



TITLE I-HOUSING ASSISTANCE

Sec. 1. Short title and table of contents

Provides that the Act may be cited as the Housing and Community Development Act of 1992.

Sec. 2. Effective Date.

TITLE I-HOUSING ASSISTANCE

Subtitle A-General Provisions

Sec. 101. Low-income housing authorization

Provides additional aggregate budget authority for subsidized housing programs of \$15,158,946,956 for Fiscal Year (FY) 1993.

These totals include:

Public housing grants, \$844,792,000 (of which \$247,312,000 is available for Indian housing);

Section 8 certificates, \$2,039,232,000 (of which such sums as may be necessary are authorized for 15-year contracts for project-based assistance for a multicultural tenant empowerment and homeownership project located in the District of Columbia);

Comprehensive improvement assistance grants, \$2,332,200,000;

Section 8 assistance for property disposition, \$455,624,000;

Section 8 assistance for loan management, \$173,576,000;

Extensions of expiring section 8 contracts, \$7,261,632,000;

Section 8 contract amendments, \$1,918,800,550;

Public housing lease adjustments and amendments, \$21,755,000;

Public housing replacement activities, \$85,800,000 (of which \$32,175,000 shall be for 15-year Section 8 project-based assistance);

Conversions from Section 23 leased housing to Section 8, \$25,535,406.

Sec. 102. Extension of ceiling rents

Removes the 5 year limit on the application of ceiling rents and extends ceiling rents in effect prior to December 15, 1989, without time limitation and strikes the inapplicability of the 5 year limit to Indian housing authorities. Prohibits the Secretary from inputting debt to a project that is not actually outstanding for the project for the purpose of determining ceiling rents.

Sec. 103. Income and definitions application to Indian Housing programs

Includes the following deductions, subject to appropriations, from a tenant's income for Indian families: child care expenses incurred to enable another family member to work or attend school and excessive travel expenses, not to exceed 25 per week, incurred for employment or education.

Requires that the following provisions of NAHA also apply to Indian public housing: change the term ``lower'' to ``low''; expand the definition of ``family'' to include single persons; that amend the calculation of income to raise the dependent allowance to \$550 from \$480, add limited allowances for medical and attendant care expenses, earned income and child support or alimony payments and nullify the effect of the temporary absence from the home of a foster child on determining family composition and size.

#### Sec. 104. Public and section 8 housing tenant preference rules

Requires that the Secretary issue regulations for effect after notice and public comment, based on negotiated rulemaking procedures, within 180 days of enactment of this act to implement sections 501 and 545 of NAHA with regard to the increased exemption from federal tenant preferences to 30 percent in public housing and the Section 8 programs.

#### Sec. 105. Income eligibility for assisted housing

Authorizes PHAs the ability to select relatively higher income persons (i.e. these persons with incomes between 50 percent-80 percent of area median income as opposed to those below 50 percent) for tenancy regardless of their position on the public housing waiting list for the 30 percent of tenants selected under local preferences.

#### Sec. 106. Family self-sufficiency program

Authorizes the use of \$25,000,000 of any funds appropriated for public housing operating subsidies for service coordinators for the family self-sufficiency program (section 554 of NAHA).

Amends the purpose clause of the program to state that the purpose of the program is to promote the development of local strategies to coordinate housing assistance with services to enable families to improve their educational and employment status and achieve a greater measure of economic independence.

Defines the circumstances under which a PHA can certify that the establishment and operation of a self-sufficiency program is not feasible as a lack of supportive services (including insufficient resources for programs under JOBS or JTPA); lack of cooperation by other units of State or local government and other circumstance that the Secretary may consider appropriate.

Prohibits the Secretary from denying assistance that otherwise would have been provided to a PHA because the PHA has certified that a self-sufficiency program is not feasible.

Limits the scope of the self-sufficiency program to 50 percent of

the incremental section 8 assistance received by a PHA each year and by excluding from the definition of incremental section 8 assistance, all section 8 assistance provided for: the property disposition program, loan management, family unification, the Low-Income Housing Preservation Act of 1990 of the Emergency Low Income Housing Preservation Act of 1987, any units required by an agency to carry out its allocation plan for elderly and disabled housing and Section 23 conversions.

Defines incremental units for public housing as excluding any unit that has been vacant and is returned to occupancy, any unit provided for replacement for a unit demolished or disposed of, and any unit in a project designated and approved for occupancy by elderly families.

Provides that a family that receives assistance under section 8 in connection with a family self-sufficiency program may not use such assistance for any dwelling unit not located within the jurisdiction of the PHA providing the section 8 assistance.

Requires that the contract for participation establish specific interim and final goals by which compliance with and performance of the contract may be measured. Such goals may not include requiring the participating family to refuse all Federal, State or local housing assistance as a condition of withdrawing amounts in an escrow savings account.

Provides that the contract shall provide that the PHA may withhold and terminate section 8 assistance if the PHA determines through an administrative grievance procedure that the family has failed to comply with the requirements of the contract without good cause.

Amends the escrow provisions to establish allowable incentives for participation in family self sufficiency pursuant to an action plan prepared by a PHA and approved by the Secretary which describes such incentives. Such incentives may include limitation on the rent of participating families; the establishment of escrow savings accounts, which escrow amounts shall be available to all participating families upon completion of the goals established in the contract of participation or earlier, upon attainment of interim goals; and any other incentives as determined by the PHA. Requires that Escrow amounts must be used by participating families for purposes consistent with the contract of participation.

Provides that the family self-sufficiency program is voluntary for Indian Housing Authorities.

Deletes the incentive allocation system established for Fiscal Years 1991 and 1992.

#### Subtitle B-Public and Indian Housing

##### Sec. 111. Major reconstruction of obsolete projects

Authorizes up to 20 percent of public housing development funds to be used for the Major Reconstruction of Obsolete Projects

(MROP) program in order to provide for the substantial redesign, reconstruction, or redevelopment of existing public housing projects and for costs of improving the management and operation of projects undergoing redesign, reconstruction, or redevelopment in order to maintain the physical improvements.

Defines eligible projects: (1) as projects that have more than 25 percent of units vacant; or (2) that have costs for redesign, reconstruction or redevelopment, including costs for lead-based paint abatement and asbestos removal, that exceed 70 percent of the cost limits for the public housing development program, and has an occupancy density or building height that is in excess of those in the neighborhood, a bedroom configuration that could better serve families, or significant security problems, physical deterioration or inefficient energy and utility systems.

Requires HUD to allocate MROP assistance on a competition basis based on a PHA's management capability, the expected useful term of the project, and the likelihood of achieving full occupancy.

Requires HUD to establish limitations on total project costs for redesign, reconstruction and redevelopment; however, requires that these cost limitations shall not be related to total development costs for new development or modernization and shall recognize the higher direct costs of such work. Requires HUD to take into account the overall reconstruction costs on the site compared to the costs of developing an equivalent number of units.

Prohibits MROP assistance for any project or building assisted under the Sec. 14 public housing modernization program and prohibits the approval of a demolition or disposition application of a public housing project which has received MROP assistance unless the property's retention is not in the best interests of tenants because of extraordinary changes in the area surrounding the project or in the project itself.

Requires negotiated rule making to implement this provision.

#### Sec. 112. Public housing tenant preferences

Amends the public housing preference rules for public housing of 25 units or more to increase the local preference from 30 percent to 50 percent of the units that become available for occupancy in any one year.

#### Sec. 113. Public housing operating subsidies

Authorizes for public housing operating subsidies, \$2,169,440,000 for FY 1993 and authorizes such sums as may be necessary to provide each public housing agency (PHA) with all funds in excess to those appropriated in FY 1993 which the PHA is eligible to receive under the performance funding system without adjustments for estimated or unrealized savings.

Requires that the Secretary of Housing and Urban Development (HUD) use the Negotiated Rulemaking Act of 1990 (P.L. 101-552) if the Secretary seeks to amend the Performance Funding System to

account for vacant units.

Authorizes such sums as may be necessary for the adjustments to income authorized in section 573 of NAHA.

Sec. 114. Public housing vacancy reduction

Authorizes a set-aside of 9 percent of the vacancy reduction program (section 14 (p)) of any amounts appropriated for large PHAs under the comprehensive modernization grant program (section 14 of the United States Housing Act of 1937 (the 1937 Housing Act)). Provides that the amounts appropriated for this program can be used by the Secretary for any travel and administrative expenses of any assessment team provided under the program.

Sec. 115. Public housing demolition and disposition

Clarifies that consultation under the public housing demolition and disposition requirements under Sec. 18(b) of the 1937 Housing Act must occur with the tenants of the project or portion of the project covered by the demolition and disposition application.

Sec. 116. Public housing resident management

Authorizes for the public housing resident management program (section 20 of the 1937 Housing Act), such sums as may be necessary for FY 1993. Requires HUD to develop and publish in the Federal Register indicators and procedures by which to assess the management performance of resident management corporations which shall be based, to the extent practicable, on the same indicators and procedures established under Sec. 6(j) of the 1937 Housing Act which are used to assess PHAs. Requires HUD to annually report to Congress on the results and performance of RMCs.

Sec. 117. Public housing homeownership

Makes technical corrections to the termination provisions of the section 21 homeownership demonstration (section 21 of the 1937 Act).

Sec. 118. Public housing family investment centers

Authorizes for public housing family investment centers (section 22 of the 1937 Housing Act) \$27,144,000 for FY 1993.

Sec. 119. Public housing early childhood development services

Authorizes for public housing early childhood development grants (section 222 of the Housing and Urban-Rural Recovery Act of 1983) \$21,736,000 for FY 1993.

Sec. 120. Indian housing early childhood development services

Authorizes for Indian housing early childhood development grants (section 518 of the Cranston-Gonzalez National Affordable Housing Act (NAHA)) such sums as may be necessary for FY 1993.

Amends section 518 to authorize the Secretary to make grants

under the program to Indian housing authorities and Indian tribes.

Sec. 121. Exemption of Indian housing program from new construction limitation

Exempts the Indian housing program from any limitation on new construction.

Sec. 122. Public housing one-step perinatal services demonstration

Authorizes for the public housing one-step perinatal services demonstration program (section 521 of NAHA) such sums as may be necessary for FY 1993.

Sec. 123. National Commission on Distressed Public Housing

Extends the National Commission on Distressed Public Housing (section 507 of the Department of Housing and Urban Development Reform Act of 1989 (HUD Reform Act)) until September 30, 1992.

Sec. 124. National Commission on American Indian, Alaska Native, and Native Hawaiian Housing

Authorizes for the National Commission on American Indian, Alaska Native, and Native Hawaiian Housing (section 605 of the HUD Reform Act) such sums as may be necessary for FY 1993. Extends the Commission until the end of FY 1993.

Sec. 125. Public housing homeownership demonstration

Authorizes HUD to carry out a 10 year housing homeownership demonstration program administered by the Housing Authority of the City of Omaha, Nebraska. Authorizes the Housing Authority to designate single-family housing units for homeownership and limits the demonstration program to not more than 20 percent of the total number of the Housing Authority's public housing units over the term of the demonstration. Prohibits the involuntary relocation or displacement of tenants as a result of the demonstration program. Requires the Housing Authority to establish criteria for participating families based on factors that (1) reasonably predict an individual's ability to successfully complete the program's requirements, (2) include evidence of the family's interest in homeownership, (3) include the employment status and history and (4) include the family's maintenance history of the previous dwelling. Requires the Housing Authority to ensure the availability of supportive services to each participating family through its own resources and through coordination with federal, state, and local agencies and private entities. Requires HUD to report to Congress after each 2 year period during the term of the demonstration program and requires HUD to issue program regulations within 90 days of the enactment date of this Act.

Sec. 126. Sale of certain scattered site housing

Authorizes the sale of scattered site housing in Delaware by the

Delaware Housing Authority under section 5(h) of the 1937 Act and the use of the proceeds of such sale to provide replacement housing. Provides that such replacement housing will be provided operating subsidies by HUD.

#### Subtitle C-Section 8 Assistance

Sec. 141. Restatement and revision of section 8 rental assistance program

Amends Section 8 of 1937 Act by combining and restating the section to remove outdated provisions, to streamline and clarify the provision, and to create a single tenant-based rental assistance program.

Authorizes the establishment of fair market rents and maximum monthly rents as under current law and requires the annual adjustment of such rents.

Provides that the rent paid by a low-income person assisted under Section 8 will be the difference between 30 percent of the family's monthly adjusted income and the applicable maximum monthly rent except that for up to 50 percent of the PHA's tenant-based rental assistance, tenants can request to pay more than 30 percent of their income toward rent, and with PHA approval, can pay up to 40 percent of adjusted income toward rent if the PHA determines that the unit rent and the family's rental payments are reasonable.

Requires that the tenant selection procedures of the Section 8 project-based rental assistance be in writing, reasonably related to program eligibility and provide for written notice to the applicant of any rejections.

Provides that if an owner fails to maintain the assisted units in accordance with housing quality standards, the PHA may withhold assistance and repair the property with such funds.

Provides that if a person assisted with tenant-based assistance receives authorization to pay more than 30 percent of income for rent that person may not use such assistance out of the issuing PHA's jurisdiction. Gives the PHAs the discretion to allow families to rent units with the PHAs assistance outside its jurisdiction as long as families have rented and occupied units within the PHAs jurisdiction for not less than 12 months. Authorizes PHAs, that offer more than 300 units of Section 8 assistance, the ability to restrict this portability of assistance through a residency requirement for 90 percent of the units, the other 10 percent would be portable.

Requires HUD to reserve 5 percent of the rental assistance budget authority to provide additional units to PHAs affected by these portability provisions. However, requires PHAs to absorb incoming families in an amount equal to 5 percent of the PHA's total Section 8 allocation.

Authorizes Section 8 owners the ability to terminate tenancy for any criminal activity of tenants that threatens the health,

safety, or right to peaceful enjoyment of residences of persons residing in the immediate vicinity of the premises.

Amends the definition of termination of assistance to mean termination of tenancy by an owner for business reasons.

Amends the definition of owner under the Section 8 program to clarify that principals, general partners, primary shareholders and other similar participants in any entity a multifamily housing project is included in such definition.

Authorizes an increase of \$36,400,000 for FY 1993 in the budget authority for tenant-based rental assistance for the family unification program (section 553 of NAHA).

Sec. 142. Implementation of amendments to project-based certificate program

Requires that the Secretary implement the provisions of section 547 of NAHA within 180 days of enactment of this Act. Section 547 provides for revisions to the project-based Section 8 program including requirements for the adoption of tenant selection procedures by owners.

Sec. 143. Effectiveness of section 8 assistance for PHA-owned units

Requires that the amendments made by Section 548 of NAHA shall be effective notwithstanding the absence of any regulations to implement these provisions. Section 548 authorizes the use of Section 8 assistance for PHA-owned units.

Sec. 144. Non-discrimination against certificate and voucher holders

Amends section 183(c) of the Housing and Community Development Act of 1987, which prohibits owners of multifamily housing from discriminating against persons assisted under Section 8, to clarify that "owner" includes persons controlling the entity that has ownership of such housing.

Sec. 145. Implementation of income eligibility provisions for section 8 new construction units

Requires that the Secretary implement the provisions of section 555 of NAHA regarding the income eligibility in Section 8 new construction within 180 days of enactment of this Act.

Sec. 146. Moving to opportunity for fair housing

Authorizes the Secretary to implement a demonstration program to provide Section 8 assistance and housing counseling to very low income families residing in public housing in areas of high concentrations of persons in poverty to move to areas with low concentration of very low income persons. Requires the Secretary to carry out the demonstration in five cities with populations in excess of 350,000 and Los Angeles, California.

Requires the Secretary to enter into contracts with nonprofit housing counseling agencies and to report to Congress not later than September 30, 2004, on the long term housing, employment, and educational achievements of families assisted under this demonstration.

Authorizes for appropriation for tenant-based Section 8 assistance such sums as may be necessary for FY 1993 and such sums as may be necessary for housing counseling in connection with this demonstration.

Requires regulations subject to 15 day comment period by Congress and requires HUD to publish a notice to establish program requirements within 90 days of the enactment of this Act.

#### Subtitle D-Other Programs

##### Sec. 161. Public and assisted housing drug elimination

Authorizes for the public and assisted housing drug elimination grant program (section 5130(a) of the Anti-Drug Abuse Act of 1988) \$173,576,000 for FY 1993. Makes technical corrections to the youth sports set aside to make clear that the set aside is for 5 percent of the amounts appropriated. Includes for funding housing projects which are owned by PHAs but are not funded by the federal government and which are located in high drug intensity and crime ridden areas.

##### Sec. 162. Flexible subsidy program

Authorizes for the flexible subsidy program (section 201 of the Housing and Community Development Amendments of 1978) \$54,288,000 for FY 1993. Extends the transfer of excess section 236 rents to the flexible subsidy program through FY 1993.

Provides that the Secretary has 30 days to review the management improvement and operating plan provided for under the flexible subsidy program.

##### Sec. 163. Housing counseling

Authorizes \$3,848,000 for FY 1993 for housing counseling services (section 106(a) of the Housing and Urban Development Act of 1968 (the 1968 Act)). Authorizes \$7,280,000 for FY 1993 for emergency homeownership counseling grants (106(c) of the 1968 Act), of which \$1,000,000 will be available for the toll free number for housing counseling services. Extends the emergency homeownership counseling provision until the end of FY 1993. Authorizes for \$379,600 for FY 1993 for the prepurchase and foreclosure-prevention counseling demonstration program (section 106(d) of the 1968 Act.) Authorizes as an additional selection criteria used to determine funding to HUD-approved housing counseling agencies that priority be given under the housing counseling program to areas that have a high incidence of mortgages involving principal obligations that are in excess of 97 percent of the property's appraised value.

Expands program eligibility to include mortgage applicants that

have mortgages involving a principal obligation in excess of 97 percent of the property's appraised value.

Amend the notification requirement in existing law to require that an eligible mortgage applicant for a mortgage involving a principal obligation in excess of 97 percent of the property's appraisal value is notified that completion of a counseling program is required for FHA mortgage insurance.

Requires HUD to annually update the list of counseling organizations for the toll-free telephone number.

Sec. 164. Use of funds recaptured from refinancing state and local finance projects

Amends section 1012 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 to allow State housing finance agencies and PHAs to retain 50 percent of any amounts recaptured upon the refinancing of debt issued in connection with any section 8 new construction entered into between January 1, 1979, and December 31, 1984, subject to appropriations.

Applies the recapture sharing provisions of section 1012 retroactively to the extent that amounts are made available in appropriation acts for this purpose.

Sec. 165. HOPE for Youth: Youthbuild

Establishes new HOPE Subtitle-HOPE for Youth: Youthbuild-whose purposes include expanding the supply of permanent affordable housing for homeless and low and very low income families by employing disadvantaged young adults; providing opportunities to young adults for meaningful work and services to their communities; enabling economically disadvantaged youth to obtain training education and skills; and to further leadership skills and commitment to community development among the young adults.

Authorizes the Secretary to make planning and implementation grants to develop and carry out Youthbuild programs.

Authorizes the Secretary to provide planning grants not to exceed \$150,000, although the Secretary may grant a higher amount, for feasibility studies; establishing consortia between youth training programs and housing organizations; site identification and selection; preliminary architectural and engineering work; staff selection and training; planning, training, technical assistance with respect to education, job training, or other services; and preparation of an implementation grant.

Requires the Secretary to establish procedures for submitting a planning grant application which shall contain at a minimum a request for assistance specifying activities and schedule and personnel necessary to complete the activities; a description of the applicant and qualifications and experience with regard to housing, youth training, and local unions and apprenticeship programs; site identification and a description of construction activities, youth recruitment, job training, and educational activities, and coordination efforts among federal, state, and

local housing and youth education and employment training activities; CHAS certification; and certification of compliance with Fair Housing, title VI of Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973 and the Age Discrimination Act of 1975.

Requires the Secretary to establish selection criteria by regulation for a national competition which shall include the qualifications or potential capabilities of the applicant; the potential of the applicant for developing a successful and affordable Youthbuild program; the need for the prospective program, as determined by the degree of economic distress of the community to be served by the Youthbuild program, including among the eligible youth and in the housing stock; and such other pertinent factors that the Secretary determines.

Authorizes the Secretary to make implementation grants to applicants to carry out Youthbuild programs which include the following activities: architectural and engineering work; acquisition, rehabilitation, acquisition and rehabilitation, or construction of housing and related facilities providing homeownership under the HOPE II and III programs, housing for homeless and low- and very low-income families, or transitional housing for persons who are homeless, handicapped, or disabled; administrative costs not to exceed 15 percent of the amount of assistance or such higher percentage as determined by the Secretary; education, skills, counseling, and job training services and activities including stipends during training and in transition to the workforce; wage stipends and benefits; funding of operating expenses and replacement reserves of the property covered by the Youthbuild program; and legal fees and costs for the ongoing training and technical assistance needs of program recipients.

Requires each recipient to provide not less than 10 percent of the grant amounts as match excluding any amounts provide for post-sale operating expenses. Such matching contributions may be in the form acceptable to the Secretary, including cash contributions from non-Federal resources, including CDBG funds; payment of administrative expenses, from non-Federal resources, including CDBG funds, the value of taxes, fees, or other charges that are normally and customarily imposed but are waived, foregone, or deferred; the value of land or other real property; the value of investment in on-site and off-site infrastructure; the value of property or services from non-Federal resources; cash contributions from Federal resources that are earmarked to provide the education and job training services and activities; or such other in-kind contributions as the Secretary may approve. Requires that contributions for administrative expenses shall be recognized only up to an amount equal to 7 percent of the total amount of grants made available under this section.

Requires the applicant to submit an application in such form and in accordance with such procedures as the Secretary shall establish to include at a minimum a request for an implementation grant, specifying the amount of the grant requested and its proposed uses; a description of the applicant and a statement of its qualifications, and past experience with housing youth

education and employment training programs, local unions and apprenticeship programs, and other community groups; a description of the proposed site; a description of the educational and job training activities, work opportunities, and other services; a description of the proposed construction or rehabilitation activities and a completion schedule; a description of a recruitment and selection plan for including eligible youths; a description of cooperation agreements with State and local educational agencies, public assistance agencies, the courts of jurisdiction for status and youth offenders, shelters for homeless individuals and other agencies that serve homeless youth, foster care agencies, and other appropriate public and private agencies; a description of the special outreach for women (including young women with dependent children); a description of how the proposed program will be coordinated with other Federal, State, and local activities, including vocational, adult and bilingual education programs, job training under the Job Training Partnership Act and the Family Support Act of 1988, housing and economic development, and programs that receive housing counseling assistance; assurances that there will be a sufficient number of adequately trained supervisory personnel in the program who have attained the level of journeyman or its equivalent; a description of the applicant's relationship with local building trade unions regarding training, and apprenticeship programs; a description of leadership skills training; a detailed budget and auditing and accountability procedures that will be used to ensure fiscal soundness; a description of and commitment for matching funding and any other resources; identification and description of the financing proposed for housing rehabilitation, acquisition, and construction; identification and description of the entity that will operate and manage the property; a CHAS certification; a compliance certification with the requirements of the Fair Housing Act, title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.

Requires the Secretary to establish selection criteria for assistance including: The qualifications or potential capabilities of the applicant; the feasibility of the Youthbuild program; the potential for developing a successful and cost-effective Youthbuild program; the need for the prospective project, as determined by the degree of economic distress of the community including among the eligible youth and in the housing stock; the commitment of the applicant to leadership development, education, and training of participants; preferences for tenant selection, including priority to tenants who were previously homeless and who have incomes of less than 40 percent of the area median income and such other factors as the Secretary determines appropriate.

Requires the Secretary to notify each applicant, not later than 4 months after the date of the submission of the application, whether the application is approved or not approved.

Requires the Secretary to develop a procedure under which an applicant may apply at the same time and in a single application for a planning grant and an implementation grant, with receipt of

the implementation grant conditioned on successful completion of the activities funded by the planning grant. Establishes program requirements for rental housing projects receiving assistance including that at least 90 percent of the units shall be occupied, or available for occupancy, by individuals and families with income less than 60 percent of the area median income, adjusted for family size; and the remaining units shall be occupied, or available for occupancy, by low-income families that tenant protections with regard to leases and evictions be in place. The lease between a tenant and an owner of residential rental housing shall be for not less than 1 year, unless otherwise mutually agreed to by the tenant and the owner, and shall contain such terms and conditions as the Secretary shall determine to be appropriate.

An owner shall not terminate the tenancy or refuse to renew the lease of a tenant of rental housing except with good cause, and only upon 30 days written notice specifying the grounds for the action.

Requires the owner of rental housing to maintain the premises in compliance with all applicable housing quality standards and local code requirements.

Requires the owner to adopt written tenant selection policies and criteria that are consistent with the purpose of providing housing for very low-income and low-income families and individuals; are reasonably related to program eligibility and the applicant's ability to perform the obligations of the lease; give reasonable consideration to federal preferences; and provide for the selection of tenants from a written waiting list in the chronological order of their application, to the extent practicable, and for the prompt notification in writing of any rejected applicant of the grounds for any rejection.

Limits rental payments to those provided under section 3(a) of the United States Housing Act of 1937.

Provides a plan for a program of tenant participation in management decisions, for projects owned by nonprofit organizations. Prohibits discrimination against those families holding Section 8 tenant-based assistance in program units. Provides that transitional housing project shall adhere to the requirements regarding service delivery, housing standards, and rent limitations applicable to comparable housing receiving assistance under title IV of the Stewart B. McKinney Homeless Assistance Act.

Limits profits for rental and transitional housing. Provides that aggregate monthly rent roll may not exceed the operating costs of the project (including debt service, management, adequate reserves, and other operating costs) and a 6 percent return on any equity investment of the project owner. Requires a nonprofit sponsor to use any profit received from the operation, sale, or other disposition of the project for the purpose of providing housing for low- and moderate-income families. Authorizes profit-motivated partners in a nonprofit partnership to receive not more than a 6 percent return on their equity investment and

upon disposition of the project, not more than an amount equal to their initial equity investment plus a return on that investment equal to the increase in the Consumer Price Index for the geographic location of the project since the time of the initial investment of such partner in the project. Requires homeownership projects to comply with the requirements of HOPE II and III. Restricts transfer of ownership interests such that the instrument of conveyance requires a subsequent owner to comply with the same restrictions imposed upon the original owner. Permits the conversion of a transitional housing project to a permanent housing project only if such housing would meet the requirements for residential rental housing specified in this section.

Requires projects receiving assistance to comply with the requirements of this section for the remaining useful life of the property. Establishes eligible participants as individuals who are 16 to 24 years of age, inclusive; a very low-income individual or a member of a very low-income family; and an individual who has dropped out of high school.

Provides the eligibility requirements for exceptions of not more than 25 percent of the participants. Excepted individuals may be from low income families and meet the age and school drop out requirement or are not school drop outs but meet the age and very low income family requirement and have educational and job training needs despite the attainment of a high school diploma or its equivalent.

Establishes participation limit of not less than 6 months and not more than 24 months. Requires that each Youthbuild program be structured so that 50 percent of the time spent by participants in the program is devoted to educational services and activities. Restricts federal intervention over the curriculum, program of instruction, administration, or personnel of any educational institution, school, or school system, or over the selection of library resources, textbooks, or other printed or published instructional materials by any educational institution or school system.

Requires that all educational programs and activities supported by Youthbuild program funds are consistent with applicable State and local educational standards, including awarding of academic credit and certifying educational attainment.

Conforms provisions of Youthbuild with sections 142, 143, and 167 of the Job Training Partnership Act, relating to wages and benefits, labor standards, and nondiscrimination to the extent practicable. Permits a recipient of a grant to use funds from non-Federal sources to increase wages and benefits if appropriate.

Provides program definitions.

Requires the Secretary to enter into contracts with a qualified public or private nonprofit agency to provide appropriate training, information, and technical assistance to sponsors of programs.

Provides that technical assistance in the development of program proposals and the preparation of applications for assistance be available and that community-based organizations shall be given first priority in the provision of such assistance.

Requires the Secretary to reserve 5 percent of the amounts available for technical assistance.

Requires each Youthbuild program to implement their program directly or through arrangements or under contracts with administrative entities designated under section 103(b)(1)(B) of the Job Training Partnership Act, with State and local educational agencies, institutions of higher education, State and local housing development agencies, or with other public agencies and private organizations.

Requires the Secretary to issue regulations for effect subject to notice and comment not later than 180 days after the enactment of this Act.

Authorizes for appropriation, until expended, such sums as may be necessary for Fiscal Year 1993 for the Youthbuild program.

#### Subtitle E-Homeownership Programs

##### Sec. 181. HOPE homeownership programs

Authorizes \$100,000,000 for FY 1993 for HOPE for Public and Indian Homeownership (HOPE I); \$100,000,000 for HOPE for Homeownership of Multifamily Units (HOPE II); and \$200,000,000 for HOPE for Homeownership of Single Family Homes (HOPE III).

Strikes the word ``appreciably'' as it modifies ``reduce the availability of affordable housing'' in the selection criteria for the HOPE I program under Sec. 303(e)(8). Prohibits the approval of a HOPE I program by HUD unless the public housing agency receives fair market compensation for the transfer of the project. Provides that housing owned by a PHA but is not federally assisted public housing is eligible under the HOPE II Multi-family program.

Provides that mutual housing associations are eligible applicants under the HOPE II Multi-family program and establishes a preference for public and Indian housing residents in the HOPE III Single-family program.

##### Sec. 182. National Homeownership Trust demonstration

Extends the National Homeownership Trust demonstration (Title III, subtitle A of NAHA) until the end of FY 1994. Authorizes for the Trust, \$542,360,000 for FY 1993, of which such sums as may be necessary for use in conjunction with housing financed by mortgage revenue bonds. Authorizes to be appropriated such sums as may be necessary for FY 1993 to cover the credit costs associated with this program.

Provides for coordination between the Trust and the mortgage

revenue bond program to permit an interest rate buydown of 2 percent of the principal during the first year, 1.5 percent during the second, 1 percent during the third year and .5 percent during the fourth year, and to provide downpayment assistance equal to an amount no greater than 2.5 percent of the mortgage principal. Makes the owner of a substandard manufactured home eligible, who meets the other criteria, as a first time homebuyer.

Requires HUD to issue regulations necessary to implement the National Homeownership Trust Demonstration within 180 days of the enactment of this Act.

#### Sec. 183. Nehemiah housing opportunity grants

Authorizes nonprofit organization grantees to provide that, upon the sale or transfer of a property purchased with a loan made under the Nehemiah program, any proceeds remaining after repaying the first mortgage shall be distributed (1) to repay the seller's downpayment; (2) to then share equally remaining proceeds between the Secretary and the seller or transferor, but only to the extent that the Secretary recovers the Nehemiah loan. (If remaining amounts are insufficient for the Secretary to recover the full amount of the Nehemiah loan, the second mortgage held by the Secretary shall remain on the property to the extent of the amount unrecovered until the loan is paid in full from any sale or transfer proceeds); and (3) then any remaining amounts as profit to the seller.

Provides that these recapture provisions apply to any Nehemiah loan made after July 1, 1990.

#### Sec. 184. Loan guarantees for Indian housing

Authorizes the Secretary to guarantee 100 percent of the unpaid principal and interest due on any eligible loan made to an Indian family or Indian housing authority.

Provides that eligible borrowers are Indian families or Indian housing authorities. Provides that guaranteed loans shall be used to construct, acquire, or rehabilitate standard 1- to 4-family dwellings located on trust land or land located in an Indian or Alaska Native area.

Provides that the loan may be secured by any collateral authorized under existing Federal law or applicable State or tribal law. Requires that loans be made only by lenders approved by and meeting qualifications established by the Secretary, for this program. Authorizes that the following lenders are deemed to be approved: any mortgagee approved by the Secretary for participation in the single family mortgage insurance program under title II of the National Housing Act; any lender whose housing loans under chapter 37 of title 38, United States Code are automatically guaranteed pursuant to section 1802(d) of such title; any lender approved by the Secretary of Agriculture to make section 502 guaranteed loans; and any other lender that is supervised, approved, regulated, or insured by any agency of the Federal government.

Requires loans to be made for a term not exceeding 30 years; bear interest (exclusive of the guarantee fee and service charges, if any) at a rate agreed upon by the borrower and the lender and determined by the Secretary to be reasonable, which may not exceed the rate generally charged in the area (as determined by the Secretary) for home mortgage loans not guaranteed or insured by any agency or instrumentality of the Federal government; to involve a principal obligation not exceeding an amount equal to the sum of 97 percent of \$25,000 of the appraised value of the property, as of the date the loan is accepted for guarantee, and 95 percent of such value in excess of \$25,000, and the amount approved by the Secretary and to involve a payment on account of the property in cash or its equivalent, or through the value of any improvements to the property made through the borrower's sweat equity.

Requires the Secretary to issue a certificate as evidence of the guarantee, subject to the Secretary's review and approval of the lender's loan application. Authorizes the Secretary to approve a loan for guarantee and issue a certificate only if the Secretary determines there is a reasonable prospect of repayment of the loan. Requires that the issuance of a certificate of guarantee by the Secretary provides incontestable evidence that the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Secretary as security for such obligations.

Authorizes the Secretary to establish defenses against the original lender based on fraud or material misrepresentation and to establish by regulation in effect on the date of issuance or disbursement, whichever is earlier, partial defenses to the amount payable on the guarantee. Requires the Secretary to fix and collect a guarantee fee for the guarantee of loans which may not exceed the amount equal to 1 percent of the principal obligation of the loan. Requires that the fee is to be paid by the lender at time of issuance of the guarantee and shall be adequate, to cover expenses and probable losses. Requires the Secretary to deposit any guarantee fees in the Indian Housing Loan Guarantee Fund.

Provides that the liability under a guarantee shall decrease or increase on a pro rata basis according to any decrease or increase in the amount of the unpaid obligation under the provisions of the loan agreement.

Provides for sale or assignment of any loan, including the security for the loan, by the lender to any financial institution subject to examination and supervision by an agency of the Federal Government or of any State or the District of Columbia.

Authorizes the Secretary to refuse, either temporarily or permanently, to guarantee any further loans made by the lenders or holders; to bar the lenders or holders from acquiring additional loans guaranteed; and to require the lenders or holders to assume not less than 10 percent of any loss on further loans made or held by the lender or holder that are guaranteed if the Secretary determines that the lender or holder has poor

accounting records, has failed to adequately service loans, has failed to underwrite loans properly, or otherwise has engaged in detrimental activities.

Authorizes the Secretary to impose a civil money penalty if the Secretary determines that any lender or holder of a guarantee certificate has intentionally failed to maintain adequate accounting records, to adequately service loans guaranteed under this section, or to exercise proper credit or underwriting judgement. Prohibits the Secretary from refusing to pay pursuant to a valid guarantee on loans of a lender or holder barred if the loans were previously made in good faith.

Establishes procedures for payment in the event of default after written notice to the Secretary. Requires the Secretary to pay to the holder of the certificate the pro rata portion of the amount guaranteed plus reasonable fees and expenses as approved by the Secretary, upon a final order by a court authorizing foreclosure and submission to the Secretary of a claim for payment under the guarantee. The Secretary shall be subrogated to the rights of the holder of the guarantee and the lender or holder shall assign the obligation and security to the Secretary.

Requires the Secretary to only pay for a loss on any single loan an amount equal to 90 percent of the pro rata portion of the amount guaranteed in the event that no judicial foreclosure is sought or granted in excess of one year. Requires the Secretary to subrogate the rights of the holder of the guarantee and requires the holder to assign the obligation and security to the Secretary. Requires the holder of the guarantee to exhaust all reasonable possibilities of collection, before requesting payment. Requires upon payment, in whole or in part, to the holder, the note or judgement to be assigned to the United States for the Secretary to take appropriate action to collect and provides that the holder shall have no further claim against the borrower of the United States.

Upon receiving notice of default on a guaranteed loan from the holder of the guarantee, authorizes the Secretary to accept assignment of the loan if the Secretary determines that the assignment is in the best interests of the United States. Requires the Secretary, upon assignment, to pay to the holder of the guarantee the pro rata portion of the amount guaranteed. Requires that the Secretary shall be subrogated to the rights of the holder of the guarantee and that the holder shall assign the obligation and security to the Secretary.

Requires the Secretary, in the event of a default involving a security interest in tribal allotted or trust land, to pursue liquidation only after offering to transfer the account to an eligible tribal member, the tribe, or the Indian housing authority serving the tribe or tribes. Prohibits the Secretary from selling, transferring, or otherwise disposing of or alienating the property except to a tribal member, the tribe, or the Indian housing authority.

Establishes the Indian Housing Loan Guarantee Fund in the Treasury of the United States. Provides that the Guarantee Fund

shall be credited with any amounts, claims, notes, mortgages, contracts, and property acquired by the Secretary and any collections and proceeds therefrom; any amounts appropriated; any guarantee fees collected; and any interest or earnings on amounts invested.

Requires, subject to appropriations, amounts in the Guarantee fund to be available, for: fulfilling any loan guarantee obligations including the credit costs; paying taxes, insurance, prior liens, expenses necessary to make fiscal adjustment in connection with the application and transmittal of collections, and other expenses and advances to protect the Secretary for loans which are guaranteed under this section or held by the Secretary; acquiring such security property at foreclosure sales or otherwise; paying administrative expenses; and reasonable and necessary costs or rehabilitation and repair to properties with guaranteed loans that the Secretary holds or owns. Authorizes the Secretary to invest in obligations of the United States, any amounts in excess of those needed for the guarantee fund.

Authorizes, subject to appropriations, that the Secretary may enter into commitments to guarantee loans under this section such amount as may be provided in Appropriation Acts for each fiscal year 1993 and 1994. Authorizes to cover the costs of appropriation to the Guarantee Fund to carry out this section, such sums as may be necessary for each of fiscal years 1993, 1994, and 1995.

Requires the Secretary by regulation, to establish housing safety and quality standards which provide sufficient flexibility to permit the use of various designs and materials in housing acquired with guaranteed loans. Requires housing to be decent, safe, sanitary, and modest in size and design; conform with applicable general construction standards for the region; contain a standard, safe and adequate heating system; contain a safe, adequate and standard plumbing system; contain an electrical system using wiring and

p. 19

equipment properly installed to safely supply electrical energy for adequate lighting and for operation of appliances that conforms to any applicable tribal or other code; include adequate square footage for the family size from 570 square feet for 4 person family, 850 square feet for family between 5 and 7 persons and 1020 square feet for family of 8, unless the Secretary grants a waiver; and conform with the energy performance requirements for new construction established by the Secretary.

Provides definitions for the Indian Guaranteed Loan Program.

Requires the Secretary to issue regulations subject to public notice and comment.

Sec. 185. Assistance under section 8 for homeownership

Authorizes the use of section 8 program assistance for homeownership if a family: is a first-time homeowner;

participates in the family self-sufficiency program or demonstrates that the family has income from employment or other sources (other than public assistance), as determined in accordance with requirements of the Secretary, that is not less than twice the payment standard established by the public housing agency (or such other amount as may be established by the Secretary); demonstrates at the time that family initially receives assistance that one or more adult members of the family have achieved employment for the period as required by the Secretary; a family who participates in a homeownership and housing counseling program provided by the agency; and meets any other initial or continuing requirements created by the public housing agency in accordance with requirements created by the Secretary.

Provides for monthly assistance payments in an amount equal to the difference between the fair market rent for the area and 30 percent of the family's monthly adjusted income; not to exceed the difference between monthly homeownership expense and 10 percent of the family's monthly income. Prohibits the Secretary from including in family income an amount imputed from the equity of the family in determining assistance.

Requires the Secretary to recapture from any net proceeds the amount of additional assistance (as determined in accordance with the requirements established by the Secretary) paid to or on behalf of the eligible family upon sale of the dwelling by the family. Requires PHAs to ensure that each family assisted shall provide from its own resources at least 80 percent of any downpayment, including amounts from any escrow account for the family established under family self-sufficiency. Requires that not more than 20 percent of the downpayment may be provided from other sources, such as from nonprofit entities and programs of States and units of general local government.

Prohibits a family from receiving section 8 homeownership assistance during any period when assistance is being provided for the family under other Federal homeownership assistance programs, including assistance under the HOME and HOPE programs, title II of the Housing and Community Development Act of 1987, and the Farmers Home Administration (FmHA) section 502 program. Makes inapplicable provisions of the section 8 program which are applicable only to rental housing. Provides conditions in the event of a default. Provides that for an FHA-insured mortgage, the family may not continue to receive rental assistance under this section unless: the family transfers to the Secretary marketable title to the dwelling; moves from the dwelling within the period established or approved by the Secretary; and agrees that any amounts the family is required to pay to reimburse the family self-sufficiency escrow account may be deducted by the public housing agency from the assistance payment otherwise payable on behalf of the family.

Provides that for other mortgages, if a family defaults the family may not continue to receive rental assistance under this section unless it complies with requirements established by the Secretary. Provides that for all mortgages, if a family defaults the family may not receive assistance for occupancy of another

dwelling owned by one or more members of the family.

Provides a definition of first-time homeowner as a family, no member of which has had a present ownership interest in a principal residence during the 3 years preceding the date on which the family initially receives assistance for homeownership; and any other family, as the Secretary may prescribe.

