

United States Senate

WASHINGTON, DC 20510

September 25, 2023

VIA ELECTRONIC TRANSMISSION

The Honorable Marcia Fudge
Secretary
U.S. Department of Housing and Urban Development
451 7th St. S.W.
Washington, D.C. 20410

Dear Secretary Fudge:

We write to express serious concern that some landlords have failed to deliver safe, quality housing to residents of Section 8 Project-Based Rental Assistance (“PBRA”) programs administered by the Department of Housing and Urban Development (“HUD”). PBRA programs are a critical source of affordable housing for families, seniors, and persons with disabilities in communities throughout the country. Under the PBRA programs, HUD contracts with private owners who rent some or all units in their developments to low-income families, enabling more than 1.3 million households to secure affordable housing.

The country is facing a national housing affordability crisis. Between 2011 and 2021, the supply of low-cost rentals most affordable to low-income households fell by 3.9 million units nationally, with reduced supply in every state.¹ According to HUD, nearly 7.8 million very low-income unassisted renter households had “worst case” housing needs in 2019, meaning their incomes are less than 50 percent of the area median, and they were either paying more than half their incomes for housing or living in substandard conditions. In 2021, the number of renter households paying more than 30 percent of their incomes for housing – the traditional measure of affordability – reached a record high of 21.6 million.

While PBRA-assisted properties provide safe, affordable housing options for families across the country, we are concerned by reports of poor conditions, delayed repairs, and serious neglect of some PBRA properties. HUD must have the ability to protect tenants and hold accountable these private property managers who receive millions of taxpayer dollars every year. Residents at properties in our states and around the country have reported mold, rat and roach infestations, lack of basic plumbing facilities, poor security, and other severe health and safety concerns. These conditions are unacceptable for any family, and in these cases, they are subsidized by the federal government.

¹ <https://www.jchs.harvard.edu/blog/low-cost-rentals-have-decreased-every-state>.

As HUD is working to implement its new National Standards for the Physical Inspection of Real Estate property inspection system, we are examining how HUD enforces its standards against corporate landlords who fail to maintain decent, safe, and sanitary living conditions and the federal government's efforts to hold these HUD owners accountable.

Please respond to the attached information request by October 13, 2023. Should you have any questions about this request and to schedule the briefing, please contact Jeffrey Brown (Jeffrey_Brown@ossoff.senate.gov) and Stephanie Herrmann (Stephanie_Herrmann@ossoff.senate.gov) with Chairman Ossoff and Beth Cooper (Beth_Cooper@banking.senate.gov) with Chairman Brown's staff.

Sincerely,



Senator Jon Ossoff
Chairman
Subcommittee on Human Rights and the Law



Senator Sherrod Brown
Chairman
Committee on Banking, Housing, and Urban Affairs

INFORMATION REQUEST

REAC Scores and Inspection Protocols

HUD inspects PBRA properties based upon inspection standards set by HUD's Real Estate Assessment Center ("REAC"). Properties are supposed to receive inspections every 1-3 years, with the frequency of inspections based upon their prior score. Properties with a REAC score below 80 out of 100 (including those with failing scores below 60) are supposed to be re-inspected within one year.² According to a HUD report, 2.4 percent of HUD-assisted PBRA properties fell below the 60 point standard as of March 31, 2023.

1. In the last five years, how many PBRA properties received a failing REAC score (if that inspection occurred more than one year before today)?
 - a. Of those properties, how many were re-inspected within one year?
2. In the last five years, how many PBRA properties received a failing REAC score with an emergency health and safety issue at their last inspection (if that inspection occurred more than one year before today)?

² 24 CFR § 200.857(b)(1)(iii).

- a. Of those properties, how many were re-inspected within one year?
3. Of the PBRA properties that failed their last REAC inspection, how many have scored below 60 more than once in the past 5 years? Please also provide the number of properties that have scored below 30 more than once in the past five years.
 - a. If any of the properties on the above list has been sold during this 5-year period, please indicate whether they received a score below 60 one year after acquisition.
4. If a REAC inspection finds an emergency health or safety issue, the property owners have three business days from the date of the inspection to file a written report to HUD. The report filed by the owner must provide a certification and reasonable evidence that the emergency health or safety issue has been resolved.³ A review of REAC inspection scores has revealed that at least 45 properties in Georgia and 45 in Ohio received a failing REAC score in their most recent inspection. Of those, the vast majority—44 in Georgia and 35 in Ohio—had an emergency health and safety issue.
 - a. Of the PBRA properties in Georgia and Ohio that received a failing REAC score (if that inspection occurred more than one year before today), how many were re-inspected within one year?
 - b. Of the PBRA properties in Georgia and Ohio that received a failing REAC score with an emergency health or safety issue on their most recent inspection (if that inspection occurred more than one year before today), how many were re-inspected within one year?
 - c. Of these properties, did the owners submit certifications purporting that the emergency health or safety issues were fixed?
 - d. Of the total number of PBRA properties that received a failing REAC score with an emergency health or safety issue on their most recent inspection, how many of them submitted a correction certification within three days?
 - e. Does HUD verify that PBRA owners have completed the work necessary to correct identified emergency health and safety issues? If so, how?
5. On February 13, 2023, HUD and the Office of Inspector General announced civil money penalties against an owner and affiliated management agent for knowingly failing to maintain housing units in a decent, safe, and sanitary manner.⁴
 - a. What enforcement actions or other measures does HUD take to encourage or compel owners to improve living conditions at properties that have received a failing score?

³ 24 CFR § 200.857(c)(2).

⁴ <https://www.hudoig.gov/newsroom/press-release/apex-waukegan-llc-and-integra-affordable-management-llc-fined-breach>.

Capital Reserve and Repair Requirements

1. Describe the review or approval process that HUD conducts prior to approving the acquisition of a PBRA property.
2. Does HUD require potential buyers of PBRA properties to demonstrate they hold or have access to sufficient capital to engage in critical rehabilitation projects prior to approving the sale or acquisition?
 - a. If so, what are those requirements?
 - b. How does HUD verify financial representations made by private owners seeking to purchase or acquire PBRA properties?
3. Does HUD require a maintenance operational plan from an entity purchasing a PBRA property with a failing REAC score? If so, please explain.
 - a. What assurances does HUD require from the purchasing entity to ensure that the property will be remediated?
4. Once HUD approves the sale of a PBRA property with a failing REAC score, what recourse does the agency have if the owners fail to undertake the promised remediations?
 - a. Over the last ten years, how many PBRA acquisition applications have been submitted to HUD? Of those, how many has HUD declined?
5. Does HUD require that PBRA property owners file a report or other documentation demonstrating the condition of the property prior to the property's sale to another owner?
6. Has insufficient capital for repairs been a factor in either:
 - a. Delaying the sale of a property to a buyer willing to preserve the Section 8 Housing Assistance Payments contract?
 - b. Delaying repairs following acquisition?
7. Does HUD have a source of funding for grants, loans, or forgivable loans that would facilitate rapid repairs by a preservation buyer?