

116TH CONGRESS  
1ST SESSION

# H. R. 3745

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.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2019

Mr. LAWSON of Florida (for himself, Ms. ADAMS, Ms. VELÁZQUEZ, Mr. CRIST, Mr. BISHOP of Georgia, Mr. RASKIN, Ms. NORTON, Mr. MCGOVERN, Ms. PRESSLEY, Ms. LEE of California, Mrs. CAROLYN B. MALONEY of New York, Ms. GARCIA of Texas, Ms. ROYBAL-ALLARD, Mrs. DEMINGS, Mr. VARGAS, and Mr. LYNCH) introduced the following bill; which was referred to the Committee on Financial Services

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## 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.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “HUD Inspection Over-  
5       sight Act of 2019”.

1 **SEC. 2. ENFORCEMENT OF PHYSICAL CONDITION STAND-**  
2 **ARDS AND TENANT PROTECTION.**

3 Section 8(c) of the United States Housing Act of  
4 1937 (42 U.S.C. 1437f(c)) is amended by adding at the  
5 end the following:

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

10 “(A) maintain decent, safe, and sanitary  
11 conditions at those dwelling units, as deter-  
12 mined by the Secretary; and

13 “(B) comply with any standards under ap-  
14 plicable State or local laws, rules, ordinances, or  
15 regulations relating to the physical condition of  
16 those dwelling units.

17 “(10) ENFORCEMENT OF PHYSICAL CONDITION  
18 STANDARDS.—

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

24 “(i) the project receives an inspection  
25 score of not more than 60; or

1 “(ii) the entity fails to certify in writ-  
2 ing to the Secretary within 3 days of re-  
3 ceiving the score under clause (i) that all  
4 exigent health and safety deficiencies iden-  
5 tified by the inspector at the project have  
6 been corrected.

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

9 “(i) apply with respect to insured and  
10 noninsured projects with dwelling units re-  
11 ceiving assistance under this section other  
12 than under subsection (o)(13); and

13 “(ii) not apply to dwelling units re-  
14 ceiving assistance with capital or operating  
15 funds under section 9.

16 “(C) NOTIFICATION AND ENFORCE-  
17 MENT.—

18 “(i) IN GENERAL.—If an entity vio-  
19 lates clause (i) or (ii) of subparagraph (A),  
20 within 15 days after the results of the in-  
21 spection the Secretary shall issue the enti-  
22 ty a Notice of Default, which shall provide  
23 for a reasonable period to cure all project  
24 deficiencies and for the entity to provide

1 any response determined appropriate by  
2 the Secretary.

3 “(ii) PLAN AND NOTICE OF DE-  
4 FAULT.—If violations remain at a project  
5 after the expiration of the cure period pre-  
6 scribed by the Secretary in the Notice of  
7 Default pursuant to clause (i), the Sec-  
8 retary shall—

9 “(I) develop a remediation plan,  
10 separate from the Notice of Default,  
11 and in consultation with tenants or le-  
12 gitimate tenant organizations, or both,  
13 not later than 45 days after the expi-  
14 ration of the cure period prescribed by  
15 the Secretary in the Notice of Default,  
16 to bring the project into compliance;

17 “(II) provide the owner with the  
18 remediation plan with a specified  
19 timetable, determined by the Sec-  
20 retary, for correcting all project defi-  
21 ciencies, and

22 “(III) provide the tenants of the  
23 property, legitimate tenant organiza-  
24 tions, the local government, any mort-  
25 gagees, and any contract adminis-

1           trator of the project with the Notice  
2           of Default and the remediation plan  
3           with the specified timetable, deter-  
4           mined by the Secretary, for correcting  
5           all deficiencies.

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

12          “(iv) PENALTIES.—If, at the end of  
13          the timetable described in clause (ii)(II),  
14          the entity fails to fully correct all defi-  
15          ciencies in the project, the Secretary shall  
16          take one or more of the following actions,  
17          and provide additional notice of those ac-  
18          tions to the owner, the tenants of the prop-  
19          erty, legitimate tenant organizations, the  
20          local government, any mortgagees, and any  
21          contract administrator:

22                 “(I) Require immediate replace-  
23                 ment of project management with a  
24                 management agent approved by the  
25                 Secretary.

1           “(II) Impose civil money pen-  
2           alties, which shall be used solely for  
3           the purpose of supporting safe and  
4           sanitary conditions at the property, as  
5           designated by the Secretary, with pri-  
6           ority given to the tenants of the prop-  
7           erty affected by the penalty.

8           “(III) Abate the housing assist-  
9           ance payments contract under this  
10          section, including partial abatement,  
11          as determined by the Secretary, until  
12          all deficiencies have been corrected.

13          “(IV) Pursue transfer of the  
14          project to an owner, approved by the  
15          Secretary under established proce-  
16          dures, which will be obligated to  
17          promptly make all required repairs  
18          and to accept renewal of the housing  
19          assistance payments contract as long  
20          as such renewal is offered.

21          “(V) Transfer the existing hous-  
22          ing assistance payments contract  
23          under this section to another project  
24          or projects and owner or owners.