Requires HUD to ensure that the total number of dwellings assisted through this homeownership option under the Section 8 program may not exceed 10,000 at any one time.

Provides for the use of 50 percent of the escrow savings accounts under the family self sufficiency program for downpayments under this section 8 homeownership option and authorizes any amounts remaining in the escrow account to cover the costs of major repair and replacement needs of the dwelling. Requires the Secretary to recapture any remaining amounts in the event of a default.

Provides use for the FHA insurance with section 8 homeownership by amending section 203 of the National Housing Act to require that such assistance shall be the obligation of the General Insurance Fund and any payments or excess amounts shall be retained in the General Insurance Fund.

#### Subtitle F-Implementation

##### Sec. 191. Implementation

Requires HUD to issue any final regulations necessary to implement the provisions of this title and the amendments made by this title not later than the expiration of the 180-day period beginning of the date of the enactment of this Act, except as expressly provided otherwise in this title and the amendments made by this title. Such regulations must be issued after notice and opportunity for public comment.

#### Title II-Home Investment Partnership

##### Sec. 201. Authorization of appropriations

Authorizes for the HOME Investment Partnerships program (Title II of NAHA) \$2,169,440,000 for FY 1993; of which not more than \$14,560,000 is available for community housing partnership activities under section 233 of NAHA and \$11,440,000 for state and local government activities under Title II, subtitle C of NAHA.

##### Sec. 202. Elimination of restrictions of new construction

Eliminates the restrictions in the HOME program on new construction and deletes the special new construction allocation system.

##### Sec. 203. Use of tenant-based rental assistance amounts for security deposits

Amends eligible activities to include loans and grants for security deposits as a form of tenant based rental assistance. Provides that families receiving security deposit assistance do not have to be from section 8 waiting lists. Provides that an eligible family may receive security deposit assistance, rental assistance or both.

Sec. 204. McKinney Act activities for homeless persons as eligible use of investment

Amends eligible activities to include activities under Title IV of the McKinney Homeless Assistance Act. Provides that a participating jurisdiction may choose to carry out such activities pursuant to the McKinney Act requirements except that emergency shelter projects may only be carried out if the jurisdiction's CHAS includes a plan for meeting emergency shelter needs with transitional or permanent housing within 5 years.

Sec. 205. Percent cost limits

Amends cost limits requirements to establish minimum cost limits equal to the per unit dollar limitation for the section 221(d)(3) program, as adjusted, except that in high cost areas where costs exceed the national average, the limit shall be increased by an amount not to exceed 140 percent. Requires the Secretary to implement the increase in the limits by regulation.

Prohibits the Secretary from carry out or making final the maximum per-unit subsidy provisions of 24 C.F.R. Section 92.250 as provided in the interim HOME rules. Such provisions limited per unit investments under HOME to 67 percent of the limits applicable to section 221(d)(3) projects and required a reduction in the HOME subsidy for projects using HOME funds and the LIHTC.

Sec. 206. Administrative costs as eligible use of investment

Provides that each participating jurisdiction may use not more than 10% of the HOME funds for administrative costs. Prohibits the use of CDBG administrative funds as eligible match for HOME funds.

Sec. 207. Qualifications as affordable rental housing

Amends the requirements for affordable housing to make current rules apply only to housing that is not assisted by the Low Income Housing Tax Credit (LIHTC) and provides an exception to the rent rules such that families pay the lesser of rents under the HOME program or rents required under state or local laws.

Adds as affordable housing (1) housing assisted by the LIHTC if the housing meets the targeting and rent restrictions of the LIHTC and (2) housing in a qualified census tract and has not more than 33% of the units occupied by families with incomes at or below 100% of area median who pay as rent an amount not exceeding 30% of the adjusted income of a family whose income equals 80% of the area median income; and 10 percent of the units occupied by families with incomes not more than 35 percent of the area median, paying rent in an amount not exceeding 30 percent of

the adjusted income of a family whose income equals 35% of the area median.

Defines ``qualified census tract'' to mean any census tract in which 50 percent or more of the households have an income which is less than 60 percent of the median family income for the area.

#### Sec. 208. Resale of homeownership housing

Amends the HOME resale provisions to delete the existing requirements and to create a lien on the property transferred for homeownership equal to the amount of HOME funds attributable to the property. Provides that the lien be satisfied from the net proceeds, if any, that result from the subsequent sale of the property.

#### Sec. 209. Matching requirements

Provides for a flat match of 10 percent for all activities under the HOME program and makes cash obtained from public debt financing and public bond issuances eligible as match so long as such cash is provided to HOME housing.

Expands the forms of eligible match to include donated materials or labor provided for HOME housing.

Amends the requirement for a reduction of match to require a waiver of all matching requirements for a participating jurisdiction that is not a State, if such jurisdiction certifies that any 3 of the following 5 requirements are met:

(1) The average unemployment rate in the jurisdiction for the calendar year immediately preceding the year in which such fiscal year begins was equal to or greater than 150 percent of the average national unemployment rate during such calendar year (as determined according to information of the Bureau of Labor Statistics of the Department of Labor).

(2) The rate of growth in the labor force in the jurisdiction for the 2 calendar years immediately preceding the year in which such fiscal year begins was less than 75 percent of the rate of growth in the national labor force during the same 2-year period (as determined according to information of the Bureau of Labor Statistics of the Department of Labor).

(3) The ratio of the amount of tax revenue collected per capita in the jurisdiction to the per capita income in the jurisdiction (as determined by the jurisdiction) for the calendar year immediately preceding the year in which such fiscal year begins was equal to or greater than 150 percent of the average for all participating jurisdiction of the ratio of tax revenue collected per capita in the participating jurisdictions to the per capita income in all participating jurisdictions (as determined according to information on the Bureau of the Census).

(4) The average poverty rate in the jurisdiction for the calendar year immediately preceding the year in which such fiscal year begins was equal to or greater than 125 percent of the average

national poverty rate during such calendar year (as determined according to information of the Bureau of the Census).

(5) The average per capita income in the jurisdiction for the calendar year immediately preceding the year in which such fiscal year begins was less than 75 percent of the average national per capita income during such calendar year (as determined according to information of the Bureau of the Census).

Provides that to obtain a match waiver a jurisdiction may also certify that (1) the average poverty rate in the jurisdiction for the calendar year immediately preceding the year in which such fiscal year begins was equal to or greater than 150 percent of the average national poverty rate during such calendar year (as determined according to information of the Bureau of the Census); or (2) the average per capita income in the jurisdiction for the calendar year immediately preceding the year in which such fiscal year begins was less than 50 percent of the average national per capita income during such calendar year (as determined according to information of the Bureau of the Census) and obtain such a waiver.

#### Sec. 210. Assistance for insular areas under the HOME Investment Partnerships Act

Provides that insular areas (Guam, the Virgin Islands, American Samoa and the Northern Marianas) shall receive from any funds appropriated for the HOME program the greater of \$750,000 or .2 percent of appropriated amounts.

#### Sec. 211. Use of assistance to establish community housing development organizations

Provides that if there is no community housing development organizations in a participating jurisdiction, such jurisdiction can use 5 percent of its HOME funds for technical assistance to create such entity and if such an entity is created within 18 months after the initial reservation of HOME funds then the jurisdiction and the CHDO have an additional 18 months to invest the necessary CHDO set-aside funds in affordable housing.

#### Sec. 212. Housing education and organizational support for community land trusts

Amends the housing education and organizational support grant program to add community land trusts as an eligible activity. Provides that not less than 10 percent of the funds made available for this section shall be made available only for eligible contractors with specific expertise in the establishment, organization, and management of community land trusts.

Defines "community land trust" as a community housing development organization that is not sponsored by a for-profit organization; that is established to acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases; transfers ownership of any structural improvements located on such leased parcels to the lessees; and retain a

preemptive option to purchase any such structural improvement at a price determined by formula that is designed to ensure that the improvement remains affordable to low- and moderate-income families in perpetuity; whose corporate membership is open to any adult resident of a particular geographic area specified in the bylaws of the organization; and whose board of directors includes a majority of members who are elected by the corporate membership; and is composed of equal numbers of lessees, corporate members who are not lessees, and any other category of persons described in the bylaws of the organization. Requires the Secretary to issue regulations subject to public notice and comment not later than the expiration of the 120-day period beginning on the date of the enactment of this Act.

Amends housing education and organizational support grants further to add technical assistance grants to promote women in homebuilding. Provides that grants may be made available to businesses, unions, builders and contractors involved in the production of housing for low- and moderate-income families to assist women obtain jobs in the non-traditional construction trades. Provides for pre-employment training, apprenticeships, and continuing support to women employed in the construction trades including materials and tools in an amount not to exceed 10 percent of any grant. Requires the Secretary to give priority to grant applications for organizations rehabilitating housing owned or controlled by the Secretary pursuant to Title II of the National Housing Act and which have 25 percent or less women employees.

Defines eligible grant recipients as community based organizations as defined under the Job Training Partnership Act or public housing agency with experience in apprenticeship training or other construction training for women.

Requires the Secretary to provide assistance in each of the HUD regions unless there are no applications filed.

#### Sec. 213. Land bank redevelopment

Amends priorities for the capacity development under Subtitle C-Other Support for State and Local Housing Strategies to include the development of land bank programs operated by local governments to clear title of vacant or abandoned parcels for use or disposition by the local government. Requires that not less than 5 percent of the funds under this section shall be used for this purpose each fiscal year.

#### Sec. 214. Research in providing affordable housing through innovative building techniques and technology

Amends the authorization for research on housing affordability to include cost-saving innovative building technology and construction techniques.

#### Sec. 215. Use of innovative building technologies to provide cost-saving housing opportunities

Requires the Secretary to make available a model program to

utilize cost-saving building technologies and construction techniques for purposes of providing homeownership and rental opportunities for eligible families. Requires the Secretary to establish selection criteria for projects including the extent to which innovative, cost-saving building and construction technologies and techniques are utilized; the extent to which units will be made available to low-income families and individuals; the extent to which non-Federal public or private assistance is utilized; and any other factor, determined by the Secretary to be appropriate. Requires the Secretary to publish guidelines for the model program not later than 180 days after the date of the enactment of this Act, and to submit a biennial report to Congress on the results of the model program.

#### Sec. 216. Definition of community housing development organization

Prohibits the Secretary from limiting compliance with the definition of community housing development organization (CHDO) to a single criterion based on the number or percentage of low-income residents serving on the Board of Directors. Prohibits the Secretary from requiring board membership from low-income residents of each county served in the case of multi-county CHDOs.

#### Sec. 217. Inclusion of ECHO housing in definition of housing

Amends the definition of manufactured housing to include Elder Cottage Housing Opportunities (ECHO) which are small free standing units installed adjacent to existing family dwelling.

#### Sec. 218. Eligibility of manufactured homeowners as first time homebuyers

Provides that any individual who owns or owned a manufactured home during the most recent 3 year period can be considered a first time homebuyer.

#### Sec. 219. Eligibility for assistance and contents of strategies

Requires that the Comprehensive Housing Assistance Strategy include tabular information on the extent of homelessness in the jurisdiction.

Requires that in its CHAS a jurisdiction must certify that it has in place and is following a residential antidisplacement and relocation assistance plan that in the case of any displacement that results from HOME activities will provide the same rights and require the same actions as are provided and required in connection with a displacement under the CDBG program.

Requires that in its CHAS a jurisdiction must describe its goals, programs, and policies for addressing the needs of households below the poverty line.

#### Sec. 220. Regulations

Requires the Secretary to issue any regulations to implement the

provisions of the title within 180 days subject to notice and comment unless otherwise provided in this title.

#### TITLE III-PRESERVATION OF LOW-INCOME HOUSING

##### Sec. 301. Authorization of appropriations

Authorizes \$892,320,000 for the preservation program under title II of the Housing and Community Development Act of 1987 for FY 1993, of which \$100,000,000 is authorized for preservation grants.

##### Sec. 302. Revision of short title

Deletes ``Resident Homeownership'' for the title of the 1990 amendments and makes conforming changes. The revised short title is the Low Income Housing Preservation Act of 1990.

##### Sec. 303. Residual receipts and reserve for replacement accounts

Amends preservation value for purposes of transferring the property to include reserves for replacement. Amends incentives for transfer to qualified purchasers to permit owners to retrain residual receipts upon transfer without deduction from the sales price. Amends incentives to extend low income use to prohibit the Secretary from reducing an owner's annual return as a result of the release of residual receipts.

##### Sec. 304. Submission of information to tenants

Amends the Low Income Housing Preservation Act of 1990 to require owners to submit to the tenants all supporting information sufficient to prepare a plan and bid for purchasing the housing, including appraisals. Amends the Emergency Low Income Housing Preservation Act of 1987 to require owners to submit to tenants the plan of action with supporting information including appraisals sufficient to prepare a plan and bid for purchasing the housing.

##### Sec. 305. Approval of plan of action

Requires the Secretary to base written findings for prepayment on an analysis of documented evidence and to develop by regulation, subject to notice and comment, a procedure for such analysis, requirements for specific evidence, and criteria for making such written findings.

##### Sec. 306. Receipt of incentives to extend low-income use

Requires the Secretary to provide incentives for each year after the approval of the plan of action.

##### Sec. 307. Elimination of windfall profits test

Eliminates the windfall profit test.

##### Sec. 308. Unit rent criteria for approval of plan of action

Requires the Secretary to approve a plan of action only upon a finding that, to the extent practicable, rents for units will be available and affordable in the same proportions (very low-income, low-income and moderate-income families or persons) as resided in the housing as of one year before filing of the notice of intent or approval of the plan of action, whichever date results in the higher proportion of low-income families.

#### Sec. 309. Resident homeownership program

Limits the Secretary's approval authority of resident homeownership programs by prohibiting the Secretary from requiring the prepayment of the assisted mortgage and the termination of affordability restrictions as a condition of approval of plans of action for resident homeownership programs.

Provides that affordability restrictions continue to apply as long as housing remains rental housing.

Provides that limited equity cooperatives are not required to transfer ownership to individual tenants under a resident homeownership program.

#### Sec. 310. Incentives under Emergency Low Income Housing Preservation Act

Prohibits the Secretary from denying any incentive to an owner that files a plan of action under the 1987 Act based solely on the date the plan was filed.

#### Sec. 311. Delegated responsibility to State agencies

Requires the Secretary to publish specific regulations for notice and comment for the delegated processing of preservation programs by State agencies.

#### Sec. 312. Insurance for second mortgage financing

Provides that Section 241(f) equity loans shall have a term of 40 years and that the Secretary shall combine Section 241 rehabilitation loans with section 241 equity and acquisition loans, if appropriate.

Establishes a transition rule for those projects that elect to be subject to the Emergency Low Income Housing Preservation Act of 1987 such that the provisions of the equity take out loans which predate the enactment of NAHA will apply to such eligible property.

Requires that the Secretary issue regulations within 45 days to implement the risk sharing with State agency provisions for second mortgage financing and the other provisions of section 241(f).

#### Sec. 313. Supplemental loans

Requires that the Secretary insure or make commitments to insure multifamily projects in amounts up to 100 percent of the

replacement cost if the loan is in conjunction with an approved plan of action under the Low-Income Housing Preservation Act of 1990.

Sec. 314. Technical amendments

Corrects section references and typographical errors.

Sec. 315. Regulations

Requires the publication of regulations within 30 days of enactment of this Act to implement the provisions of this Act.

Sec. 316. Study of projects assisted under flexible subsidy program

Requires the Secretary to conduct a study of housing projects assisted under sections 236 and 221(d)(5) that are receiving flexible subsidy and that are partially assisted to determine the cost of providing such projects with incentives under the Low-Income Housing Preservation Act of 1990 and to report to Congress within one year after enactment.

TITLE IV-MULTIFAMILY HOUSING PLANNING AND INVESTMENT STRATEGIES

Sec. 401. Required submission

Requires the owner of each covered multifamily housing property and each covered multifamily property for the elderly to submit to the Secretary a comprehensive needs assessment of the property under this subtitle.

Requires the Secretary to require the owners of approximately one-third of the aggregate number of covered multifamily housing properties and covered multifamily housing for the elderly to submit the comprehensive needs assessments under this section for the properties in each of fiscal years 1993, 1994, and 1995, in a manner designed to ensure that upon the conclusion of fiscal year 1995 the assessments for all such properties have been submitted.

Sec. 402. Contents

Provides that each comprehensive needs assessment must contain:

(1) A description of any financial or other assistance currently needed for the property to ensure that the property is maintained in a livable condition and to ensure the financial viability of the project.

(2) A description of any financial or other service assistance for the property that, at the time of the assessment, is reasonably foreseeable as necessary to ensure that the property is maintained in a livable condition and to ensure the continued financial viability of the project during the remaining useful life of the property.

(3) A description of any resources available for meeting the current and future needs of the property described under

paragraphs (1) and (2) and the likelihood of obtaining such resources.

(4) A description of applications and requests for any assistance for the property made available under programs administered by the Secretary.

Requires for covered multifamily projects for the elderly in addition that the comprehensive needs assessment include (1) a description of supportive services needs of residents and services provided; (2) a description of modernization needs and activities; (3) a description of personnel needs.

#### Sec. 403. Submission and review

Authorizes the Secretary to establish to form and manner of submission of the comprehensive needs assessments under this subtitle, and to require each owner to make available to the residents the comprehensive needs assessment. Requires that such residents be given an opportunity to submit comments and opinions regarding the assessment.

Provides that if a covered multifamily housing or covered multifamily housing property for the elderly is financed or assisted by a State housing finance agency, the Secretary must require the owner of the property to submit the comprehensive needs assessment for the property to the State housing finance agency upon submitting the assessment to the Secretary.

Provides that the Secretary review each comprehensive needs assessment and approve the assessment before the expiration of the 90-day period beginning upon the receipt of the assessment, unless the Secretary determines that the assessment has not been provided in a substantially complete manner.

Requires the Secretary to consider the cost of preparing the comprehensive needs, not to exceed \$5000, as an eligible project expense except that owners may not request rent increases to cover the cost of assessment.

Requires the Secretary to immediately notify each owner submitting a comprehensive needs assessment of the approval or disapproval of the assessment upon making such determination. Provides for written notice of the disapproval and a resubmission process.

Requires the Secretary annually to conduct a review of (1) funding levels necessary to fully address the needs of covered multifamily housing properties for the elderly as to repairs retrofitting, and amenities; (2) adequacy of the geographic targeting of resources provided by HUD programs with respect to covered housing for the elderly; and (3) local housing market needs resources, and costs of multifamily housing for the elderly persons and families, including review of CHAS documents.

Requires the Secretary to submit a report to Congress describing the assessments and annual reviews, methodology used by owners and any recommendations.

## Sec. 404. Definitions

Provides that ``covered multifamily housing property'' means any housing that is reserved for occupancy by very low-income elderly persons pursuant to section 202(d)(1) of the Housing Act of 1959; financed by a loan or mortgage insured, assisted, or held by the Secretary or a State or State agency under section 236 of the National Housing Act; or financed by a loan or mortgage insured or held by the Secretary pursuant to section 221(d)(3) of the National Housing Act; and that is not eligible for assistance under the Low-Income Housing Preservation and Resident Homeownership Act of 1990; the provisions of the Emergency Low Income Housing Preservation Act of 1987 (as in effect immediately before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act); or the HOME Investment Partnerships Act.

## TITLE V-MORTGAGE INSURANCE AND SECONDARY MORTGAGE MARKET

### Subtitle A-FHA Mortgage Insurance Programs

#### Sec. 501. Limitation on FHA insurance authority

Limits aggregate FHA mortgage insurance authority to \$66,184,980,000 for FY 1993. Authorizes \$631,800,000, to cover the costs of FHA insurance obligations.

#### Sec. 502. Federal Housing Administration Advisory Board

Extends the Federal Housing Administration Advisory Board until January 1, 1995.

#### Sec. 503. Maximum mortgage amount

Provides that the maximum loan obligation for mortgages on single family residences insured under the Mutual Mortgage Insurance Fund is an amount not to exceed the lesser of 95% of the median one-family house prices in the area or 75% of the FHLMC limitation, adjusted annually, except that no area may have a maximum mortgage amount less than the area's limitation in effect on May 12, 1992.

Provides further that the principal obligation may not exceed 97% of \$25,000 of the appraised value, 95% of such value in excess of \$25,000 but not exceeding \$125,000, and 90% of such value in excess of 125,000. Provides conforming amendments.

#### Sec. 504. Maximum principal obligation of FHA mortgages for veterans

Restores the veteran exemption from the FHA equity requirements.

#### Sec. 505. Prohibition on limitation of closing costs financed

Prohibits the Secretary from using discretionary authority to establish any limit on the amount of closing costs that can be financed under an FHA insured single family loan.

Sec. 506. Prepurchase counseling requirement

Prohibits the Secretary from insuring, or entering into a commitment to insure, a mortgage that involves a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in excess of 97 percent of the appraised value of the property unless the mortgagor has completed a program of counseling with respect to the responsibilities and financial management involved in homeownership that is approved by the Secretary. Authorizes the Secretary to waive the applicability of this requirement. Makes this effective 1 year from the date of enactment.

Sec. 507. Authority to decrease insurance premium charges

Provides the Secretary with authority to decrease insurance premium charges.

Sec. 508. Statute of limitations for distributive shares

Prohibits Secretary from making any distributions from the MMI Fund if a mortgagor does not apply for such distribution within 10 years from the date that the Secretary sends notification to the mortgagor of eligibility to the last known address.

Sec. 509. Mortgage limits for multifamily projects

Increases mortgage limits by 20% and requires that such dollar amount limitations be increased on an annual basis by a factor corresponding to the Consumer Price Index for the following FHA multifamily programs: Sec. 207, Sec. 213, Sec. 220, Sec. 221(d) (3), Sec. 221(d) (4), Sec. 231, and Sec. 234. Provides conforming amendments.

Sec. 510. Insurance of loans for operating losses of multifamily projects

Prohibits the Secretary from reducing the amount of operating loss loan to be insured solely to reflect any amounts placed in escrow (at the time the existing project mortgage was insured) for initial operating deficits.

Sec. 511. Eligibility of assisted living facilities for mortgage insurance under section 232.

Makes eligible for FHA mortgage insurance, the development of assisted living facilities for the care of frail elderly persons. Defines the term ``assisted living facility'' to mean a public facility, proprietary facility, or facility of a private nonprofit corporation that (A) is licensed and regulated by the State (or if there is no State law providing for such licensing and regulation by the State, by the municipality or other political subdivision in which the facility is located); (B) makes available to residents supportive services to assist the residents in carrying out activities of daily living, such as bathing, dressing, eating, getting in and out of bed or chairs, walking, going outdoors, using the toilet, laundry, home

management, preparing meals, shopping for personal items, obtaining and taking medication, managing money, using the telephone, or performing light or heavy housework, and which may make available to residents home health care services, such as nursing and therapy; and (C) provides separate dwelling units for residents, each of which contains a full kitchen and bathroom, and which includes common rooms and other facilities appropriate for the provision of supportive services to the residents of the facility.

Prohibits the Secretary from insuring any mortgage with respect to assisted living facilities or any such facility combined with any other home or facility unless-(i) the Secretary determines that the level of financing acquired by the mortgagor and any other resources available for the facility will be sufficient to ensure that the facility contains dwelling units and facilities for the provision of supportive services; (ii) the mortgagor provides assurances satisfactory to the Secretary that each dwelling unit in the facility will not be occupied by more than 1 person without the consent of all such occupants; and (iii) the appropriate State licensing agency for the State, municipality, or other political subdivision in which the facility is or is to be located provides such assurances as the Secretary considers necessary that the facility will comply with any applicable standards and requirements for such facilities.

Requires the Secretary to submit a report to the Congress annually describing such schedules and deadlines and the extent of compliance by the Department with the schedules and deadlines during the year.

Sec. 512. Authorization of appropriations for multifamily housing mortgage insurance field office staff

Authorizes \$100,000,000 for FY 1992, to be used to provide staff in regional, field, or zone offices of HUD to review, process, approve, and service applications for mortgage insurance under title II of NAHA for housing consisting of 5 or more dwelling units.

Sec. 513. Expediting insurance for acquisition of RTC property

Requires the Secretary to establish an expedited procedure to ensure the timely processing of applications for FHA insurance of loans and mortgages that will be used to purchase multifamily residential property from the RTC. Requires the Secretary to issue interim regulations within 90 days of enactment.

Sec. 514. Energy efficient mortgage pilot program

Requires the Secretary to establish an energy efficient mortgage pilot program in 5 States to promote the purchase of new and existing energy efficient residential buildings and the installation of cost effective improvements in existing residential buildings. Requires that, to be eligible, (1) the base loan must be an FHA insured mortgage; (2) the mortgagor must have a satisfactory income and credit record and must have an approved application for a base loan; and (3) the costs of

cost-effective energy efficiency improvements to the mortgaged property do not exceed 5% of the value of the property (not to exceed \$8,000) or \$4,000, whichever is greater.

Authorizes the Secretary to insure energy efficient mortgages under the pilot program and to grant mortgagees the authority to (1) permit the total loan amount covered by the mortgage to exceed the maximum allowable amount under FHA by an amount not to exceed 100% of the cost of the cost-effective energy efficiency improvements, provided that the mortgagor's request to add the cost of such improvements is received by the mortgagee before funding the base loan; (2) hold in escrow all funds provided to the mortgagor to undertake the energy efficiency improvements until such improvements are actually installed; (3) transfer or sell the energy efficient mortgage to an appropriate secondary market agency after the mortgage is issued but before the energy efficiency improvements are actually installed.

Requires the Secretary to promote participation in this program by (1) making information available to lending agencies and other appropriate authorities regarding the availability and benefits of energy efficient mortgages; (2) requiring mortgagees and designated lending authorities to provide written notice of the availability and benefits of the pilot program to mortgagors applying for financing in States designated by the Secretary for participation in the pilot program; (3) requiring all applicants for FHA mortgage insurance in participating States to sign a statement stating that they have been informed of the program and understand the procedures and benefits of the program.

Requires the Secretary, in consultation with the National Home Energy Rating System Council and other appropriate organizations, to establish and implement a program for training personnel at lending institutions, real estate companies, and other appropriate organizations, regarding the benefits of energy efficient mortgages and the operation of the pilot program.

Requires the Secretary to submit a report on the program and an assessment of potential for expansion within 18 months of enactment.

Requires that, within 2 years beginning on the date of implementation, the Secretary expand the pilot program on a nationwide basis, unless he or she determines that such an extension would not be practicable and has submitted to Congress a report explaining why the program should not be expanded.

Provides definitions.

Authorizes to be appropriated such sums as may be necessary.

Sec. 515. Title I manufactured home loan insurance limits

Increase the Title I manufactured home loan insurance limits to 70% of the median 1-family house price in the area for financing the purchase of a manufactured home; 80% of the median 1-family house price in the area for financing the purchase of a manufactured home and a suitably developed lot; and the greater

of (i) 20% of the median 1-family house price in the area or (ii) \$13,500 to purchase, by an owner of a manufactured home, which is the principle residence of the owner, of a suitably developed lot on which to place that manufactured home on the lot acquired with such loan within 6 months after the date of such loan.

#### Sec. 516. Study regarding home warranty plans

Requires the Secretary to conduct a study of warranties and protection plans regarding the construction of, and materials used in, 1- to 4-family dwellings subject to mortgages insured under title II of NAHA. Requires that the study analyze the extent to which home sellers and builders use such warranties and plans, how such warranties and plans affect the single family mortgage insurance program under NAHA and the solvency of the MMI Fund, any effects on homeowners reliance upon such warranties and plans, the cost of inspections of mortgaged homes not covered by such warranties or plans, and any other issues relating to such warranties and plans that the Secretary considers appropriate. Requires the Secretary to submit a report to Congress regarding the findings of the study and any recommendations of the Secretary resulting from the study, not later than the expiration of the 12-month period beginning on the date of the enactment of this Act.

### Subtitle B-Secondary Mortgages Market Programs

#### Sec. 531. Limitation on GNMA guarantees of mortgages-backed securities

Limits aggregate GNMA mortgage-backed security guarantee authority to \$77,700,000,000 for FY 1993. Authorizes \$6,936,000 to cover the costs of such guarantees.

#### Sec. 532. Authority for GNMA to make hardship interest payments

Authorizes GNMA to make payments of interest on the guaranteed security in any case in which Federal law requires the reduction of the interest rate on any mortgage backing a security guaranteed by GNMA and under which the mortgagor is a person in the military service in amounts not exceeding the difference between the amount payable under the interest rate on the mortgage and under such reduced interest rate.

### TITLE VI-HOUSING FOR ELDERLY PERSONS, HANDICAPPED PERSONS, AND PERSONS WITH DISABILITIES

#### Subtitle A-Supportive Housing Programs

#### Sec. 601. Supportive housing for the elderly

Authorizes for the new 202 program (section 202 of the Housing Act of 1959 as amended by Section 801 of NAHA) \$685,000,000 for FY 1993 for project advances and authorizes the reservation of \$765,722,496 in rental assistance for such projects. Makes technical corrections in the authorizing statute.

Requires ECHO housing demonstration of 200 units, 100 each under

the section 202 program and the section 811 program for persons with disabilities. Requires report to Congress and regulations within 6 months to implement the demonstration.

Requires the Secretary to authorize owners to use residual receipts in excess of \$500 per unit for retrofitting renovations, service coordinators, and supportive services and requires owners to submit a report to the Secretary of such usage.

Requires Secretary to convert a previously approved section 202 project in Torrington, Wyoming for the Torrington Volunteers of America from the old section 202 program to the revised section 202 program of capital advances and rental assistance.

#### Sec. 602. Supportive housing for persons with disabilities

Authorizes for supportive housing for person with disabilities (section 811 of NAHA) \$281,840,000 for FY 1993 for project advances and authorizes the reservation of \$325,122,688 in rental assistance for such projects.

#### Sec. 603. Revised congregate housing services program

Authorizes for the revised congregate housing services program (section 803 of NAHA) \$27,144,000 for FY 1993. Requires the Secretary to issue regulations for the revised program not later than 75 days after enactment of this Act.

#### Sec. 604. HOPE for independence of elderly persons and persons with disabilities

Authorizes for the HOPE for independence of elderly persons and persons with disabilities demonstration (section 802 of NAHA) an increase above current section 8 funding levels provided in this bill of \$36,920,000 in the low-income housing account for assistance under section 8 and authorizes \$10,816,000 for supportive services. Provides that the demonstration period will be a full five years. Amends the demonstration to include persons with disabilities as eligible receipts of assistance in addition to frail elderly persons.

#### Sec. 605. Housing opportunities for persons with AIDS

Authorizes for the various AIDS housing programs (Title VIII, subtitle D of NAHA) \$162,760,000 for FY 1993.

Amends the AIDS housing program to make technical corrections to the formula allocation system; to allow the families of persons with AIDS to receive housing assistance under the programs; to allow grantees to use up to 3% of grant amounts for administrative expenses and to limit a project sponsor's administrative expenses to 7% of grant funds; and to make other technical and clarifying corrections.

SUBTITLE B-AUTHORITY FOR PUBLIC HOUSING AGENCIES TO PROVIDE DESIGNATED PUBLIC HOUSING AND ASSISTANCE FOR HANDICAPPED AND DISABLED FAMILIES

Sec. 621. Definitions.

Amends the definition of eligible persons and families in the United States Housing Act of 1937 to include a single person consisting of an elderly person, a disabled person, a handicapped person, a displaced person, the remaining member of a tenant family, and any other single persons, except that any single person who is not elderly, disabled, handicapped or displaced can be provided a housing unit of 2 or more bedrooms. Requires the Secretary to give preference to single persons who are elderly, disabled, handicapped, or displaced persons before other single persons.

Amends the definition of ``families'', in the cases of elderly families, near-elderly families, disabled families, and handicapped families, means families whose heads (or their spouses), or whose sole members, are elderly, near-elderly, disabled, or handicapped persons, respectively. The term includes, 2 or more elderly, near-elderly, disabled, or handicapped individuals living together, and 1 or more such individuals living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

Provides that the temporary absence of a child from the home due to placement in foster care shall not be considered in determining family composition and family size.

Defines ``elderly person'' as a person who is at least 62 years of age; ``disabled person'' as a person who is under a disability as defined in section 223 of the Social Security Act or who has a developmental disability as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act; handicapped person as a person who is determined, pursuant to regulations issued by the Secretary, to have an impairment which is expected to be of long-continued and indefinite duration, substantially impedes such person's ability to live independently, and is of such a nature that such ability could be improved by more suitable housing conditions; ``displaced person'' as a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to Federal disaster relief laws; ``near-elderly person'' as a person who is at least 50 years of age but below the age of 62.'

Sec. 622. Authority

Authorizes a public housing agency whose allocation plan (and any annual update) has been approved by the Secretary to provide public housing projects (or portions of projects) designed or designated for occupancy by only elderly families, only disabled families, only handicapped families, or any combination of such families to the extent identified in the allocation plan.

Authorizes the public housing agency to make units in such designated projects (or portions) available only to the types of families for whom the project is designated. Requires that for

such types of families, preference for occupancy in such projects (or portions) shall be given according to the federal preferences for occupancy.

Requires a public housing agency providing a project (or portion of a project) designed or designated for occupancy to make units in such projects (or portions) available to other types of families, as provided in the allocation plan, if there are insufficient numbers of such types of families to fill all the units in the project (or portion).

Authorizes the PHA, pursuant to the approved allocation plan, to provide that near-elderly families may occupy dwelling units in the project (or portion) if there are insufficient numbers of elderly families to fill all the units in a project (or portion of a project) designated for the elderly.

Requires a public housing agency to make any dwelling unit in a designated project that has been vacant for more than 60 consecutive days generally available for occupancy, except that for the first 2 years after such designation a PHA may maintain an occupancy rate of 90 percent for 60 days before making units generally available. Requires the PHA to maintain a tenant's place on the waiting list if the tenant chooses not to occupy a unit offered unless the decision is based on race, color, or national origin of the other occupants in the area.

Requires a public housing agency to offer occupancy in dwelling unit of appropriate size for the family. Prohibits any PHA from evicting or otherwise requiring any tenant to vacate any unit because of any designation. Authorizes a public housing agency to transfer tenants to another dwelling unit if the tenant is not the type of family for whom the project is designated at the request of the tenant.

Authorizes each public housing agency to meet the housing and service needs of eligible families applying for assistance, as provided in any allocation plan of the agency by providing housing in which supportive services are provided, facilitated, or coordinated, mixed housing, shared housing, family housing, group homes, congregate housing, and other housing as the public housing agency considers appropriate; by carrying out major reconstruction of obsolete public housing projects and reconfiguration of public housing dwelling units; and by providing assistance under Section 8.

Defines ``congregate housing'' as low-rent housing with a central dining facility where operating costs in connection with the operation of a central dining facility other than cost of food and service are considered eligible expenditures.

Requires a public housing agency to submit an allocation plan to be eligible to designate projects. Provides that an allocation plan shall provide a tenant profile; provide a profile of the pool of applicants for such housing; provide a profile of the estimated pool of applicants for such housing for the ensuing 5-year period as included in the CHAS; identify the projects or portions of projects (including the buildings or floors) to be

designated for occupancy for only certain types of families; provide a vacancy analysis for the preceding year and the ensuing 2 years; provide a plan for ensuring that designating projects (or portions of projects) for occupancy will not, to the extent practicable, result in the public housing agency providing public housing units or assistance for fewer handicapped and disabled families than were assisted by the agency before such designation unless the allocation plan indicates the need for a reduction; describe how the public housing agency will meet the needs of any families who are residing in a designated project (or portion but are not the type of family for whom the project (or portion) is designated, including describing any incentives that will be made available to such families to voluntarily move from such projects (or portions); state the amount of section 8, major reconstruction of obsolete projects and development or acquisition assistance that the public housing agency will reserve or apply for during the ensuing 2 fiscal years for elderly, handicapped and disabled families.

Requires a public housing agency to consult with the State or unit of general local government and to hold 1 or more public hearings to obtain the view of citizens, public agencies, advocates for the interests of elderly persons, handicapped persons, and disabled persons, and other interested parties in developing the allocation plan.

Requires the Secretary to approve an allocation plan if the Secretary determines that: the information is complete and accurate and the projections are reasonable; and implementation of the plan will not result in excessive vacancy rates in projects (or portions of projects) and the plan reasonably ensures maintenance of effort for disabled and handicapped families.

Requires the Secretary to notify each public housing agency in writing of approval or disapproval of the plan, except that the plan shall be considered to be approved after 45 days, if no notice is provided. Requires each public housing agency to update the allocation plan to the same criteria not less than once every 2 years, as the Secretary shall provide. Requires the Secretary to notify each public housing agency in writing of approval or disapproval of the plan, except that the updated plan shall be considered to be approved after 45 days if no notice is received. Requires the Secretary to permit amendments to, or the resubmission of the updated allocation plan for 45 days after notice of disapproval. Provides that approval of an allocation plan or update shall not constitute approval for a request of assistance under MROP or new development.

Sec. 623. Section 8 assistance for handicapped and disabled families

Requires each public housing agency that designates any public housing project (or portion of a project) for occupancy to apply for the amount of tenant- and project-based assistance necessary as determined under the allocation plan for handicapped and disabled families and to apply the federal preferences.

Sec. 624. Development and reconstruction of housing for

handicapped and disabled families

Requires the Secretary to commit not less than 5 percent of any amounts reserved under the major reconstruction of obsolete projects for public housing agencies that have designated projects (or portions of projects) for occupancy for use only for the reconfiguration of portions of public housing projects into dwelling units of sizes appropriate for single persons who are not elderly persons and groups of such single persons. Requires the Secretary to consider the need for any such amounts as identified in the allocation plans submitted by agencies.

Requires the Secretary to reserve not less than 5 percent of any amounts approved in appropriation Acts for such fiscal year for public housing development grants that are not designated for the substantial redesign, reconstruction, or redevelopment of existing public housing projects, buildings, or units for public housing agencies that have designated projects (or portions of projects) for occupancy for use only for the costs of development or acquisition of public housing projects or buildings designed to meet the special needs of handicapped and disabled families who are not elderly families.

Requires the Secretary to carry out a competition for such budget authority and to allocate such budget authority to public housing agencies pursuant to the competition, based on the need of the agency for such assistance (taking into consideration the allocation plans and the commitments that have been made to provide appropriate supportive services to the tenants in proposed projects.

The term ``appropriate supportive services'' means services designed to meet the special needs of tenants, and may include meal services, health-related services, mental health services, services for nonmedical counseling, meals, transportation, personal care, bathing, toileting, housekeeping, chore assistance, safety, group and socialization activities, assistance with medications (in accordance with any applicable State laws), case management, personal emergency response, and other appropriate services.

Sec. 625. Conforming amendments

Sec. 626. Inapplicability to Indian public housing

Makes this subtitle inapplicable to Indian public housing.

Subtitle C-Standards and Obligations of Residency in Federally-Assisted Housing

Sec. 641. Compliance by owners as condition of Federal assistance

Requires owners of Federally-assisted housing, as a condition of receiving the housing assistance for such housing, to comply with the procedures and requirements established for tenant selection and eviction.

Sec. 642. Compliance criteria for occupancy as requirement for

tenancy

Requires an owner to select only applicants who comply with the criteria for occupancy in Federally-assisted housing established by the Secretary, by regulation. Authorizes an owner to deny an applicant occupancy, if the owner determines that an applicant does not meet such criteria.

Sec. 643. Establishment of criteria for occupancy

Requires the Secretary to establish a task force to review all rules, policy statements, handbooks, technical assistance memoranda, and other relevant documents issued by the Department of Housing and Urban Development on the standards and obligations governing residency in Federally-assisted housing and make recommendations to the Secretary for the establishment of such criteria for occupancy.

Requires the Secretary to appoint members to the task force, which shall include individuals representing the interests of owners, managers, and tenants of Federally-assisted housing, owner and tenant advocacy organizations, public housing agencies, organizations assisting homeless individuals, and social service, mental health, and other nonprofit service providers who serve Federally-assisted housing.

Prohibits members of the task force from receiving compensation for serving on the task force.

Requires the task force to conduct a study of the existing standards and obligations governing occupancy in Federally-assisted housing; develop a comprehensive list of clarifications on such standards and obligations; draft proposed criteria for occupancy in Federally-assisted housing to ensure that such housing is decent, safe, and sanitary, and the right to peaceful enjoyment of the housing and the health, safety, and welfare of other tenants, are not impaired, and setting forth standards for the reasonable performance and behavior of tenants and procedures for eviction of tenants not complying with such standards; and report to the Congress on its findings.

Requires the task force to hold public hearings and receive written comments for a period of not less than 60 days.

Requires the Secretary to cooperate fully with the task force and to provide support staff and office space to assist the task force in carrying out its duties.

Requires the task force to submit to the Secretary and the Congress a preliminary report describing its initial actions not later than 3 months after the date of enactment of this Act.

