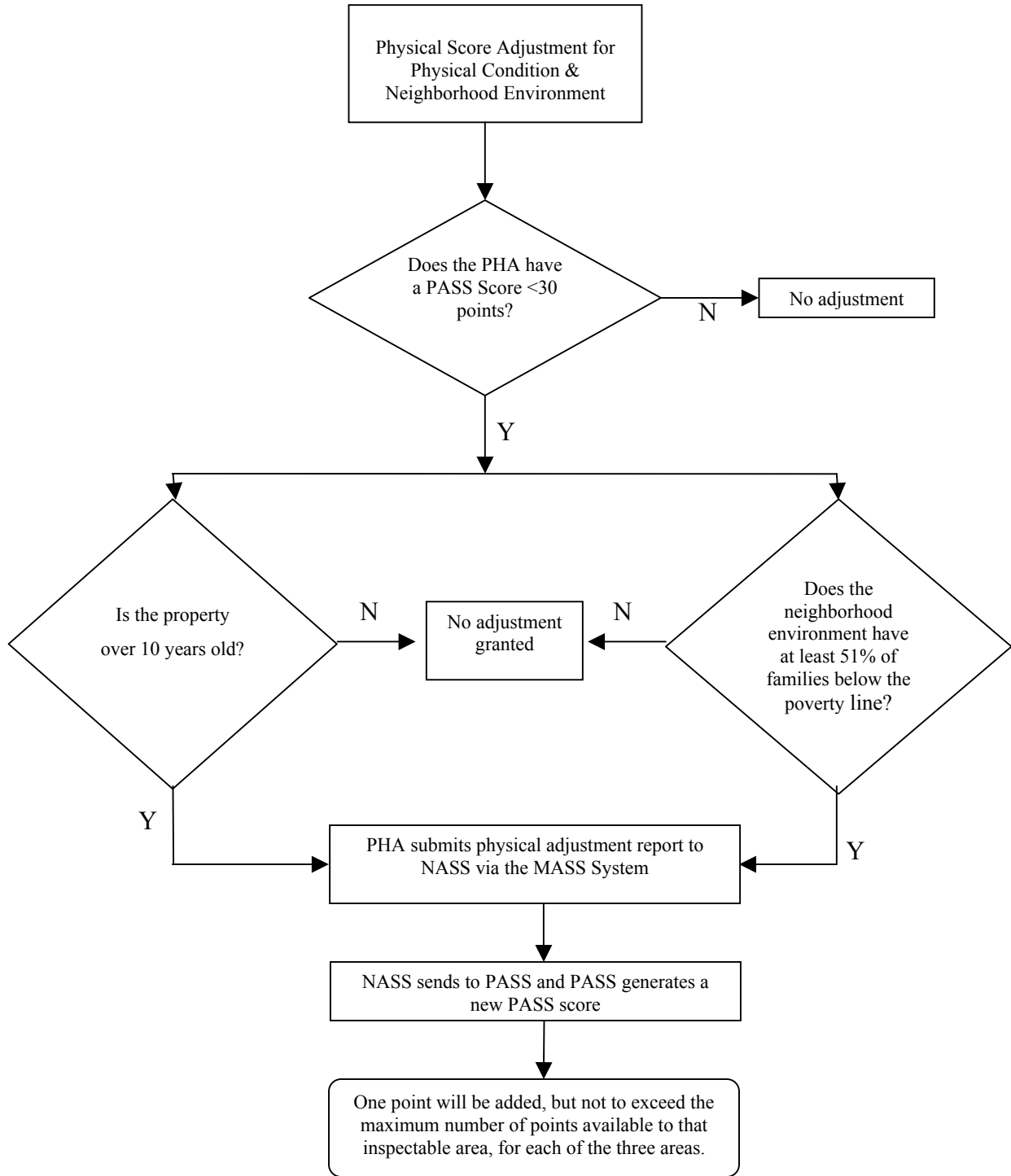
NASS will add one point, not to exceed the maximum points available to that inspectable area

PHA submits physical adjustment report to MASS and it is passed on to the NASS system

IV. Decision Flow:

```
        ┌─────────────────────────────┐
        │  Physical Score Adjustment  │
        │     for Physical Condition  │
        │  & Neighborhood Environment │
        └──────────────┬──────────────┘
                       │
                       ▼
               ╱───────────────╲
              ╱  Does the PHA    ╲        N
              ╲  have a PASS      ╱─────────────▶  ┌──────────────┐
              ╱  Score <30        ╲              │ No adjustment │
               ╲  points?        ╱               └──────────────┘
                ╲───────┬───────╱
                        │ Y
                        ▼
```

- Physical Score Adjustment for Physical Condition & Neighborhood Environment
- Does the PHA have a PASS Score <30 points?
  - N → No adjustment
  - Y ↓

- Is the property over 10 years old?
  - N → No adjustment granted
  - Y → PHA submits physical adjustment report to NASS via the MASS System

- Does the neighborhood environment have at least 51% of families below the poverty line?
  - N → No adjustment granted
  - Y → PHA submits physical adjustment report to NASS via the MASS System

- PHA submits physical adjustment report to NASS via the MASS System
  - ↓
- NASS sends to PASS and PASS generates a new PASS score
  - ↓
- One point will be added, but not to exceed the maximum number of points available to that inspectable area, for each of the three areas.

V. Things To Remember:

- ✓ PHAs needing assistance in ascertaining their census data should contact the local government or the local library.
- ✓ HUD will adjust the physical score of a PHA's property that is affected by the physical condition (property age) and/or neighborhood environment, if appropriate. If a property is affected by both the physical condition and neighborhood environment, the requested adjustments **ARE ONLY COUNTED ONCE**.
- ✓ The PHA certifies to the management operations certification form HUD-50072, the extent to which the conditions apply, and to the inspectable area(s) where the extra point(s) should be applied.
- ✓ The adjustment will be made to the PASS score assigned to the applicable inspectable area(s) to reflect the difficulty in managing the project(s). In each instance where the actual physical condition of the inspectable area (site, common area, and or building exterior) is rated below the maximum score for that area, 1 point will be added, but not to exceed the maximum points available to the respective inspectable area.
- ✓ PHAs that receive the maximum potential weighted points on the inspectable areas may not claim any additional adjustments for the physical conditions and/or neighborhood environment for the respective inspectable area(s).
- ✓ To complete this process, enter the number of projects the PHA is certifying to for the adjustment(s). Please note: the project number is the same as the ACC project number for the development the PHA is certifying to.
- ✓ The project number starts with the two-letter state abbreviation, the three-digit PHA code and finally a three-digit property code.

Example: **AL035001**
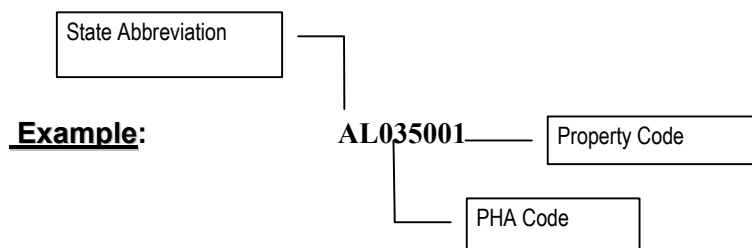
- ✓ PHAs are required to maintain documentation related to this element for a minimum of three years. When this information is electronically submitted, it is automatically validated against the records that are stored in HUD's system database.

VI. Best Practices:

- ✓ Obtain census data for all projects.
- ✓ Keep maintenance records updated.
- ✓ Use this adjustment to increase the PASS score.