housing that are inspected, which are: Site, building exteriors, building systems, dwelling units, and common areas.

*Inspection item* means the individual parts, such as walls, kitchens, bathrooms, and other things, to be inspected in an inspectable area. The number of inspectional items varies for each area. Weights are assigned to each item as shown in the Item Weights and Criticality Levels document.

*Item Weights and Criticality Levels document* means the Item Weights and Criticality Levels document that is utilized in the Physical Condition scoring procedure, and which contains a listing of the inspectable items, item weights, observable deficiencies, criticality levels and values, and severity levels and values that apply to this subpart.

*Memorandum of Agreement (MOA)* is defined in §902.75(b).

*Normalized weights* mean weights adjusted to reflect the inspectable items or areas that are present to be inspected.

*Resident Management Corporation (RMC)* is defined in 24 CFR 964.7.

*Score for a project under the physical condition inspection* means a number on a scale of 0 to 100 that reflects the physical condition of a project, inspectable area, or subarea. To record a health or safety deficiency, a specific designation (such as a letter—a, b, or c) is added to the project score that highlights that a health or safety deficiency (or deficiencies) exists. If smoke detectors are noted as inoperable or missing, another designation (such as an asterisk (*)) is added to the project score. Although inoperative or missing smoke detectors do not reduce the score, they are fire safety hazards and are included in the Notification of Exigent and Fire Safety Hazards Observed Deficiency list that the inspector gives the PHA’s project representative.

*Severity under the physical condition inspection* means one of three levels, level 1 (minor), level 2 (major), and level 3 (severe), that reflect the extent of the damage or problem associated with each deficiency. The Item Weights and Criticality Levels document shows the severity levels for each deficiency. Based on the severity of each deficiency, the score is reduced. Points deducted are calculated as the product of the item weight and the values for criticality and severity. For specific definitions of each severity level, see the Dictionary of Deficiency Definitions.

*Statistically valid sample* refers to a scientific sampling performed in a rigorous, random manner.

*Subarea* means an inspectable area for one building. For example, if a project has more than one building, each inspectable area for each building in the project is treated as a subarea.

*Unit-weighted average* means the average of the PHA’s individual indicator scores, weighted by the number of units in each project, divided by the total number of units in all of the projects of the PHA. In order to compute a unit-weighted average, an individual project score for a particular indicator is multiplied by the number of units in each project to determine a “weighted value.” For example, for a PHA with two projects, one with 200 units and a score of 90, and the other with 100 units and a score of 60, the unit-weighted average score for the indicator would be \( \frac{200 \times 90 + 100 \times 60}{300} = 80 \).

§902.5 Applicability.

(a) **PHAs, RMCs, AMEs.** This part applies to PHAs, Resident Management Corporations (RMCs), and AMEs. This part is also applicable to RMCs that receive direct funding from HUD in accordance with section 20 of the 1937 Act (DF–RMCs).

1. **Scoring of RMCs and AMEs.** (i) RMCs and DF–RMCs will be assessed and issued their own numeric scores under PHAS based on the public housing or portions of public housing that they manage and the responsibilities they assume that can be scored under PHAS. References in this part to PHAs include RMCs, unless stated otherwise. References in this part to RMCs include DF–RMCs, unless stated otherwise.

(ii) **AMEs are not issued PHAS scores.** The performance of the AME contributes to the PHAS score of the project(s)/PHA(s) for which they assumed management responsibilities.
(2) ACC. The ACC makes a PHA legally responsible for all public housing operations, except where DF–RMC assumes management operations.

(i) Because the PHA and not the RMC or AME is ultimately responsible to HUD under the ACC, the PHAS score of a PHA will be based on all of the projects covered by the ACC, including those with management operations assumed by an RMC or AME (including a court-ordered or administrative receivership agreement, if applicable).

(ii) A PHA’s PHAS score will not be based on projects managed by a DF–RMC.

(3) This part does not apply to Moving-to-Work (MTW) agencies that are specifically exempted in their grant agreement.

(b) Implementation of PHAS. The regulations in this part are applicable to PHAs beginning with the first fiscal year end date after the effective date of this rule, and thereafter.

§ 902.9 PHAS scoring.

(a) Indicators and subindicators. Each PHA will receive an overall PHAS score rounded to the nearest whole number, based on the four indicators:

Physical condition, financial condition, management operations, and the Capital Fund program.

Each of these indicators contains subindicators, and the scores for the subindicators are used to determine a single score for each of these PHAS indicators. Individual project scores are used to determine a single score for the physical condition, financial condition, and management operations indicators. The Capital Fund program indicator score is entity-wide.

(b) Overall PHAS score and indicators. The overall PHAS score is derived from a weighted average of score values for the four indicators, as follows:

(1) The physical condition indicator is weighted 40 percent (40 points) of the overall PHAS score. The score for this indicator is obtained as indicated in subpart B of this part.

(2) The financial condition indicator is weighted 25 percent (25 points) of the overall PHAS score. The score for this indicator is obtained as indicated in subpart C of this part.

(3) The management operations indicator is weighted 25 percent (25 points) of the overall PHAS score. The score for this indicator is obtained as indicated in subpart D of this part.

(4) The Capital Fund program indicator is weighted 10 percent (10 points) of the overall PHAS score for all Capital Fund program grants for which fund balances remain during the assessed fiscal year. The score for this indicator is obtained as indicated in subpart E of this part.

§ 902.11 PHAS performance designation.

All PHAs that receive a PHAS assessment shall receive a performance designation. The performance designation is based on the overall PHAS score and the four indicator scores, as set forth below.

(a) High performer. (1) A PHA that achieves a score of at least 60 percent of the points available under the financial condition, physical condition, and management operations indicators and at least 50 percent of the points available under the Capital Fund indicator, and achieves an overall PHAS score of 90 percent or greater of the total available points under PHAS shall be designated a high performer. A PHA shall not be designated a high performer if it scores below the threshold established for any indicator.

(2) High performers will be afforded incentives that include relief from reporting and other requirements, as described in §902.71.

(b) Standard performer. (1) A PHA that is not a high performer shall be designated a standard performer if the PHA achieves an overall PHAS score of at least 60 percent, and at least 60 percent of the available points for the physical condition, financial condition, and management operations indicators and at least 50 percent of the available points for the Capital Fund indicator.

(2) At HUD’s discretion, a standard performer may be required by the field office to submit and operate under a Corrective Action Plan.

(c) Substandard performer. A PHA shall be designated a substandard performer if the PHA achieves a total PHAS score of at least 60 percent and achieves a score of less than 60 percent