Requires the task force to submit a report to the Secretary and the Congress, which shall include a description of its findings, a summary of its findings suitable for use by public housing managers, a set of proposed criteria for occupancy in Federally-assisted housing, and a set of proposed criteria for eviction of residents from Federally-assisted housing, not later

than six months after date of enactment.

Requires the Secretary, by regulation, to issue regulations establishing criteria for occupancy in Federally-assisted housing and for eviction of tenants from such housing.

Provides that the criteria shall be sufficient to ensure that such housing is decent, safe, and sanitary, and the right to peaceful enjoyment of the housing and the health, safety, and welfare of other tenants, is not impaired and shall set forth standards for the reasonable performance and behavior of tenants. Requires the criteria to be consistent with the lease and grievance procedures required under the public housing and section 8 programs. Requires the Secretary to consider the proposed standards contained in the report of the task force.

Requires the Secretary to issue a notice of proposed rule-making of the regulations subject to public notice and comment for a period not less than 60 days nor later than 90 days after submission of task force's final report. Requires the Secretary to issue final regulations not later than the expiration of the 60 day period beginning on the conclusion of the public comment period.

#### Sec. 644. Assisted applications

Requires the Secretary to provide for an assisted application which includes information regarding a family member, friend, or caregiver. Requires the Secretary to require the owner of any Federally-assisted housing receiving an assisted application to maintain such information for any applicants who become tenants of the housing, for the purposes of facilitating contact by the owner with such person or organization to assist in providing any services or special care for the tenant and assist in resolving any relevant tenancy issues arising during the tenancy of such tenant.

#### Subtitle D-Authority to Provide Preference for Elderly Residents and Units for Handicapped and Disabled Residents

##### Sec. 651. Authority

Permits an owner of federally assisted housing designed primarily for occupancy by elderly families to give a preference to elderly families in selecting tenants for vacancies, subject to this subtitle's requirements.

##### Sec. 652. Reservation of units for handicapped and disabled families

Requires an owner to reserve units for non-elderly and non-near-elderly handicapped and disabled families in an amount not less than the higher of the percent of units occupied by handicapped and disabled families upon enactment or January 1, 1992 and 10 percent of units.

##### Sec. 653. Secondary preferences

Permits owners to give a secondary preference for occupancy to near-elderly handicapped and disabled families if there are insufficient elderly families to fill vacancies, if the reserve requirement has been met, and if the owner has given preferences for elderly families. Permits owners to give a secondary preference under the reservation of assistance for non-elderly and non-near-elderly handicapped and disabled families to near-elderly handicapped and disabled families with applications filed for occupancy.

#### Sec. 654. General availability of units

Requires owners to make units generally available to eligible families who have applied for occupancy if there are insufficient families to occupy vacant units in the project under either the primary or secondary preferences under the authority to give preference to the elderly or the reservation assistance for non-elderly or non-near-elderly handicapped and disabled families.

#### Sec. 655. Preference within groups

Provides that the section 8 federal preferences shall apply to elderly families, near-elderly families, and handicapped and disabled families within each group.

#### Sec. 656. Prohibition of evictions

Prohibits an owner from evicting current residents who are lawfully occupying units because of the reservation or preferences for assistance.

#### Sec. 657. Covered federally assisted housing

Excludes public housing and the section 202 housing program under the 1959 Act prior to the enactment of NAHA as covered federally assisted housing under this subtitle.

#### Sec. 658. Rule of construction

Provides that this subtitle applies only to any covered federally assisted housing for which an owner elects to provide a preference for elderly families under these provisions.

#### Subtitle E-Service Coordinators for Elderly, Handicapped, and Disabled Residents of Federally Assisted Housing

#### Sec. 661. Requirement to provide service coordinators

Subject to appropriations, requires the Secretary to require owners of Federally-assisted housing projects to provide for employing or otherwise retaining the services of one or more individuals to coordinate the provision of supportive services for older and disabled families residing in the projects.

Provides that each service coordinator shall consult with the owner of the housing, tenants, any tenant organizations, any resident management organizations, service providers, and any

other appropriate persons, to identify the particular needs and characteristics of older families and disabled families who reside in the project and any supportive services related to such needs and characteristics; shall manage and coordinate the provision of such services for residents of the project; may provide training to tenants of the project in the obligations of tenancy or coordinate such training; and may carry out other appropriate activities for residents of the project.

Provides that supportive services may include health-related services, mental health services, services for nonmedical counseling, meals, transportation, personal care, bathing, toileting, housekeeping, chore assistance, safety, group and socialization activities, assistance with medications (in accordance with any applicable State laws), case management, personal emergency response, and other appropriate services, and may be provided through any agency of the Federal Government or any other public or private department, agency, or organization.

#### Sec. 662. Required training of service coordinators

Amends the revised congregate housing services program to require service coordinators to receive training in the aging process, elder services, federal and state entitlement programs, legal liability, drug and alcohol abuse and mental health issues relating to elderly.

#### Sec. 663. Cost of providing service coordinators in public housing

Authorizes for public housing that annual contributions may be used, for the cost of employing or otherwise retaining the services of one or more service coordinators and expenses for not more than 15 percent of the cost of the provision of such services. Prohibits funding under both this Act and the congregate housing services programs. Authorizes new budget authority, under Section 5(c) of the 1937 Housing Act, of \$30,000,000 on or after October 1, 1992, for service coordinators in public housing.

#### Sec. 664. Cost of providing service coordinators in project-based section 8 housing

Authorizes the Secretary to consider and annually adjust rents for the cost of employing or otherwise retaining the services of one or more service coordinators in determining the amount of assistance for project-based section 8 assistance. Authorizes increases in the budget authority for annual contributions contracts under Sec. 5(c) of the 1937 Housing Act, of \$5,000,000 on or after October 1, 1992, for service coordinators in project-based section 8 housing.

#### Sec. 665. Costs of providing service coordinators for residents of tenant-based section 8 housing

Authorizes fees under tenant-based section 8 assistance to be used for the costs of employing or otherwise retaining the services of one or more service coordinators. Subject to

appropriations, requires the Secretary to increase fees to provide for the costs of such service coordinators for public housing agencies. Authorizes an increase in the budget authority for annual contributions contracts under Sec. 5(c) of the 1937 Housing Act, of \$15,000,000 on or after October 1, 1992, for service coordinators in tenant-based section 8 housing.

Sec. 666. Grants for costs of providing service coordinators in multifamily housing assisted under National Housing Act

Authorizes the Secretary to make grants to owners of section 221(d)(3) and section 236 projects for the costs of employing or otherwise retaining the services of one or more service coordinators. Requires the Secretary to provide for the form and manner of applications for grants and for selection of applicants to receive such grants. Authorizes for appropriation such sums as may be necessary for grants for service coordinators in multifamily housing projects.

Sec. 667. Expanded responsibilities of service coordinators in section 202 housing

Amends the service coordinator for frail elderly in the section 202 program. Provides for expanded service coordinator responsibilities to address the service needs of mixed populations. Provides that if a project is receiving congregate housing services assistance, the amount of costs provided for the project service coordinator may not exceed the additional amount necessary to cover the costs of providing for the coordination of services for residents of the project who are not eligible residents under the congregate housing services program.

Requires the Secretary to consider (and annually adjust for) the costs of employing or otherwise retaining the services of one or more service coordinators and the provision of such services, not to exceed 15 percent of the cost of the provision of services for the old section 202/8 projects.

Limits additional congregate housing services assistance to the difference between the cost of servicing all frail elderly and mixed populations.

#### Subtitle F-General Provisions

Sec. 681. Comprehensive housing affordability strategies

Amends CHAS requirement under the HOME program to require submission of detailed information regarding the nature and extent of housing needs of elderly, handicapped, and disabled families.

Sec. 682. Clearinghouses

Requires the Secretary to provide information on the available affordable housing opportunities to clearinghouses which may include the applicable area agency on aging, housing agencies, tax credit allocating agencies, and service providers, for the purpose of providing such information to elderly, handicapped and

disabled families for referral.

Sec. 683. Conforming amendments

Sec. 684. Definitions

Defines ``disabled family'' as any family that has a member who has a disability as defined in section 223 of the Social Security Act or a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act, or who is determined (pursuant to regulations issued by the Secretary) to have a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes such person's ability to live independently, and is of such a nature that such ability could be improved by more suitable housing conditions.

Defines ``Federally-assisted housing'' and ``project'' as a public housing project (as such term is defined in section 3(b) of the United States Housing Act of 1937); housing for which project-based assistance is provided under section 8 of the United States Housing Act of 1937; housing that is assisted under section 202 of the Housing Act of 1959 (as amended by section 801 of the Cranston-Gonzalez National Affordable Housing Act); housing that is assisted under section 202 of the Housing Act of 1959, as such section existed before the enactment of the Cranston-Gonzalez National Affordable Housing Act; housing financed by a loan or mortgage insured under section 221(d)(3) of the National Housing Act and housing insured, assisted, or held by the Secretary or a State or State agency under section 236 of the National Housing Act; and housing constructed or rehabilitated under section 8(b)(2) of the United States Housing Act of 1937, as such section existed prior to October 1, 1983.

Sec. 685. Applicability

Makes the provisions apply upon the six month period beginning on the date of enactment of the Act.

Sec. 686. Regulations

TITLE VII-RURAL HOUSING

Sec. 701. Program authorizations

Provides the Secretary of Agriculture with aggregate loan insurance and guarantee authority of \$2,305,836,000 for FY 1993. Aggregate amounts include:

Section 502 low-income loans, \$1,509,144,000;

Section 502(h) guaranteed loans, such sums may be appropriated;

Section 504 home improvement loans, \$12,896,000;

Section 514 farm labor housing loans, \$13,000,000;

Section 515 rental housing loans, \$769,080,000;

Section 523(b)(1)(B) mutual housing and self-help loans,  
\$832,000;

Section 524 site loans, \$884,000;

Authorizes for credit costs as required by section 502 of the  
Congressional Budget Act of 1974:

\$283,719,072 for Section 502 loans;

\$5,596,864 for Section 504 loans;

\$7,358,160 for Section 514 loans;

\$398,845,488 for Section 515 loans;

\$106,500 for Section 523(b) loans; and

\$19,500 for Section 524 loans.

Authorizes for appropriations for FY 1993:

For section 502(f)(1) grants, \$1,144,000;

For section 502(g)(3) such sums as may be necessary;

For section 504 grants, \$21,944,000;

For correcting defective housing under section 509(c), \$624,000;

For project preparation grants under section 509(f)(6),  
\$5,512,000;

For section 511 notes and obligations such sums as are equal to  
the aggregate of the credit contributions made by the Secretary  
of Agriculture for principal payments under section 503 and any  
interest due;

For grants for service coordinators under section 515(x), sums  
as may be necessary.

For farm labor rental assistance under section 516(a)-(j),  
\$22,568,000;

For housing for rural homeless and migrant farmworkers under  
section 516(k), \$10,920,000;

For section 523(f) mutual and self-help housing grants,  
\$14,456,000; and

For section 533 housing preservation grants, \$23,032,000.

Authorizes Section 521 rental assistance payment contracts of  
\$430,664,000 for FY 1993.

Authorizes supplemental rental assistance contracts for section  
513(d) to total \$5,720,000 for FY 1993.

Sec. 702. Eligibility of homes on leased land owned by community land trusts for section 502 loans

Authorizes loans to be made for the purchase of a dwelling located on land owned by a community land trust.

Defines the term ``community land trust'' to mean a community housing development organization that is not sponsored by a for-profit organization; that is established to acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases, to transfer ownership of any structural improvements located on such leased parcels to the lessees, and to retain a preemptive option to purchase any such structural improvement at a price determined by formula that is designed to ensure that the improvement remains affordable to low- and moderate-income families in perpetuity; and whose corporate membership is open to any adult resident of a particular geographic area specified in the bylaws of the organization.

Provides for recapture of any appreciation of a dwelling located on land owned by a community land trust, based on any agreement between the borrower and the community land trust that limits the sale price or appreciation of the dwelling.

Sec. 703. Maximum income of borrowers under guaranteed loans

Makes persons whose income does not exceed 115% of area median income eligible for section 502 guaranteed loans.

Sec. 704. Remote rural areas

Amends definition to include tribal allotted or Indian trust lands.

Sec. 705. Designation of underserved areas and reservation of assistance

Reauthorizes designation of underserved areas to require the Secretary to include not less than 5 counties or communities that contain tribal allotted or Indian trust land. Authorizes a reservation of 5% of the aggregate amount of lending authority under sections 502, 504, 514, 515, and 524 for assistance in targeted underserved areas and colonias. Amends the definition of colonias to delete requirement for State designation and requirement of prior recognition.

Sec. 706. Rural housing voucher demonstration

Provides authorization for the rural housing voucher demonstration program for FY 1993 and strikes the 5 state limitation for targeting the demonstration.

Sec. 707. Rental housing loans

Extends the authority for the rural rental housing program to September 30, 1993. Amends the definition of development costs to include impact fees and local charges for the installation,

provision or use of infrastructure and local assessments for public improvements and services. Excludes initial operating expenses from the definition of development cost for nonprofit corporations or consumer cooperatives which have been allocated low-income housing tax credits.

Requires that the Secretary of Agriculture coordinate the processing of section 515 applications with the provision of any rental assistance necessary for the project.

Deletes changes in income targeting exception for LIHTC projects with vacancies of at least 6 months which threaten the financial viability of the project.

Reauthorizes the set aside for nonprofits for 1993. Amends the section 515 non-profit set aside provision to allow coordination of the program with the non-profit set aside in the Low Income Housing Tax Credit program.

Provides such sums as are necessary to fund grants for service coordinators in developments with a sufficient number of frail elderly residents. Provides that the service coordinator will be required to assess supportive services needs of frail elderly, work with service providers and secure resources to meet needs of frail elderly and monitor and evaluate services to ensure that the services will enable frail elderly persons to live independently. Requires the Secretary to provide for the form and manner of the grant application process.

Prohibits the Secretary from denying assistance to projects solely because they are located in excessively rural or remote locations.

Prohibits the Secretary from providing any preference for assistance based on the availability of any particular essential service such as postal services, groceries, pharmacies, schools, and health services.

Prohibits the Secretary from granting or denying loans based on the geographic location of a project, except requires the Secretary to give preference to any application from a community located 20 miles or more from an urban area.

Requires the Secretary to publish regulations within 45 days of enactment of this Act and to provide a copy of the proposed regulation to the Congress for comment within 30 days of enactment of this Act. Such regulation shall not be subject to notice and comment rulemaking.

Sec. 708. Consideration of certain rural areas as rural areas

Provides that Plainview, Texas, be considered a rural area for purposes of the FmHA programs.

Sec. 709. Mutual and self-help housing grant and loan authority

Extends mutual and self-help housing program through FY 1993.

Sec. 710. Housing preservation grants for replacement of housing

Amends the Housing Preservation Grants program to permit loans and grants, not to exceed \$15,000, to owners of single family housing to replace existing housing if the Secretary determines that repair or rehabilitation of the housing is infeasible or that the owner can not afford a loan under the FmHA single family loan program.

Requires a grantee using funds for replacement housing to certify to the Secretary that rehabilitation is not economically feasible, that the owner can not qualify for or afford assistance under the FmHA single family housing programs and that the grantee will make funds available for replacement housing on terms that owners requesting such assistance can afford.

Makes technical and conforming changes.

TITLE VIII-COMMUNITY DEVELOPMENT

Sec. 801. Community development authorizations

Authorizes the Community Development Block Grant Program (Title I of the Housing and Community Development Act of 1974) for \$3,402,880,000 for FY 1993. Authorizes the section 108 guarantee authority \$312,000,000 for FY 1993. Authorizes for CDBG for section 107 special purpose grants from the total CDBG authorization the following amounts:

\$7,280,000 for CDBG work study programs;

\$6,760,000 for historically black colleges;

\$3,120,000 for insular areas; and

Such sums as may be necessary for community-university partnerships.

Such sums as may be necessary to City of Bridgeport, Connecticut, subject to appropriations and binding commitments by the City of Bridgeport and the State of Connecticut to each supplement such amount with an additional \$2,000,000.

Such sums as may be necessary for a) the provision of technical assistance and b) reallocations as necessary to correct miscalculations of allocated funds.

Sec. 802. Units of local government

Deletes requirement that the Secretary approve combinations of units of local government under the State program.

Sec. 803. Urban counties

Extends eligibility requirements for an entity to qualify to receive CDBG funds as an urban county.

Sec. 804. Retention of CDBG program income

Authorizes retention of program income by units of local government only if the income is used for CDBG eligible activities.

Sec. 805. State community development plans and reports

Requires that the Secretary annually summarize by state the non-housing community development reports submitted to the Department and report the same annually to Congress.

Sec. 806. Eligible activities

Authorizes additional eligible activities including (1) extending to 25% of any amount of assistance (including program income) in each of fiscal years 1993 through 1997 to the City of Los Angeles and the County of Los Angeles for public service activities; (2) assistance to institutions of higher education having a demonstrated capacity to carry out eligible activities; and (3) provision of assistance of public and private organizations, agencies, and other entities (including nonprofit and for-profit entities) to enable such entities to facilitate economic development by providing direct loans and loan guarantees, establishing revolving loan funds, and facilitating peer lending programs) for the establishment, stabilization, expansion of microenterprises; providing technical assistance, advice and business support services (including assistance, advice, and support relating to developing business plans, securing funding, conducting marketing, and otherwise engaging in small business activities) to owners of microenterprises and persons developing microenterprises; and providing general support (such as peer support programs and counseling) to owners of microenterprises and persons developing microenterprises.

Extends direct homeownership assistance as an eligible activity until October 1, 1993. Defines microenterprise to mean a commercial enterprise that has 5 or fewer employees, 1 or more of whom owns the enterprise. Provides a Sense of Congress that each grantee should reserve 1 percent of any grant amounts received in each fiscal year for the purpose of providing assistance to facilitate economic development through commercial microenterprises.

Sec. 807. CDBG special purpose grants

Authorizes the use of special purpose grants (1) for technical assistance grants by States for the purpose of providing technical assistance to units of local government; (2) to States and units of general local government and institutions of higher education having a demonstrated capacity to carry out eligible activities under this title; except that the Secretary may make a grant under this paragraph only to a State or unit of general local government that jointly, with an institution of higher education, has prepared and submitted to the Secretary an application for such grant, as the Secretary shall by regulation require; and (3) in each of fiscal years 1993 through 1998, to units of general local government in non-entitlement areas for planning community adjustments and economic diversification

activities, which may include any CDBG eligible activities required by the proposed or actual establishment, realignment, or closure of a military installation; by the cancellation or termination of a Department of Defense contract or the failure to proceed with an approved major weapon system program; or by a publicly-announced planned major reduction in Department of Defense spending that would directly and adversely affect a unit of general local government and will result in the loss of 1,000 or more full-time Department of Defense and contractor employee positions over a 5-year period in the unit of general local government and the surrounding area, or if the Secretary (in consultation with the Secretary of Defense) determines that any of the above listed is likely to have a direct and significant adverse consequence on the unit of general local government. Requires regulations.

#### Sec. 808. Technical amendments

Makes technical and conforming changes.

#### Sec. 809. CDBG assistance for colonias

Amends the eligible activities under the CDBG colonias provision to include acquisition, construction, reconstruction, rehabilitation, or installation of public water projects and public sewage projects, including any activities necessary to furnish water and sewage services to persons of low- or moderate-income.

Amends the definition of colonias to delete the requirements for State designation and prior recognition.

#### Subtitle B-Other Community Development Programs

#### Sec. 831. Computerized database of community development needs

Requires the Secretary, within 1-year of enactment, to establish and implement a program to assist the States and units of general local government to develop methods, utilizing contemporary computer technology, to: monitor, inventory, and maintain current listings of the community development and infrastructure needs of the States and units of general local government; coordinate strategies within States (especially among various units of general local governments) for meeting such needs; and coordinate strategies among States for meeting such needs.

Requires the Secretary to provide for the development of an integrated database system and computer mapping tool designed to efficiently collect, store, process, and retrieve information relating to community development and infrastructure needs within States, and coordinate strategies for meeting such needs.

Requires this integrated database system and computer mapping tool to be designed in a manner to coordinate and facilitate the preparation of community development plans and to process any information necessary for such plans. Requires the Secretary to make the integrated database system and computer mapping tool available to States without charge. Requires the Secretary to

provide consultation and advice to States and units of general local government regarding the capabilities and advantages of the integrated database system and computer mapping tool and assistance in installing and using the database system and mapping tool. Requires the Secretary, to the extent amounts are appropriated to make grants to States for capital costs relating to installation and use of the integrated database system and computer mapping tool. Prohibits the Secretary from making more than one grant to any single State or from making a grant to any single State in an amount exceeding \$1,000,000.

Establishes an application and selection procedure for States to receive grants and gives priority to States having, on a long-term basis, levels of unemployment above the national average level. Authorizes to be appropriated for fiscal year 1993: Such sum as may be necessary for the Secretary to carry out the program; grants to States.

#### Sec. 832. Neighborhood Reinvestment Corporation

Authorizes for the Neighborhood Reinvestment Corporation (NRC) (Title VI of the Housing and Community Development Amendments of 1978.) \$37,960,000 for FY 1993. Makes permanent the ability of the NRC to use excess funds for expanded housing services programs.

#### Sec. 833. Neighborhood development demonstration

Authorizes for the Neighborhood development demonstration (Section 123 of Housing and Urban Recovery Act of 1983), \$2,080,000 for FY 1993. Makes the demonstration permanent and renames it the John Heinz Neighborhood Development Program. Requires the Secretary to submit a report to the Congress, not later than 3 months after the end of each fiscal year in which payments are made under this section, regarding this program. The report must contain a summary of the activities carried out during such fiscal year and any findings, conclusions, and recommendations for legislation regarding the program.

Expands the definition of an eligible neighborhood development organization to include any facility that provides small entrepreneurial business with affordable shared support services and business development services and an organization that operates within an area that (1) meets the requirements for Federal assistance under The Urban Development Action Grant Program (section 119 of the Housing and Community Development Act of 1974); (2) is designated as an enterprise zone under Federal Law; (3) is designated as an enterprise zone under State law and recognized by the Secretary for purposes of this section as a State enterprise zone; (4) or is a qualified distressed community within the meaning of section 233(b)(1) of the Bank Enterprise Act of 1991.

Defines the term ``neighborhood development funding organization'' to mean (A) a depository institution the accounts of which are insured pursuant to the Federal Deposit Insurance Act of the Federal Credit Union Act, and any subsidiary (as such term is defined in section 3(w) of the Federal Deposit Insurance

Act) thereof; (B) a depository institution holding company and any subsidiary thereof (as such term is defined in section 3(w) of the Federal Deposit Insurance Act); or (C) a company at least 75 percent of the common stock of which is owned by one or more insured depository institutions or depository institution holding companies.

Adds as criteria for determining program feasibility, the extent of cooperation with a neighborhood development funding organization, except that an eligible neighborhood development organization shall be deemed to have the full benefit of the cooperation of the eligible neighborhood development funding organization if it is located in an eligible area that does not contain a neighborhood development funding organization or demonstrates to the satisfaction of the Secretary that it has been unable to obtain the cooperation of any neighborhood development funding organization in such area despite having made a good faith effort to obtain such cooperation.

Provides as an additional selection criteria to the extent of participation in the proposed activities by a neighborhood development funding organization that has a branch or office in the neighborhood, except that an eligible neighborhood development organization shall be deemed to have the full benefit of the participation of a neighborhood development funding organization if the eligible neighborhood development organization (A) is located in a neighborhood that does not contain a branch or office of a neighborhood development funding organization; or (B) demonstrates to the satisfaction of the Secretary that it has been unable to obtain the participation of any neighborhood development funding organization that has a branch or office in the neighborhood despite having made a good faith effort to obtain such participation.

For fiscal year 1993 and thereafter, permits not more than 50 percent of grants to be multiyear grants.

#### Sec. 834. Study regarding housing technology research

Requires the Secretary, through the Assistant Secretary for Policy Development and Research, to conduct a study of (1) the extent of Federal, other public, and private basic research in the United States in housing technology, including design and construction techniques and methodology, smart building technology, area and neighborhood planning, and other areas relating to the preservation and production of affordable housing and livable communities; (2) the extent of competitiveness of the United States in the field of basic housing technology research in comparison with other countries that are substantially involved in trade with the United States, taking into consideration the balance of trade, the degree of government support of private research activities, and the degree of fragmentation of research; and (3) the types of research projects regarding basic housing technology conducted by such other countries, the results of such research, and the extent of success in applying and marketing such results. Requires the Secretary to submit a report to the Congress describing the results of the study not later than March 30, 1993.

Sec. 835. Designation of enterprise zones

Extends the time limitations within which the Secretary is authorized to designate enterprise zones to the 24 months period beginning on the 1st day of the 1st month following the month in which the date of enactment of this Act occurs.

TITLE IX-REGULATORY AND MISCELLANEOUS PROGRAMS

Sec. 901. HUD research and development

Authorizes for HUD research and development activities (Title V of the Housing and Urban Development Act of 1970) \$22,984,000 for FY 1993.

Sec. 902. Administration of Department of Housing and Urban Development

Creates at the Department a Special Assistant for Indian and Alaska Native Programs who is responsible for (i) administering, in coordination with the relevant office in the Department, the provision of housing assistance to Indian tribes or Indian housing authorities under each program of the Department that provides for such assistance; (ii) administering the Community Development Block Grant program for Indian tribes under title I of Housing and Community Development act of 1974 and the provision of assistance to Indian tribes under such Act; (iii) directing, coordinating, and assisting in managing any regional offices of the Department that administer Indian programs to the extent of such programs; and (iv) coordinating all programs of the Department relating to Indian and Alaska Native housing and community development. Requires the Secretary, to the extent practicable, in employing any staff for the office of the Special Assistant for Indian and Alaska Native Programs and to conduct activities of regional offices relating to Indian programs, to give preference to individuals who are Indians. Requires the Secretary to include in the annual report under section 8 a description of the extent of the housing needs for Indian families and community development needs of Indian tribes in the United States and the activities of the Department, and extent of such activities, in meeting such needs. Requires the Secretary to transfer to the Special Assistant for Indian and Alaska Native Programs with 180 days of enactment any appropriate functions and duties. Requires the Secretary, within 1 year of enactment, to transfer from offices within HUD to the office of the Special Assistant for Indian and Alaska Native Programs such staff, having experience and capacity to administer Indian housing and community development programs, as necessary and appropriate to assist the Special Assistant in carrying out its responsibilities.

Requires the Secretary, subject to the availability of appropriations, to implement his/her authority to reduce the interest rate on any mortgage held by the Secretary to a rate not less than the rate for recently issued marketable obligations of the Treasury having a comparable maturity if (and to the extent that) such a reduction, when taken together with other actions

authorized under NAHA, is necessary to avoid foreclosure on the mortgage. Authorizes the Secretary to (not more than once for each mortgage) increase the interest rate to a rate not exceeding the prevailing market rate, as determined by the Secretary for any mortgage for which the interest rate is reduced under this authority, and if the Secretary determines that the income or ability of the mortgagor to make interest payments has increased.

Requires the Secretary to develop regulations using the negotiated rulemaking procedure provided for in P.L. 100-648 in developing proposed regulations unless the Secretary determines it is not in the public interest to do so.

Authorizes the HUD monitoring and evaluation (section 7(r) of the Department of Housing and Urban Development Act) \$30,000,000 for FY 1993.

#### Sec. 903. Participant's consent to release of information

Amends the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 to prohibit an applicant or participant under any HUD program from being required or requested to consent to the release of information by third parties as a condition of initial or continuing eligibility for participation in the program unless (1) the request for consent is made, and the information secured is maintained, in accordance with this section, section 5521 of title 5, United States Code, and any applicable State and local privacy law; and (2) the consent that is requested is approximately limited, with respect to time and relevant and necessary information.

Requires the Secretary to develop a release form that meets the requirements of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by this section not later than the expiration of the 90-day period beginning on the date of the enactment of this Act. In developing the form, the Secretary is required to consult with interested parties, which must include not less than 2 representatives of public housing agencies, 1 representative of a national tenant organization, 1 representative of a State tenant organization, and 1 representative of a legal group representing tenants. During the period beginning upon the date of the enactment of this Act and ending upon implementation of the use of this form, the benefits provided to an applicant or participant under any program of the Department, or eligibility for such benefits, may not be terminated, denied, suspended, or reduced because of any failure to sign any form authorizing the release of information from any third party (including Form HUD-9886), if the applicant or participant otherwise discloses all financial information relating to the application or recertification.

#### Sec. 904. National Institute of Building Sciences

Makes technical corrections to the authorizing statute.

#### Sec. 905. Fair Housing initiatives program

Authorizes for the Fair Housing initiative program (section 561

of the Housing and Community Development Act of 1987) \$6,552,000 for FY 1993 of which such sums as may be necessary shall be for education and outreach activities. Extends program through September 30, 1993.

Sec. 906. National Commission on Manufactured Housing

Authorizes for the National Commission on Manufactured Housing (section 943 of NAHA) such sums as may be necessary for FY 1993. Provides that, subject to appropriation, the Commission may hire staff. Provides that the Commission shall terminate on October 1, 1993.

Sec. 907. Real Estate Settlement Procedures Act

Amends the Real Estate Settlement Procedures Act of 1974 to include the making of a loan as a settlement service and to include refinancing and second mortgages within the provisions of the Act.

Sec. 908. Disclosures under the Home Mortgage Disclosure Act of 1975.

Amends the Home Mortgage Disclosure Act of 1975 to require that covered lenders make available to the public, upon request, loan application register information in a form prescribed by Board. Provides that a reasonable charge for producing the information may be imposed by a covered lender; provides for retention of information by covered lenders for 3 years; requires the Board to minimize costs in implementing this provision; requires disclosure of statements by covered lenders, notice that data is subject to correction after final review. Provides 6- and 9-month maximum disclosure periods and encourages shorter periods after 1994.

Requires that these amendments are effective for any year which ends after the date of enactment of this Act.

Sec. 909. Community Reinvestment Act of 1977

Provides that nonminority-owned and nonwomen-owned financial institution will be given credit in its examination for Community Reinvestment Act purposes for capital investment, loan participation, and other ventures undertaken by the institution in cooperation with minority- and women-owned financial institutions and low-income credit unions that help meet the credit needs of local communities.

Sec. 910. Temporary inapplicability of certification of limitation of assistance for multifamily projects

Provides that the anti-subsidy layering certification requirement of section 102 of the HUD Reform Act is suspended until the end of FY 1994.

Sec. 911. Reestablishment of Solar Bank

Requires the Secretary to reestablish the Solar Energy and Energy

Conservation Bank. Provides for a board of directors, officers, and advisory committees and requires the Secretary to issue regulations within 180 days of enactment. Authorizes to be appropriated to provide financial assistance for the purchase and installation of residential and commercial energy conservation improvements and solar energy systems such sums as may be necessary for FY 1993.

Sec. 912. Technical and conforming amendments relating to labor wage rates under housing programs

Requires the Secretary to ensure that all laborers and mechanics employed by contractors and subcontractors in the construction of housing with 12 or more units assisted under the Supportive Housing for the Elderly Program and the Supportive Housing for Persons with Disabilities Program be paid wages at rates not less than the rates prevailing in the locality involved for the corresponding classes of laborers and mechanics employed on construction of a similar character. Provides exemption for this requirement for any individual who (i) performs services for which the individual volunteered; (ii) (I) does not receive compensation for such services or (II) is paid expenses, reasonable benefits, or a nominal fee for such services; and (III) is not otherwise employed at any time in the construction work.

Sec. 913. Energy efficient mortgages

Amends section 104 of the Cranston-Gonzalez National Affordable Housing Act by defining the term ``energy efficient mortgage'' to mean a mortgage that provides financial incentives for the purchase of energy efficient homes, or that provides financial incentives to make energy efficiency improvements in existing homes by incorporating the cost of such improvements in the mortgage. Amends section 946 of the Cranston-Gonzalez National Affordable Housing Act to require the Uniform Mortgage Financing Plan for Energy Efficiency Task Force to determine whether notifying potential home purchasers of the availability of energy efficient mortgages would promote energy efficiency in residential buildings, and if so, to recommend appropriate notification guidelines, and agencies and organizations referred to in the preceding sentence are authorized to implement such guidelines.

Sec. 914. Economic opportunities for low- and very low-income persons

Provides findings. Establishes that the policy of the Congress is to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing.

Requires that public housing agencies and Indian housing authorities, and their contractors and subcontractors, make their best efforts, consistent with existing Federal, State, and local

laws and regulations, to give to low- and very low-income persons the training and employment opportunities generated by development assistance provided pursuant to public housing annual contributions contracts, operating assistance, and modernization grants. Provides that such efforts shall be directed in the following order of priority: (i) to residents of the housing developments for which the assistance is expended; (ii) to residents of other developments managed by the public housing agency or Indian housing authority that is expending the assistance; (iii) to other low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is expended.

Requires the Secretary to ensure that in other programs that provide housing and community development assistance, opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction projects are given to low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the project is located. Provides for priority to be given to low- and very low-income persons residing within the service area of the project or the neighborhood in which the project is located. Requires that public housing agencies and Indian housing authorities, and their contractors and subcontractors, make their best efforts to award contracts for work to be performed in connection with development assistance to business concerns that provide economic opportunities for low- and very low-income persons. Provides the following order of priority: (i) to business concerns that provide economic opportunities for residents of the housing development for which the assistance is provided; (ii) to business concerns that provide economic opportunities for residents of other housing developments operated by the public housing agency and Indian housing authority that is providing the assistance; (iii) to business concerns that provide economic opportunities for low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is provided.

Requires the Secretary to ensure that in providing housing and community development assistance pursuant to other programs, contracts awarded for work to be performed in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction projects are given to business concerns that provide economic opportunities for low- and very low-income persons residing within the area in which the assistance is expended. Provides for priority to be given to business concerns which provide economic opportunities for low- and very low-income persons residing within the service areas of the project or the neighborhoods in which the project is located.

Provides definitions.

Requires the Secretary to consult with the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Commerce, the Administrator of the Small Business Administration,

and other relevant Federal agencies. Requires regulations not later than 180 days after the date of enactment.

Requires the Secretary to submit to the Congress, not later than 1 year after the date of the enactment, a report describing the Secretary's efforts to enforce this program; the barriers to full implementation; the anticipated costs and benefits of full implementation; and recommendations for legislative changes to enhance the program's effectiveness.

Sec. 915. National American Indian Housing Council

Authorizes to be appropriated for assistance for the National American Indian Housing Council such sums as may be necessary for fiscal year 1993 for providing training and technical assistance to Indian housing authorities.

Sec. 916. Study Regarding Foreclosure Alternatives

Requires the Secretary to conduct a study to review and analyze alternatives to foreclosure for homeowners whose principal residences are subject to federally-related mortgages under which the homeowner is in default. Authorizes the Secretary to consult with any appropriate Federal agencies that make, insure, or guarantee mortgage loans relating to 1- to 4-family dwellings and with the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, and the Federal Agricultural Mortgage Corporation; and requires the Secretary to review and assess the adequacy, with respect to providing alternatives to foreclosure, of (A) the temporary mortgage assistance payments program authorized under section 230 of the National Housing Act; (B) the authority of the Secretary to modify interest rates and other terms of mortgages transferred to the Secretary under section 7(i) of the Department of Housing and Urban Development Act; and (C) any authority pursuant to the Debt Collection Act of 1982 to reduce interest rates on outstanding debt to the borrowing rate for the Treasury of the United States. Requires the Secretary to evaluate alternatives to foreclosure based on fairness of the procedures to the homeowner and reducing adverse effects on the mortgage lending system.

Requires the Secretary to submit a report to Congress not later than March 1, 1993, regarding the results of this study. The report must contain a detailed description and assessment of each alternative to foreclosure analyzed under the study and a statement by the Secretary regarding the intent of the Secretary to use any authority available to avoid foreclosure under mortgages (and any reasons for not using such authority). The report may also contain any recommendations of the Secretary for administrative or legislative action to assist homeowners to avoid foreclosure and any loss of equity in their mortgaged homes that may result from foreclosure.

TITLE X-HOUSING PROGRAMS UNDER  
STEWART B. MCKINNEY HOMELESS ASSISTANCE ACT

Sec. 1001. Short title

Provides that this title may be cited as the ``Stewart B. McKinney Homeless Assistance Amendments Act of 1992''.

Sec. 1002. Emergency Shelter Grants program

Authorizes for the Emergency Shelter Grants program (Title IV, subtitle B) of the McKinney Act, \$143,520,000 for FY 1993.

Amends the program to require that recipients will utilize, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program. Requires the participation of not less than 1 homeless person or formerly homeless person on the board of directors or other equivalent policy making entity of the recipient.

Amends the program to require program recipients to establish a formal process, which recognizes the due process rights of individuals, in order to terminate assistance to individuals or families who violate program requirements.

Sec. 1003. Supportive Housing Demonstration program

Creates a new program entitled, the Supportive Housing program, which combines the existing Supportive Housing Demonstration Program and Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) Program into one program. This consolidated program maintains all activities formerly eligible under the Supportive Housing Demonstration (including transitional housing and permanent housing for handicapped homeless persons) program, as well as those activities under the SAFAH program. Strikes from existing law as they currently are authorized, the Supportive Housing Demonstration program and the SAFAH program.

Establishes that the purpose of the program is to promote the development of innovative approaches for providing supportive housing and supportive services to assist homeless persons, especially homeless families and homeless persons with disabilities, in the transition from homelessness and to promote supportive housing to homeless persons to enable them to live as independently as possible.

Provides program definitions which are similar to those established in the Supportive Housing Demonstration and SAFAH programs; except that nonprofits are defined as including public nonprofits.

Authorizes HUD to provide any project with one or more of the following types of assistance under the program: (1) grants for acquisition, rehabilitation, or acquisition and rehabilitation of an existing structure (including a small commercial property or office space) to provide supportive housing other than emergency shelter or to provide supportive services (also allows the repayment of any outstanding debt to purchase an existing structure to be an eligible cost); (2) grants or advances for new construction; (3) grants for leasing of an existing structure; (4) annual payments for operating costs of supportive housing;

(5) grants for supportive services; and (6) technical assistance.

Requires the same use restrictions and repayment of assistance and prevention of undue benefits provisions for assistance provided as currently provided in existing law under the Supportive Housing Demonstration program.

Requires that supportive housing under the program be: housing that is safe and sanitary and meets applicable state and local codes; transitional housing; permanent housing for homeless persons with disabilities; or is, or is part, of a particularly innovative project meeting the immediate and long-term needs of homeless individuals and families. Defines transitional housing as housing that is intended to facilitate and move homeless individuals and families to independent living within 24 months; however, stipulates that HUD may not deny program assistance solely because the facility permits homeless individuals to reside in the facility for more than 24 months. Authorizes program funds to provide supportive housing or supportive services in single room occupancy (SRO) dwellings.

Authorizes supportive services under the program to include activities as: (1) establishing and operating a child care services program; (2) establishing and operating an employment assistance program; (3) providing outpatient health services, food, and case management; (4) providing assistance in obtaining permanent housing, employment counseling, and nutritional counseling; (5) providing security arrangements necessary for the protection of residents of supportive housing and for homeless persons using the housing or project; (6) providing assistance in obtaining other federal, state, and local assistance; and (7) providing other appropriate services. Requires coordination with the Department of Health and Human Services as it relates to outpatient health services.

Provides program requirements including application procedures, site control requirements, selection criteria, and required agreements which must be followed by all recipients (these provisions are similar to those in existing law under the Supportive Housing Demonstration program).

Requires each recipient to supplement any program assistance with an amount equal to not less than 10 percent of funds from other sources.

Requires the participation of not less than 1 homeless person or formerly homeless person on the board of directors or other equivalent policy making entity of the recipient.

Requires program recipients to establish a formal process, which recognizes the due process rights of individuals, in order to terminate assistance to individuals or families who violate program requirements.

Requires HUD to issue interim regulations within 90 days of the enactment of this Act which shall take effect upon issuance and requires HUD to issue final regulations after following a negotiated rulemaking process.

Requires HUD to report to Congress within 4 months after the end of each fiscal year.

Authorizes to be appropriated for the Supportive Housing program in FY 1993, \$187.2 million. Provides specific program funding set-asides of not less than 25 percent for homeless families with children, not less than 25 percent for homeless persons with disabilities, and not less than 10 percent for supportive services.

Sec. 1004. Safe Havens for Homeless Individuals Demonstration program

Amends Title IV of the McKinney Act to establish a new Subtitle D, ``Safe Havens for Homeless Individuals Demonstration program.''

Authorizes HUD to demonstrate the desirability and feasibility of providing low-cost housing for the homeless, to be known as safe havens, for eligible persons who are at the time unable to participate in mental health treatment programs or to receive other supportive services.

Establishes the Safe Havens program to demonstrate: (1) whether eligible persons choose to reside in safe havens; (2) the extent to which, after a period of residence in a safe haven, residents are willing to participate in mental health or other appropriate treatment programs and to move toward a more traditional form of permanent housing and whether such permanent housing and treatment programs are available in the community; (3) whether safe havens are cost-effective in comparison with other alternatives for eligible persons; and (4) the various ways in which safe havens can be arranged to provide accommodations and supportive services for eligible persons.

