To provide physical standards and reform the inspection process for housing assisted under section 8 of the United States Housing Act of 1937, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 2021

Mr. Lawson of Florida (for himself, Ms. Adams, and Mrs. Demings) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To provide physical standards and reform the inspection process for housing assisted under section 8 of the United States Housing Act of 1937, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “HUD Inspection Oversight Act of 2021”.
SEC. 2. ENFORCEMENT OF PHYSICAL CONDITION STANDARDS AND TENANT PROTECTION.

Section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)) is amended by adding at the end the following:

“(9) MAINTENANCE OF PROPERTY.—Any entity receiving housing assistance payments with respect to dwelling units covered by a housing assistance payments contract shall—

“(A) maintain decent, safe, and sanitary conditions at those dwelling units, as determined by the Secretary; and

“(B) comply with any standards under applicable State or local laws, rules, ordinances, or regulations relating to the physical condition of those dwelling units.

“(10) ENFORCEMENT OF PHYSICAL CONDITION STANDARDS.—

“(A) IN GENERAL.—The Secretary shall take action under subparagraph (C) against an entity with a housing assistance payments contract for project-based assistance with respect to a multifamily housing project if—

“(i) the project receives an inspection score of not more than 60; or
“(ii) the entity fails to certify in writing to the Secretary within 3 days of receiving the score under clause (i) that all exigent health and safety deficiencies identified by the inspector at the project have been corrected.

“(B) APPLICABILITY.—Subparagraph (A) shall—

“(i) apply with respect to insured and noninsured projects with dwelling units receiving assistance under this section other than under subsection (o)(13); and

“(ii) not apply to dwelling units receiving assistance with capital or operating funds under section 9.

“(C) NOTIFICATION AND ENFORCEMENT.—

“(i) IN GENERAL.—If an entity violates clause (i) or (ii) of subparagraph (A), within 15 days after the results of the inspection the Secretary shall issue the entity a Notice of Default, which shall provide for a reasonable period to cure all project deficiencies and for the entity to provide
any response determined appropriate by the Secretary.

“(ii) PLAN AND NOTICE OF DEFAULT.—If violations remain at a project after the expiration of the cure period prescribed by the Secretary in the Notice of Default pursuant to clause (i), the Secretary shall—

“(I) develop a remediation plan, separate from the Notice of Default, and in consultation with tenants or legitimate tenant organizations, or both, not later than 45 days after the expiration of the cure period prescribed by the Secretary in the Notice of Default, to bring the project into compliance;

“(II) provide the owner with the remediation plan with a specified timetable, determined by the Secretary, for correcting all project deficiencies, and

“(III) provide the tenants of the property, legitimate tenant organizations, the local government, any mortgagees, and any contract adminis-
trator of the project with the Notice of Default and the remediation plan with the specified timetable, determined by the Secretary, for correcting all deficiencies.

“(iii) WITHDRAWAL OF NOTICE OF DEFAULT.—If an appeal submitted by the entity results in an inspection score of not less than 60, the Secretary may withdraw a Notice of Default issued under clause (ii)(II).

“(iv) PENALTIES.—If, at the end of the timetable described in clause (ii)(II), the entity fails to fully correct all deficiencies in the project, the Secretary shall take one or more of the following actions, and provide additional notice of those actions to the owner, the tenants of the property, legitimate tenant organizations, the local government, any mortgagees, and any contract administrator:

“(I) Require immediate replacement of project management with a management agent approved by the Secretary.
“(II) Impose civil money penalties, which shall be used solely for the purpose of supporting safe and sanitary conditions at the property, as designated by the Secretary, with priority given to the tenants of the property affected by the penalty.

“(III) Abate the housing assistance payments contract under this section, including partial abatement, as determined by the Secretary, until all deficiencies have been corrected.

“(IV) Pursue transfer of the project to an owner, approved by the Secretary under established procedures, which will be obligated to promptly make all required repairs and to accept renewal of the housing assistance payments contract as long as such renewal is offered.

“(V) Transfer the existing housing assistance payments contract under this section to another project or projects and owner or owners.
“(VI) Pursue exclusionary sanctions, including suspensions or debarments from Federal programs.

“(VII) Seek judicial appointment of a receiver to manage the property and cure all project deficiencies or seek a judicial order of specific performance requiring the owner to cure all project deficiencies.

“(VIII) Work with the owner, lender, or other related party to stabilize the property in an attempt to preserve the property through compliance, transfer of ownership, or an infusion of capital provided by a third-party that requires time to effectuate.

“(IX) Take any other regulatory or contractual remedies available as deemed necessary and appropriate by the Secretary.

“(D) CONTRACTS.—

“(i) IN GENERAL.—The Secretary shall take appropriate steps to ensure that project-based contracts remain in effect, subject to the exercise of contractual
abatement remedies to assist relocation of
tenants for major threats to health and
safety after written notice to and informed
consent of the affected tenants and use of
other remedies under this paragraph.