1           “(VI) Pursue exclusionary sanc-  
2           tions, including suspensions or  
3           debarments from Federal programs.

4           “(VII) Seek judicial appointment  
5           of a receiver to manage the property  
6           and cure all project deficiencies or  
7           seek a judicial order of specific per-  
8           formance requiring the owner to cure  
9           all project deficiencies.

10          “(VIII) Work with the owner,  
11          lender, or other related party to sta-  
12          bilize the property in an attempt to  
13          preserve the property through compli-  
14          ance, transfer of ownership, or an in-  
15          fusion of capital provided by a third-  
16          party that requires time to effectuate.

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

21          “(D) CONTRACTS.—

22               “(i) IN GENERAL.—The Secretary  
23               shall take appropriate steps to ensure that  
24               project-based contracts remain in effect,  
25               subject to the exercise of contractual

1           abatement remedies to assist relocation of  
2           tenants for major threats to health and  
3           safety after written notice to and informed  
4           consent of the affected tenants and use of  
5           other remedies under this paragraph.

6           “(ii) OTHER ASSISTANCE.—To the ex-  
7           tent the Secretary determines, in consulta-  
8           tion with the tenants, legitimate tenant or-  
9           ganizations, and the local government, that  
10          a property is not feasible for continued  
11          rental assistance payments under this sec-  
12          tion or other housing programs, based on  
13          consideration of the costs of rehabilitating  
14          and operating the property and all avail-  
15          able Federal, State, and local resources, in-  
16          cluding rent adjustments under section  
17          524 of the Multifamily Assisted Housing  
18          Reform and Affordability Act of 1997 (42  
19          U.S.C. 1437f note) and environmental con-  
20          ditions that cannot be remedied in a cost-  
21          effective fashion, the Secretary may, in  
22          consultation with the tenants of the prop-  
23          erty and any legitimate tenant organiza-  
24          tions, contract for project-based rental as-  
25          sistance payments with an owner or owners



1 of other existing housing properties, or  
2 provide other rental assistance.

3 “(E) REPORT.—

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

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

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

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

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

20 “(I) the enforcement actions  
21 being taken to address the physical  
22 conditions of the properties covered in  
23 the report, including imposition of  
24 civil money penalties and termination  
25 of subsidies, and identify properties

1           that have those conditions multiple  
2           times;

3                   “(II) actions that the Depart-  
4           ment of Housing and Urban Develop-  
5           ment is taking to protect tenants of  
6           those properties; and

7                   “(III) any administrative or leg-  
8           islative recommendations to further  
9           improve the living conditions at each  
10          property covered under a housing as-  
11          sistance payments contract.

12          “(11) TENANT PROTECTION.—

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

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

19                           “(ii) the dwelling units pose an immi-  
20          nent health and safety risk to the tenants  
21          of those dwelling units.

22                   “(B) REIMBURSEMENTS.—To the extent  
23          that the Secretary determines that dwelling  
24          units described in subparagraph (A) are not  
25          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 recaptured 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.—

1           “(A) IN GENERAL.—The Secretary shall,  
2           on a semiannual basis, conduct a survey of the  
3           tenants of each structure covered under a hous-  
4           ing assistance payment contract for the purpose  
5           of identifying consistent or persistent problems  
6           with the physical condition of the structure or  
7           performance of the manager of the structure.

8           “(B) CONFIDENTIALITY.—The Secretary  
9           shall ensure that the surveys pursuant to sub-  
10          paragraph (A) are conducted in an anonymous  
11          manner such that the identities of tenants iden-  
12          tifying such problems through such survey are  
13          not disclosed.

14          “(3) REMEDIATION.—If a consistent or per-  
15          sistent problem with the structure or the manage-  
16          ment of the structure covered under a housing as-  
17          sistance payment contract is identified—

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

22                 “(B) by the Performance-Based Contract  
23                 Administrator based on any other observation  
24                 made by the Administrator during the normal  
25                 course of business, the Administrator shall refer

1 the structure or manager to the Secretary for  
2 remediation.

3 “(4) PENALTY FOR FAILURE TO UPHOLD  
4 STANDARDS.—

5 “(A) IN GENERAL.—The Secretary may  
6 impose a penalty on any owner of a structure  
7 covered under a housing assistance payment  
8 contract if the Secretary finds that the struc-  
9 ture or manager of the structure—

10 “(i) did not satisfactorily meet the re-  
11 quirements under paragraph (1); or

12 “(ii) is repeatedly referred to the Sec-  
13 retary for remediation by a Performance-  
14 Based Contract Administrator through the  
15 process established under paragraph (3).

16 “(B) AMOUNT.—A penalty imposed under  
17 subparagraph (A) shall be in an amount equal  
18 to not less than 1 percent of the annual budget  
19 authority the owner is allocated under a hous-  
20 ing assistance payment contract.

21 “(C) USE OF AMOUNTS.—Any amounts  
22 collected under this paragraph shall be used  
23 solely for the purpose of supporting safe and  
24 sanitary conditions at applicable structures or  
25 for tenant relocation, as designated by the Sec-

1           retary, with priority given to the tenants of the  
2           structure that led to the penalty.

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

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