Provides various program definitions, including as follows: (1) ``applicant'' means a nonprofit corporation, public nonprofit organization, state, or unit of general local government; (2) ``eligible person'' means an individual who (A) is seriously mentally ill or has chronic problems with drug or alcohol abuse (or both), (B) resides primarily in a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings, which may include occasional residence in an emergency shelter, and (C) is at the time unable to participate in mental health treatment programs or to receive other supportive services; (3) ``facility'' means a structure or a portion of a structure that is assisted; (4) ``nonprofit organization'' means an organization (A) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual, (B) that has a voluntary board, (C) that has an accounting system, or has designated a fiscal agent, and (D) that practices nondiscrimination in the provision of assistance; (5) ``operating costs'' means expenses incurred by a recipient operating a safe haven with respect to (A) the operation of the facility, including the cost of a 24-hour management, and maintenance, repair, and security, (B) utilities, fuel, furnishings, and equipment for such housing, and (C) other

reasonable costs necessary to the operation of the facility; (6) ``recipient'' means an applicant that receives program assistance; (7) ``safe haven'' means a facility that (A) provides a 24-hour residence for an unspecified duration for eligible persons, (B) provides private, semiprivate accommodations, (C) may provide for the common use of dining rooms and bathrooms, and (D) in which occupancy is limited to no more than 25 persons; (8) ``Secretary'' means the Secretary of Housing and Urban Development; (9) ``seriously mentally ill'' means having a severe and persistent mental or emotional impairment that seriously limits a person's ability to live independently; (10) ``State'' means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, and Palau; (11) ``supportive services'' means assistance that the Secretary determines (A) addresses the special needs of eligible persons, and (B) provides appropriate services, or assists such persons, to obtain appropriate services, including health care, mental health services, substance and alcohol abuse services, case management services, counseling, supervision, education, job training, and other services essential for achieving and maintaining independent living (this term does not include acute hospital care); (12) ``unit of general local government'' has the meaning given the term in section 102(a) of the Housing and Community Development Act of 1974.

Provides the following eligible program activities: (1) the construction of a structure for use in providing a safe haven or the acquisition, rehabilitation, or acquisition and rehabilitation of an existing structure for use in providing a safe haven; (2) the leasing of an existing structure for use in providing a safe haven; (3) to cover the operating costs of a safe haven; (4) to cover the costs of administering a safe haven program, not to exceed 10 percent of the amounts for the other activities listed above.

Provides program assistance for not more than a 5 year period, except that HUD, upon the recipient's application, may extend assistance for up to an additional 5-year period subject to HUD's determination of the recipient's performance and the availability of future appropriations.

Limits program assistance to not more than \$400,000 in any 5-year period and requires recipients to supplement program assistance with an equal amount of funds from other sources. Provides that in calculating the amount of supplemental funds, recipients may include (1) State, local agency, and private funds, (2) the value of any lease on a building, (3) any staff salary, and (4) the value of the time and services contributed by volunteers.

Requires HUD to establish application procedures which shall contain at a minimum: (1) a description of the proposed facility; (2) a description of the number and characteristics of the eligible persons expected to occupy the safe haven; (3) a plan for identifying and selecting eligible persons to participate; (4) a program plan, containing a description of the method (A) of operation of the facility, including staffing plans and facility rules, (B) by which the applicant will secure supportive services

residents, (C) by which the applicant will monitor the willingness of residents to engage in treatment programs and other supportive services, (D) by which access to supportive services will be secured for residents willing to use them, (E) by which access to permanent housing with appropriate services, such as the Shelter Plus Care program, will be sought after residents are stabilized, and (F) by which the applicant will conduct outreach activities to facilitate the entrance of eligible persons into the safe haven; (5) a plan to ensure that adequate security precautions are taken to make the facility safe; (6) an estimate of program costs; (7) a description of the resources that are expected to be made available to match program assistance; (8) assurances satisfactory to the Secretary that the facility will have 24-hour management; (9) assurances satisfactory to the Secretary that the facility will be operated for the purpose specified in the application for each year in which program assistance is provided; (10) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under NAHA for the State or unit of general local government within which the facility is located that the proposed activities are consistent with the approved housing strategy for such jurisdiction; (11) a certification that the applicant will comply with the requirements of the Fair Housing Act, Title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, and will affirmatively further fair housing; (12) a plan for program evaluation based on information that is collected on a periodic basis regarding the characteristics of the residents, including their movement in and out of the safe haven, their willingness to use supportive services, and their movement toward a more traditional form of permanent housing after a period of stabilization in the safe haven; and (13) such other information as the Secretary may require.

Provides that the Secretary shall require that an applicant furnish reasonable assurances that the applicant will have control of a site for the proposed facility not later than 1 year after notification of a program award and provides that if an applicant fails to obtain control of the site within this period, the grant shall be recaptured by HUD and reallocated for use under the program.

Requires HUD to establish selection criteria for selecting applicants to receive assistance pursuant to a national competition, which shall include (1) the extent to which the applicant demonstrates the ability to develop and operate a safe haven; (2) the extent to which there is a need for a safe haven in the jurisdiction in which the facility will be located; (3) the extent to which the program will link eligible persons to permanent housing and supportive services after stabilization in a safe haven; (4) the cost-effectiveness of the proposed program; (5) providing for geographical diversity among applicants selected to receive assistance; (6) the extent to which the safe haven will meet the need of the eligible persons proposed to be served by the safe haven; and (7) such other factors as HUD determines to be appropriate for purposes of carrying out the program in an effective and efficient manner.

Prohibits program assistance unless the applicant agrees: (1) to develop and operate the proposed facility as a safe haven; (2) to ensure that the facility meets any standards of habitability established by HUD; (3) to provide mental health services for the residents of the safe haven; (4) to prohibit the use of illegal drugs and alcohol in the facility; (5) to ensure that adequate security precautions are taken to make the facility safe for the residents; (6) not to establish limitations on the duration of residency; (7) not to require participation in supportive services as a condition of occupancy; (8) to monitor and report to the Secretary on progress in carrying out the safe haven program; (9) to utilize, to the maximum extent practicable, eligible persons in constructing, renovating, maintaining, and operating facilities assisted and in providing services assisted under this subtitle; (10) to provide for the participation of not less than 1 homeless person or former homeless individual on the board of directors or other equivalent policy making entity or to otherwise provide for the consultation and participation of such an individual in considering and making such policies and decisions; and (11) to comply with such other terms and conditions as the Secretary may establish.

Requires that each eligible person who resides in an assisted facility shall pay an occupancy charge not in excess of the amount determined under section 3(a) of the 1937 Housing Act. Provides that the recipient providing a facility may establish an occupancy charge lower than such amount based on the type of living accommodations provided.

Requires program recipients to establish a formal process, which recognizes the due process rights of individuals, in order to terminate assistance to individuals or families who violate program requirements.

Requires HUD to conduct an evaluation of the safe haven demonstration program and report to the Congress, not later than December 31, 1994, which shall set forth HUD's findings as a result of the evaluation.

Requires within the 90 days of the enactment of this bill to issue interim regulations to carry out this program which shall take effect upon issuance. Requires HUD to issue final regulations to carry out this program pursuant to negotiated rule making.

Authorizes \$50 million for the safe havens program for FY 1993.

Sec. 1005. Section 8 Assistance for Single Room Occupancy (SRO) Dwellings

Authorizes for section 8 assistance for single room occupancy dwellings (sections 441 of the McKinney Act) \$89,696,000 for FY 1993.

Amends to program to require that recipients will utilize, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program. Requires the participation of not

less than 1 homeless person or formerly homeless on the board of directors or other equivalent policy making entity of the recipient.

Amends the program to require program recipients to establish a formal process, which recognizes the due process rights of individuals, in order to terminate assistance to individuals or families who violate program requirements.

#### Sec. 1006. Shelter plus care program

Authorizes \$269,144,000 to be appropriated for the Shelter Plus Care program for FY 1993. Merges the three components of the Shelter Plus Care program in existing law into one program and creates an additional type of activity which can be funded under the program. Sets aside not less than 10 percent of program funding for each of the following types of eligible program activities: tenant-based rental assistance; project-based rental assistance; sponsor-based rental assistance; and section 8 moderate rehabilitation assistance for single room occupancy (SRO) dwellings.

Requires that the project-based rental assistance be provided through contract between the recipient and an owner of an existing structure. Requires that the contract shall provide that rental assistance payments shall be made to the owner and that the units in the structure shall be occupied by eligible persons for not than the term of the contract. Requires that the contract term shall be 5 years and gives the owner an option to renew the assistance for an additional 5-year term, subject to the availability to amounts profiled in appropriation Acts.

Authorizes 10-year contract assistance in the case that: (1) there is an expenditure of at least \$3,000 for each unit (including a prorated share of work on common areas or systems); (2) the owner makes the structure decent, safe, and sanitary; and (3) the owner agrees to carry out the rehabilitation with resources other than assistance under this program within 12 months of notification of grant approval.

Requires each contract to provide that the recipient shall receive aggregate amounts not to exceed the appropriate existing housing fair market rental under section 8(e) of the 1937 Housing Act in effect at the time the application is approved and authorizes that amounts not needed for a year may be used to increase the amount available in subsequent years.

Amends the program to require that recipients will utilize, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program. Requires the participation of not less than 1 homeless person or formerly homeless on the board of directors or other equivalent policy making entity of the recipient.

Amends the program to require program recipients to establish a formal process, which recognizes the due process rights of individual, in order to terminate assistance to individuals or

families who violate program requirements.

Makes public housing authorities (PHAs) eligible to apply for each type of authorized activity under the program. Amends the definition of nonprofit to include public nonprofits in order to receive program assistance.

#### Sec. 1007. FHA single family property disposition

Provides that in disposing of HUD-inventory property for the homeless, HUD shall only use properties that have been offered for sale for 30 days (this provision changes the current requirement of a 10-day marketing period to 30 days) and allow for an exception to this requirement if HUD determines that there will not be a sufficient quantity of decent, safe, and sanitary affordable housing available for use under this program.

#### Sec. 1008. Rural homeless housing assistance

Disposition of Single Family Properties Acquired by FmHA-Requires that the Secretary of Agriculture make available not less than 10% of the eligible single family properties held by the Secretary in each fiscal year for lease with an option to purchase, for lease, or for purchase, by qualified applicants that provide assistance to the homeless. Requires that such properties be used to provide housing for the homeless.

Requires that recipients will utilize, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program. Requires the participating of not less than 1 homeless person or formerly homeless on the board of directors or other equivalent policy making entity of the recipient.

Defines "eligible property" as a property that is acquired by FmHA, consists of 1 to 4 dwelling units, is vacant at the time it is acquired, has been listed for sale by FmHA for not less than 30 days and is not subject to a sales contract and has not been committed for use in any other program by FmHA. Defines "qualified applicant" as a State, metropolitan city, urban county, governmental entity, tribe, or private non-profit organization that submits a written expression of interest in eligible properties.

Requires FmHA to issue regulations to carry out this program which are substantially similar to HUD's regulations for the HUD program for disposition of single family properties.

Rural Homelessness Grant Program-Authorizes the Secretary of Agriculture to establish a grant program, entitled the Rural Homelessness Grant Program, which is authorized at such sums as may be appropriated for FY 1993, in order to provide assistance to the homeless or near homeless in rural areas through eligible organizations.

Authorizes the Secretary to award grants to eligible organizations in order to pay for the Federal share of the cost: assisting programs providing direct emergency assistance to

homeless individuals and families; providing homelessness prevention assistance to individuals and families at risk of becoming homeless; and assisting individuals and families in obtaining access to permanent housing and supportive services.

Authorizes the use of program funds in rural areas for: (1) rent, mortgage, or utility assistance after 2 months of nonpayment in order to prevent eviction, foreclosure, or loss of utility service; (2) security deposits, rent for the first month of residence at a new location, and relocation assistance; (3) short-term emergency lodging in motels or shelters, either directly or through vouchers; (4) transitional housing; (5) rehabilitation and repairs such as insulation, window repair, door repair, roof repair, and repairs that are necessary to make the premises habitable; (6) housing services, including housing counseling and moving services; (7) costs associated with making use of Federal inventory property programs to house homeless families, including the HUD and FmHA properties; and (8) other supportive services as needed, which may include outreach, case management, entitlement assistance, transportation, and health and social services to prevent or alleviate homelessness.

Authorizes that not more than 20 percent of the program funds for a fiscal year may be used by eligible organizations for capacity building activities, including payment of operating costs and staff retention.

Sets aside not less than 50 percent of the program funds for the fiscal year for awarding grants to eligible organizations serving communities that have populations of less than 20,000 and requires that the Secretary shall give priority within this setaside to eligible organizations serving communities with populations of less than 10,000.

Requires that the Secretary shall give priority to eligible organizations serving communities not currently receiving significant Federal assistance under the Stewart B. McKinney Homeless Assistance Act. Prohibits the Secretary from awarding more than 5 percent of program funds to eligible organizations within a State.

Requires applications, at a minimum, to include: (1) a description of the target population and geographic area to be served; (2) a description of the types of assistance to be provided; (3) an assurance that assistance is closely related to the identified needs of the target population; (4) a description of the existing assistance available to the target population, including Federal, State, and local programs, and a description of the manner in which the organization will coordinate with and expand existing assistance or provide assistance not available in the immediate area; (5) an agreement by the organization that it will collect data on its projects, including assistance provided, number and characteristics of persons served and causes of homelessness for persons served; and (6) an agreement by the organization that it will utilize, to the maximum extent practicable, homeless individuals and families in providing, operating, and rehabilitating housing.

Provides as eligible organizations under this program, private nonprofit entities, Indian tribes, and county and local governments.

Requires that the Federal share of the costs of providing assistance shall be 75 percent and provides that the non-Federal share of the cost of providing assistance shall be in cash or in kind, fairly evaluated, including plant, equipment, staff services, or services delivered by volunteers.

Requires the participation of not less than 1 homeless person or formerly homeless on the board of directors or other equivalent policy making entity of the recipient.

Requires the Secretary to perform a program evaluation to determine the effectiveness of the program in providing housing and other assistance to homeless persons in the area served; and determine the types of assistance needed to address homelessness in rural areas.

Requires the Secretary to submit to Congress, not later than 18 months after the date on which the Secretary first makes program grants, the program evaluation, including recommendations for any Federal administrative or legislative changes that may be necessary to improve the ability of rural communities to prevent and respond to homelessness.

Authorizes the Secretary to provide technical assistance to eligible organizations in developing programs and in gaining access to other Federal resources that may be used to assist homeless persons in rural areas. Provides that such assistance may be provided directly or through grants to, or contracts with, nongovernmental entities.

Amends the program to require program recipients to establish a formal process, which recognizes the due process rights of individuals, in order to terminate assistance to individuals or families who violate program requirements.

Provides program definitions.

#### Sec. 1009. Evaluations of programs by homeless

Requires that each jurisdiction receiving assistance under the McKinney Act evaluate the effectiveness of each McKinney Act program. Provides that such evaluation shall be determined by surveying homeless persons.

#### Sec. 1010. Extension of original McKinney Act housing programs

Strikes the revised McKinney Act housing assistance provisions and the transitional rule under Sections 821 and 823 of the Crasnton-Gonzalez National Affordable Housing Act.

#### Sec. 1011. Consultation and report regarding use of National Guard facilities as overnight shelters for homeless individuals

Requires HUD to report to Congress, within one year of the

enactment date, on the availability and use of National Guard armories for overnight housing for homeless individuals.

Sec. 1012. Amendments to Table of Contents

Amends the table of contents to the Stewart B. McKinney Homeless Assistance Act in order to conform to changes made in this Act.

TITLE XI-NEW TOWNS DEMONSTRATION PROGRAM FOR EMERGENCY RELIEF OF LOS ANGELES

Sec. 1101. Authority

Requires the Secretary of Housing and Urban Development to make any assistance authorized under this title available to units of federal local government, governing boards, and eligible mortgagors to provide for the revitalization and renewal of inner city neighborhoods in the areas of Los Angeles, California, that were damaged by the civil disturbances during April and May of 1992, and to demonstrate the effectiveness of new town developments in revitalizing and restoring depressed and underprivileged inner city neighborhoods.

Sec. 1102. New town plan

Authorizes the Secretary to make assistance available only in connection with, and according to the provisions of a new town plan developed and established by a governing board. In developing such plans, the governing board is required to consult with representatives of the units of general local government within whose boundaries are located any portion of the new town demonstration area.

Requires a new town plan to provide for carrying out a new town development demonstration providing assistance within a new town demonstration area, which must be a geographic area defined in the new town plan-(1) that is one of pervasive poverty, unemployment, and general distress; (2) that has an unemployment rate of not less than 1.5 times the national unemployment rate for the 2 years preceding approval of the new town plan; (3) that has a poverty rate of not less than 20 percent for such 2-year period; (4) for which not less than 70 percent of the households living in the area have incomes below 80 percent of the median income of households of the unit of general local government in which they are located; (5) that has a shortage of adequate jobs for residents; and (6) that is located-(a) in or near the city of Los Angeles, in the State of California; and (b) within an area of which the President, pursuant to title IV or V of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, declared that a major disaster or emergency existed for purposes of such Act as a result of the civil disturbances involving acts of violence occurring on or after April 29, 1992, and before May 6, 1992.

Requires new town plan to include the following information: (1) Governing board-A description of the members and purposes of the governing board that developed the plan, the manner in which members of the governing board were selected, and the businesses,

agencies, interests, and community ties of each member of the government; (2) New town demonstration area-A definition and description of the new town demonstration and description of the new town demonstration and description of the new town demonstration area for the new town development demonstration; (3) Target Community-A description of the economic, social, racial, and ethnic characteristics of the population of the neighborhood or area in which the new town demonstration area is located; (4) Agreements-Agreements that the governing board will carry out the new town demonstration program in accordance with the requirements of the program; (5) Housing units-A description of the number, size, location, cost, style, and characteristics of rental and homeownership housing units to be developed under the new town demonstration program, any financing for developing such housing, and the amount of secondary soft mortgage financing for developing the housing under the program; (6) Jobs-A description of the number, types and duration of any new jobs that will be created in the new town demonstration area and surrounding areas as a result of the demonstration program, and of any job training activities and apprenticeship programs to be made available in connection with the program; (7) Social services-A description of the social and supportive services to be made available under the demonstration program to residents of housing assisted under the demonstration program and to residents of the new town demonstration area; (8) Supplemental resources-A description of any funds, assistance, in-kind contributions, and other resources to be made available in connection with the demonstration program, including the sources and amounts of any private capital resources and non-Federal funds required; (9) Contractors and developers-A listing of contractors and developers who will carry out any construction and rehabilitation work for development of housing under the demonstration program and the expected costs involved in hiring such contractors and developers; (10) Financing for homebuyers-A description of any mortgage lenders who have indicated that they will make financing available to families purchasing housing developed under the demonstration program through mortgages eligible for insurance under this program and proposed terms of mortgages; (11) Commitments-Evidence of any commitments entered into for making any of the resources-jobs, social services, and other resources-available in connection with the demonstration program; (12) Community development activities-A description of the community development activities to be carried out with assistance under this program the amount of assistance necessary for such activities, and of the projected uses of such assistance.

Requires a governing board to submit a new town plan, within 6 months of enactment, to the chief executive officers of each unit of general local government within whose boundaries is located any portion of the new town demonstration area described under the plan of the board.

Requires for a plan to be eligible for assistance that the chief executive officer of all units of general local government to whom the new town plan is submitted approve the plan after review. Permits a governing board to resubmit for approval any plan returned by any such chief executive officer to the

governing board, and permits such chief executive officer, upon returning the plan, to indicate any modifications necessary for approval. Does not allow a new town plan to be approved unless such chief executive officers determine that the membership of the governing board is capable of carrying out the plan.

Permits an approved new town plan for the demonstration program developed by the governing board to be amended by the board by obtaining approval of the amendment in the manner provided under this program for approval of plans. If the chief executive officer of the unit of general local government does not approve or return the amended plan within 30 days of submission, the amended plan shall be considered to be approved.

#### Sec. 1103. New town demonstration program requirements

Requires each of the 2 new town development demonstration programs selected for assistance under this program to be carried out by the governing board submitting the new town plan for the demonstration program in accordance with such plan (and any approved amendments of such plans).

With respect to any activities carried out under the demonstration program, requires the program to give preference in awarding contracts, purchasing materials, acquiring services, and obtaining assistance or training, to contractors, businesses, developers, professionals, and other establishments located or having offices within the new town demonstration area.

Requires the demonstration program to construct or renovate not less than 1500 dwelling units in the new town demonstration area, of which not less than 60 percent must be units available for purchases by the occupant.

Require units of varying sizes and costs to be designed and developed under the demonstration program so that the program provides housing affordable to families of varying incomes not exceeding 120 percent of the median income for the area in which the new town demonstration area is located, including very low- and low-income families. Requires dwelling units developed under the demonstration program for purchase by the occupant initially to be sold at prices affordable to families eligible to purchase such units. Requires such units to be available for purchase only by families having incomes not exceeding the income guidelines specified for the program. Requires demonstration to develop 2-, 3-, and 4-bedroom units for purchase, which shall not be smaller than 1,400 square feet in size and not larger than 2,000 square feet in size. Requires that dwelling units developed under the demonstration program that are to be available for rental must include family-type units and single bedroom and efficiency units designed for elderly occupants. Such units must be available for occupancy only by families who (upon initial occupancy) have incomes of (A) less than 60 percent of the median income for the area, or (B) less than \$20,000. The units shall initially be available for rental at prices of not less than \$400 per month and not more than \$500 per month, except that an occupant family shall pay not more than 30 percent of the family income for rent.

Requires the demonstration program to provide for appropriate social and supportive services to be made available to residents of housing assisted under the demonstration program and to other residents of the new town demonstration area, which may include rental and homeownership counseling, child care, job placement, educational programs, recreational and health care facilities and programs, and other appropriate services.

Requires the demonstration program to provide, to the extent practicable, that activities in connection with the demonstration program, including development of housing and community development activities, must employ and provide job training opportunities for residents of the housing assisted under the demonstration program and other residents of the new town demonstration area.

Requires the demonstration program to provide for coordination with banks, credit unions, and other mortgage lenders to make financing available to purchase of units developed under the demonstration program through mortgages eligible for insurance under this program, and must give preference to such mortgage lenders who have offices located within or near the new town demonstration area.

Requires demonstration program to encourage, and provide for development of, appropriate support facilities to serve residents in the housing developed under the program, including infrastructure and commercial facilities.

Requires the governing board carrying out the demonstration program to ensure that not less than 25 percent of the total amounts used to carry out the demonstration program is provided from non-Federal sources, including State or local government funds, any salary paid to staff to carry out the demonstration program, the value of any time, services, and material donated to carry out the program, the value of any donated building, and the value of any lease on a building.

#### Sec. 1104. Federal mortgage insurance

Requires the Secretary (to the extent authority is available) to insure mortgages pursuant to title II and section 251 of the National Housing Act under this program involving properties upon which are located homeownership dwelling units that are developed under the new town demonstration programs. Requires that mortgages insured under this program provide for periodic adjustments in the effective rate of interest charged, and have a maturity of 35 years from the date of the beginning of the amortization of the mortgage.

The Secretary may provide insurance under this program for a mortgage only if the governing board for the demonstration program for the new town demonstration area in which the property subject to the mortgage is located has indicated to the Secretary approval of the mortgage in connection with the demonstration program.

Using any authority provided pursuant to section 531(b) of the

National Housing Act to enter into commitments to insure mortgages in fiscal year 1993, the Secretary is required to enter into commitments to insure loans and mortgages under this section with an aggregate principal amount not exceeding such sums as may be necessary to carry out the demonstration. Provides that mortgages insured under this section not be considered for purposes of the aggregate limitation on the number of mortgages insured under section 251 of the National Housing Act.

Sec. 1105. Secondary soft mortgage financing for housing

Requires the Secretary, to the extent amounts are provided in appropriation Acts, to provide assistance through the governing boards carrying out the new town demonstration programs to assist in the development of housing under the program. Provides that any assistance provided can be only for costs in planning, development, constructing, and rehabilitating housing under the demonstration program available for rental or purchase by the occupant. The governing board shall determine, according to the new town plan for the demonstration program, the allocation of amounts of assistance. Prohibits the Secretary from providing assistance under this section for the development of housing under a demonstration program in an amount exceeding \$50,000 per dwelling unit assisted. Requires assistance to be repaid in accordance with program guidelines. Repayment of the amount of any assistance provided with respect to any building containing rental units or any dwelling unit available for purchase by the occupant that is developed under a demonstration program must be secured by a second mortgage held by the Secretary on the property involved. During the period ending upon repayment of the assistance, any building containing rental units that is provided assistance must be used as rental housing. During the period ending upon repayment of the assistance, any dwelling unit made available for purchase by the occupant that is provided assistance under this program may be sold only to a family having an income not exceeding 120 percent of the area median income. Requires any assistance for a building or dwelling unit to bear interest at a rate equivalent to the rate for the most recently marketable obligations issued by the United States Treasury have terms of 10 years. The interest on such assistance must be repaid only upon sale of the building. Requires that the assistance provided for any building containing rental units or any dwelling unit available for purchase by the occupant be considered to have been repaid if the original purchaser of the building or the dwelling unit pays to the Secretary an amount equal to 50 percent of the amount of the assistance provided.

Authorizes to be appropriated for fiscal year 1993 such sums as may be necessary.

Sec. 1106. Community development assistance

Requires the Secretary to provide assistance, to the extent amounts are provided in appropriation Acts, to units of general local governments to address vital unmet needs and to promote the creation of jobs and economic development in connection with the new town demonstration programs.

Authorizes assistance to be provided only to units of general local government-(1) within whose boundaries are located any portion of the new town demonstration areas described under the new town demonstration plans for the demonstration programs; and (2) that make certifications to the Secretary that the grantee will comply with the provision of section 105(b) of the bill, H.R. 4073, regarding reimbursement of administrative expenses and will comply with a residential antidisplacement and relocation assistance plan.

Authorizes activities assisted with amounts provided to include only the following activities: (1) The acquisition of real property (including air rights, water rights, and other interests therein) that is located within the new town demonstration area and is (a) blighted, deteriorated, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (b) appropriate for rehabilitation or conservation activities; (c) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (d) to be used for the provision of public works, facilities, and improvements eligible for assistance under this program; (e) to be used as a facility for coordinating and providing activities and services for high risk youth; (f) to be used for other public purposes; (2) The acquisition, construction, rehabilitation, or installation of public works or public facilities within the new town demonstration area, including buildings for the general conduct of government and facilities for coordination and providing activities and services for high risk youth; (3) the clearance, removal, and rehabilitation of buildings and improvements located within the new town demonstration areas, including interim assistance, assistance for facilities for coordinating and providing activities and services for high risk youth and assistance to privately owned buildings and improvements, and the provision of public services within the new town demonstration area that are concerned with job training and retraining, health care and education, crime prevention, drug abuse treatment and rehabilitation, child care, education, and recreation, which may include the provision of public health and public safety vehicles. The acquisition and rehabilitation of housing for low- and moderate-income families within the new town demonstration area, except that any grantee that uses amounts received under this program for housing activities must make not less than 15 percent of the amount used for such housing activities available only for nonprofit organizations. Not more than 25 percent of the amount of any assistance provided (including program income) to any unit of general local government may be used for such activities assisted under this program; (5) Relocation payments and assistance for individuals, families, business, organizations, and farm operations that are displaced as a result of activities assisted under this program; (6) payment of reasonable administrative costs associated with activities assisted under this program and any expenses of developing the new town plan.

Prohibits the Secretary from providing more than 50 percent of

any amounts appropriated in connection with any one of the 2 new town demonstration programs.

The provisions of subsections (f), (g), and (h) of section 104, subsections (c) and (d) of section 105, section 107, 108, 109, and 110 of the bill, H.R. 4073, 102nd Congress apply to grantees receiving assistance. Authorizes to be appropriated for fiscal year 1993 such sums as may be necessary.

#### Sec. 1107. Governing board

Requires a governing board to be a board organized for the purpose of developing a new town plan and carrying out a new town development demonstration. Requires each governing board to consist of not less than 10 members, who must include-(1) residents of the area in which the new town demonstration area under the plan developed by the board is located; (2) owners of business in such area; (3) leaders or participants in community groups in such area; and (4) representatives of financial institutions located or having offices in such area provides that a governing board may organize itself and conduct business in the manner that the board determines is appropriate to carry out the new town development demonstration.

#### Sec. 1108. Reports

Requires each governing board carrying out a new town development demonstration to submit to the Congress the following information: (1) New town plan-Upon approval of the new town plan of the governing board, a copy of the approved plan is required; (2) Annual reports-For the 5-year period beginning upon the approval of the new town plan, annual reports for each 12-month period during such 5-year period, are required to be submitted within 3 months after the expiration of the 12-month period. Each report must include a description of any activities during such period to carry out the demonstration program of the governing board, the use during such period of any assistance provided, and any amendments to the new town plan approved during such period.

#### Sec. 1109. Definitions

Provide definitions.

#### EXPLANATION OF H.R. 5334 AS REPORTED BY THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

##### Effective date

H.R. 5334, as reported by the Committee on Banking, Finance and Urban Affairs, includes a provision providing that the Housing and Community Development Act of 1992 (the short title of H.R. 5334) and the amendments made by such Act shall take effect upon the date of enactment unless otherwise provided in the Act.

This provision also states that any authority to issue regulations and any specific requirement to issue regulations by a date certain will not affect the immediate effectiveness of a provision of or amendment made by this act.

The Committee is aware that this provision is a restatement of existing law; however, the Committee feels that this provision is warranted by the continuing failure of the Department of Housing and Urban Development (HUD or the Department) to issue timely regulations and by HUD's refusal to implement enacted provisions. For example, HUD has refused to allow public housing authorities (PHAs) to use section 8 assistance in units owned by the PHA even though section 548 of the Cranston-Gonzalez National Affordable Housing Act (Public Law 101-625) (NAHA) explicitly gave PHAs such authority. The Committee recognized this failure in section 143 of the reported bill when it made section 548 self-executing. The Committee firmly believes that HUD's actions are unwarranted and are legally incorrect.

Another example of delay in implementing regulations is HUD's inaction in the area of energy efficiency standards. In sections 109, 944, 945, 946, and 961 of NAHA, Congress directed HUD to undertake several actions that would increase HUD's commitment to energy efficient housing, including issuing energy efficiency standards for newly constructed HUD-assisted and FHA-insured housing; preparing a report assessing the activities undertaken by HUD to increase energy efficiency in housing; establishing a standard measure by which changes in energy conservation over time may be compared; and establishing a five year plan for policies and activities to be undertaken by HUD to provide for, encourage and improve energy efficiency in newly constructed, rehabilitated and existing housing. HUD has not yet complied with a single one of the statutory obligations listed above. This inaction on the part of HUD flies in the face of specific statutory deadlines furthering important policies.

Additionally, HUD has not issued regulations implementing section 322 of NAHA. This section allows mortgages approved for the FHA direct endorsement program to contract with an appraiser, including partnerships or sole proprietorships organized as corporations, to conduct an appraisal so long as such appraisals are consistent with standards and qualifications established by the Secretary. The authority contained in section 322 is strongly desired by the private sector as a way to expedite and make cost-efficient the home loan underwriting process.

In light of HUD's inaction, the Committee believes that it is both necessary and appropriate for the Committee to make clear that once enacted a provision is effective, despite the Department's desires. In adopting this provision, the Committee does not intend to cast doubt on the viability of the general rule of statutory construction that an enacted provision is effective upon enactment.

In addition to adopting the provision ensuring that the Act is effective upon enactment, the Committee bill contains language throughout the bill requiring that implementing regulations be issued for provisions of law that HUD has refused to act on. Further, to avoid arguments over the need for and timing of regulations to implement the provisions of and amendments made by the Committee bill; the Committee has included provisions requiring that final regulations implementing most provisions of the bill be issued within 180 days of enactment and that such

regulations be issued only after notice and public comment. The Committee wishes to express strong concern with the Department's desire to amend its regulations at 24 C.F.R. Part 10 to reduce the necessity for regulatory rulemaking. The Committee believes that there are only rare exceptions when notice and comment rulemaking should not be used to implement enacted programs and changes to existing programs.

## TITLE I-HOUSING ASSISTANCE

### Subtitle A-General Provisions

#### Low-income housing authorizations

H.R. 5334, as reported by the Committee, reauthorizes the public housing and section 8 programs contained in the subsidized housing account under the United States Housing Act of 1937 (the 1937 Act) for fiscal year (FY) 1993. In general, the total funding levels authorized for these subsidized housing programs represent an approximate 4 percent increase above the levels authorized for these programs for FY 1992.

In many cases, the bill as reported by the Subcommittee on Housing and Community Development contained much higher funding levels for these subsidized housing programs; however, these levels were reduced by the Full Committee resulting in the levels in the reported bill.

The Committee bill authorizes approximately \$15.2 billion for the public housing and section 8 programs under the subsidized housing account authorized under section 5(c) of the 1937 Act. Of the \$15.2 billion, approximately 61 percent, or \$9.2 billion, is authorized to continue existing section 8 assistance (\$7.3 billion for section 8 expiring contracts and \$1.9 billion for section 8 contract amendments). These funding levels are the same as those proposed by the Administration in its FY 1993 Budget Request. Because these amounts for section 8 expiring contract renewals and contract amendments are for existing assistance, they do not represent any net new units in the existing subsidized housing stock. However, the Committee believes that all expiring contracts should be renewed in order to retain the existing level of subsidized housing and avoid the displacement of millions of persons who currently reside in subsidized housing. In addition, while the preservation and replacement of existing subsidized housing units are important, the Committee strongly believes that the country must also continue to develop and build many more subsidized housing units in order to assist the millions of homeless and low-income Americans who are in dire need of affordable housing.

The Committee is concerned because the nation is losing substantial ground in providing additional, incremental subsidized housing units for low-income Americans. For instance, under the Reagan and Bush Administrations, the subsidized housing account has been reduced by 82 percent, from \$26.7 billion in FY 1980 to \$8.4 billion in FY 1992 (the percentage reduction was calculated by converting the 1980 dollars into 1992 dollars). The Committee believes that the public housing program has

successfully housed millions of low-income Americans since its creation and believes that public housing is a viable and much needed program throughout the United States. The problem of affordable housing in this country is not simply one of money. In many of our large cities and rural areas, there is a far too limited supply of housing affordable to very low-income families even with rental assistance; the housing needs of these families can only be met through programs that provide deep subsidies, such as the public housing program.

Given that there are over 1.5 million families on public housing and assisted housing waiting lists, the Committee believes that the development of additional public housing is critical. For that reason, the Committee bill authorizes \$579.5 million for the development of new public housing and \$247.3 million for the development of new Indian public housing.

The Committee bill authorizes approximately \$2.3 billion for the modernization and rehabilitation of the existing public housing stock through the comprehensive modernization grant program under section 14 of the 1937 Act as amended by NAHA. The Committee believes that sufficient funding for public housing rehabilitation and modernization must be authorized given that a 1988 study prepared for the Department, at the request of Congress, projected that over \$20 billion is needed to rehabilitate the existing public housing stock. ``Study of the Modernization Needs of the Public and Indian Housing Stock-National, Regional and Field Office Estimates, Backlog of Modernization Needs.'' From this comprehensive grant program authorization, the Committee directs that at least \$50 million will be used in the abatement of lead-based paint in public housing.

The Committee is concerned that in many cases the recent formula allocations to PHAs under the comprehensive grant program were significantly reduced below HUD's December 1991 preliminary estimate. The Committee is concerned that PHAs may have received much more of a reduction in their formula allocations than can be attributed to the 4.5 percent reduction in FY 1992 appropriations which HUD continues to cite as the reason for the modernization fund reduction. The Committee is concerned that reductions in a PHA's modernization allocation could lead to further deterioration of public housing units, and the Committee urges HUD to reallocate modernization funding based on its December 1991 presumptive estimates taking into account the reduction in total modernization funds provided in Appropriations Acts.

The Committee bill authorizes \$85.8 million for FY 1993 for the replacement of those public housing units which have been proposed by PHAs and approved by HUD for demolition or disposition. The Committee authorizes this funding for one-for-one replacement through the creation of additional public housing units or through the provision of 15-year project-based section 8 units. The Committee reaffirms the principle that there must be one-for-one replacement for public housing units proposed for demolition or disposition and believes that this one-for-one replacement principle must be adhered to so that assisted units will be available to low-income persons in future years. Further,

the Committee bill specifically authorizes approximately \$32 million, from the \$85.8 million total, for replacement activities through the provision of 15-year section 8 project-based certificates. The Committee would again urge that the Appropriations Committee heed this authorization and specifically provide for 15-year project-based assistance as replacement units.

The Committee bill authorizes approximately \$2 billion for incremental section 8 rental assistance in FY 1993. The Committee bill merges the existing primary forms of tenant-based section 8 assistance-certificates and vouchers-into one program, the section 8 tenant-based rental assistance program. The Committee bill provides from the \$2 billion total, such sums as may be necessary for 15-year project-based section 8 assistance for a multi-cultural tenant empowerment and homeownership project in the District of Columbia. The Committee believes that this set-aside will assist low-income persons in the District of Columbia in achieving viable housing opportunities through such housing forms as low-income tenant cooperatives. This authorization is the direct result of the Committee's hearing on civil disturbances and housing needs in the District of Columbia which was held on September 6, 1991, following the outbreak of civil disturbances in the Mount Pleasant-Adams Morgan area. The Committee both held the hearing and personally toured the neighborhood to review the housing and community development needs in that area.

The Committee bill authorizes for FY 1993 approximately \$455.6 million for the section 8 property disposition program and \$173.6 million for the section 8 loan management program. The Committee believes that each of these programs is vital in helping to preserve the continued availability of the federally subsidized housing stock for low-income Americans.

#### Extension of ceiling rents

The Committee bill contains a number of amendments to existing law designed to encourage an economic mix within public housing projects and to give flexibility to PHAs in tenant selection procedures, particularly procedures relating to tenant selection based on locally developed preferences. While the Committee bill makes these changes, the Committee wishes to emphasize that all applicants on the public housing waiting lists are in need of housing, and all efforts should be made by PHAs to place applicants on a non-discriminatory basis in housing units without regard to their income status.

In the absence of an adequate supply of decent, affordable housing for low- and very low-income families, a tragic dilemma has developed: The need for an economic and social mix in public housing to assure a viable living environment for these families is pitted against the goal of assuring that families in need of housing be given preference without discrimination. This is the unfortunate outcome of inadequate funds to meet the demand for housing. The Committee is concerned that as the quality of life in many public housing projects deteriorates because, among other factors, such projects have become the only shelter resource of

the poorest of poor, many of whom have multiple problems including ill health, drug or alcohol addiction, lack of education, unemployment and other severe misfortunes, the current characterization of certain public housing projects as ``failures'', ``disasters'', ``detestable housing for people'' will become a self-fulfilling prophecy. The Committee, therefore, believes that some reasonable compromise must be made in resident selection policies to stabilize projects for the benefit of the families that occupy them. Public housing families should not be deprived of the diversity that is characteristic of non-public housing neighborhoods. The Committee believes the policy of non-discriminatory public housing tenant selection and the goal of assuring a socially viable environment in the nation's public housing can be balanced, and the Committee bill in this and other sections strikes the necessary balance.

The Committee bill recognizes that the short-term provision for ceiling rents in the Housing and Community Development Act of 1987 (P.L. 100-242) (1987 Housing Act) has helped to achieve stability in the public housing projects. Consequently, the Committee bill removes the five-year limitation currently in existing law on the application of ceiling rents and permanently extends ceiling rents in effect prior to December 15, 1989. The Committee has made these amendments to existing law because the Committee recognizes that one way of encouraging relatively higher income tenants to remain in public housing is to allow their rent to be capped at an amount agreed to by the PHA and HUD.

The Committee recognized in the 1987 Housing Act that the rent-to-income ratio method of setting public housing rents (i.e. rent equal to 30 percent of a tenant's adjusted income) is often inequitable for struggling working families, particularly as they improve their incomes, because the PHA automatically takes one-third of such tenant's income. The Committee believes that without ceiling rents, PHAs could lose important economic and social diversity within public housing projects.

In addition, the Committee bill clarifies existing law by referring to ``actual'' rather than ``imputed'' debt on a project as part of the calculation of minimum ceiling rents. The Committee believes that this change is necessary in order to prevent HUD from ``imputing'' debt service to a debt-free project as is currently done by the Department by regulation. The Committee believes that only debt that actually exists should be used to calculate ceiling rents.

#### Income eligibility for assisted housing

The Committee bill amends existing law in section 16 of the 1937 Act to allow PHAs to select the working poor (i.e. those persons with incomes between 50 percent-80 percent of area median income as opposed to those below 50 percent) for tenancy regardless of their position on the public housing waiting list. Section 16 currently prohibits PHAs from selecting families for residence in an order different from the order on which persons appear on the waiting list for the purpose of selecting relatively higher income families for residence. This provision is often referred

to as the ``anti-skipping'' provision. This Committee first expressed its concern about PHAs skipping families on the waiting list in the Conference Report to the 1987 Housing Act. Eventually, this anti-skipping provision was enacted in the Stewart B. McKinney Housing Assistance Amendments Act of 1988 (P.L. 100-628).