“(ii) OTHER ASSISTANCE.—To the ex-
tent the Secretary determines, in consulta-
tion with the tenants, legitimate tenant or-
ganizations, and the local government, that
a property is not feasible for continued
rental assistance payments under this sec-
tion or other housing programs, based on
consideration of the costs of rehabilitating
and operating the property and all avail-
able Federal, State, and local resources, in-
cluding rent adjustments under section
524 of the Multifamily Assisted Housing
Reform and Affordability Act of 1997 (42
U.S.C. 1437f note) and environmental con-
ditions that cannot be remedied in a cost-
effective fashion, the Secretary may, in
consultation with the tenants of the prop-
erty and any legitimate tenant organiza-
tions, contract for project-based rental as-
sistance payments with an owner or owners
of other existing housing properties, or
provide other rental assistance.

“(E) REPORT.—

“(i) IN GENERAL.—The Secretary
shall, on a quarterly basis, issue a publicly
available report on all properties covered
by this paragraph that—

“(I) are assessed through the
Real Estate Assessment Center; and

“(II)(aa) have an inspection
score of less than 60; or

“(bb) received an unsatisfactory
management and occupancy review
during the 36-month period preceding
the report.

“(ii) CONTENTS.—Each report issued
under clause (i) shall include specific infor-
mation, disaggregated by the property to
which it relates, regarding—

“(I) the enforcement actions
being taken to address the physical
conditions of the properties covered in
the report, including imposition of
civil money penalties and termination
of subsidies, and identify properties
that have those conditions multiple times;

“(II) actions that the Department of Housing and Urban Development is taking to protect tenants of those properties; and

“(III) any administrative or legislative recommendations to further improve the living conditions at each property covered under a housing assistance payments contract.

“(11) TENANT PROTECTION.—

“(A) IN GENERAL.—The Secretary may provide tenant-based assistance for dwelling units covered under a project-based assistance subsidy contract if—

“(i) the owner of the dwelling units has received a Notice of Default; and

“(ii) the dwelling units pose an imminent health and safety risk to the tenants of those dwelling units.

“(B) REIMBURSEMENTS.—To the extent that the Secretary determines that dwelling units described in subparagraph (A) are not feasible for continued rental assistance pay-
ments or transfer of the project-based assistance subsidy contract associated with those dwelling units to another project or projects and owner or owners, any remaining amounts associated with those dwelling units shall be re-captured and used to reimburse amounts used for tenant-based assistance under subparagraph (A).”.

SEC. 3. STANDARDS FOR PHYSICAL CONDITION AND MANAGEMENT OF HOUSING RECEIVING ASSISTANCE PAYMENTS.

Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) is amended by inserting after subsection (v) the following:

“(w) STANDARDS FOR PHYSICAL CONDITION AND MANAGEMENT OF HOUSING RECEIVING ASSISTANCE PAYMENTS.—

“(1) STANDARDS FOR PHYSICAL CONDITION AND MANAGEMENT OF HOUSING.—Any entity receiving assistance payments under this section shall maintain decent, safe, and sanitary conditions, as determined by the Secretary, for any structure covered under a housing assistance payment contract.

“(2) SURVEY OF TENANTS.—
“(A) IN GENERAL.—The Secretary shall, on a semiannual basis, conduct a survey of the tenants of each structure covered under a housing assistance payment contract for the purpose of identifying consistent or persistent problems with the physical condition of the structure or performance of the manager of the structure.

“(B) CONFIDENTIALITY.—The Secretary shall ensure that the surveys pursuant to subparagraph (A) are conducted in an anonymous manner such that the identities of tenants identifying such problems through such survey are not disclosed.

“(3) REMEDIATION.—If a consistent or persistent problem with the structure or the management of the structure covered under a housing assistance payment contract is identified—

“(A) by the Secretary pursuant a survey conducted under paragraph (2), the Secretary shall undertake remediation for the structure or manager; or

“(B) by the Performance-Based Contract Administrator based on any other observation made by the Administrator during the normal course of business, the Administrator shall refer
the structure or manager to the Secretary for remediation.

“(4) Penalty for failure to uphold standards.—

“(A) In general.—The Secretary may impose a penalty on any owner of a structure covered under a housing assistance payment contract if the Secretary finds that the structure or manager of the structure—

“(i) did not satisfactorily meet the requirements under paragraph (1); or

“(ii) is repeatedly referred to the Secretary for remediation by a Performance-Based Contract Administrator through the process established under paragraph (3).

“(B) Amount.—A penalty imposed under subparagraph (A) shall be in an amount equal to not less than 1 percent of the annual budget authority the owner is allocated under a housing assistance payment contract.

“(C) Use of amounts.—Any amounts collected under this paragraph shall be used solely for the purpose of supporting safe and sanitary conditions at applicable structures or for tenant relocation, as designated by the Sec-
retary, with priority given to the tenants of the structure that led to the penalty.

“(5) APPLICABILITY.—This subsection shall not apply to any property assisted under subsection (o).”. 