The bill, however, only waives the anti-skipping prohibition of section 16 for the 30 percent of tenants selected under local preferences. The Committee believes that this provision will assist in creating a greater economic mix within public housing projects by allowing PHAs to select tenants to maintain or achieve an income mix within projects. The Committee also intends that this provision be administered in compliance with all other HUD administrative requirements concerning local preferences, income targeting, and economic mix.

#### Family self-sufficiency program

The Committee bill makes several changes to the family self-sufficiency program (FSS), section 23 of the 1937 Act as added by section 554 of NAHA, which are intended to make the program more workable and effective. These changes are based on actual experience during the voluntary phase of the program and the interim GAO report on the program required by NAHA in section 554(b). This program links housing assistance to supportive services, including job training and child care, in order to promote self-sufficiency and economic independence. It was a voluntary program for PHAs and Indian housing authorities (IHA) during fiscal years 1991 and 1992; however, PHAs and IHAs will be required to implement self-sufficiency programs in conformance with HUD's regulations starting in FY 1993, unless the Secretary waives participation. The Committee has been concerned that the program as implemented would be unable to meet its stated purposes, and would be an administrative nightmare for the PHAs, the IHAs, and the participating families.

Although the Committee strongly endorses the concept of self-sufficiency and supportive services for public housing and section 8 tenants, the Committee continues to be concerned about a mandatory program in which housing authorities really have no control over the availability or funding of supportive services or future jobs. This lack of resources is particularly acute because the program requires that each PHA have a number of participants in its family self-sufficiency program equal to the number of all incremental housing assistance made available to the PHA.

Purpose.-The Committee bill clarifies the purposes of the family self-sufficiency program to include improving education and employment status, as well as achieving a greater measure of economic independence and self-sufficiency. The Committee adopted this clarifying language because the Committee was concerned that the original purpose of the program was unclear because it did not define what self-sufficiency was or when it would be achieved. The Committee intends that improvements in education or employment be considered as measures of economic self-sufficiency and that the success of the program be determined based on the

relative achievements of the individual not on the achievement of some arbitrary criteria.

Exception to required establishment of the program.-The Committee recognizes that even with the best of intentions, many PHAs will be unable to obtain the services that participants in family self-sufficiency need, including job training. The GAO, in an April, 1992, report which was issued pursuant to section 554(b) of NAHA and assessed the linkages between housing and supportive services in promoting self-sufficiency, found that it is increasingly difficult to obtain services for FSS participants as a result of budgetary cutbacks at all levels of governments. The Committee bill expands the exceptions for mandatory participation by PHAs specifically to include lack of JTPA or JOBS funding and prohibits the Secretary from withholding assistance or in any way penalizing PHAs that have received a waiver from participating in the FSS program.

The Committee is concerned that the Secretary's well meaning dedication to family self-sufficiency may force housing authorities which are in no position to carry out an FSS program for a variety of reasons to spend time and energy implementing FSS where it cannot succeed. Further, the Committee intends to provide some protection for PHAs and IHAs that reasonably cannot be expected to carry out FSS. However, the Committee believes that because the bill limits the size of the program that must be maintained by any given PHA, fewer PHAs will need a waiver under the FSS program as amended by the bill than under current law.

Scope of program.-The Committee is concerned that by requiring that a PHA operate a FSS program equal in size to the amount of incremental assistance received by the PHA, the required program would encompass units not really available for the program. The FSS regulations place no limitations on the definition of incremental assistance which must be available to FSS participants. Under current law, conceivably, the Secretary could include vacant units returned to occupancy, units added under a demolition/disposition program, and units designated for elderly or disabled families. Not every family who applied for or resides in public housing or receives section 8 assistance will be able to participate and not every section 8 unit is operated by the public housing authority or should be included under FSS. Therefore, the Committee bill places limitations on the scope of the program.

The bill clarifies that only 50 percent of the incremental assistance is required to be dedicated to family self-sufficiency participants. One reason for reducing to 50 percent the number of incremental units that will be governed by the FSS rules, is to ensure that disabled, handicapped, elderly and other families who cannot be expected to participate in the program will not be bypassed by PHAs as they select tenants from their waiting list in order to house those applicants who are willing and able to participate. Nor does the Committee expect the PHAs to bar participation by handicapped individuals who may be capable of holding a job with the proper training.

Limitation on portability.-The Committee is concerned that some

residents may agree to participate in family self-sufficiency simply in order to receive housing assistance with which the resident would be able to move to another jurisdiction. To prevent this occurrence, the Committee bill requires section 8 assistance provided under family self-sufficiency to remain in the jurisdiction carrying out the family self-sufficiency program.

Contract of participation.-The Committee recognizes that one of the drawbacks to the family self-sufficiency program is that there are no clear standards for successful participation in the program or equitable procedures for terminating assistance in the event of a family's non-compliance with the contract of participation. The Committee bill provides that each contract of participation must include interim and final goals by which to measure performance under the program. It also prohibits HUD from requiring a family to refuse housing assistance as a condition of withdrawing funds from established escrow accounts.

The Committee bill provides that housing authorities may terminate or withhold assistance under section 8 only if the PHA determines through an administrative grievance procedure, which protects the rights of the family, that the family has failed to comply with the requirements of the contract without good cause. There can and will be many instances where the tenant will have good cause not to participate or to meet established goals, including loss of child care, pregnancy, illness among family members, or disability during the term of the contract. Some long-term unemployed persons who choose to participate may require a broad range of services that are not available for them. The Committee intends that only if tenants willfully abuse the program should they lose their housing subsidy.

Incentives for participation and action plans.-The Committee bill requires PHAs to establish an incentive program to encourage families to participate in the program. The incentives are to be outlined in an action plan prepared by the PHA and approved by the Secretary. While the establishment of an escrow savings account is no longer mandatory for every participating family, it is not the intent of the Committee to discourage the establishment of such accounts. Because of the ability of a PHA to hold a family's rent constant as income increases is permitted only in conjunction with an escrow savings account, it is the Committee's belief that these accounts will be a positive incentive for families' to participate in the program. The Committee, therefore, encourages PHAs to establish escrow savings accounts for participating families, as well as use other incentives, locally developed and defined in a PHA's action plan.

Amounts held in escrow accounts are to be made available to families upon completion of the final goals established in the contract of participation. In certain instances, early withdrawal of a portion of the escrow may be warranted to enable a family to continue its self-sufficiency plan. For example, a family might need funds to pay for higher education costs, specialized job related training, child care, or transportation costs. Consequently, the Committee bill allows a PHA, under the action plan approved by the Secretary, to make a portion of the escrow

available to families based on compliance with and completion of interim goals as set out in the contract of participation, provided that any such amounts are used by the participating families for purposes consistent with their self-sufficiency contract.

Applicability to Indian housing authorities.-The Committee is concerned that the mandatory provisions of the self-sufficiency program are particularly onerous to most Indian housing authorities which have little access to services and to employment. However, the Committee is aware that certain features of the program, including the escrow accounts, rent limitations, or any other incentives to families to participate in a self-sufficiency program, can be important tools for IHAs. Therefore, the Committee bill permits IHAs to participate in the family self-sufficiency program at their discretion.

#### Subtitle B-Public and Indian Housing

##### Major reconstruction of obsolete projects

Many public housing projects and some public housing agencies are in trouble. Crime and substandard living conditions plague many tenants and thousands of public housing units stand vacant. The causes of these problems are numerous and inexorably linked to the problems of our society as a whole. Lack of funding for housing and other support services such as education and social services, the rise of drug use in the inner cities especially the use of crack cocaine, poorly designed or placed projects, and the lack of local support for public housing and other forms of affordable rental housing are just a few of the reasons that public housing projects become troubled. In addition, the Committee is aware that public housing agencies are, like any other business, subject to fraud and mismanagement and that this mismanagement can lead to improper or inefficient use of funds and a lack of maintenance in public housing projects.

However, the Committee also recognizes that these troubled projects and agencies do not present a complete picture of public housing. Thousands of units and hundreds of agencies are well run and provide decent, desirable housing.

Although the problems of troubled agencies and projects are complicated, the Committee is committed to developing the programs and providing the funding necessary to address these problems. The Committee, however, has rejected the Administration's proposed solutions to these problems, known as Perestroika. The Perestroika programs provide for a change in management or ownership in the projects of the most troubled public housing agencies. The majority of the Committee rejected this program because at best it is duplicative, and at worst it is an attempt to hide years of neglect at the federal level behind a veneer of tenant empowerment. The central problem with Perestroika is its failure to recognize that the root of most problems in public housing projects is not the character of the management or the identity of the owners, it is money. Lack of funds to rebuild or replace public housing that is too dense, poorly sited, or in dire need of repair results in substandard

living conditions or vacant units. Burdensome regulatory requirements and delays in the distribution of funds result in appropriated funds going unspent. Perestroika would supply no new funds for public housing; it would simply repackage existing programs for tenant management and ownership in a new package with a new name.

The Committee supports the concept and practice of tenant participation in the management of public housing. Such cooperation between tenants and public housing agencies is to the benefit of both parties, and the Committee believes that this is a practice encouraged by most public housing agencies. Further, the Congress developed in NAHA a program specifically designed to allow public housing residents to own their units, HOPE I, HOPE for Public and Indian Housing Homeownership.

Because Perestroika does not address the most basic problems of troubled public housing, the Committee chose to rely on and strengthen the programs in existing law. In this regard, the Committee has authorized funds for HOPE I, the section 14 comprehensive modernization program, public housing development, the section 14 vacancy reduction program, public housing demolition/disposition and public housing resident management. Further, the Committee is authorizing a new program, the major reconstruction of obsolete projects program. The Committee believes that if the Department acts properly and promptly to implement these programs and focuses its efforts on utilizing these programs to address the problems in public housing, that with the help of tenants, the Department will be able to replace troubled projects with livable, affordable housing.

The Committee is especially concerned about the failure of the Department to implement the vacancy reduction program in existing law. That program was specifically designed to address the problems of vacant public housing, and the Committee sees no reason to authorize additional vacancy reduction programs until the Department undertakes the reviews and planning provided for in existing law.

The Committee also intends that the Department devote the resources necessary to monitor public housing authorities. In case of clear mismanagement or incompetent management, the Department should not be hesitant to have a receiver appointed.

The Committee bill for the first time authorizes the major reconstruction of obsolete projects (MROP) program as a complete program and requires regulations to implement the program. MROP was first created in 1985 through the appropriations process. While the program has received an appropriation each year since it was created, HUD has never issued rules to implement a formal program. Program guidelines are provided every year in a Notice of Funding Availability (NOFA), and consequently, the requirements of the program change from year to year. The Committee strongly believes that the MROP program must be statutorily authorized to provide clear legislative intent and policy on the purpose and criteria for the programs.

Since its creation, MROP has been funded through a set-aside of

approximately 20 percent of public housing development funds. The Committee agrees with this approach and authorizes a permanent 20 percent set-aside from public housing development funds for MROP. The Committee has included the MROP program as a set-aside under the public housing development program because reconstructions often have comparable costs to new projects.

The Committee notes that excessively dense public housing projects continue to be successfully reconstructed throughout the United States. Such reconstructions, while at times more expensive than new construction or acquisition with substantial rehabilitation, often prove to be a more feasible alternative because the location for projects undergoing such reconstruction are already available, whereas the placement of new projects, whether newly constructed or acquired for public housing purposes, may encounter opposition.

The Committee has defined eligible projects with the aim of giving public housing agencies broad discretion in selecting those projects which warrant reconstruction as distinguished from modernization and which meet the criteria established in the Committee bill. However, the Committee intends that MROP and section 14 modernization program be mutually exclusive; the choice of using MROP funds in a building or project precludes the use of modernization funds in the same building or project. The Committee intends that this prohibition prevents modernization funds from being used simultaneously with the use of MROP funds. In addition, the Committee intends that if a building or project has been substantially rehabilitated with either section 14 or MROP funds at any time during the three years preceding an MROP application, the application be denied. Finally, the Committee intends that only emergency modernization funds be used for the three years after an MROP-funded reconstruction. However, the Committee does not intend to preclude modernization funds being used in one building of a project and modernization funds in another. The prohibition extends only to the use of such funds in the building, or project in the case of a project-wide MROP application, covered by the MROP application.

In establishing cost limits for this program, the Committee intends that the Secretary recognize that reconstruction may in some cases be more expensive than new development because of unknown factors such as the existence of asbestos or lead-based paint in a project undergoing reconstruction. In providing for the higher cost limits, the Committee intends that the Secretary approve an MROP application if the statutory criteria are met and funds are available; the Secretary may not use lower development costs as an excuse to deny an MROP application.

The Committee bill specifically authorizes the uses of MROP funds for the costs of improving the management and operation of projects undergoing redesign, reconstruction, or redevelopment in order to maintain the physical improvements resulting from such reconstruction. The Committee believes that both the physical and management needs of a project must be addressed through the use of MROP funds to ensure the continued success of the project.

The Committee intends that MROP be used only where the long-term

viability of projects can be assured. Hence, the Committee provided that the life of the project be considered in selecting applications and prohibited the demolition or disposition of projects with MROP-funded rehabilitation for 10 years after such rehabilitation, except in extraordinary circumstances such as in the case of fire or other natural disasters.

#### Public housing tenant preferences

The Committee bill amends existing law to allow PHAs, in the case of those projects with 25 units or more, to increase the local preference from 30 percent to 50 percent of the units that become available for occupancy in any one year. As with other provisions mentioned above, the Committee believes that PHAs should have the flexibility to achieve a greater economic mix within public housing projects. The Committee bill gives some relief from the federal preferences by changing the 70 percent federal, 30 percent local preferences requirement in existing law to a 50 percent-50 percent preference for those buildings with 25 or more units.

#### Public housing operating subsidies

The Committee bill authorizes \$2.169 billion for FY 1993 for public housing operating subsidies and such sums as may be necessary to provide each PHA with all funds in excess of those appropriated in FY 1993, which the PHA is eligible to receive under the performance funding system without adjustments for estimated or unrealized savings. The Committee intends that PHAs receive, subject to the appropriation of adequate sums, their full amount of operating subsidies without regard to any particular savings that may occur by a PHA.

The Committee bill also authorizes such sums as may be necessary to provide for the cost of adjustments to income made in section 573 of NAHA relating to: 1) income not received by the family; 2) the increase from \$480 to \$550 for each dependent; 3) the allowance for medical expenses; and 4) the allowances for working families and child support and alimony payments. The Committee authorizes such sums for these adjustments to income in recognition of their importance in providing true tenant empowerment. When rent is tied to income as in the public housing program, an accurate measure of income must be used. The Committee believes that these small adjustments funded here will aid in making the determination of the income of the tenant fair and accurate. The Committee urges the appropriation of funds to cover these adjustments.

In this regard, the Committee is aware of a practice of the Department that is troublesome. When tenants receive lump sum payments, for example lump sum payments from contested Social Security or disability cases, the Department requires that one-third of the amount received be paid by the tenant to the PHA or the owner in the case of section 8 assistance. The PHA's or the owner's request often comes after the time when the tenant is required to spend or invest the funds, leaving the tenant with a large bill and no money to pay it. In addition, such policy fails to recognize that often the tenant has incurred expenses,

including litigation expenses, to obtain the payment. The Committee would urge the Department to review its policy in this matter and amend its regulations to exclude such lump sum payments from the calculations of income.

The Committee also has learned that the Department is not properly calculating assets of persons residing in assisted housing. Where a family has net family assets in excess of \$5,000, annual income is supposed to include the greater of the actual income or a percentage of the value of such assets based on the current passbook savings rate as determined by the Secretary. The Committee intends that the Secretary promptly and at least annually revise this rate to reflect current banking practices and economic conditions.

The Committee bill requires HUD to use the procedures providing in the Negotiated Rulemaking Act of 1990 (P.L. 101-648) if it seeks to amend the performance funding system to account for vacant units. The Committee strongly supports the use of negotiated rulemaking by HUD whenever possible and believes that this subject is appropriate for negotiated rulemaking because of the limited number of interested parties. The Committee continues to be concerned about the Department's efforts to penalize PHAs for the vacancies. The Committee strongly objects to the Department's previous efforts to reduce operating subsidies for vacancies because it was done without the consent of Congress through regulatory fiat and the Committee supports the Appropriations Committee action in disapproving the proposed regulations published at 56 Fed. Reg. 45814 (September 6, 1991). The Committee intends that any regulation in this area use the negotiated rulemaking procedure to develop a proposed regulation and that such a proposed regulation be subject to notice and comment rulemaking before it is published as a final rule.

#### Public housing vacancy reduction

The Committee bill authorizes 9 percent of public housing modernization funds for the public housing vacancy reduction program which was created in section 510 of NAHA. This program requires PHAs which have been designated as troubled or which have twice the average vacancy rate among all PHAs to submit vacancy reduction plans to HUD. The provision also requires HUD to provide on-site assessment teams to work with PHAs to assess the vacancy problems and management issues.

This program has not yet been implemented by HUD because it believes that the program must receive an appropriation before it can implement the program. The Committee does not agree with the Department's position, and the Committee believes that HUD should immediately work with PHAs to assess and deal with vacancy problems as outlined under existing law. Further, the Committee bill contains a 9 percent set-aside of modernization funding for this program, instead of an authorization of specific funding, in order for the vacancy reduction to be automatically funded from amounts provided for the public housing modernization program. In light of the Department's professed concern with the magnitude of the vacancy problem, the Committee directs the Secretary to implement the program in order to reduce the number of vacancies

in public housing projects.

#### Public housing demolition and disposition

The Committee bill amends the public housing demolition and disposition requirements of section 18 of the 1937 Act to clarify that PHAs must consult with the tenants or tenant councils of the project or portion of a project covered by the demolition or disposition application. The Committee has added this provision to make clear the consultation requirement applies only to the tenants of the subject project (or portion thereof) proposed for demolition or disposition and not to all tenants occupying any public housing owned by the PHA proposing the demolition or disposition.

#### Public housing resident management

The Committee bill authorizes such sums as may be necessary for FY 1993 for the public housing resident management program. This authorization is a freestanding authorization and is not a set-aside, as in previous years, out of the public housing modernization program. The Committee does not believe that public housing modernization funds should be siphoned off for such public housing resident management initiatives. Rather, the Committee believes that resident management should be separately funded, as provided in the Committee bill. In authorizing such sums for the program, the Committee fully expects that any appropriation for the program will not exceed the \$5 million funding level which the program has received previously.

The Committee bill also requires HUD to develop and publish indicators and procedures to assess and evaluate the management performance of resident management corporations (RMC). The Committee bill requires that such indicators and procedures be based on those indicators and procedures established in existing law for public housing authorities under section 6(j) of the 1937 Act. The Committee intends that, to the extent practicable, RMCs should be evaluated on the same basis that PHAs including on such factors as the number and percentage of vacancies, modernization funds obligated, the percentage of vacancies, modernization funds obligated, the percentage of rents uncollected, and the timeliness of repairs and the turn-around of vacant units.

The Committee added this provision because of recent reports of mismanagement by some RMCs. While the Committee believes that the majority of RMCs, like the majority of public housing agencies, are well run and managed, the Committee intends that when the management of projects is turned over to such entities, the RMC be accountable in the same manner as the PHA.

The Committee is also concerned about another problem concerning RMCs, or any resident group: accountability to other tenants. The usefulness of resident management lies in the connection between management and tenants. When that connection is broken because tenants feel the RMC is no longer accountable to them, the RMC becomes in the tenant's eyes just another landlord and the benefits of tenant management are lost. The Committee urges the Department to ensure that any resident management group holds

regular meetings to solicit the views of residents and that there is a selection process that allows for a change in the leadership of the RMC when necessary.

Public housing family investment centers, public housing early childhood development services, and public housing one-stop perinatal services demonstration

The Committee bill contains the following authorizations for FY 1993 in order to assist families in public housing to achieve better access to educational and employment opportunities, for child care services, and to assist pregnant women in public housing: \$27.1 million for family investment centers, \$21.7 million for early childhood development services, and such sums as may be necessary for perinatal services.

National Commission on Distressed Public Housing

The Committee bill extends the National Commission on Distressed Public Housing until September 30, 1992. The Committee is currently reviewing the report recently released by the Commission relating to distressed public housing. The Committee believes that the extension of this Commission will assist it in performing perfunctory housekeeping duties which are necessary to terminate the Commission.

The Committee bill also requires that the General Accounting Office (GAO) audit the funds received by the Commission through the end of FY 1992. At that time, the Commission will have received approximately \$2.5 million, and the Committee is interested in knowing how this money was spent.

National Commission on American Indian, Alaska Native, and Native Hawaiian Housing

The Committee bill extends the National Commission on American Indian, Alaska Native, and Native Hawaiian Housing through October 1, 1993. The Committee currently is reviewing the Commission's recently issued report, ``Building the Future: A Blueprint for Change ``By Our Homes You Will Know Us'''' and believes that the Commission needs some time to begin to develop a strategy to follow up on the recommendations which are outlined in the detailed report.

Public housing homeownership demonstration

The Committee bill establishes a 10-year public housing homeownership demonstration for up to 20 percent of the total number of public housing units administered by the Housing Authority of Omaha, Nebraska. The Committee bill authorizes the housing authority to establish criteria for the participation of families based on factors that reasonably predict the individual's ability to successfully complete the demonstration's requirements including: (1) evidence of interest in homeownership, (2) a steady, predictable income or employment, and (3) the ability of adult family members to complete training for long-term employment. The Committee bill also requires the Housing Authority to ensure the availability of supportive

services to each participating family and requires HUD to submit reports to Congress every two years and at the end of the demonstration, which evaluate the effectiveness of the program. Further, it is the intent of the Committee that the employees of the Omaha Housing Authority and the family members of those employees not be afforded special treatment as a result of this program.

The Committee intends that this demonstration be limited to the Omaha Housing Authority with the program requirements as set forth in the Committee bill. The Committee is currently reviewing all homeownership demonstrations and programs applying to public housing, such as those programs which are already authorized in existing law. These programs include the section 5(h) turnkey homeownership program authorized under the 1937 Act, as well as the HOPE I homeownership program. The Committee believes that these existing public housing homeownership programs, as well as the results of this homeownership demonstration program, must be assessed to determine whether such approaches are viable homeownership alternatives for public housing tenants and the effect of such programs on the need for and supply of affordable housing. With this in mind, the Committee authorizes this limited demonstration program for the Omaha Housing Authority.

#### Sale of certain scattered-site housing

The Committee bill requires the Secretary to authorize the Delaware State Housing Authority to sell scattered-site public housing under section 5(h) of the 1937 Act and to use the proceeds from such sale to replace the scattered-site units. The bill also requires that the Secretary provide operating subsidies for these replacement units. The Committee bill contains these provisions because HUD apparently has decided that any replacement units that are paid for with non-federal funds cannot receive public housing operating subsidies. The Committee is particularly troubled by this decision in light of HUD's prior approval of the Housing Authority's homeownership program. The Committee believes that HUD is interpreting the 1937 Act too narrowly and in a way that will prevent innovative homeownership programs.

#### Subtitle C-Section 8 Assistance

##### Restatement and revision of section 8 Rental Assistance Program

The bill contains a complete restatement of section 8 of the 1937 Act. This section contains the authorization for the federal rental assistance program.

The original section 8 program was enacted in 1974. As originally conceived, the program provided for rental assistance for newly constructed and substantially rehabilitated buildings and for existing housing. This program developed from the Housing Assistance Payments Program Demonstration. In 1983, the voucher demonstration was begun.

Throughout the course of the program, as new housing programs have developed, so have new uses for section 8 assistance, and

some uses have been discontinued. These changes were generally incorporated into section 8 without rewriting the section; consequently, the current section 8 is confusing to read and difficult to understand. The Committee intends that, with the exception of the changes discussed below, the restatement of section 8 be just that; the restatement is intended in large part to make section 8 easier to read and understand. Further, the Committee intends that section 8 continue to apply to the range of programs that it applied to prior to the restatement including the section 8 new construction and substantial rehabilitation programs.

The Committee bill makes one significant change in the section 8 program. The bill provides for a single tenant-based rental assistance program to replace the existing section 8 certificate and voucher programs. Under current law, the assistance contract for the certificate and project-based section 8 programs is required to establish a rent an owner is entitled to receive for a unit. This rent cannot exceed by more than 10 percent the fair market rent (FMR) for the area as established by the Secretary. However, where circumstances warrant, the Secretary may approve a rent that does not exceed 120 percent of the applicable fair market rent. By law, the Secretary must revise fair market rents annually. The amount of assistance provided by the certificate program is the difference between the rent for a specific unit as approved in the assistance contract and 30 percent of a tenant family's adjusted income.

Under the voucher program, the PHA establishes a payment standard based on fair market rents. The amount of the voucher assistance is the difference between the payment standard and 30 percent of the tenant family's adjusted income without regard for the actual rent of the unit occupied by the tenant, except that there is a requirement that such rent be reasonable and comparable to rents in the area for similar units. There is no statutory requirement that the payment standard be adjusted annually.

In response to testimony at reauthorization hearings held by the Subcommittee on Housing and Community Development and concerns voiced by providers of section 8 housing, the Committee determined that the ideal tenant-based assistance program would combine the best features of both vouchers and certificates in a new merged program.

The new tenant-based rental assistance program would require that the rent for an assisted unit not exceed the FMR as provided in current law and would provide assistance equal to the difference between the rent for the unit and 30 percent of the tenant's income. The new tenant-based program would also provide that some recipients of rental assistance are allowed to go above the current 30 percent of income rent limit to 40 percent of income for rent if the PHA determines that the additional rent contributions are reasonable given the family circumstances.

The Committee is aware of the years of debate that have surrounded the issue of whether section 8 housing assistance should be run through two separate programs, vouchers and certificates. While certificates protect the tenant from paying

an exorbitant percent of income for rent and assist the PHA by allowing it to use actual rents, when calculating subsidies, rather than a theoretical formula; vouchers provide greater flexibility to tenants because the tenants can rent apartments which exceed the FMR. Congress recognized the benefits this flexibility can provide in NAHA when it amended the certification program to allow some tenants to go above the 30 percent income for rent limit.

The provision adopted by this Committee would maintain tenant protections against excessive contributions of income for rent by authorizing the establishment of fair market rents and maximum monthly rents as under current law and requiring the annual adjustment of such rents. However, to expand the universe of housing options for tenants, the provision expressly creates an exception whereby for up to 50 percent of the PHA's tenant-based rental assistance, tenants can request to pay more than 30 percent of their income toward rent, and with PHA approval, can pay up to 40 percent of adjusted income toward rent. The Committee intends that this exception be used under limited circumstances and primarily in situations where such increased rental payments would allow a tenant to remain in place or move to a location that provided better educational or employment opportunities. In most cases, and especially in the case of large families, the elderly, and the handicapped, the Committee intends that the PHA use its authority to provide exception rents (rents up to 110 percent of the FMR and up to 120 percent with HUD's approval) before granting this exception.

The objective of the Committee is to reduce the paperwork burden and confusion for renters, landlords, PHAs, and HUD. The merger of the two programs should also simplify the accounting process whereby HUD estimates contract renewal needs. Merger will eliminate separate budgeting for each program and should facilitate financial monitoring and oversight.

The Committee bill also includes in the rewrite of section 8 amendments to the portability provisions. The present portability system, while pursuing a worthwhile goal, has been plagued with administrative difficulties. An applicant receiving a certificate or voucher, may move anywhere within a State or between any contiguous standard metropolitan statistical areas. In addition, some voucher holders may move anywhere in the country. Under the current system, if an assisted family moves to another area the agency that originated the assistance must continue that assistance, but the agency administering section 8 assistance in the new area must administer this assistance. Consequently, the receiving agency must institute a procedure to bill the originating PHA for the assistance which the family has just taken to the area administered by the receiving agency. Often there are delays of several months in transferring payments between the agencies to the detriment of the receiving agency.

This system has also led to instances of waiting list shopping where families that reside in areas with long waiting lists, shop the waiting lists in surrounding areas. When they find a shorter list, the family will place their name on the shorter list and upon receiving assistance in this new area will use such

assistance in the jurisdiction where the family resides, without ever living in the new area that supplies the assistance. This waiting list shopping has resulted in some small agencies being unable to assist local residents.

Another problem that has arisen from the provision of portable assistance is the effect of the difference in fair market rents between the originating area and the receiving area. In instances where the fair market rent is higher in the receiving area, the originating agency, which has to provide an amount of assistance determined by the fair market rent in the area where the family lives, loses more than one unit of assistance, further undercutting the number of local families the originating agency can serve.

The Committee has addressed the problems with portability in two ways. First, the Committee bill allows a small agency to require a person receiving tenant-based assistance to reside in the area served by the agency 12 months before the assisted person can move from such area and still take their tenant-based assistance with them. In large agencies, those offering more than 300 units of section 8 assistance, the agency could only limit portability through a residency requirement for 90 percent of its units; the other 10 percent would have to be fully portable. This residency requirement is designed to reduce waiting list shopping.

The second major change made by the Committee in the portability program is to create a national fund of section 8 assistance equal to 5 percent of the annual amount appropriated for section 8. This reserve will be used to provide assistance to the receiving agency to allow such agency to absorb assisted families that move into the area served by the agency. Such agency would, however, first be required to absorb such incoming families in an amount equal to the lesser of 5 percent of its total section 8 allocation or 25 percent of its annual turnover in section 8 assistance. The purpose of this change is to reduce the paperwork and administrative burden of billing between agencies for portable section 8 assistance and to reduce the problems created by the difference between fair market rents in different areas.

Another change made in the section 8 program in this restatement is to add a provision to address the problem of landlords that do not maintain units in accordance with section 8 housing quality standards (HQS). The Committee is aware of disturbing incidents where section 8 subsidies have been suspended or terminated because of landlord failure to repair their apartments. In one case, for example, tenants faced possible eviction because the court held that section 8 landlords are obliged to comply with federal housing quality standards. *McNeill v. New York City Housing Authority*, 719 F. Supp. 233 (S.D.N.Y. 1989) Non-compliance with HQS constituted grounds for the housing authority to terminate section 8 subsidies for the landlords. Fortunately, the court enjoined nine participating landlords who breached this HQS obligation, and whose subsidies were terminated by the local PHA, from evicting their section 8 tenants. Although *McNeill* achieved partial relief for section 8 tenants in New York City, thousands of tenants throughout the nation are faced with the loss of housing subsidies due to their landlords' failure to

comply with HQS.

This situation where tenants may be faced with the loss of their subsidies due to landlord noncompliance with HQS is an intolerable occurrence which this Committee intends to stem with this provision. This provision requires that section 8 contracts between owners and the agency administering the section 8 assistance contain a provision allowing the agency to withhold some or all of the section 8 assistance and use those amounts for necessary repairs where a unit does not comply with HQS.

The Committee intends that agencies utilize these remedies to withhold assistance and pay for necessary repairs whenever a significant breach of the HQS occurs, which includes any defective condition materially affecting the tenant's health and safety. Agencies should abate payments promptly following their being informed of these significant defects; but only after the owner has been given a reasonable time to correct the conditions and has failed to do so. While of course the tenant is not liable for the full contract rent when the payments are abated by the agency, and thus should never face eviction for nonpayment of the contract rent in these circumstances, the Committee intends that the agencies promptly elect one of the four approaches specified in the bill within 30 days after abatement, sooner in situations where the defective conditions pose an immediate threat to the tenant's health and safety. In the rare event appropriate repairs cannot be completed with the abated funds using one of the specified alternatives, and termination of the contract becomes necessary as a last resort, termination may not occur until the tenant has been relocated to alternative housing meeting program standards, and the PHA shall assist the tenant in locating and securing such housing under the program.

If the owner makes the necessary repairs, the agency may release any withheld amounts to the owner in an amount not exceeding the cost of the repairs. Withheld amounts may also be released to the tenant to reimburse the tenant for the reasonable cost of any necessary repairs performed or paid for by the tenant upon request of the tenant.

The Committee's intent in adopting these provisions is to prevent the unnecessary homelessness of section 8 families and ensure that families do not live under substandard conditions for an extended period of time. The Committee is disturbed by information that an agency may often terminate the section 8 contract with the intent of punishing the section 8 landlord. The reality, however, is that the tenant suffers first from living in substandard conditions, and then from facing eviction and homelessness. The landlord, in contrast, often profits by forgoing the collection of subsidy payments, evicting the tenant, and rerenting to a new (non-section 8) tenant without having made necessary repairs. The bad result is that the PHA's termination of the contract rewards, rather than penalizes, the landlord.

The Committee in adopting this provision is also mindful of and guided by the national interest in remedying the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income.

Without remedial legislation, the displacement of tenants without repairs would exacerbate the shortage of housing and do nothing to remedy unsafe conditions.

The Committee made another change by in the section 8 program rewriting the preferences for section 8. The Committee has been frustrated with HUD's failure to interpret the preference for public housing residents adopted in NAHA correctly. The intent of the provision was to allow public housing residents to obtain section 8 tenant-based assistance to move out of public housing. By giving public housing residents a federal preference for the purposes of section 8 assistance, the Committee bill is intended to ensure that public housing residents are treated as any other federal preference holder. Agencies and owners administering the preference should not rank holders of this public housing preference lower than any other preference holder.

The Committee bill also clarifies section 262 of the 1987 Housing Act to require owners to give section 8 existing housing tenants 90 days' notice when the owner terminates participation in the program for reasons unrelated to the tenant's breach of the lease. Although the provision is self-executing and effective immediately, the Committee expects HUD to issue a notice to all agencies within 30 days of enactment, requiring them to inform owners submitting improper notices, and their tenants, of the invalidity of those notices. In addition, the section 8 rewrite includes amendments to section 8 to clarify when various provisions apply to the tenant-based and project-based programs and when the Secretary as opposed to the PHA is responsible for project-based assistance.

Finally, the section 8 amendment expands on current law to allow for the eviction of section 8 tenants for criminal activity that affects residents living in the immediate vicinity of the premises. It is the intent of the Committee that the term ``immediate vicinity of the premises'' be interpreted as the substantial equivalent of ``on or near the premises''. ``Immediate vicinity of the premises'' should not be interpreted so broadly as to lose a significant nexus between the housing unit in question and the site of the criminal activity. Further, the Committee does not intend that this provision provide the basis for evicting tenants in publicly assisted housing for non-criminal activities or to give residents living within the area of the premises, or other affected parties (except for the owner of the premises), a specific cause of action against the tenant. The provision is intended solely to require the owner to include in the lease with the tenant, in addition to the provisions already required and allowed by the law, a stipulation that criminal activity on the part of the tenant, or others identified in the law, that affects the peaceful enjoyment of the living environment of residents of the nearby vicinity, will be grounds for eviction.

The Committee bill provides for a delayed effective date for the section 8 rewrite and provides the Secretary with broad authority to implement the section 8 rewrite. The Committee intends that the changes to the section 8 program included in the rewrite be implemented as assistance contracts are renewed or entered into;

no existing contract should be effected by the changes to the section 8 program made in this bill. For instance, the Committee intends that assistance which has been taken from one area to another under the current portability rules be replaced as provided in the portability changes made in the bill as such assistance is renewed. The Committee provided the Secretary with broad authority to implement the changes to section 8 contained in this bill to ensure that no person currently receiving assistance is denied assistance in the future as a result of the changes contained in this bill.

The Committee, however, also intends that the delayed effective date of the changes made in the section 8 rewrite and the discretion given the Secretary to implement these changes does not give the Secretary the authority to delay further the implementation of duly enacted provisions that are in current law. For example, as mentioned earlier the Secretary has failed to implement the provision in NAHA that allowed PHAs to use section 8 assistance in units they own. In addition, the Secretary has failed to implement many other recently enacted section 8 changes. The Committee does not intend that the section 8 rewrite be used to further delay the implementation of provisions enacted prior to this bill.

#### Nondiscrimination against section 8 assistance holders

This provision was inadvertently dropped from the conference committee report on NAHA. This provision makes clear that parties who control projects through partnerships, which is a fairly common occurrence, cannot claim that they were not owners for purposes of section 183(c) of the 1987 Housing Act.

#### Moving to opportunity for fair housing

The Committee bill contains in this section an Administration proposed program called Moving to Opportunity for Fair Housing. This program is designed to encourage and enable families to move from areas of high concentration of poverty to areas of lower concentration. This demonstration program is a continuation of a demonstration program established in the FY 1992 HUD Appropriations Act which in turn was adopted to replicate the Gautreaux Demonstration in Chicago. Under the court-ordered Gautreaux program, 4,500 African-American public housing families have used section 8 certificates and housing counseling to move to private housing, about half of it in predominantly white suburban areas. The Committee is mindful that the court found that HUD and the Chicago public housing authority had knowingly and intentionally imposed segregation and discrimination upon the African-American residents of public housing in Chicago and that the Gautreaux mobility program was a remedy for that unconstitutional conduct.

A study of the Gautreaux Demonstration indicates that when very-low-income families move to areas without concentrations of persons living in poverty, the families become more economically independent through employment and the children of the families do better in school and have more and wider opportunities for post-secondary education. The effects are particularly pronounced

for children, who are much less likely to drop out of school, much more likely to go to college, and much less likely to be neither in school nor working.

To build upon the findings and initial success of the Gautreaux Demonstration, the Committee has authorized the continuance of the existing demonstration program and focused that program on very low-income families residing in public housing in areas of high concentrations of persons in poverty. The program authorized by the bill will provide section 8 and housing counseling assistance to such persons to enable them to move to areas with low concentrations of persons in poverty. The Committee intends that the rules established in this section govern the use of all funds provided for this demonstration.

The Secretary is required to carry out this demonstration in five cities having populations of over 350,000 and the City of Los Angeles. The Committee is particularly interested in the results of the Los Angeles City demonstration. Recently, one of the largest civil disturbances in this century erupted in Los Angeles. The violence tragically illustrated the effects of long-term neglect and disinvestment in our minority communities. Decades of discrimination, abandonment, urban flight and joblessness has bred a dangerous social alienation that cannot go unchecked.

It is the Committee's intent that the Notice of Funding Availability for this demonstration program be issued on a timely basis, particularly given the urgency of community needs in Los Angeles. The Committee has been frustrated by the delayed allocation of the Moving to Opportunity funds appropriated for the current fiscal year.

#### Subtitle D-Other Programs

##### Public and assisted housing drug elimination

The Committee authorizes approximately \$173.6 million for the public and assisted housing drug elimination grant program which was first established in the Anti-Drug Abuse Act of 1988 (P.L. 100-690). The Committee believes that this program will assist in the removal of drugs and drug-activity in and around public housing and assisted housing projects. The Committee notes that, based on numerous hearings both in Washington and in the field, drug activity does not necessarily emanate to any significant extent from the residents of these assisted projects; rather since the projects are often located in impacted areas with a high rate of crime and drug usage, public and assisted projects often get tainted by the neighborhood problems. The Committee notes that this program has proven helpful in establishing programs designed to reduce drug activities, such as organized recreation activities, in and around projects.

The Committee notes that in many neighborhoods, non-federally assisted PHA-owned housing projects which are similar in character to public housing projects and may be located around federally assisted projects can directly benefit from drug elimination grant funded activities; however, under current law,

these projects cannot benefit from the program directly. The Committee believes that in order to effectively deal with drug elimination activity in the federally assisted projects, such adjacent non-federally assisted PHA-owned projects must also be eligible for drug elimination assistance. Consequently, the Committee bill also authorizes the use of drug elimination grants in housing owned by PHAs that is not federally assisted public housing if such housing is located in a designated high intensity drug trafficking area and the PHA demonstrates to HUD's satisfaction that drug-related activity at such housing has a detrimental effect on or near any public or other federally assisted low-income housing.

#### Use of funds recaptured from refinancing State and local finance projects

The Committee bill requires, subject to the availability of amounts for this purpose, HUD to make available to state housing finance agencies, local governments, or local housing agencies, up to 50 percent of the amounts that are recaptured when these entities refinance debt associated with federally assisted affordable housing. This provision is very similar to the provision originally included in the housing technical amendments in the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, except that the Committee makes the sharing of project refinancing retroactive.

The 1988 amendments only allowed State housing finance agencies to retain funds from the refinancing of their projects. The Congress extended the sharing of recaptured funds from refinancing to local housing agencies in P.L. 102-273; however, the provisions apply only to projects for which settlement occurred after January 1, 1992. The Committee bill makes the sharing provision retroactive to allow the Secretary to share any savings received from refinancing that occurred prior to the enactment of this Act. The amount of such savings shall be determined from the date of the original refinancing.

#### HOPE for Youth

The Committee bill includes a new program, HOPE for Youth, in an effort to further the development of permanent and transitional affordable housing for low-income families and the homeless and the reconstruction of urban neighborhoods through the energies and abilities of youth who have dropped out of high school or who are at risk of dropping out of school. The Committee is aware that there are approximately 4 million unemployed young people who have little access to education and training that may be useful to them in rebuilding their communities and their lives.

HOPE for Youth or ``Youthbuild'' is geared to attract young people, ages 16 to 24 and provides academic and basic skills in preparation for a high school equivalency diploma and construction trades training. Under the program, the youth will work for 50 percent of the hours of the program time and the remaining 50 percent will be spent in the actual construction or rehabilitation of affordable housing under the supervision of trained and licensed construction workers. The Committee intends

that the program not be limited to young males, but include young women who may be interested in such employment and training.

The Committee intends that, to the extent feasible, the program be patterned after training and apprenticeship programs, such as those sponsored by construction trade unions and in conjunction with those offered by trade unions if available. Participants will receive wages for work performed. At the end of the program, the Committee believes, based on the experience of existing Youthbuild Programs, that participants should be able to qualify for construction jobs earning from \$6 to \$18 an hour.

The Committee is aware that this program was pioneered by the Youth Action Program of the East Harlem Block Schools between 1978 and 1984 and that there are now 12 Youthbuild programs of various sizes in operation in New York, Boston, Cleveland, San Francisco, Tallahassee, Indianapolis, Milwaukee, St. Louis, and Gadsen County, Florida.

The Committee bill provides funding for local community development corporations, community-based organizations, and community service corps based on the organization's track record and community needs. Technical assistance would be provided, as well as funding, for construction of affordable housing on a 90 percent-10 percent basis federal funds to non-federal funds.

The Committee further intends that owners not refuse to rent to holders of section 8 tenant-based assistance solely because of the status of the prospective tenant as a section 8 certificate holder. Some of the Youthbuild units will not be affordable to the poorest tenants in the absence of such a deep subsidy and the Committee believes that the tenants who choose to utilize their tenant-based assistance to live in Youthbuild developments should not be prevented from doing so.

#### Subtitle E-Homeownership Programs

##### HOPE I homeownership programs

The Committee authorizes for FY 1993 \$100 million for HOPE I-HOPE for Public and Indian Housing Homeownership; \$100 million for HOPE II-HOPE for Homeownership of Multifamily Units, and \$200 million for HOPE III-HOPE for Homeownership of Single-Family Homes. These amounts are less than those requested by the Administration for three reasons: First, a majority of the Committee believes that these programs are still experimental and should not be expanded significantly unless they prove to be viable sources of homeownership for low-income persons. To date the Committee has no evidence that there has been any significant interest in the programs beyond the capacity building and technical assistance they provide. For instance, the Department has failed to provide the Committee with hard data as to the number and location of units that are involved in the ownership phase of the HOPE I program. Second, the Committee believes that in the case of HOPE I, the public housing component, the expansion of this program without an equally large commitment to public housing development will result in the loss of hard units for the poorest in our nation at a time of dire need for such

housing. Third, there appear to be ample uncommitted funds available from the past authorizations provided by the Congress for these programs.

Grant selection for HOPE for public and indian housing.--The Committee bill strikes the word ``appreciably'' from a requirement that any application for HOPE I funding include an analysis of whether units lost as a result of conversion to homeownership will ``appreciably'' reduce rental housing available to public housing residents or those eligible for residency in public housing. The Committee intends to strengthen a HOPE I applicant's responsibility for addressing in the application the extent to which participation in the programs will reduce rental housing.

Other HOPE provisions.--The Committee bill prohibits HUD from approving a HOPE I sale application unless it provides for fair market compensation to the PHA. The Committee has included this provision in order to ensure that in enacting the HOPE I program PHAs should receive just compensation for the units which are proposed for sale under a HOPE I application as the Congress intended. The Committee intends that such compensation to the PHAs will, in turn, be used to provide additional affordable housing to low-income families through the development of additional public housing units.

The Committee bill also contains provisions amending the HOPE II and III programs to allow mutual housing associations to participate in the HOPE II program, to include in the HOPE II program multifamily projects that are owned by PHAs but not assisted by the federal government, and to provide a preference in the HOPE III program for persons residing in public housing.

#### National homeownership trust demonstration

The Committee believes that the purchase of a home continues to be beyond the reach of many working families as housing price increases have outstripped the rise in real incomes. Even the lower interest rates which the nation has recently been experiencing are not making homeownership affordable for most of these families. For these first-time homebuyers seeking to achieve their dream of homeownership, the bill authorizes approximately \$542.2 million for FY 1993 in downpayment and interest subsidies under the National Homeownership Trust.

The Committee is extremely concerned with the Department's failure to request funds for and to implement this program. The Secretary has, correctly, advocated for an expansion of homeownership among first-time homebuyers. Further, the Secretary has advocated tax incentives to aid these persons in the purchase of their first home. The Committee believes that such non-targeted assistance will not help many of those who are priced just outside the market and may assist persons who would be able to purchase a home without that assistance. The National Association of Home Builders, in its recent testimony before the Committee, stated that potential first-time homebuyers often cannot buy a house because they lack the necessary downpayment. The National Homeownership Trust could provide such

vitaly-needed downpayment assistance and funds to cover settlement costs. It is this latter type of assistance that is necessary to ensure that those at the margins are able to purchase a home. Consequently, the Committee bill requires the implementation of this program in a timely manner.

The Committee bill also authorizes such sums as may be necessary for the use of National Homeownership Trust funds with housing financed with mortgage revenue bonds. The Committee believes that this linkage of assistance will further assist first-time homebuyers to achieve the dream of homeownership because it directly links the Trust program assistance with a source of permanent financing. The Committee bill authorizes the use of Trust funds in connection with the existing mortgage revenue bond program and is not intended to make any programmatic changes to the existing MRB program.

#### Nehemiah housing opportunity grants

The Committee bill modifies the repayment provisions of the Nehemiah Housing Opportunity Grant program for those Nehemiah loans made to a family after July 1, 1990. The Committee bill allows Nehemiah homeowners with such loans to recover their downpayment and share in some of the equity appreciation of the property.

The modification requires that remaining proceeds, upon the sale or transfer of the property, be distributed as follows: 1) to repay the first mortgage; and 2) to allow the seller to recover the amount of any downpayment. Any remaining amounts are to be shared equally between HUD and the seller until HUD has recovered the amount of the Nehemiah loan. If the proceeds from the sale or transfer are insufficient to reimburse HUD for the amount of the loan, the second mortgage held by HUD would remain on the property until the loan is paid in full.

The Committee believes that this provision will act as an incentive to encourage the participation of homebuyers by allowing them to recover their original downpayment. Under the bill, if the property does not appreciate in value sufficiently to cover the downpayment and the Nehemiah loan, the nonprofit would be able to provide an incentive to the homeowner by allowing them, if any proceeds from the sale remain after the original mortgage is paid, to recover their original downpayment before the Nehemiah loan is repaid.

#### Assistance under section 8 for homeownership

The Committee notes that existing law allows section 8 holders to use assistance in cooperatives or mutual housing. The Committee bill expands on this use of section 8 vouchers to permit eligible section 8 recipients to use their assistance for homeownership.

The Committee bill allows families receiving tenant-based section 8 assistance to use their assistance to purchase a home and to make their mortgage payments. The Committee bill limits this program to up to 10,000 recipients at any one time participating in the program. To participate, a section 8 family must (1) be a

first-time homeowner; (2) participate in the family self-sufficiency program or have sufficient income; (3) have an adequate employment history; and (4) participate in homeownership counseling. The Committee bill requires that such families provide at least 80 percent of their downpayment from their own resources. The remaining 20 percent can come from nonprofits or State or local government programs. The Committee bill also authorizes FHA to insure such loans and because of the higher default rate predicted such loans shall be obligations under the General Insurance Fund not the Mutual Mortgage Insurance Fund.

#### Indian housing program

The Committee bill makes several changes to the Indian housing program to improve its effectiveness and to foster increased housing production.

Exclusions from income.-The Committee is aware that residents of Indian public housing generally travel long distances for work or for education because of the often remote locations of Indian trust lands; Indians may also have child care expenses due in part to this extended travel time. Current law provides that in the case of residents of Indian housing, in determining adjusted income, either child care expenses or excessive \$25 of travel expenses, not to exceed \$25, would be excluded from an Indian family's income. The Committee bill provides that both child care expenses and travel expenses, not to exceed \$25, necessary for employment or education, may be excluded in order to determine adjusted income for purposes of determining rent.

Indian housing childhood development services.-The Committee is aware that the early childhood development services program is not easily implemented on Indian reservations because of the requirement that the program be operated by nonprofit organizations. On many reservations, either the tribe or the housing authority has most often provided child care and early childhood education services, like HEAD Start. Few capable nonprofit organizations such as those found in urban and suburban settings are available in or near tribal lands. To make this critically needed program work on Indian reservations, the Committee expanded the definition of eligible grant recipients to include Indian housing authorities and Indian tribes. The Committee also authorized for appropriation \$10 million for such services.

Applicability of definitions to Indian housing.-In NAHA, the Congress enacted provisions which changed the term ``lower'' to ``low'' income; expanded the definition of family to include single persons; raised the dependent allowance to \$550 from \$480; added limited allowances for medical and attendant care expenses, earned income and child support or alimony payments; and counted any child placed in foster care in determining family composition and size. However, the Indian housing programs inadvertently were not included in those changes. The Committee bill, therefore, applies those same changes to the Indian housing program and makes them effective as of the date of enactment of NAHA.

Exemption of Indian housing program from new construction

limitation.-The Committee is aware that under the public housing development program, any new construction has to be justified as less costly than acquisition or rehabilitation in the same neighborhood before the Secretary can approve new construction. The lack of housing stock that could be rehabilitated or acquired on tribal lands precludes any such justification; nor are there neighborhoods from which to draw the comparisons. The provision simply has little relevance to Indian housing authorities and instead impedes proposals for new construction. Therefore, the Committee bill exempts the Indian housing program from this requirement.

Loan guarantees for Indian housing.-The Committee is aware that opportunities for homeownership are severely limited in Indian country. Because of the unique status of trust lands which are not freely alienable; because of the remoteness of much tribal land; because of the perceived risk; and because of the poverty and irregular incomes of Native Americans, most lenders shy away from loans on trust lands. The Committee is concerned that although section 248 of the National Housing Act, a FHA mortgage insurance program for Indian housing, has been on the books since 1983 and available since 1986, only 5 loans have been made nationwide. The recent report issued by the National Commission on American Indian, Alaska Native and Native Hawaiian Housing finds that little or no conventional lending is available to Native Americans for housing despite desperate housing needs.

The Committee believes that the need for a targeted affordable housing finance program is overwhelming. Therefore, the Committee bill establishes a new single family loan guarantee program for Indian families and Indian housing authorities in addition to those already in law. The program provides the authority for the Secretary to guarantee 100 percent of the unpaid principal and interest due on loans made to eligible borrowers to purchase, construct, or rehabilitate 1- to 4-family dwellings on trust land or land located in an Indian or Alaska Native area. Approved lenders include those approved by the Secretaries of HUD and Agriculture or supervised, regulated, or insured by the federal government or the Federal National Mortgage Association.

Loans are required to be for a term not to exceed 30 years, to bear interest rates that the Secretary determines are reasonable and comparable to those generally charged, and have a principal obligation not exceeding the sum of 97 percent of the first \$25,000 of appraised value and 95 percent of the remaining appraised value. The guarantee fee is 1 percent. Modelled after the FmHA section 502 guaranteed loan program, the Indian guaranteed loan program includes provisions for payments in the event of defaults and protects against the alienation of trust lands. The program requires that the housing meet specified housing quality standards with regard to safety, soundness, and general construction including specified heating, plumbing, electric, energy performance, and square footage.

The Committee bill requires that HUD establish a new Indian Housing Loan Guarantee Fund that is separate from the FHA mutual mortgage insurance fund or the general insurance fund. The Committee is aware that lending on Indian reservations will

require some unique approaches and underwriting which will not fit standard FHA criteria and that traditional lending practices and credit determinations may be inapplicable to loans on reservations and trust lands. However, the Committee does not believe that such differences make this federal loan guarantee program too risky when weighed against the public policy need to provide financing for Native Americans. The Committee intends that this loan guarantee program provides Native American families the same opportunity as is available to other citizens.

#### TITLE II-HOME INVESTMENT PARTNERSHIPS

Title II reauthorizes the HOME Investments Partnerships program for FY 1993 (HOME) and authorizes for appropriation \$2.169 billion. Of that amount, \$14 million is authorized for the Housing Education and Organizational Support grants of the Community Housing Partnerships program for community housing development organizations (CHDO) and \$11 million is authorized for other state and local housing strategies for local and state governments to develop alternative housing finance and development arrangements.

Title II also makes a number of important changes to the HOME program which the Committee recognizes are critical to the efficient and effective implementation of the HOME program. The HOME program funds have only recently been allocated to participating jurisdictions, even though it was widely anticipated that the HOME program was to be one of the primary housing strategies of states and localities across the country. While the Committee is aware that the funding delay is the result in part of the vagaries of the appropriation process and the normal startup process for a new program, the Committee is deeply concerned that much of the delay is the result of needless complexities and HUD's restrictive interpretation of the statutory language.

The Committee intends that the HOME program be implemented as a flexible tool of state and local governments to expand the supply of affordable housing within the broad parameters of the program. The Committee does not intend that every action and every activity be approved and minutely managed by the Department of Housing and Urban Development. Such ``over regulation'' inhibits housing development at a time when affordable housing needs far outstrip the availability of such housing.

The Joint Center for Housing Studies of Harvard University in their report ``The State of the Nation's Housing 1991'' indicates that ``the growing inequality in the income distribution-both within and across different types of households-will continue to raise the share of households unable to purchase homes or afford even minimally adequate shelter.'' Further, the report indicates that high costs of homeownership will limit first time homebuyers' entry to the market and that unless there are expanded and targeted housing subsidies, any increase in multifamily rental housing production ``will do little to alleviate the housing burdens of the nation's poor.''

The realities of the housing markets lead the Committee to

recognize that provisions in the HOME program must be modified to encourage rather than discourage the expansion of the supply of affordable housing to meet the needs that have been identified by participating jurisdictions in the Comprehensive Housing Affordability Strategies (CHAS).

#### Elimination of restrictions on new construction

The bill eliminates the restrictions on new construction under the HOME program. While the preference for rehabilitation is maintained, the Committee is aware that the participating jurisdictions are in a better position to determine their affordable housing needs through the development of the CHAS than are the Congress and HUD through the new construction formula and its specific exceptions for neighborhood revitalization areas and special needs housing in current law.

The Committee recognizes that a formula allocation can never determine which jurisdictions need new construction as accurately as an individual jurisdiction can. The fact that for fiscal year 1992 HUD's formula designated only 32 percent of participating jurisdictions, geographically concentrated along the coasts with a few major cities in between, as eligible for new construction highlights the weakness of such an approach. Virtually no rural areas were included and 90 percent of the new construction set aside was concentrated in six states.

According to the Center on Budget and Policy Priorities' report, ``A Place to Call Home,'' every region of the country is experiencing a shortage of affordable housing and households comprised of persons and families in poverty are more likely to live in housing that is substandard or overcrowded than are non poor households. The report also finds that poor families in rural areas and in the South are more likely to live in substandard housing while poor families in the urban areas and the West live in overcrowded housing conditions. Although some housing that would be affordable to low income families can be rehabilitated, much is in such disrepair that to rehabilitate the housing would be ``throwing good money after bad,'' particularly in rural areas. The limitation on new construction places an extraordinary burden on rural areas where demand for new housing, both homeownership and rental, is overwhelming.

The most recent American Housing Survey reports that between 1983 and 1989 the number of low income renters increased while the number of affordable housing units decreased, leaving 4.1 million low income households seeking safe and affordable rental housing. Since 1970, the gulf between low income families and available housing units and assistance has widened. The report, ``A Place to Call Home,'' places approximately 1.5 million households on waiting lists for public and assisted housing and jurisdiction after jurisdiction has had to close their waiting lists. Households wait anywhere from three months in a few ``soft'' markets to twenty years in New York City for housing assistance.

The Committee is aware that the Department is concerned that participating jurisdiction might choose to build new housing rather than provide housing assistance through rehabilitation or

tenant-based assistance in the absence of the limitations on new construction currently in law. However, the Committee recognizes that states and localities which choose to become participating jurisdictions under the HOME program are required to engage in lengthy and detailed analyses, including public hearings, to determine affordable housing needs identified in their CHAS. This process insures that a jurisdiction's choice of housing options will accurately reflect real need. The Committee does not feel that it is necessary to constrain arbitrarily local choices.

The Committee intends that the HOME program be equally available and useful to all participating communities depending on the needs expressed in the CHAS and not on the limitations imposed by law and therefore the Committee removed the limitations on new construction.

Use of tenant-based rental assistance amounts for security deposits

The Committee bill provides that loans or grants to low- and very low-income families for security deposits are eligible as tenant based rental assistance, even if such assistance is not used in conjunction with a HOME funded rental assistance program. Families could receive security deposit assistance, rental assistance, or both under this provision and are not required to have applied for section 8 assistance or to have received federal preference for assistance.

Currently under HOME only certain broad categories of activities are specifically listed as eligible uses of HOME funds. However, the Committee is aware that HUD has interpreted the list of activities as all inclusive and, in interpretative guidelines, has provided Community Housing Development Organizations (CHDO) from providing security deposits from HOME funds for formerly homeless persons who are moving into permanent housing unless the HOME project provides rental assistance as well.

Further, the Committee is aware that there are a number of other activities that HUD has prohibited because of their very narrow interpretation of the plain language of the statute, including single family owner occupied rehabilitation under the auspices or sponsorship of a CHDO program. The CHDO should not be required to have an ownership interest in a property in order to provide funds. In the case of a single family rehabilitation program, as a sponsor, the CHDO should be required to identify the properties and to design the criteria for such assistance, in the same way as a CDBG agency designs and implements a rehabilitation program. The Committee intends that HOME be a flexible tool for states and localities for designing appropriate housing programs and strategies.

McKinney Act activities for homeless persons as eligible use of investment

The Committee bill amends the HOME program to allow HOME program funds to be used to carry out McKinney homeless activities pursuant to McKinney homeless program regulations. The Committee intends to provide through this provision flexibility to those

communities which have identified within their CHAS the need to address homelessness and to give such communities the ability to use the HUD McKinney homeless program requirements under the HOME program regulations.

#### Per unit cost limits

The Committee bill establishes a per unit cost limit equal to the section 221(d)(3) cost limits, as adjusted annually, for rental housing assisted under the HOME program. It further provides for adjustments up to 140 percent of the per unit limit where costs exceed the national average of construction costs. The bill also disapproves the regulations published at 92.250 of Title 24 CFR in the Federal Register of December 16, 1991 (56 Fed. Reg. 65353) which established different per unit cost limits. The regulation limited per units costs to 67 percent of the section 221(d)(3) limits and required a dollar for dollar reduction of subsidy where HOME funds were combined with low income housing tax credits. The Committee never intended such limitation and reduction in subsidy.

The Committee believes that HUD's approach to fulfilling the statutory requirement for cost limits is particularly restrictive in high cost areas and has rendered some projects infeasible. In theory the combination of the HOME subsidy, the required match and tax credit proceeds per unit would equal total development costs in every participating jurisdiction. However, in practice, wide gaps remain.

As an example, in San Francisco, using HUD's construct in current regulation, for a substantial rehabilitation project of two bedroom units, the cash required to complete each unit is more than five times the match that would be required. For a hypothetical \$100,000 unit, if HOME funds were \$12,856 as would be required under HUD's current regulation, tax credit equity would be \$45,000, \$20,000 would be first mortgage debt, and an additional \$22,144 would be required, of which only \$4,242 would have been required as match.

In New York, the per unit cost limit formula raises additional questions. Typically, all FHA project cost limits are raised 100 percent above the cost limit, with an additional discretionary increase up to 140 percent of the cost limits. Even that increase may not be sufficient for non luxury apartments in New York. However, under the HOME program, HUD has indicated that no discretionary increase will be granted. This provision establishing specific cost limits with automatic increases and overturning the regulations imposed by HUD will clarify the Committee's intent that HUD set realistic cost limits for workable projects.

#### Administrative costs as eligible use of investment

The Committee bill provides that up to 10 percent of HOME funds can be used for administrative purposes by participating jurisdictions and eliminates the provision in existing law that allowed jurisdictions to recognize 7 percent of any CDBG funds contributed for administrative costs as eligible match. The

Committee is keenly aware that the HOME program places extraordinary administrative burdens on participating jurisdictions first to develop the CHAS and then to administer and monitor HOME funds and projects day to day, particularly as revenues decrease and demands for services increase.

Although many participating jurisdictions have allocated CDBG funds to prepare the CHAS, jurisdictions are pushing up against their administrative cap in the CDBG program and many still will require additional funds to administer the HOME program in addition to the 10 percent that will be available under this provision. The Committee recognizes that participating jurisdictions may continue to allocate CDBG funds to the HOME program when necessary even though such expenditures will not be counted as match. The Committee expects that participating jurisdictions may allocate administrative monies to CHDOs from the jurisdictions' administrative monies if requested, so that the CHDO set-aside funds can be used for direct housing costs in the main.

#### Qualification as affordable rental housing

The Committee recognizes that the definition of qualified rental housing under the HOME program conflicts with the definition of affordable rental housing using the low income housing tax credit. The variances as to income eligibility and rent increases preclude the combination of HOME assistance and the low income housing tax credit. It was the intent of the Congress when the HOME program was enacted that the two programs work together. The Committee is concerned that although tax credit projects may be feasible without HOME subsidies, it is less likely that HOME rental projects will be feasible without equity funds contributed by the tax credit proceeds. The Committee intended that the HOME funds would be provided to fill gaps in financing packages and that in many cases would be the glue that made a subsidized rental project hold together. To ensure that the two forms of assistance work together, the Committee bill provides that housing assisted by the low income housing tax credit and conforming to the requirements of the tax credit shall qualify as affordable rental housing under the HOME program.

The Committee also is aware that there is a conflict between rent rules under the HOME program and certain state and local laws, including rent stabilization laws. In New York City, under the HOME program, in certain circumstances, very low income residents could be required to pay rents that are higher than those that would be required under New York's rent control law. The Committee bill makes an exception to the rent rules for state and local laws, requiring families to pay the lesser of the rents under the HOME program and those required under state or local law.

The Committee bill further provides that qualified rental housing can be defined as housing located in certain census tracts which have not more than one third of the units occupied by families at median income paying rents not exceeding 30 percent of the adjusted income of a family earning 80 percent of median income. To balance the one-third of median income families in any one

project and to assure mixed income projects, each project qualifying under this provision must have not less than 10 percent of the project's families earning only 35 percent of median income or less.

This definition of qualified rental housing will ensure that mixed income projects can be built under the HOME program.

#### Resale of homeownership housing

The Committee bill revises the resale provisions related to single family homeownership housing under the HOME program. The Committee is concerned that the resale provisions, which restrict subsequent purchases of HOME assisted single family homes, and HUD's requirement of deed restrictions, will inhibit any use of HOME funds for homeownership. Few lenders, including state housing finance agencies, will agree to a mortgage with a deed restriction which restricts future purchasers to first time homebuyers who are low income.

The Committee is also concerned that such limitations will erode the benefits traditionally associated with homeownership, including equity appreciation. Homeowners not assisted under HOME can sell their homes for as much as the market will bear and to whichever buyer they choose, regardless of the financing or subsidy. The Committee intends that homeowners assisted under the HOME program receive the same benefits.

The Committee recognizes, however, that the HOME funds should remain available for HOME related purposes. Therefore, the Committee bill requires a lien to be placed on any homeownership property assisted under HOME equal to the amount of HOME funds attributable to the property. Upon sale, the lien will be satisfied from the net proceeds of the sale, if any, and returned to the participating jurisdiction for future HOME projects.

#### Matching requirements

The Committee bill establishes a flat matching requirement of 10 percent of the total funds drawn from the participating jurisdiction's HOME Investment Trust Funds in any one fiscal year; provides that publicly issued or borrowed debt and sweat equity are eligible as match; and provides for a non discretionary waiver based on objective criteria of match requirements for particularly distressed jurisdictions.

The Committee has been concerned about the matching requirements since the enactment of the HOME program and the publication of the proposed regulations. Although HOME was intended to be flexible, HUD's interpretation of match requirements in regulation has instead placed rigid rules on participating jurisdictions which neither reflect the original intent of Congress, the jurisdiction's housing needs, the realities of housing development, nor the realities of today's economy.

Establishing a flat match of ten percent addresses the Committee's concern that the three tiered match of 25 percent, 33 percent and 50 percent, depending on the activity, clearly

disadvantages any jurisdiction which has new legitimate new construction needs as defined in the CHAS. The Committee is aware that at issue is what constitutes the appropriate level of match to achieve a partnership between the federal government and participating jurisdictions and whether the federal government should favor one activity over another by setting differing match levels, notwithstanding the housing needs expressed by jurisdictions in their CHAS.

The Committee is concerned that requiring a match any higher than 10 percent would preclude many jurisdictions from participating in the HOME program as they continue to struggle to meet even the most routine and basic costs with ever shrinking revenues as compared to increased demands. And requiring a tiered match which favors tenant-based assistance over substantial rehabilitation and new construction does little to encourage the expansion of the supply of affordable housing in our communities which is the intent of the HOME program as enacted.

The Committee also is concerned about the definition of eligible match. The Committee is aware that under the current HOME regulations, HUD has excluded, from its definition of eligible match, any debt financing unless it is repaid to the HOME fund or is backed by the full faith and credit of the jurisdiction for HOME purposes. The regulations also exclude donated materials and sweat equity. This effectively restricts jurisdictions with active housing finance agencies, including state housing finance agencies, from using their financing for affordable housing as eligible match and precludes self help housing programs from participation even though self help programs are considered model programs.

The Committee bill provides that donated materials and sweat equity and 100 percent of public debt financing that is provided to HOME affordable housing regardless of source of repayment are eligible as match. This will enable jurisdictions and their housing development financing agencies to count as match in HOME projects the debt borrowed or issued for HOME projects. The Committee finds no justification in the argument that debt financing issued or borrowed by a state, locality or their instrumentalities including housing finance agencies, does not represent a true match or commitment to affordable housing, whatever the level.

Although the debt is retired by rental payments or mortgage payments which are used to pay off bond holders and although the repayments are not permanently contributed to the HOME fund, these contributions are no less a match than cash, land, improvements, or foregone taxes. The entities which borrow or issue debt for affordable housing were created in many cases years ago for the express purpose of financing affordable housing.

State housing finance agencies (HFAs) are state chartered, quasi-public institutions that act as instrumentalities of the state with the implicit backing of the state government even though the state is not directly liable to repay HFA borrowings. The Committee intends that the definition of HFAs be broadly

interpreted to include agencies which are separate from state governments governed by their own boards of directors; those that are part of other state agencies, and those that issue debt on behalf of the state such as the Nebraska Investment Finance Authority.

The Committee is acutely aware of the fiscal distress gripping our nation's states and localities. The Committee held field hearings in San Antonio, Texas; Washington, D.C.; Bridgeport, Connecticut; Baltimore, Maryland; Spartanburg, South Carolina; Cleveland, Ohio; Los Angeles, California; and Milwaukee, Wisconsin, and in each location local officials, city employees, economists, and residents painted a picture in excruciating detail about economic decline, fiscal distress, and insufficient revenues to meet the every day obligations of people and governments. Representatives of the League of Cities, the U.S. Conference of Mayors, the National Governors Association, the National Association of Counties, the National Council of State Housing Agencies and the National Community Development Association confirmed the portrait.

The deep and persistent recession has profoundly eroded state and local fiscal capacity. The Appropriations Committee acknowledged that fact when it waived all match requirements for participating jurisdictions for FY 1992. Many who testified before the Committee this year requested a waiver of match for FY 1993 or at least until economic recovery takes hold.

While the law currently provides for a waiver of match requirements at the Secretary's discretion, the Committee bill provides for a non discretionary waiver of all match requirements for participating jurisdictions that are not States, based on objective economic criteria including unemployment greater than 150 percent of the national average; growth in the labor force which is less than 75 percent of the nation's growth; a ratio of tax revenue collected per capita in a jurisdiction and per capita income which is equal to or greater than 150 percent of the average of the same ratio for all participating jurisdictions; poverty rate which is equal to or greater than 125 percent of the national average; and average per capita income less than 75 percent of the average national per capita income.

Although States have raised taxes by \$25 billion and cut spending by \$10.2 billion over the last two years, the Committee recognizes that States have much greater capacity to provide matching funds than do local communities from a variety of sources not available to local communities, including taxes and mortgage revenue bonds. States also have not evidenced quite the same distress overall as have the cities; therefore the Committee excluded States from the non discretionary waiver provisions.

The Committee intends that HUD waive the match requirement for a participating jurisdiction requesting such a waiver if the jurisdiction certifies that it meet three of the five criteria. A waiver would be automatic for a jurisdiction making such a certification. However, in the case of jurisdictions with poverty rates which are 150 percent of the national average or with per capita incomes which are only 50 percent of the national average,

the match automatically would be waived without regard to the other five criteria. The Committee expects that participating jurisdictions would request such waivers yearly, at the time that either the CHAS is updated or at the time that a jurisdiction submits to HUD its program description, which is required 45 days after formula allocations are published.

The data sources for the five criteria are generally accepted and readily available data sources for all participating jurisdictions, from the Census, and the Bureau of Labor statistics, among others. The Committee believes that these criteria will provide an accurate measure of a jurisdiction's fiscal distress and its inability to meet the match requirements imposed by the HOME program. However, the Committee anticipates that with the reduced match requirements and the broadened definition of match provided in this bill, such waiver requests will be few and far between. The Committee still intends that the HOME program represent a partnership between the federal government and participating jurisdictions; however, should match waivers be necessary, they should be automatic. This match waiver procedure will provide predictability and simplicity.

#### Assistance for insular areas

The Committee bill provides for a set-aside of HOME funds equal to .2 percent of appropriated funds or \$750,000, whichever is greater, for the insular areas of four U.S. Territories, including Guam, the Virgin Islands, American Samoa, and the Northern Mariannas. Although the territories were defined as participating jurisdictions, the combination of the formula criteria, the minimum allocation requirement, and the level of appropriations for Fiscal Year 1992 precluded any allocation to the Territories. The Committee is aware that last year, at the end of the first session, the Congress passed a bill under suspension of the rules to provide HOME funds to the insular areas. However, the bill that was enacted established a cumbersome system for allocation of funds, requiring HUD to develop a special formula for the insular areas. The Committee bill is intended to provide predictable funding under a set-aside of funds, like that which is available to Indian tribes, rather than relying on a formula which may or may not guarantee HOME funds to the four Territories which have a critical shortage of affordable housing.

#### Community housing development organizations

The Committee recognizes that there are several roadblocks to successful implementation of the Community Housing Partnerships subtitle under the HOME program. First, the Committee is aware that the definition of a community housing development organization (CHDO) in the HOME regulations may restrict participation in the nonprofit set-aside to a very few nonprofits that are not largely representative of non profits active in housing across the country. The regulations require that to meet the test of significant representation, CHDOs must have at least one third of their board membership comprised by residents of the impacted neighborhood, low income families, or elected representatives of the neighborhood. The Committee is aware that

this particular type of nonprofit can often be found in larger urban settings, such as Boston, San Francisco, Los Angeles, or New York, and in communities where national nonprofit intermediaries operate, but not in many of the communities which are participating jurisdictions or in States and the rural areas.

The Committee is concerned that many nonprofits which would request set-aside funds, but for the restrictive definition, have long and impressive track records in providing affordable housing. If the numerical standard is designed to measure accountability, it can be argued that most of these nonprofits are indeed already accountable to the communities in which they operate and do not need to recreate their boards, charters, or 501(c) status, in order to maintain their accountability to the community. The Committee is concerned that the rigid criteria are particularly inappropriate in rural, multi-county settings where the regulations require representation from each county served.

Although the Committee intends that the CHDO set-aside funds be provided to organizations which are accountable to their low income constituencies, the Committee recognizes that a numerical or percentage requirement for board membership is only one criteria to measure accountability. The nonprofit's track record and experience, evaluations by community residents, and history of service to the community are just as valid indicators of accountability to the low income community as board membership. Therefore the Committee bill prohibits the Secretary from limiting compliance with the definition of CHDO to a single criterion based on the number or percentage of low income board members and from requiring board membership from each county served in the case of multi-county CHDOs.

The second roadblock to implementation is the fact that in many participating jurisdictions there are very few, if any, CHDOs or nonprofits which would be eligible to receive funds under the set-aside, even under an expanded definition of accountability. The Committee is concerned that funds not allocated to nonprofits could be lost to those jurisdictions.

The Committee believes that if CHDOs are to become active participants in the HOME program as is the intent of the CHDO set aside, there needs to be a source of technical assistance and capacity building funding for the creation of CHDOs. The Committee bill provides that up to 5 percent of a jurisdiction's HOME funds (one third of the CHDO set-aside) can be used for technical assistance and capacity building to establish CHDOs. In the event that CHDOs are established, the jurisdiction can retain any unused CHDO set-aside funds for an additional 18 months for CHDOs that were created to invest in affordable housing. In the event that no CHDOs are established the remaining CHDO set-aside of funds will be reallocated within the original 18 month time frame.

Housing education and organizational support grants

The Committee bill expand the eligible entities and activities for education and organizational support grants to include community land trusts and organizations which support women in

homebuilding. The grants are intended to support CHDOs which encourage new investments and strategies for the development of affordable housing.

The Committee is aware that community land trusts provide a promising alternative for providing affordable housing by assembling land for the common good of a community and making it available via a long term land lease for the construction of affordable housing. Typically, the housing built on trust land remains affordable as long as the trust exists as a result of a limited appreciation resale mechanism.

The land trust model, initiated in rural Leesburg, Georgia in 1968, is now established in urban and rural areas of more than 20 states in every region of the country from California, to Minnesota, to Appalachia, to New England. Vermont, alone, has 23 land trusts, including the statewide Vermont Land Trust and the award winning Burlington Community Land Trust. The Institute for Community Economics reports more than 50 requests for information about community land trusts monthly from public officials and private citizens interested in the concept as a means to provide affordable housing.

What is missing are the resources to develop the concept further and to capitalize the formation of community land trusts through the acquisition of land. The Committee bill provides a set-aside of at least 10 percent of the funds allocated to housing education and support grants to be used by CHDOs and fledgling community land trusts for start up costs and the preparation of fund raising and capital formation plans to establish community land trusts.

The grants for women in homebuilding will be used to provide support for CHDOs which provide technical assistance and training to contractors and construction firms to hire women in the construction trades. The training will include both recruiting and hiring of women in the non-traditional construction trades and construction skills training. The Committee is aware of the vast untapped resource among women interested in the construction trades who may be available, if trained, to build affordable housing. Further, it is aware of a number of organizations including Barn Raisers, Inc. of Albany, New York; Hudson Housing Services Corporation of Hudson, New York; Hard Hatted women of Cleveland, Ohio; and the Toledo Old Towne Community Organization and Unions and Neighbors Improving Ohio's Neighborhoods in Toledo, Ohio; that could serve as models for programs or would be eligible for funding under this new provision.

#### Land banks

The Committee is aware that in many participating jurisdictions, particularly in the older and larger cities, the number of neglected, abandoned homes and parcels, many which are tax delinquent or subject to tax foreclosure sales, has skyrocketed. These properties and parcels represent an opportunity for jurisdictions to develop housing strategies to eliminate blight, rebuild neighborhoods, and expand the supply of affordable housing, as well as return revenues to the jurisdictions'

treasuries. One such strategy is the development of land bank which takes title to vacant and abandoned homes and lots and assembles usable parcels for redevelopment as affordable housing.

The Committee is aware of one such urban land bank that was established in Cuyahoga County, Ohio which includes the city of Cleveland. Since 1987 the city/county land bank has initiated 41 projects on multi-parcel sites that were assembled by the land bank. The existing sites will accommodate some 1500 housing units and place millions of dollars on the real estate tax rolls. The development will also serve as a cornerstone of the revitalization of some key downtown neighborhoods. The Committee bill adds the development of land trusts as an eligible activity under the other state and local housing strategies technical assistance provision so that the model developed in Cleveland can be duplicated elsewhere. The bill further provides that up to 5 percent of the funds appropriated for the technical assistance grants to state and local governments shall be used as start up funds for jurisdictions interested in establishing land banks. Such grant funds can be used among other activities to determine how to set up a land bank, to review the problems of tax delinquencies, to plan for assembling properties and subsequent projects, and to determine how to streamline foreclosure procedures.

#### Eligibility of assistance and contents of strategies

The Committee is concerned that the CHAS document required by participating jurisdictions under HOME lacks the means to define clearly the jurisdiction's housing needs and goals with respect to the homeless, displacement of residents, and efforts to reduce poverty. Although the CHAS is to address homelessness, the Committee is aware that no tabular information and data is now required as part of the CHAS. The Committee bill provides that participating jurisdictions must submit tabular representation of information on the homeless.

The Committee bill clarifies that participating jurisdictions must certify that they have in effect an antidisplacement and relocation plan that conforms in all respects to the antidisplacement rules of the Community Development Block Grant program at section 104(d) of the 1974 Act. These rules require suitable replacement of units lost as a result of the expenditure of federal funds. The Committee intends that states and localities should use the HOME program to expand, not reduce, the limited supply of affordable housing and that to the extent that HOME funded projects result in displacement of families, such families be provided suitable replacement housing.

The Committee bill also requires participating jurisdictions to develop an anti-poverty strategy which would describe the jurisdiction's goals, programs, and policies for the production or preservation of affordable housing which could, in concert with the programs of other agencies and organizations, reduce or assist in reducing the number of households with incomes below the poverty line. The Committee bill also provides that participating jurisdictions develop plans and programs in the CHAS for those activities which they control directly beginning

in fiscal year 1994.

The Committee intends that to the extent practicable the contents of the anti-poverty strategy will be coordinated with the plans and programs of supportive service agencies which traditionally have been the agencies looked to for reducing poverty. The Committee recognizes that affordable housing and social services must work hand and glove in the overall effort to reduce poverty; however, the Committee recognizes that adequate funds for social services program levels sufficient to reduce poverty most likely are not available and therefore the Committee does not intend that cities and States be held accountable for reducing poverty on the basis of this anti-poverty strategies in the CHAS.

#### TITLE III-PRESERVATION OF LOW INCOME HOUSING

Since the passage of the Cranston-Gonzales National Affordable Housing Act in 1990 and the enactment of a permanent program to preserve the affordable rental housing stock of projects eligible to prepay their mortgages, the Committee has been deeply concerned about the program's implementation. The program that was enacted in NAHA provides a permanent solution to the difficult issue of prepayment and preservation of HUD assisted housing. It was the result of long and comes arduous debate and compromise. In the end, however, it balances the public policy goals of preserving the affordable rental housing stock for the longest possible time and at the least possible cost to the federal government, protecting tenants subject to displacement and fairly compensating the owners.

The delays and the confusion surrounding the program and the efforts by HUD to rewrite some key elements of the program in regulation have not gone unnoticed by the Committee. The proposed regulations which were issued in May of 1991 provoked more than 250 critical comments including comments from members of this Committee and prompted HUD to revise substantially the interim regulations which are finally issued in March of this year, nearly a year after the mandated deadline.

The Committee is aware that finally, nearly two years after enactment, the first notice of intent have just recently been filed. The Committee is concerned, however, that the progress has begun under regulations, though revised, which still do not comply fully with Congressional intent and may in the end lead to prepayment, loss of the affordable housing stock, or long an protracted court battles. The Committee bill therefore includes provisions which clarify the original intent of the Congress in adopting the permanent program in 1990.

#### Residual receipts and reserve for replacement accounts

The Committee intends that the preservation program be structured to provide fair return to owners whether they sell the properties subject to prepayment or they receive incentives to extend low income affordability restrictions for the remaining useful life of the property. The Committee bill clarifies that the value of the residual receipts will be included in, not deducted from, the determination of value and return on equity notwithstanding

release of such amounts as an incentive. It also provides that the reserve for replacements account be included in the appraised value of the property.

The Committee is aware that including these two accounts in the appraised value of preservation projects may raise the cost of the preservation program and may raise the compensation to the owners. However, the Committee is concerned that not including these accounts which are the rightful property of the owner diminishes the likelihood that owners will receive just compensation and increases the potential for expensive, time consuming, and needless litigation.

#### Submission of information to tenants

One of the primary emphases in the permanent preservation program is the involvement of tenants in the review of notices of intent and plans of action. However, the Committee is concerned that tenants only are receiving ``edited'' versions of notices and plans of action under both the 1987 Emergency Low Income Housing Preservation Act and the 1990 Act. While tenant groups should not have access to information of a proprietary nature, including an owner's financial statement, the Committee intends that tenants, in order to participate in the preservation process, have access to information about the physical and financial condition of the property, including rent rolls, appraisals, and any information provided by HUD. The Committee bill, therefore, requires that tenants receive a copy of the plan of action and any supporting information sufficient to prepare a plan and bid for the housing.

#### Approval of plan of action

In order for the Secretary to approve a plan of action for a prepayment of a mortgage, the Secretary is required to issue a finding that there is a sufficient supply of comparable, affordable housing for the displaced tenants and that the tenants will not be adversely affected by prepayment. The Committee is concerned that the standards and procedures for issuing such a finding, which is central to the preservation program, are not well defined and are not implemented in a consistent manner by HUD field offices. HUD's implementing regulation merely restates the legislative language so that owners have no idea what data may be required or used to support a plan of action for a prepayment, and the availability of data from field office to field office may vary. The Committee also is aware of a prepayment approved in Madison, Wisconsin, in which no clear standards were applied, over the serious objections of state and local housing agencies. The Committee bill requires the Secretary to base the finding on evidence which is documented and verified and requires the Secretary to develop a procedure, by regulation, for determining the finding.

#### Receipt of incentives to extend low-income use

The preservation program is intended to balance the rights of the tenants, owners, and the federal government in preserving the existing affordable housing stock at the least possible cost to the federal government and the taxpayer. However, the Committee

is concerned that the efforts to reduce the cost of the preservation program which the Committee recognizes will be high and may have the unintended effect of denying just compensation to owners. The Congress was careful to establish a reasonable return on equity of 8 percent and expects that the return for both for profit and nonprofit owners, along with the incentives that are approved as part of the plan of action, shall be available for each year after the approval of the plan, not phased in over time as described in the regulations.

The Committee is also concerned that the incentives that are available to owners filing plans of action under the 1987 law be consistent, regardless of the date of filing. The Committee is aware that the Department has approved certain incentives for properties in California with plans of action filed prior to July 16, 1991 and then limited incentives which are authorized in law for plans filed after July 16, 1991. HUD's policy to treat owners of assisted housing filing under the 1987 Act differently depending on the date of filing a plan of action is inequitable and has no basis in law.

#### Elimination of windfall profits test

The Committee bill eliminates the windfall profits test. Although the test was enacted to prevent owners from reaping big profits, the Committee is concerned that any kind of arbitrary test designed to distinguish between communities and properties with future value and eligible to receive incentives and those without value is imprecise, unfair, and unnecessary. The preservation program includes an elaborate appraisal system to determine fair value and it should be sufficient to determine if (and the level of) incentives should be made available to property owners and purchasers. Further, application of the test may cut off regions of the country where there are ``soft markets'' and inadvertently cause abandonments and prepayments. The Committee expects that the appraisals and the review of plans of action will protect against owners receiving windfall profits.

#### Homeownership

The Committee bill amends the resident homeownership provisions in the preservation program to prohibit the Secretary from requiring prepayment of the mortgage and termination of the low income affordability restrictions on projects involving homeownership. The Committee intends that during the transition period from rental housing to homeownership by individual families, the families be protected by the low income restrictions that were available prior to the purchase for homeownership. The Committee anticipates that resident homeownership programs will represent only a small percentage of the preservation program. However, the Committee intends that even that small number should be available to low income families even in homeownership. Should the plans for homeownership programs not be fulfilled, the Congress intends that the tenants should remain protected.

#### Insurance for second mortgage financing and supplemental loans

The Committee bill makes several statutory changes to the FHA section 241 loan programs in order to clarify Congressional intent for purposes of the preservation program. The Committee is aware that under the 1987 Act section 241 loans for acquisition and rehabilitations by non-profit sponsors and for equity had terms of 40 years. Yet in the interim regulations, the Department has provided that section 241 loans will have terms of only 20 years. The Committee is concerned that limiting the loan term will require raising rents and in high cost areas, particularly, will force projects above the federal cost limits. For priority purchasers, the shortened loan term will seriously impact the feasibility of transactions. In the end, the 20 year loan term will force prepayments and contravene the intent of Congress to preserve the affordable rental stock. The Committee bill therefore establishes a 40 year loan term for section 241 loans under the preservation program.

The Committee bill also requires rather than permits the Secretary to combine acquisition and rehabilitation loans and provides insurance for 100 percent of the replacement cost for priority purchasers under the preservation program. Although there will be grant funds and incentives made available to priority purchasers subject to appropriations and the determination of the Secretary, the committee recognizes that the additional insurance is necessary to provide a further credit enhancement for what will be very complicated and risky ventures, notwithstanding the public policy which encourages the participation of nonprofits in preserving the rental housing stock.

#### Delegated responsibility to State agencies

The Committee is aware that the state housing finance agencies have been at the forefront of providing financing for affordable multifamily rental housing and are anxious to become partners in implementing the preservation program. The Committee recognizes that state agencies have developed a strong capacity to review plans of action and underwrite rental housing transactions. In the 1990 Act, the Congress carved out a special role for state agencies with regard to the preservation program to act as delegated processors to review plans of action, transfer proposals, and incentive packages, and to provide risk sharing arrangements under the section 241 loan program.

The Committee is concerned that the Department has not issued clear guidance to implement these provisions and has virtually ignored such a valuable resource, particularly in light of the increased demands on the Department. Several of the larger state agencies, such as the Massachusetts Housing Finance Agency, have already established preservation offices. Massachusetts expects about 30,000 units to be eligible to prepay and to file notices of intent and plans of actions over the next ten years and the agency is more than prepared to process preservation projects' plans of actions. State agencies are also prepared to enter into risk sharing arrangements with FHA which would reduce the potential risks and costs to the federal government in the event of assignments or defaults. The Committee bill requires the Secretary to issue regulations to implement both the state

delegation and risk sharing provisions.

#### Study of projects assisted under flexible subsidy program

The Committee is concerned that projects which have received or are receiving assistance under the flexible subsidy program that might otherwise be subject to the provisions of the Low-Income Housing Preservation Act of 1990 are not eligible for incentives to extend low income affordability restrictions under the preservation program. The HUD regulations have excluded their participation because under the terms of the flexible subsidy program, such properties are locked in as assisted housing for the remaining term of the mortgage. Under such restriction and the regulations, the properties can not be appraised as anything other than assisted housing and would have no additional preservation value on which to base incentives. The Committee is aware that flexible subsidy projects were never included in the cost estimates of the preservation program. Nor were partially assisted section 236 projects, many that were assisted by State housing finance agencies. The Committee is concerned that many of these properties may not be preserved, even with flexible subsidy, for lack of necessary additional funding.

The Committee bill, therefore, includes a provision which requires HUD to submit a report to Congress within a year of enactment of this bill which describes and analyzes the cost of providing incentives to flexible subsidy projects and partially assisted section 236 projects. The Committee expects the report to include any recommendations which the Committee can consider for ways to make these projects eligible for the preservation program, including in the case of flexible subsidy projects repayment of the flexible subsidy assistance prior to filing a plan of action.

#### TITLE IV-MULTIFAMILY HOUSING PLANNING AND INVESTMENT STRATEGIES

The Committee is aware that the HUD assisted multifamily housing stock that is not subject to the provisions of the permanent prepayment/preservation program numbers more than one million dwelling units-most built more than a decade ago. In the urban settings in which many of these properties are located, costs to maintain the housing as safe, decent, and affordable housing have increased as the revenues have stagnated and the market demands have escalated. With the passage of time, the capital repair needs and financial needs of assisted multifamily properties will grow. Each year, the HUD Inspector General's audit and the annual financial statement of the FHA point to weaknesses in the management, physical, and financial condition of assisted multifamily properties and the losses or anticipated losses in the FHA General Insurance Fund.

The Committee believes that there is no systematic or comprehensive way of assessing the capital and financial condition and needs of the assisted housing inventory. The Committee is aware that the Department has implemented a Comprehensive Multifamily Housing Loan Servicing Handbook which places the onus on HUD field office staff to complete certain required analyses of the physical and fiscal condition of each

and every property with HUD insurance. While the goal is commendable, the Committee is concerned that the system may be used to put more and more properties into technical default, simply adding to problems in the FHA General Insurance Fund.

In the long run, these reviews by forcing more properties into foreclosure may end up costing the federal government even more than providing financial assistance and workout assistance necessary to maintain the viability of the properties. HUD's policies and practices with regard to privately owned assisted

housing can be traced in part to real instances of owner and management agent abuse and fraud. However, in those instances, the Committee intends that the Department debar or prosecute the offender and not undermine the operations and management of the non-offending private owners and managing agents through the regulation process. The Committee also is concerned that HUD through its budget requests and regulations or guidelines is trying to clamp down on private owners or to convert properties into tenant management or ownership unnecessarily.

The Committee bill includes provisions to establish the comprehensive physical and fiscal assessment and planning process that will be necessary to preserve the assisted affordable housing stock. It is to be completed by the owners with resident review and the review of state housing finance agencies, if applicable. One third of the covered multifamily properties is to complete an assessment and plan each year so that by the end of fiscal year 1995, all covered multifamily properties will have an approved strategy for preservation. The Secretary will determine the format of the assessment and will have 90 days to approve such assessments. The cost of preparing the strategy will be considered an eligible project expense, not to exceed \$5000 per project. The Committee bill also provides that tenant rents cannot be raised to pay for the strategy.

The Committee intends that the owners update their strategies on a regular basis and that every five years the assessment be reviewed in its entirety. The Committee further intends that the Secretary consider the assessments, if they are completed, when reviewing applications for flexible subsidy, capital improvement loans, section 241 loans, and loan management set aside funds, but that such assistance not be restrictive to applicants which have completed the comprehensive strategies.

The Committee bill also provides specific requirements for assessments to be completed in properties for the elderly under the section 202 of the Housing Act of 1959 and sections, 221(d) (3) and 236 of the National Housing Act and for reports to Congress based on the findings of the assessments. Such assessments should review supportive services and design needs for the elderly in addition to the fiscal and physical needs of the property.

By adding requirements with respect to multifamily housing for the elderly, the Committee intends that the sponsors and HUD plan more effectively for the ``aging in place'' of older residents. Knowledge about the ``aging in place'' of elderly residents is

essential for planning for the capital, modernization, and management costs that will be necessary to forestall institutionalization of elderly residents in assisted housing. Periodic reviews are crucial to adapting facilities over time to address changing resident needs.

#### TITLE v-MORTGAGE INSURANCE AND SECONDARY MORTGAGE MARKET

##### Subtitle A-FHA Mortgage Insurance Program

###### Maximum mortgage amount

The bill amends the maximum mortgage amount that may be insured by FHA to eliminate the current cap of \$124,850 and to provide that a mortgage may be insured by FHA if it does not exceed the lesser of 95 percent of the median area house price or 75 percent of the dollar amount limitation in effect for the Federal Home Loan Mortgage Corporation (FHLMC). A provision ensuring that no area experiences a reduction, by virtue of this amendment, in its maximum mortgage amount applicable as of May 12, 1992, is also included.

The Committee believes that the increase in the maximum mortgage amount in the FHA single family insurance program will maintain the mandate of the FHA program to help moderate income homebuyers as well as first-time homebuyers become homeowners. In many areas, even a median priced home is far beyond the means of many families under the terms of the conventional market, and because of the low loan limit, FHA has been unavailable to help such families become homeowners. The Committee is aware that there are significant disparities in cost among the regions and areas of the nation. Therefore, the bill provides for FHA loan limits which reflect the market conditions for each individual area based on 95 percent of the area median home price. The Committee intends that adjustments for each area will occur on an annual basis to reflect changes in the area median home prices. This change will ensure that the FHA program continues to assist the low and moderate income homebuyers it was created to serve.

The Committee also believes that increasing the loan limit will result in a more stable and more financially viable FHA fund because evidence from actual historical FHA experience indicates that higher loan amounts have lower default rates than lower loan amounts. However, to further ensure that the FHA fund is not exposed to unnecessary risk, down payment requirements have also been amended to require an increased down payment of 10 percent on any FHA insured loan over \$125,000.

The bill makes these changes effective beginning January 1, 1993. Since this change is tied to adjustments in the FHLMC mortgage limit, the Committee believes that this will provide sufficient time for the Department to make adjustments utilizing information which the Federal Housing Finance Board gathers to determine the mortgage limit for FHLMC each year based on national market surveys conducted in October.

###### Study of home warranty protection plans

The Committee bill requires HUD to study the use of home warranty protection plans in the FHA program. Existing law places higher loan-to-value (LTV) requirements on newly constructed homes except where prior FHA approval has been obtained or if there is a home warranty protection plan in place for the home.

The purpose of the prior approval requirement is to ensure that FHA's Mutual Mortgage Insurance (MMI) fund is not exposed unnecessarily to risks from faulty construction. The requirement for prior approval results in FHA inspections of homes during the construction process, including footing and framing inspections. The exception for homes subject to home warranties assumed that either the insurer would perform the same inspection process as FHA or that the insurance coverage would reduce the potential for losses by FHA due to defectively built homes. In theory this exception could work; in practice, however, it has failed in a number of instances as shown by the testimony before the Committee.

The study provided for in the bill will address some of the concerns that have arisen over the use of home warranty protection plans in the FHA program. On October 22, 1991, the Subcommittee on Housing and Community Development held a hearing on this issue. Testimony provided at the hearing documented disturbing tales from homeowners of defective FHA insured homes which were not repaired under the warranty agreement and which were abandoned by owners, thus causing losses to the FHA. The hearing also revealed an arbitration process that leaves homeowners confused and often unable to settle their claims. The study is expected to investigate whether it is in the best interests of homeowners and FHA to continue with the current policy of permitting the use of these warranties in lieu of direct FHA inspections. While the warranty should provide homeowners with protection to cover any costs to repair structural defects that occur-whether or not the builder remains in business-the Committee has found that when a builder does go out of business, homeowners whose homes experience such defects have even greater difficulty in obtaining compensation for needed repairs. Of particular interest to the Committee in this regard is the cost to FHA associated with the inspection process, the inspection process provided by the home warranty companies, and any benefits to the FHA fund and homebuyers that would result from eliminating or retaining the exception.

#### Veteran exemption

Congress acted in NAHA to reform the FHA single family mortgage insurance program to ensure the ongoing actuarial soundness of the program and homeownership affordability. In doing so, the provision in current law which permits lower down payments for veterans was inadvertently eliminated. The provision contained in the Committee bill restores the exemption for such lower downpayment requirements.

#### Prohibition on limitation of closing costs financed

The Committee bill includes a provision that would prohibit the Secretary from imposing any percentage or amount limitation on

the amount of closing costs that can be financed into the FHA-insured mortgage. This provision eliminates an unnecessary limitation adopted by the Secretary. The Committee is concerned that adverse selection is occurring as a result of this regulatory limitation, weakening the actuarial soundness of the Mutual Mortgage Insurance (MMI) fund.

In NAHA Congress acted to ensure the MMI fund's actuarial soundness and maintain FHA's traditional public purpose of providing homeownership opportunities to low and moderate income homebuyers. The enacted reforms include: (1) requiring minimum equity from homebuyers of 1.25 percent for loans below \$50,000 and 2.25 percent for loans above \$50,000; (2) requiring a capital ratio of 1.25 percent in the FHA MMI fund within 24 months of enactment of NAHA and establishing a long-term goal of a capital ratio of 2 percent; and (3) changing the insurance premium structure over time from a one-time up-front insurance premium of 3.8 percent, to an up-front premium of 2.25 percent and an annual risk-based insurance premium of 0.50 percent for a varying number of years, based on the borrower's loan-to-value ratio.

The enacted FHA reforms did not provide explicit authority for the Secretary to limit closing costs. Since lack of homeowner equity is generally agreed to be the biggest determinant of default, the higher minimum equity requirement ensures that new borrowers have adequate equity to prevent defaults and the Committee believes that the additional limitation upon closing costs included by the Secretary is unnecessary to protect the MMI.

In implementing these NAHA reforms, HUD also imposed, by regulation, a limitation of 57 percent on the amount of closing costs that could be financed. This additional requirement means that a homeowner has to provide additional cash at closing for the closing costs that could not be financed. The majority of the Committee believes that this HUD-imposed regulatory requirement was not part of the reform package included in NAHA and is unnecessary to ensure the actuarial soundness of the MMI fund. The NAHA reforms have ensured that future FHA borrowers will have sufficient equity in their homes to prevent defaults.

#### Prepurchase counseling requirement

The Committee, as part of its ongoing efforts to ensure the long-term stability of the FHA MMI fund, has included in Titles I and V of the bill provisions to require any FHA-insured purchaser seeking a mortgage with a loan-to-value ratio of equal to or greater than 97 percent to complete an approved housing counseling program before FHA mortgage insurance is executed.

The Committee believes that this housing counseling requirement will significantly reduce the number of claims against the FHA single family insurance fund. Historical claim data from FHA indicates higher claim rates for loans with high loan-to-value ratios. The Committee intends that the required housing counseling provide the potential FHA insured purchaser information on financial management and the responsibilities involved in homeownership, fair housing laws and requirements,

the maximum mortgage amount that the homebuyer can afford, and the options, programs, and actions available to the homebuyers in the event of actual or potential delinquency or default. This information will better prepare the homebuyer for the responsibilities of homeownership and decrease the likelihood of a default and subsequent claim against FHA insurance.

The Committee bill provides the Secretary with discretion to waive this housing counseling requirement. The Committee intends that such discretion will be exercised in at least two circumstances. First, the Secretary may waive the requirement for purchasers who do not have access to an approved housing counseling program. While the Committee expects HUD to make every effort to make approved housing counseling programs available for all the 97 percent or greater LTV purchasers, it is likely that such services may not be available to all such homebuyers. Second, where a purchaser is required to complete a housing counseling program but does not wish to do so, the Committee intends that while the direct endorsement lender could not process the loan, HUD at its option could review such a loan and, if circumstances warrant, grant a waiver loan.

To ensure that the required housing counseling will be available, the Committee recognized that an increase in appropriations and technical changes to the housing counseling provisions of section 106 of the Housing and Urban Development Act of 1968 (P.L. 90-448) would be necessary. These changes are contained in Title I. Due to budgetary constraints the funding levels for section 106 are less than desirable, but the Committee will continue to work to ensure that this cost effective program is fully implemented.

The Committee bill amends the list of priorities of section 106 to include those agencies which serve areas that have a history of a high incidence of 97 percent LTV FHA-insured mortgages. This change ensures that these critical housing counseling funds are directed to areas of highest need.

The Committee bill also amends the requirement in section 106 for a toll-free housing counseling number to require that the information regarding the availability of housing counseling be updated at least annually. This update will ensure that timely information sufficient to meet the housing counseling requirement for 97 percent LTV FHA borrowers and the ongoing needs of housing counseling clients is provided on the toll-free telephone line. The Committee believes that the operating and maintenance costs of the toll-free housing counseling information line are significantly lower than the original start-up costs and, therefore, has reduced its authorization to \$379,600 to reflect these lower costs.

Authority to decrease premium charges

The Committee bill includes an amendment that ensures that FHA retains authority to charge lower insurance premiums than those specified in statute. Historically, FHA has allowed insured borrowers with shorter term mortgages to pay a lower insurance premium than that paid by borrowers with a standard 30 year

mortgage. The Committee believes that a lower insurance premium makes sense for mortgages of less than 30 year terms because the risk to the FHA fund is lower than for standard mortgages. When the 1990 FHA reforms were enacted, authority to charge lower insurance premiums than those specified in statute was unclear. This technical amendment clarifies that FHA retains such authority.

#### Statute of limitations for distributive shares

Borrowers who pay off their FHA insured mortgage are able to apply to FHA for any distributive share that they may be eligible for, regardless of how long a period may have lapsed since they paid off their mortgage. This has put an undue burden on the Department, which must then track down the records of the borrower, sometimes over a decade after the borrower has left the FHA program. The provision contained in the Committee bill would provide a 10-year statute of limitations for a borrower to apply for any distributive share that he or she may be eligible for. This provides sufficient time for the borrower to apply without imposing an undue burden on the Department to maintain records indefinitely. The Committee recognizes that until the MMI fund becomes actuarially sound, distributive shares have been suspended.

#### Multifamily mortgage limits

The Committee bill increases by 20 percent the mortgage limits in several FHA multifamily programs. Multifamily mortgage limits have not been changed since 1987. The high costs of building and developing multifamily housing have increasingly made such development almost non-existent, particularly in areas such as New York City. The increases stipulated in the Committee bill are indexed to the Consumer Price Index for annual adjustments which assures that the mortgage limits will continue to assist high cost areas in providing much needed multifamily housing.

#### FHA operating loss loan

The Committee bill contains a provision to revise the current HUD policy on the calculation of operating loss loans under section 223(d) of the National Housing Act. Section 223(d) provides that certain projects may obtain FHA insurance for a loan to cover operating losses that occur in the first two years of the project. The purpose of the operating loss loan program is to return to project owners any capital contributions, made in the first year or two of project operation, to cover the deficit between project income and project expenses. The operating loss loan is made only if, and to the extent that, HUD finds that project income can now or in the near future support the increased debt service resulting from the loan. The program also is used sometimes by HUD to prop up a temporarily troubled project, where owner contributions have been exhausted but the project is expected to become viable, in order to avoid assignment of the mortgage to HUD.

In August 1989, HUD began informally communicating to some of its field offices a change in its longstanding policy of calculating

an operating loss loan based on the full amount of a project's operating loss during the first two years of a project's life without regard for any contributions made by the owner to cover such losses. Under the new policy, HUD subtracts from the operating loss the amount of any initial operating deficit reserve established by the owner and required by HUD at the time the mortgage was insured. The provision in the Committee bill would restore HUD's prior interpretation of the calculation of operating losses in accordance with the original legislative intent.

This amendment does not change HUD underwriting requirements for an operating loss loan. HUD still must determine that the loan can be repaid out of project income. It does restore fairness and stability to the multifamily programs and reaffirms a prudent congressional and administrative policy of two decades that encourages the contribution of capital by owners to projects in their troubled early years and avoids unnecessary mortgage assignments and claims on the insurance funds.

#### Eligibility of assisted living facilities for mortgage insurance

The Committee recognizes that assisted living facilities are rapidly coming into widespread use to serve the needs of frail elderly persons. To support these efforts, the Committee bill includes a provision that defines and makes eligible for mortgage insurance under section 232 of the National Housing Act (P.L. 73-479), assisted living facilities. This provision complements the current law in section 232 which provides mortgage insurance for nursing homes, intermediate care facilities, and board and care homes.

#### Multifamily housing mortgage insurance field office staff

The Committee bill authorizes \$100 million to be used by HUD for staff in HUD's regional, area, or field offices. The Committee is concerned about the current lack of staff available at the Department to review, process, approve and monitor multifamily insured projects. The Committee believes that this proposed staff increase should enable HUD and FHA multifamily staff to process an additional 107,000 units of affordable rental housing which would generate approximately \$8.6 billion in construction activity and an estimated 170,036 jobs. The Committee believes that the lack of staff and staff expertise at HUD in its FHA offices around the country has hamstrung multifamily housing activity, both new construction, rehabilitation, preservation and management. This provision would provide HUD with approximately 2,000 full time employees in the field.

#### Expediting insurance for acquisition of RTC property

The Committee has been frustrated by the delays experienced by those attempting to obtain FHA multifamily mortgage insurance. It has been particularly difficult for potential purchasers of RTC properties. Part of the decision of who wins the bid on an RTC auctioned property is based on how quickly the deal can be closed. Since the FHA multifamily insurance processing takes so long, purchasers who would require FHA underwriting are often

denied winning bids on RTC properties. These purchasers are often nonprofit developers who intend to use the properties to serve low income persons. This provision would require FHA to establish an expedited procedure for considering such applications.

#### Energy efficient mortgage pilot program

The Committee is convinced that substantial increases in energy efficiency can be achieved in the housing constructed in this country, that lending programs must be structured to make it easier to finance energy efficient improvements to housing and that greater energy efficiency will make housing more affordable for homeowners and renters.

The energy efficient mortgage pilot program contained in the Committee bill is designed to provide the Department with 2 years of experience implementing this program on a limited basis (in 5 states) before full implementation nationwide occurs. This pilot program permits FHA to exceed its maximum loan amount by the amount of the energy efficient improvements. Cost effective energy efficiency improvements are improvements that do not exceed the greater of 5 percent of the value of the dwelling (not to exceed \$8,000) or \$4,000. The provision requires mortgagees and lenders to notify FHA homebuyers of the availability and benefits of the pilot program. All FHA insurance applicants must sign a statement stating that they have been informed of the program and understand its benefits and procedures. The Secretary is required to submit to Congress within 18 months of enactment, a report describing the effectiveness and implementation of this pilot program, including an assessment of the potential for expanding the pilot program nationwide. The Committee intends that this pilot program will be expanded nationwide unless the Secretary finds cause to recommend otherwise.

This initiative is in addition to previous energy efficiency initiatives that Congress has directed HUD to implement which will contribute to our efforts to reduce a family's annual heating and cooling costs and to make their total housing costs more affordable.

In particular, section 109 of NAHA requires HUD to incorporate standards that meet or exceed the CABO Model Energy Code requirements into construction standards applicable to HUD assisted and FHA insured housing. The CABO-MEC requirements were developed through a voluntary consensus process involving the private and public sectors and are usable immediately. In addition, research has shown that adoption of the 1989 CABO-MEC is cost effective for consumers. HUD should implement these requirements-and the new energy efficient mortgage pilot program-without further delay.

#### Title I manufactured home loan insurance limits

The Committee bill links increases in the maximum mortgage amounts for manufactured homes to the levels allowable under the section 203(b) single family FHA mortgage insurance program. Because the Committee bill indexes the section 203(b) program loan limits to the flexible, annually adjusted index, the Federal

Home Loan Mortgage Corporation loan limits, this linkage ensures that the manufactured home loan insurance limits will be adjusted to reflect changing market conditions.

#### Subtitle B-Secondary Mortgage Market Programs

##### Ginnie Mae interest payments

The Committee bill authorizes, but does not require, the Government National Mortgage Association (GNMA) to absorb the costs of reduced interest payments for persons in the military that have their interest rate on their mortgage reduced under the provisions of the Soldiers and Sailors Relief Act. Currently, the law only requires that the payments of interest by an active military person be reduced, but does not specify who or what entity must absorb the reduction. When the Desert Storm military conflict arose and the interest reduction was in effect for active military personnel, the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation announced that they would absorb such interest reduction costs. Apparently, GNMA did not believe that it had the authority to do likewise. This provision provides such authority.

#### TITLE VI-HOUSING FOR ELDERLY PERSONS, HANDICAPPED PERSONS, AND PERSONS WITH DISABILITIES

##### Subtitle A-Supportive Housing Programs

In this subtitle, the Committee reauthorizes existing housing programs for the elderly, the handicapped and the disabled including the section 202 supportive housing for the elderly, the section 811 supportive housing for persons with disabilities, the Congregate Housing Services Program, and HOPE for Elderly Independence and the AIDS housing program. it also makes necessary program changes.

##### Supportive housing for the elderly

The Committee bill authorizes for appropriation \$685.4 million for capital advances and \$765.7 million for project rental assistance for FY 1993 for supportive housing for the elderly. It also reinstates a loan reservation for a project sponsored by the Torrington, Wyoming, Volunteers of America for the purposes of conversion of such project to the capital grants program under the supportive housing for the elderly program, the new section 202 program. The Committee believes that this project had been unfairly cancelled and denied the right to convert from the old section 202 program to the new program.

In enacting the new section 202 program, the Congress recognized the need to coordinate supportive services with housing for the elderly, particularly since many elderly residents will "age in place." The Committee is aware that similar needs exist in the properties developed under the old section 202 program and that sponsors have access to funds to provide such supportive services through residual receipts accounts, if it were permissible. Many of the old section 202 projects have built up considerable residual receipts which could be used to fund service

coordinators, supportive services, and retrofitting as is eligible under the congregate housing services program. As the elderly `age in place,' these needs become critical. Therefore the Committee bill authorizes the Secretary to provide housing sponsors access to residual receipts in excess of \$500 per unit to cover the cost of supportive services, coordinators, and retrofitting.

The Committee expects the Secretary to scrutinize carefully any expenditures under this provision through the sponsor's annual project financial statements. The Committee expects the Secretary to encourage sponsors to expend excess residual receipts for these purposes, to the extent practicable and necessary. Further the Committee intends that to the extent that sponsors do not expend excess residual receipts for these purposes, the Secretary may adjust rental assistance for projects accordingly.

#### Elder cottage housing opportunities demonstration (ECHO)

The Committee is aware that the Cranston-Gonzalez National Affordable Housing Act (NAHA) authorized the Secretary to carry out a demonstration of ECHO housing under the section 202 program which the Department has steadfastly refused to implement. Instead, the Secretary has suggested that the units can be purchased and put on sites under the FHA manufactured housing insurance program. The Committee continues to believe that ECHO units can be used successfully particularly in rural areas where non profits could assemble ECHO units and set them up on lots for elderly and disabled to be close to or in the back yards of their families.

The Committee bill builds on the ECHO demonstration program provided in section 806 of NAHA and authorizes a demonstration of 200 units, 100 under the section 202 program, Supportive Housing for the Elderly, and 100 under the section 811 program, Supportive Housing for Persons with Disabilities, with such sums as may be necessary for capital grants and operating assistance to carry out the demonstration. The demonstration should be structured to determine the feasibility of including as eligible development costs under the two programs the costs of purchasing and installing ECHO units and whether or not ECHO units are durable enough to last over the initial 20 year period of affordability required under the programs.

The Committee intends that the demonstration determine what the necessary level of reserves for replacement of ECHO units should be based on the useful life cycle of ECHO units. The Committee expects that the demonstration would suggest the appropriate line items of the capital grant development budget for ECHO units and that the budget would be substantially different from a typical capital grants budget. The Committee is aware that it may include such items as installation costs, building of pads, transporting of ECHO units as well as replacement units which may reduce the ECHO units that are provided initially to eligible seniors or persons with disabilities under the demonstration.

#### Supportive housing for persons with disabilities

The Committee bill authorizes for appropriation \$281.8 million for capital advances and \$325 million for project rental assistance in fiscal year 1993 for the supportive housing for persons with disabilities program.

#### Revised congregate housing services program

The Committee bill authorizes for appropriation \$27 million for revised congregate housing services program, including funds for the continuation of grants under the old congregate housing services program. The Committee is aware that the Secretaries of HUD and Agriculture have yet to issue regulations to implement this new and expanded congregate housing services program and in fact the Secretary of HUD has asked the Congress to rescind funds appropriated for the new program the last two years. Congress has denied the rescission requests.

The Committee expects the Secretaries to implement this program, rather than fail to do so by refusing to promulgate regulations. The Committee bill requires the Secretaries to issue interim regulations for effect within 45 days of enactment, including a 15 day prepublication review period for the Congress. It further requires issuance of final regulations 90 days after publication of the interim regulations and provides for a 60 day public comment period.

The Committee is aware that this timeframe for regulations is short; however, the departments already have had nearly two years to write regulations for a program which this Committee believes can be critical to preventing the premature institutionalization of frail elderly residents of public and assisted housing who are aging in place.

#### HOPE for independence of elderly persons and persons with disabilities

In the Cranston-Gonzalez National Affordable Housing Act, the Congress established a demonstration program, HOPE for elderly independence, which provides community based continuing care for frail elderly residents with tenant-based housing assistance. Administered by the public housing agencies, this program provides section 8 rental assistance and supportive services to frail elderly residents in their own homes, which are typically scattered throughout a community. The Committee bill authorizes for appropriation separate section 8 assistance of \$36,920,000 and funding for supportive services of \$10,816,000 to carry out this demonstration. The bill also ensures that any demonstration that is initiated will be carried out over a full five year period.

The Committee recognizes that this demonstration could be successfully adapted for persons with disabilities and that such an adaptation could provide alternative living arrangements for persons with disabilities to public and assisted housing for the elderly. Persons with disabilities and their representatives have long advocated for ``mainstreaming'', providing housing throughout the community rather than in segregated facilities. At the same time the advocates have lobbied for supportive services

for persons with disabilities to protect against institutionalization and promote independent living. The Committee intends that the benefits of this HOPE program be extended to persons with disabilities. The bill therefore makes persons with disabilities eligible to participate along with the frail elderly and renames the program as HOPE for Independence of Elderly Persons and Persons with Disabilities.

#### Housing opportunities for persons with AIDS

Authorizations.-The Committee has learned that since the Housing Opportunities for Persons with AIDS provision was first enacted under Title VIII, Subtitle D of NAHA, the number of cases of people with AIDS has doubled. The lack of affordable and appropriate housing for persons with AIDS and their families has become an acute crisis within the overall AIDS crisis. The Committee notes that the housing problems for persons with AIDS arise in a number of ways. Despite federal and state anti-discrimination laws, many people with AIDS face eviction from their homes when it is discovered they have AIDS. Many others lose their housing when, as a result of illness and lost wages, they become unable to pay rent or mortgage payment. Some persons with AIDS had no homes to begin with and lived on the streets; once ill, they shuttle back and forth between acute care hospitals and shelters, at an enormous cost to their health and to the taxpayers. Children with HIV may spend their short lives in acute care hospitals because there is no adequate housing for them and their families. Women with AIDS, especially those who have children, often find themselves barred from the few AIDS residential programs that do exist.

The Committee finds that the need for the housing opportunities provided by the AIDS Housing Opportunities Act is critical. Therefore, the Committee has amended section 863 of NAHA to authorize \$162.8 million for FY 1993 for the AIDS housing program.

The Committee has also made numerous programmatic, clarifying and technical amendments to the AIDS housing program created in 1990 in order to make it better serve those persons with AIDS. These amendments are discussed below.

Definitions.-The Committee bill amends the definition in section 853 of NAHA to clarify how grants are to be awarded and distributed under this Act. The Committee believes that it was unclear from the statutory definitions of the terms ``recipient'', ``applicants'', and ``grantees'', and from the use of these terms throughout the statute, who should receive and distribute grant funds and who should actually use the grant funds to implement eligible program activities. The Committee bill also adds definitions of ``city'', ``eligible person'', ``nonprofit organization'', and ``project sponsor'' to this section to provide necessary clarification for the implementation of the housing activities provided under the AIDS housing program.

The Committee bill amends the definition of ``applicant'' in section 853(2) of NAHA to clarify that nonprofit organizations

eligible to receive assistance under the program may also be applicants for grants under the program. The Committee believes that it is essential that the critically needed housing opportunities provided by this program be implemented, and thus, the Committee encourages nonprofit organizations to apply for funds under this program if the governmental jurisdictions otherwise eligible to apply for funds are unable or unwilling to do so.

Grant eligibility and allocation.-The Committee bill amends section 854 of NAHA to clarify that units of local government and nonprofit organizations are eligible for grants under this program. The Committee bill adds Section 854(b) to clarify how eligible activities under this program shall be implemented by specifying that grantees shall carry out eligible activities through contracts with project sponsors. The Committee bill further adds a new definition of ``project sponsor'' as referenced above to section 853 to provide that a ``project sponsor'' is a nonprofit organization or housing agency of a State or unit of general local government.

The Committee believes that this provision will make it clear that grant checks are to be disbursed by HUD to the chief elected official in an eligible city, who will then be responsible for seeing that funds are distributed to project sponsors to implement the grant activities. The committee believes that this change will make grant disbursement administratively easier. The Committee notes, however, that entities receiving program funds should collaborate with the relevant State and local service agencies in the jurisdiction and with other public and private organizations and agencies that provide services to people with AIDS to ensure that grant funds are used in the most appropriate, effective and efficient manner to provide housing opportunities for people with AIDS.

The Committee bill, similarly, adds a new section 854(f) to clarify that while formula grants to eligible cities in a metropolitan statistical area are to be made to the city itself, the Secretary must ensure that the grant amounts will be allocated among eligible activities in a manner that addresses the needs of the entire metropolitan statistical area, not just the needs of the city receiving the grant check.

The Committee bill further amends section 854(c)(1) to require HUD, in making its determination of which cities and States are eligible for grants under the formula allocation, to reference the number of cases of acquired immune deficiency syndrome (AIDS) reported to and confirmed by the Director of Centers for Disease Control of the Public Health Service as of March 31 of the fiscal year immediately preceding the fiscal year for which the amounts are appropriated and allocated.

The Committee bill amends section 854(c)(3) to clarify that 10 percent of program funds are not to be distributed through the formula but rather are to be allocated among cities and States that are ineligible to receive grants under the formula because the number of reported AIDS cases in these jurisdictions do not meet the threshold set out in the formula. The Committee

reiterates its intent that HUD under this 10 percent set-aside is to fund special projects of national significance to States, units of general local government, and nonprofit organizations.

Limitations on spending for activities.-The Committee bill amends section 855(6) of NAHA to clarify that program funding for any additional activities other than those contemplated in section 855 (1) through (5) should be developed and carried out by HUD in cooperation with eligible States and localities under this program and shall be provided solely through the 10 percent non-formula allocation.

Prohibition of fees.-The Committee bill amends section 856(d) to clarify that program recipients of grant funds shall agree that no fees other than those expressly required under the program shall be charged to any eligible person for any housing or services funded with grant amounts.

Administrative expenses.-The Committee bill amends section 856(g) of NAHA to address administrative costs by limiting grantees to not more than 3 percent of grant funds for administrative costs related to administering grant amounts and by limiting project sponsors to not more than 7 percent of grant funds for administrative costs related to carrying out eligible activities, including the costs of staff.

Short-term supportive housing and services.-The Committee bill amends section 858 of NAHA to clarify that supportive services may include technical assistance to enable eligible persons to access benefits and services for the homeless provided by federal, state and local governmental agencies and programs.

The Committee bill further clarifies that grant amounts may be used for operating costs such as the costs of security, operation, insurance, utilities, furnishings, equipment and supplies. The Committee believes that allowing grant funds to be spent on operating costs will ensure that persons with AIDS have continuous access to permanent housing.

The Committee bill clarifies that HUD may only waive the time limits otherwise applicable to residency in short-term housing if the project sponsor demonstrates that it has made a good faith effort to acquire permanent housing and has been unable to do so. The Committee intent is to clarify that the provision of short-term housing is not meant to replace the establishment and provision of permanent housing for eligible persons.

The Committee notes that current law under section 858(b)(2)(A) prohibits the housing of more than 50 families or individuals in any short-term supportive housing facility assisted with amounts from a grant under this Act. The Committee created this restriction as an absolute ceiling on the number of residents in such a facility. This ceiling amount is set to encompass short-term housing facilities in the largest cities that may be receiving funds under this act. The Committee, however, believes that it would not be appropriate to house this many people in a short-term facility in a smaller city. The Committee expects that both HUD and grantees will recognize that it would violate the

intent of this Act to use grant funds to create overcrowded short-term facilities to ware-house people with AIDS.

Rental assistance.-The Committee bill strikes the term ``short-term'' from the title of section 859 of NAHA to clarify that grants under this section are for rental assistance related to permanent housing. While this Act does provide for short-term housing opportunities, the Committee establishes the goal of the Act an increase in level of permanent housing available to people with AIDS and their families.

Community residences and services.-The Committee bill amends section 861(c) of NAHA to clarify that grants for community residences and services may be used for community outreach and educational activities regarding AIDS and related diseases. The Committee believes that this provision is necessary because prejudice, fear and stigma around AIDS have led to discrimination against persons with AIDS in housing. For example in a recent case in Connecticut, the Stewart B. McKinney Foundation was forced to file suit against zoning officials in the town of Fairfield, who had required a ``special exception'' to zoning requirements to establish a residence for up to seven homeless AIDS persons. The zoning officials and the town residents expressed hostility to the proposed residence. A federal court issued an injunction preventing the zoning commission from requiring the ``special exception'' finding by stating that `` i t is clear to the court that it was the HIV status of the prospective tenants that motivated much of the opposition to the home'' and that ``given the extreme fear the HIV virus engenders and the misconceptions held by so many, to allow the Town to impose a requirement that has the effect of holding handicapped people up to public scrutiny in a way that non-handicapped people are not is to violate the purpose of the Fair Housing Act.''

Eligibility of families.-The Committee bill amends the definition of persons eligible for assistance in order to clarify that persons eligible for housing under this program include not only persons with AIDS and related diseases, but their families as well. The Committee believes that persons with AIDS and related diseases should not have to be separated from their loved ones in order to get program assistance.

Regulations.-The Committee bill requires HUD to submit to Congress a copy of proposed interim regulations that implement the provisions under Subtitle D, Housing Opportunities for Persons with AIDS, of NAHA within 30 days of the enactment of the Committee bill and requires HUD to publish these interim regulations within 45 days from the enactment date with the regulations to take effect upon publication. The Committee is pleased that HUD recently released the proposed interim regulations for the AIDS program and now wishes that the Department fund AIDS housing projects as quickly as possible. The Committee bill also requires HUD to issue final program regulations within 90 days after the publication of the interim regulations.

Nevertheless, the Committee is extremely concerned that regulations implementing this Act were still not issued by the

date that the Committee considered this housing reauthorization bill, almost three years after the AIDS program was originally enacted in NAHA. The Committee believes that HUD's delay in issuing regulations necessary to implement this program has prevented persons with AIDS and their families from receiving the housing opportunities that Congress intended them to receive when it passed NAHA in 1990. The Committee finds that the delay in implementing the program is unacceptable. Thus, it is necessary to require HUD to act with all due speed in ensuring that regulations are issued and funds dispersed to meet the critical housing needs of persons with AIDS and their families.

SUBTITLE B-AUTHORITY FOR PUBLIC HOUSING AGENCIES TO PROVIDE DESIGNATED PUBLIC HOUSING AND ASSISTANCE FOR HANDICAPPED AND DISABLED FAMILIES

The Committee is aware that with the increase in early deinstitutionalization, the increasing numbers of mentally disabled who are not entering hospitals, the broadened definition of disability to include alcohol and drug abusers, and the lack of affordable housing, the number of younger disabled persons in public and assisted housing which once housed only the elderly has grown significantly. Some of the elderly residents and elderly advocacy groups are expressing fear of such ``mixed'' populations and advocating ``elderly only'' housing where elderly residents can live among peers with similar lifestyles. The PHAs say the mixed populations can be disruptive and difficult to manage without resources and services. At the same time, the advocacy groups for the disabled fear that any change in current housing policy unfairly will deny persons with disabilities decent, affordable housing opportunities or result in resegregating persons with disabilities.

The Committee recognizes the urgency in providing an equitable and realistic public policy with regard to the mixing of elderly and non elderly disabled in public housing. As early as 1988, the Appropriations Committee requested that HUD complete a study about the issue by May, 1989. This Committee joined with the Appropriations Committee in prodding HUD to complete the study during consideration of the housing bill in 1990. HUD's report was finally released in January of last year. Pursuant to a Senate Appropriations Committee request, the GAO has issued a draft report on the same topic. The Committee is concerned that neither study provides concrete recommendations for changes in the law or in the regulations and both were based on incomplete, outdated, and anecdotal evidence.

The Committee believes that the problems derive in part from the legal definition of elderly which includes the disabled, and are complicated by the Fair Housing Amendments of 1988, section 504 of the 1973 Rehabilitation Act, and the Age Discrimination Act. Because elderly and disabled are defined together and because of the federal preferences for public housing, the Committee recognizes that HUD occupancy guidelines require housing authorities to provide housing to elderly and disabled families in the same projects, typically the high rise buildings that were originally developed for elderly residents. The Committee is aware that practical considerations also effect decisions to

provide mixed housing that most one bedroom units occur in housing for the elderly, not family housing.

The Committee has conducted legislative hearings in Washington, D.C., and in Milwaukee, Wisconsin, to receive testimony from interest groups, public housing authorities, assisted housing managers, advocates for the elderly and persons with disabilities, and residents of public housing in an effort to consider all the issues surrounding mixed populations. The Committee is aware that problems arising from mixed populations have been particularly acute in Milwaukee and in Boston, where many of the buildings that were designated from the elderly are now housing large numbers of non elderly persons with disabilities and the waiting lists are comprised of many disabled among fewer and fewer elderly. According to the GAO draft report, although the non elderly disabled now comprise only 8 to 10 percent of public housing for the elderly, they make up 50 percent of the new admissions to public housing.

The Committee has received testimony which reflect a wide range of positions on the issue from segregating the two populations to total ``mainstreaming'' which is currently the case in many PHAs for fear of violating fair housing laws. Those who advocate designated, separate housing also advocate funding to provide alternative living arrangements for persons with disabilities. In between are those who say that with appropriate services and service coordinators, particularly to make sure that non elderly disabled residents continue prescribed medication and outpatient treatment, and appropriate screening and eviction policies, the non elderly disabled can be well integrated into any housing setting. The Committee bill balances the various positions to provide a comprehensive approach to the issue of mixed populations in public housing.

Definitions.-The Committee recognizes that the first step in eliminating the confusion about whether housing authorities can or cannot provide designated or separate housing opportunities for elderly residents and non elderly disabled residents is to change the definition of ``elderly families'' in section 3 of the 1937 Act. The Committee bill strikes the current definition which combines elderly and disabled families in one term and defines families as single persons who are either elderly, disabled, handicapped, displaced, the remaining member of a tenant family, or any other single person. The new definition retains the prohibition against providing any other single person a housing unit of 2 or more bedrooms, and gives preference to single persons who are elderly, disabled, handicapped, or displaced before any other single person.

The Committee bill defines families in the case of elderly, near-elderly, disabled, or handicapped families as families whose heads or spouses, or sole members are elderly, near-elderly, disabled, or handicapped and includes 2 or more elderly, near elderly, disabled, or handicapped individuals living together or on such individual living with a caregiver. The bill retains the definition of elderly person as a person who is at least 62 years of age; the definition of a person with disabilities; the definition of handicapped person; the definition of displaced

person; and the definition of near-elderly person as a person between 50 years of age and 62 years of age.

#### Authority

Designation-The Committee recognizes that the second step in addressing the dilemma posed by mixed populations is to permit a PHA to designate housing for separate or mixed populations within certain limitations that ensure that no resident of or applicant for public housing is discriminated against or disadvantaged in any way. The Committee bill authorizes PHAs to designate housing for certain populations as long as the needs of all eligible populations are addressed to the extent practicable in an allocation plan. Within the types of families for which housing is designated, the Committee requires that federal preferences for occupancy are observed.

Near-elderly.-The Committee bill retains eligibility for near-elderly families, those between 50 and 62 years of age, in the event that there are insufficient elderly residents to occupy a project or portion thereof that has been designated for occupancy by elderly families only. The Committee continues to believe that mixing elderly and near-elderly populations provides a supportive environment for both groups.

Vacancy.-In providing authority to designate projects, the Committee does not intend to encourage or permit extended vacancies simply to achieve or maintain designations. However, the Committee is aware that designating projects or portions thereof for the elderly, handicapped or disabled may create temporary vacancies. The Committee bill permits PHAs to leave units vacant for a maximum of 60 days before admitting for occupancy families who are not of the type for whom the project is reserved. The Committee expects that this requirement apply to units that are ready for occupancy, not to those that are badly damaged or in need of modernization, otherwise uninhabitable, or unable to be readied for occupancy in less than 60 days. In such cases, the 60-day period should run from the time the unit is available for occupancy.

The Committee is aware that, in many cities, the fact that housing that was once considered housing for the elderly is now occupied by both the elderly and the non-elderly disabled has discouraged elderly residents from even applying for public housing. Waiting lists are dominated in many instances by non elderly disabled or currently homeless individuals. The Committee recognizes that it may be necessary to restore confidence, particularly among the elderly, that the buildings will be reserved for the elderly to live out their years in relative peace and quiet. The same can be said for the handicapped and disabled; designations may necessitate voluntary transfers, relocations, or marketing strategies that may increase vacancies for a time.

Therefore, the Committee bill provides an exception from the 60-day vacancy rule for a two year period following the initial designation of a project. Under the transition rule, a PHA may maintain a vacancy rate of 10 percent for 60 days before filling

vacancies with any eligible family from the waiting list.

The Committee does not expect that the Department will penalize housing authorities in any way, including under the Public Housing Management Assessment Program (PHMAP), as to operating subsidies or modernization funds, for complying with these vacancy rules for designating housing. Further, the Committee does not intend that this provision supersede other methods of addressing public housing vacancies, such as a marketing plan or comprehensive occupancy plan, as provided for under current law.

Availability of housing.-The Committee intends that this provision offer choices to residents and would-be residents of public housing to live in projects designated for either elderly, disabled, or handicapped; to continue to live in mixed settings; or to choose section 8 assistance. The Committee expects PHAs only to offer appropriate housing choices including a designated project, mixed project, or section 8 assistance to families whether they are elderly, disabled, or handicapped and to offer occupancy only in units of appropriate size. To further tenant choice, the Committee bill provides that the decision of any family to refuse occupancy in an appropriate project or to refuse assistance offered will not automatically remove a family from the top of the waiting list. However, the Committee does not intend that this provision offer carte blanche to families to reject particular units in particular buildings on particular floors until the ``right'' unit is offered. The Committee is aware that such freedom to wait at the top of the waiting list would create an administrative nightmare for PHAs, given their long standing procedures for filling vacant units and offering housing to families on waiting lists. Further, the Committee does not intend that a family's choice be determined by discriminatory decisions. The bill does not provide waiting list protection for any family which bases its acceptance or rejection of housing assistance on race, color, religion, sex, familial status, or national origin of occupants or the neighborhood. The Committee expects that PHAs should take care that decisions are not based on the nature of disabilities as well, although not a protected class under the Fair Housing Amendments.

Prohibition of evictions.-The Committee bill strictly prohibits a housing authority from evicting tenants, for other than good cause, to achieve designated housing. The Committee is particularly concerned about preventing evictions of non elderly disabled residents in order to establish elderly only buildings. The Committee is aware that such evictions may be tempting where there has been demonstrable disruption and complaints about mixed housing and where waiting lists are precariously tilted away from elderly applicants.

However, the Committee bill does permit transfers upon the request of the tenant and does not preclude incentives for moving to achieve designations. If housing authorities do offer incentives to non elderly or to elderly tenants to move, they must ensure that the tenants' decisions are wholly voluntary and that no coercion is either used or perceived. The Committee expects, therefore, that each housing authority will develop written procedures and instructions to achieve voluntary housing

transfers.

Accommodation of housing and service needs.-The Committee believes that a complete public policy addressing mixed populations has at its core both the ability to designate housing and the expansion of affordable housing options with appropriate supportive services, particularly for non elderly persons with handicaps or disabilities. The Committee bill, therefore, provides that housing authorities may develop, rehabilitate, or acquire housing in which supportive services are provided, facilitated, or coordinated as shared housing, group homes, family housing, congregate housing, or mixed housing settings; may carry out major reconstruction of obsolete public housing and reconfiguration of existing public housing; and may provide section 8 assistance to expand the housing available particularly to handicapped and disabled families.

While the Committee expects PHAs to continue to house elderly and non elderly disabled and handicapped applicants together in buildings that contain appropriately sized units, the Committee encourages housing authorities to locate or develop alternate housing in the community designated for persons with disabilities. However, in so doing the Committee intends that PHAs not foster or promote in any way the re-institutionalization of persons with handicaps or disabilities. The alternative housing provided should be carefully selected after consultation with relevant local groups representing the disabled and handicapped and adapted to provide appropriate services in appropriately scaled settings to foster independence where possible.

Allocation plans.-The Committee strongly believes that each housing authority wishing to designate buildings for certain populations must do so only with a clear understanding of the impact of such designations on the availability of public housing on current and future public housing residents. Further the Committee expects that designations will not result in discrimination or in denying housing assistance to persons with disabilities.

The Committee bill, therefore, requires housing authorities to develop an allocation plan which analyzes in detail current residents, current housing inventory, current waiting lists, future demand for particular types of housing, such as identified in the jurisdiction's CHAS, vacancies and vacancy trends. The plan also should provide strategies for designating housing and transfers to achieve designations and for meeting the needs particularly of non elderly persons with disabilities and handicaps through section 8 assistance, major reconstruction of obsolete projects, and new development money for acquisition or development. In analyzing waiting lists, the Committee expects data that will reflect the length of time the different groups of tenants spend on waiting lists, before and after designations to be provided to be certain that all future residents are treated fairly.

The Committee also intends that in addition to analyzing housing needs and strategies to meet those needs, the overriding purpose

of the plan is to ensure, to the extent practicable, that the public housing agency provides at least as much assistance for non elderly disabled and handicapped persons as was provided prior to the designations, depending on housing needs and waiting lists. The Committee does not intend that this requirement be construed as a requirement for one-for-one replacement of housing assistance, only that persons with disabilities not be underserved by the designation of housing for the elderly.

The PHAs may want to include an analysis of alternate housing serving persons with disabilities along with verifiable documentation such as written commitments from alternate housing providers detailing the number of vacant units that they have available to house non elderly people with disabilities in order to comply with this provision. The Committee expects the Secretary to add such requirements as are necessary to fulfill the Department's responsibility to further the provisions of the Fair Housing Act and Amendments.

Development.-The Committee bill requires that PHAs consult with applicable states and units of general local government and hold one or more public hearings in developing their allocation plans. The Committee expects PHAs to announce the date, time, and location of such hearings in advance in order to attract any appropriate parties that may have an interest in the plan. The purpose of these hearings and consultations is to provide housing authorities with the data they need in order to make reasoned judgments about whether or not to designate buildings or portions of buildings, such as whether alternate housing is available, whether appropriate supportive services are available, and whether solutions other than designating buildings would better serve all tenants.

Approval.-The Committee bill requires that the Secretary review the allocation plans and approve the plans if the information and strategies are complete, accurate, and reasonable; and the plan will not lead either to excessive vacancies or to reducing significantly the availability of housing for persons with handicaps and disabilities. If the review is not completed in 45 days and no letter of deficiency is provided within 45 days, the plan is deemed approved. The same requirements apply to biannual updates which should be submitted as local needs and resources change.

By permitting the allocation plans to be approved automatically if the Secretary does not act within 45 days, the Committee expects the Secretary to establish a process that will be responsive in less than 45 days. The Committee intends that HUD take an active role in reviewing the allocation plans and expects the Secretary to report to the Committee should implementation of this or any other portion of this bill become administratively difficult.

#### Section 8 assistance for handicapped and disabled families

The Committee believes that one key to making this comprehensive approach work is the availability of section 8 assistance, particularly for handicapped and disabled families. The Committee

bill requires a PHA which has designated housing to apply for section 8 assistance, both tenant-based and project-based, sufficient to meet the needs of handicapped and disabled families as identified in a PHA's allocation plan. The strategy for providing and requesting section 8 assistance is to be clearly defined for a two year period in the allocation plan. The Committee recognizes that there is insufficient section 8 assistance to meet all the defined needs in a short period of time; however the Committee expects a PHA to propose a reasonable section 8 strategy to attain specified limited goals which are attainable and realistically to provide housing assistance for as many handicapped and disabled families as possible each year.

Such amounts are to be in addition to, and not a substitute for, the section 8 rental assistance a PHA would apply for to meet other equally important family needs within its jurisdiction, including single mothers with small children. The Committee does not intend that all section 8 assistance of appropriate size be made available only to handicapped and disabled families. Finally, it is the Committee's intent that a PHA would allocate section 8 assistance that becomes available through turnover as well to meet the needs of persons with disabilities or handicaps.

Development and reconstruction of housing for handicapped and disabled families

The Committee believes that a second key to the success of this comprehensive approach is the availability of funds for the reconfiguration or reconstruction of existing public housing units and buildings and new development or acquisition of public housing for disabled and handicapped families. The Committee bill therefore sets aside not less than 5 percent of any amounts made available for reconfiguring existing public housing into units of appropriate size and with appropriate amenities. The bill also sets aside 5 percent of development funds not earmarked for MROP for the new construction or acquisition of public housing appropriate for handicapped and disabled families.

In both instances, funds shall only be made available on a competitive basis to PHAs which have submitted allocation plans and have designated occupancy for certain types of families. An overriding criteria in providing funds under both set-asides would be the need identified in the allocation plans. The Committee bill also requires that the Secretary consider the availability and commitment of appropriate supportive services for handicapped and disabled families in selecting PHAs for funding under the set-asides.

In approving proposals for reconstructing, building, or acquiring public housing for persons with disabilities, the Committee expects the Secretary to employ the most current information about the housing needs of handicapped and disabled families. Such information is available from the Community Support Program of the National Institute of Mental Health, the Housing Task Force of the Consortium of Citizens with Disabilities, the Housing Center at the University of Maryland School of Medicine, and the Center for Community Change through Housing and Support at the University of Vermont, among others.

SUBTITLE C-STANDARDS AND OBLIGATIONS OF  
RESIDENCY IN FEDERALLY ASSISTED HOUSING

The Committee is aware that good management of federally assisted housing plays an important role in making any living situation, especially mixed or population specific housing, work for the residents. Part of good management is applying consistent, fair, and reasonable occupancy standards, selection criteria, and eviction procedures to all current and future residents. The Committee recognizes that many housing managers of public and assisted housing have been given mixed signals and inconsistent information regarding what can and cannot be asked of applicants for housing assistance and what is and is not just cause for eviction. Therefore, public housing authorities and assisted housing managers may sometimes accept for residency residents who should not have been admitted or fail to evict residents when good cause for an eviction exists. The Committee is aware that part of the conflicting information comes from application of a number of laws including the Fair Housing Act, section 504 of the 1973 Rehabilitation Act, the Age Discrimination Act, and the American with Disabilities Act as well as the various housing acts.

The Committee believes that this lack of good screening and eviction procedures or at least the confusion certainly has contributed to the dilemma caused by mixed populations which these provisions address. Therefore, the Committee bill requires that the Secretary establish a task force, comprised of individuals who represent public housing authorities, owners and managers of federally assisted housing, tenant advocacy groups, advocates for the elderly, disabled, and homeless, and social and mental health service providers, to systematically review all laws, regulations, handbooks, policies, and court cases to develop recommended criteria for occupancy and regulations based on the criteria.

In developing their recommendations, the Task Force is required to hold public hearings and receive written comments. Ultimately, these criteria will form the basis for regulations that are to be applied by PHAs and owners to all tenants of public and assisted housing as a condition of federal assistance. The Committee expects the Department to cooperate and support fully the work of the Task Force.

The Committee intends that the Task Force's recommendations and the Department's regulations ensure that all residents of public and assisted housing will enjoy peaceful, safe and living arrangements. Further, the Committee intends that the Task Force's recommendations and the Secretary's regulations, provide guidance that is additional to and consistent with the Department's existing Fair Housing Act Amendments Act regulations, issued in January 1989, and the existing federal lease and grievance procedures. The Committee encourages the Task Force to review the model screening and occupancy package promulgated in 1991 by the Council of Large Public Housing Authorities, as well as the procedures developed in connection with *Cason v. Rochester Housing Authority*, 748 F.S. 1002

(W.D.N.Y. 1990).

The Committee bill places tight time frames on the issuance of the Task Force's report with the final report due 6 months after the Task Force convenes. Similarly there are tight time frames on subsequent rulemaking, with the proposed rule required within 90 days of the final report of the Task Force and the final regulations within 120 days. The Committee strongly believes that the difficulty and the urgency of the issue dictate speedy responses.

The Committee also is concerned that many management ``problems'' could have been avoided if PHAs and assisted housing managers had accepted co-applications from handicapped or disabled families and service providers or relatives who could be called in any emergency situation. The Committee is aware that in Milwaukee one service provider had offered to sign on the dotted line, providing a contact, with a client seeking public housing as insurance against any future problems, but the offer was denied. The Committee bill provides for an assisted application where a care giver, family member, friend or advocate would provide pertinent information so that they could be contacted to provide special care or to assist in resolving problems.

#### SUBTITLE D-AUTHORITY TO PROVIDE PREFERENCES FOR ELDERLY RESIDENTS AND UNITS FOR HANDICAPPED AND DISABLED RESIDENTS IN FEDERALLY ASSISTED HOUSING

The Committee is aware that the issue of mixed populations extends to other federally assisted housing, including project based section 8 built in the seventies and early eighties, section 236 housing, section 221(d)(3) housing, and section 202 housing for the elderly, thought to a lesser degree. In many cases these developments were built primarily for occupancy by elderly families; the section 202 program is known as the section 202 housing program for the elderly. But over time as in public housing, and because of section 8 assistance requirements, either project based or loan management set-aside, there has been a significant increase in application by non elderly disabled and handicapped families. As in public housing, the mixing has produced clashes in lifestyles, fear, dissatisfaction, and resentment among the different populations. The Committee is aware that the problem is particularly severe in section 8 new construction and substantial rehabilitation developments.

However, unlike public housing, which can provide choices and housing options, the owners of assisted housing have no such flexibility. The Committee bill therefore provides a different solution. The Committee bill permits owners of assisted housing which was designed primarily for occupancy by elderly families to provide a preference for elderly families, those over the age of 62. If there are insufficient elderly families, the owner may give a secondary preference to near-elderly families, between the ages of 50 and 62, who are disabled or handicapped. In the event that there are insufficient elderly families or near-elderly handicapped or disabled families to fill vacancies that occur, then the owner is required to provide housing to any family applying who is eligible for assistance.

If owners choose to provide preferences in conformance with these provisions, the Committee bill requires owners to reserve for disabled and handicapped families that are not elderly or near-elderly, the lesser of (1) 10 percent of the units, or (2) the higher of the percent which is occupied by such handicapped or disabled families as of the date of enactment or January 1, 1992. The Committee does not intend that the 10 percent reserve be considered a ceiling, should the waiting list reflect a greater need or should the owner be able to provide appropriate housing with supportive services to a greater number of persons or families with disabilities or handicaps.

Nor does the Committee intend that owners or managing agents change their marketing strategies in order to increase the numbers of non-elderly disabled and handicapped residents in their developments. If the projects currently (or as of January 1, 1992) have less than 10 percent occupancy by non elderly handicapped or disabled families, the Committee does not require that those numbers be raised. The Committee does not expect, however, that all assisted housing that may serve persons with disabilities and handicaps be registered or included in any clearinghouse that is established. Further the Committee expects that no applicant be dissuaded or refused a place on a waiting list because of a disability or handicap or because the reserve requirement is met or exceeded.

For the units reserved for non elderly disabled and handicapped families, should there be insufficient disabled and handicapped residents to fill any vacancies that arise, the Committee bill provides that near-elderly handicapped and disabled families be offered assistance, then elderly families. As in public housing, no family can be evicted without good cause to achieve the occupancy under the reservation or preferences. The Committee bill further requires that federal preferences apply where applicable within the separate groups of applicants.

The Committee intends that the provisions apply only to projects developed primarily for occupancy by elderly families. In other words, the housing developer must have expressed his or her intent to create housing for elderly tenants at the time he or she negotiated with HUD for federal financial assistance. The Committee expects the Secretary to issue regulations to that effect.

The Committee intends that these provisions apply only to projects whose owners elect to establish preferences pursuant to the provisions of the bill. The Committee is aware that many owners, particularly owners of section 202 developments, are simply not effected by the problems associated with mixed populations. The Committee intends that those projects which do not elect to be covered by the provisions of this bill may continue to provide housing for the elderly without incurring any obligation beyond that currently mandated by their specific authorizing statutes to provide housing for both the elderly and the non-elderly handicapped and disabled. The Committee is aware that under the section 202/section 8 program, projects developed for the elderly include 10 percent of the units which are

designed and designated for physically handicapped persons whose handicap results in a functional limitation in access to and use of the building. Owners are required to admit eligible non-elderly as well as elderly physically handicapped persons to such units. However, non-elderly physically handicapped persons may only be admitted if the special features of the unit are necessary based on the nature of the person's disability. As an example, a non-elderly person with a mobility impairment requiring a wheelchair or a walker would be eligible for such a unit because of the need for the accessibility features of the unit. A non-elderly person whose only disability is chronic mental illness would not be eligible. Only persons or families headed by a person 62 years of age or older would be eligible for the other 90 percent of the units in a project for the elderly. The Committee expects that these distinctions will be maintained.

#### Subtitle E-Service Coordinators for Elderly, Handicapped, and Disabled Residents of Federally Assisted Housing

The Committee believes that another element of housing management that may ameliorate some of the thorny and difficult problems of mixed populations is the availability of service coordinators. In NAHA, the Congress recognized the need for service coordinators to assist managers of housing for the elderly in helping frail elderly residents "age in place" and to preserve their independence and the Committee bill extends service coordinators to housing with mixed populations or with persons with disabilities or handicaps and provides sources of funding for those coordinators. The coordinators can be part of the management staff or can be provided under contract to a service agency, including a mental health council or alliance.

While the Committee bill provides funding for service coordinators, the Committee is well aware that the full-time presence of a responsible individual on site would also help considerably in managing these properties. However, the Committee also is aware of the funding limitations. By providing funding for service coordinators, the Committee does not intend to preclude tenants as members of tenant councils from serving as a responsible full-time presence to respond in crisis situations.

The Committee bill also provides that in developing a services coordination program, the housing authority should consult with the tenants, tenant groups, and on site managers.

The Committee is aware that many managers of public and assisted housing and advocates and service providers for the elderly and disabled and handicapped families have stated that supportive services and service coordinators could prevent problems that might arise from mixed populations. The most frequent complaint about persons with disabilities and handicaps residing in buildings along with the elderly is that they simply forget to take their prescribed medication or out-patient counselling and become disruptive. A service coordinator could provide the case management services necessary to prevent or at least quickly resolve such disruptions.

To assist housing authorities in fulfilling their

responsibilities to secure supportive services for their tenants, the Committee expects the Secretary to circulate copies of model collaborative agreements between service providers, such as mental health agencies or case management agencies, and housing authorities. The Committee is aware that several housing authorities have already successfully entered into such agreements.

Finally, the Committee intends that the service coordinators and services provided conform to the extent applicable with the revised congregate housing services program adopted by the Congress in NAHA. The Committee expects that these programs would be adapted to address the specific needs of the special populations served.

#### Subtitle F-General Provisions

##### Comprehensive housing affordability strategies

The Committee intends that this comprehensive approach to the issue of mixed housing will result in an expansion of the affordable housing stock for both elderly residents and disabled and handicapped residents. Therefore, the Committee bill amends the requirements of the comprehensive housing affordability strategy (CHAS) which was adopted as part of NAHA and the HOME program to require that the CHAS describe in detail the nature and extent of housing and special needs of elderly, handicapped, and disabled families. The Committee believes that including these needs in the CHAS will enable communities to better plan for meeting the needs of such families through the HOME program and through public housing or housing developed with the low income housing tax credit even though the latter two programs are not covered by the CHAS. The Committee expects that the CHAS will be integral to the development of a PHA's allocation plan as well. Further the Committee urges the Committee on Ways and Means with jurisdiction over the low income housing tax credit to consider requiring states to set aside a portion of the credit allocation or, at a minimum, to require states to consider the need for low-income housing for the handicapped and disabled in establishing state allocation plans required for the low-income housing tax credit.

##### Clearinghouses

The Committee bill requires that the Secretary enter into agreements with agencies, including local and state housing agencies, tax credit allocating agencies, service providers, or local Area Agencies on Aging which can accumulate data and disseminate information regarding the availability of affordable and appropriate housing for elderly, disabled, and handicapped families. The clearinghouse would also be able to refer families to owners of affordable housing.

The Committee expects that the clearinghouses would establish collaborative relationships with all low-income housing advocates and providers in the community, including shelters, nonprofit advocacy agencies, and government offices to ensure that it maintains current and usable data for housing providers and for

persons seeking housing. The Committee is aware that there is evidence that federally-assisted multifamily housing for families contains a large number (10 to 15 percent or more) of efficiency and one bedroom units for which persons with handicaps and disabilities do not apply. In some instances, it may be that handicapped and disabled families are unaware that they are eligible for such housing. The Committee expects that the clearinghouses will make all affordable housing opportunities known to all prospective residents.

#### TITLE VII-RURAL HOUSING

Program authorizations for fiscal year 1993

Title VI reauthorizes for FY 1993 the rural housing programs administered by the Farmers Home Administration (FmHA), including the section 502 direct and guaranteed single family program, the section 504 home repair loan and grant program, section 514/516 farm labor housing loans and grants (including the migrant and homeless program), the section 515 rural rental housing program, and the section 533 rural housing preservation grant program. Also reauthorized are provisions established in the NAHA including the deferred mortgage program, and security grant program, the underserved areas program which includes colonias and the nonprofit set-aside. Insured and guaranteed loans under this title are authorized in an aggregate amount of \$2.305 billion, with \$695.6 million authorized for the costs of such loans. Grant programs and rental assistance are authorized in the aggregate at \$545.6 million.

The Committee continues to be concerned that rural areas of this nation suffer from a critical shortage of decent, safe, and sanitary affordable housing in both single family and rental housing. The more remote the area, the greater the shortage. While the urban areas are plagued by overcrowding and to a lesser degree, substandard housing, the rural areas are plagued by physically deficient or substandard housing. According to the report, ``A Place to Call Home,' ' 22 percent of the poor families in rural areas occupied substandard housing, typically without indoor, safe and potable water and sewer facilities, as compared with 19 percent of poor families in the central cities and 13 percent in the suburbs. Housing deficiencies in the rural areas are more likely to cause health problems and are more costly to repair than in urban settings.

Although the Committee bill does not include significant increases in funding for the FmHA housing programs because of overall budgetary constraints, the Committee bill makes a number of improvements in existing programs to ensure that the programs are well targeted and that the funds can be spent expeditiously and effectively.

Community land trusts

The Committee bill codifies provisions for financing single family homes under the section 502 program on community land trusts and codifies the recapture provisions for housing on community land trusts. The Committee is aware that there has been

some confusion and lack of consistency for homebuyers on community land trusts. While there has never been any doubt that homes on trust lands could be purchased, there have been delays simply because the eligibility of such homes has not been in statute. Implementation of the recapture provisions has been on a case by case basis, with no explicit method of calculating the amounts to be recaptured. The Committee bill provides that FmHA shall calculate appreciation of properties on trust land according to the agreements between the borrowers and the land trust. The Committee intends that low and moderate income families who purchase homes on community trust land are treated similarly to those who do not.

#### Maximum income of borrowers under guaranteed loans

The Committee bill raises the income limit under the section 502 guaranteed loan program to 115 percent of median income. Current law sets the income limit at 100 percent of median income for the area. The guaranteed loan program is predominately a moderate income housing program which relies upon conventional lenders. The Committee is concerned that restricting the income limit for eligible borrowers to the median income of the area will clearly inhibit the success of the program. A wide range of witnesses including families, lenders and builders involved in the program, expressed similar concerns. Their testimony further indicated that few low- and very low-income families can either qualify for a guaranteed loan or can find homes which are affordable at their incomes in rural areas. The Committee believes that this income restriction is one reason for the minimal usage of the guaranteed loan funds as of April 30 of this year (only 13.5 percent of the funds have been obligated).

The Committee intends that the guaranteed loan program serve moderate income families, those between 100 percent of median and 115 percent of median, and that the direct loan program continue to serve the low- and very low-income families whose housing needs cannot be met in the conventional market, with or without a guarantee.

#### Remote rural areas

The Committee bill adds Indian trust land or tribal allotted land to the definition of remote rural areas for the purpose of eligibility for grants that provide the difference between appraised value and the cost of construction. It also adds Indian trust land or tribal allotted land to the definition of areas in which FmHA may not refuse to make loans on the basis of remote location. The Committee is aware that FmHA has provided little, if any, financing for single family homes on Indian trust land or tribal allotted land. In NAHA, Congress removed a major obstacle to financing homes on trust lands by providing special provisions for disposition of security interests in trust land in the event of default. The remote location of tribal land often presents a second obstacle because FmHA often finds that homes in Indian country will not provide security for the FmHA loan because of the home's remote location. The Committee intends to encourage FmHA participation on trust or tribal allotted land with this provision.

#### Designation of underserved areas and reservation of assistance

The Committee bill reauthorizes the underserved areas program and assistance, providing an amount equal to 5 percent from the appropriations for specified housing programs for FY 1993. Although the Committee is aware that many counties which include tribal allotted or Indian trust lands already are eligible for assistance under the underserved areas program, the Committee bill provides that in each fiscal year not less than 5 counties or communities that contain tribal allotted or Indian trust land must be on the list of 100 underserved areas. The Committee is concerned that FmHA assistance in Indian country is too limited, particularly when the lack of decent affordable housing in such areas is reaching crisis proportions.

The Committee also is aware that the definition of colonias that was included in the underserved areas provisions is too restrictive. States that do not designate colonias can deny assistance to areas that otherwise would be eligible simply by refusing to designate the areas as colonias. Therefore, the Committee bill strikes the requirement that states must designate colonias for such areas to be eligible for assistance.

#### Rural housing voucher demonstration

The Committee bill extends the 7500 unit rural housing voucher demonstration for FY 1993 and strikes the restriction that it operate in only five states. The Committee is aware that the Administration proposed a permanent voucher program to replace the demonstration, which was in place during fiscal years 1988 and 1989. The Committee is aware that HUD and FmHA developed and executed a successful rural housing voucher initiative in 13 states using section 8 housing vouchers. The Committee also is aware that FmHA proposes the permanent program to be used in states where there are so called ``soft markets'', i.e. where the issue is affordability not availability of housing and where there are vacancies in section 515 projects. However, the Committee continues to be concerned that those communities are few and far between and that rural vouchers as a permanent program hold little promise for meeting the considerable affordable housing needs in rural America. The Committee does not intend for a rural voucher program to become a substitute for the section 515 rural rental housing program.

#### Rental housing loans

The Committee bill extends the loan authority under the section 515 rural rental housing program through September 30, 1993, and makes a number of important changes to the program to improve its operation.

Development Costs.-The Committee is concerned that as state and local governments seek additional revenue to provide infrastructure, improvements, and services, more and more communities have imposed fees and charges on developers to cover those costs that previously were covered by real estate and other taxes, individual assessments, and federal payments. These impact

fees which are essential to any housing development include such items as school assessments, transportation taxes, environmental permits, and road fees. The Committee is aware that rural housing development in California is particularly hard hit by the imposition of fees and charges that were not considered when the rural rental housing program was enacted. Therefore, the Committee has expanded the definition of development costs under the mortgage to include such fees and charges that are essential for development and building permits and that are imposed by the local or state governments.

However, the Committee does not intend that charges and fees imposed by low-income housing tax credit allocating agencies be included as development costs. Unlike the full appraised value of land and buildings which are essential to development and therefore are eligible development costs, such fees are imposed only if the sponsor applies for the tax credit and are not integral to the development process.

The Committee is aware that the FmHA has recently proposed a regulation which limits the value of land contributed as equity to only three percent of the development cost regardless of its appraised value. The Committee recognizes that such a limitation is an effort, where possible, to increase the equity requirement imposed by law on limited profit sponsors. If the Committee intended that limited profit sponsors contribute equity in excess of three percent of the development cost, the Committee would have provided for additional equity in statute. The Committee expects that the full appraised value of land be considered as an eligible development cost.

Coordination of loans and rental assistance payments.-The Committee bill also addresses the lack of coordination of rental assistance with the obligation of funds for rural rental housing developments. The Committee is concerned that section 515 sponsors are never certain of how much and when rental assistance will be available to projects that are proposed. The bill provides surety that rental assistance needs and market demand will be considered when FmHA reviews applications for loans and that rental assistance contracts will be coordinated with loan obligations, subject to appropriations. In many cases rental assistance is crucial to the feasibility of rental projects and without some certainty that rental assistance needs have been reviewed and that rental assistance will be available, sponsors are not likely to submit applications for rental housing.

Low income housing tax credit.-The Committee recognizes that the low-income housing tax credit also is critical to the feasibility of rural rental housing projects and that without it many strong and capable developers would simply not participate in the program. In the Housing and Community Development Act of 1987, the Congress added section 515(p)(4) to the Housing Act of 1949 to encourage and facilitate the use of the low-income housing tax credit with rural rental housing projects. At the same time, the Congress recognized that in certain rare situations to protect the security interests of FmHA, the Secretary of Agriculture should be able to require that ``over income'' tenants be provided housing where vacancies exist for more than six months

and the project is financially troubled.

However, this provision was not intended to stand as a roadblock to tax credit deals. The Committee is aware that on November 5, 1991, FmHA issued a notice that suggested that any loan with tax credit covenants which require occupancy by income eligible tenants include an addendum which gives the FmHA the authority to require occupancy by non income eligible tenants if there are vacancies for six months which ``threaten the financial viability of the project'', notwithstanding any other covenants or provisions in law. Such an addendum virtually negates the requirements of the tax credit allocating agencies and the Internal Revenue Service and disregards the clear intent of the Congress in section 515(p) (4) of the Housing Act of 1949, as amended in 1987. It simply uses the discretionary exception in law as an excuse to nullify required tax credit covenants and reject tax credit closings.

The Committee is aware that in the FY 1992 Agriculture and Related Agencies Appropriations Act, Congress, to counteract the FmHA notice, reaffirmed its intent to encourage the use of tax credits with section 515 loans. However, the Committee is concerned that the reaffirmation will not be sufficient to forestall any future attempts to effectively curtail the use of the low-income housing tax credits in conjunction with section 515 rural rental housing loans. The Committee recognizes that such efforts will have a chilling effect on the production of affordable rental housing in rural areas. Therefore, the Committee bill strikes the exception clause in section 515(p) (4) to prevent this section from being use to thwart the clear Congressional intent to encourage the coordination of the rural rental housing program and the low income housing tax credit.

Use of set-aside funds.-The Committee bill extends the nonprofit set-aside of section 515 funds for FY 1993. It also strikes the prohibition against nonprofit combining set-aside funds with low-income housing tax credits and provides that nonprofits that have been allocated tax credits under the tax credit set-aside can combine section 515 set-aside funds with tax credits. The Committee intends that the nonprofits that make use of these combined funds be true nonprofits. They should not be shell corporation wholly or partially owned or controlled by for profit entities. The Committee expects the nonprofits to be the general partners of any limited partnerships that may be created and requires nonprofits which combine funds with tax credits to provide the 2 percent initial operating capital from tax credit proceeds. Nonprofit sponsored projects which do not use tax credits should continue to be eligible for 102 percent mortgages including the initial operating capital as currently eligible under FmHA regulations. The Committee is well aware that nonprofits have few sources of working capital and administrative expenses and that tax credit proceeds can provide the revenue for those necessary expenses.

Grants for costs of providing service coordinators.-The Committee is aware that many of the section 515 developments have been designed for occupancy by elderly tenants. As these tenants ``age in place'', as many already have, the tenants may become more

frail and may require supportive services that are available within the rural communities. The Committee bill provides for a grant program funded at such sums as may be appropriated to cover the cost of a service coordinator on site or retaining a service coordinator from existing service providers. The Committee is aware that area agencies on aging may be a resource for services or service coordinators in rural areas.

Prohibitions regarding consideration in making loans.-The Committee also is aware that current and proposed FmHA regulations for the section 515 program appear to be schizophrenic with regard to assistance in remote rural areas. On the one hand, FmHA rarely makes loans in remote areas because of perceived lack of sufficient security; yet in a proposed regulation, FmHA would give preference points to projects 75 or more miles from metropolitan areas. The Committee recognizes that current regulatory selection criteria give preference points to projects that are located 20 or more miles from urban areas.

That same proposed regulation also would give preference points to projects located in areas where there are essential services, such as schools, groceries, post offices, health services and drugstores, which typically are not in remote rural areas. Current regulations require that housing sites be located in communities with essential services either within or within close proximity to the housing site; however, no preference points are given.

To avoid this apparent conflict, the Committee bill prohibits the Secretary from denying assistance to projects solely because they are located in excessively rural or remote locations; from providing preference for assistance based on the availability of particular essential services; and from making loan decisions based on the geographic location of a project, except that preference can be given for projects 20 miles or more from an urban area. The Committee intends that FmHA develop selection criteria which encourage housing developments in more rural areas to the extent practicable; however, the Committee recognizes that the selection of projects should be determined primarily on the basis of market demand, not on arbitrary mileage or service availability criteria. For this reason, the Committee believes that the selection of projects should depend primarily on the analyses afforded by the market studies.

#### Housing preservation grants for replacement of housing

The Committee is aware that in many very rural areas some housing is simply not suitable for rehabilitation. It would be wiser and more feasible to demolish the dilapidated housing and start over. Many of the residents living in such structures do not have sufficient income to start over on their own or to qualify for the section 502 direct single family loan program. In such limited instances, the Committee recognizes that the housing preservation grant program, which has been used successfully to provide creative financing mechanisms to rehabilitate housing, should be made available for replacement housing. The Committee bill provides that preservation grants, not to exceed \$15,000, can be used to replace housing that cannot be cost effectively

rehabilitated for owners whose incomes are too limited to qualify for section 502 loans. The Committee expects that this replacement housing option will provide assistance to families who would otherwise continue to live in substandard housing without this assistance, perhaps jeopardizing their health, safety, and well being. The Committee does not expect that the replacement housing grant will cover the total cost of replacement, but that it can leverage other funds either from FmHA, local lenders, or state housing finance agencies for the balance of the cost.

#### TITLE VIII-COMMUNITY DEVELOPMENT

##### Community Development Act Authorizations

The Committee bill provides a grant to the City of Bridgeport, Connecticut to fund the redevelopment and expansion of its economic base through the rebuilding of its waterfront. The Bridgeport economy has suffered significantly in recent years, culminating in the city's bankruptcy filing. The city has a vast industrial corridor adjacent to its waterfront that is aged and in need of major repairs for its revitalization. Neither the state nor the City of Bridgeport can afford the cost of such revitalization on their own. The Committee bill provides funding for this revitalization effort but requires that the City of Bridgeport and the State of Connecticut provide matching funds to ensure local commitment to this much needed revitalization.

##### Unit of general local government

The Committee bill eliminates from current law the requirement that the Department must approved multijurisdictional agreements when two or more localities band together to submit a single application for CDBG funds to states through the non-entitlement part of the CDBG program. While the Department does have the authority to approve the concept of using multijurisdictional agreements as reflected in a state's final statement, the Committee understands that a subsequent approval of specific multijurisdictional agreements has usually been pro forma and has not reflected a substantive review of the specific multijurisdictional agreements. Apparently, HUD has felt, and the Committee concurs, that such a review has not been necessary because of interlocal cooperation agreement statutes at the state level that govern these multijurisdictional agreements. The Committee believes that review of specific multijurisdictional agreements by HUD is unnecessary and that the authority and responsibility to approve such specific multijurisdictional agreements should rest with states operating within the framework of the CDBG statute.

##### Retention of program income

The Committee bill changes the guidelines for the use of CDBG program income to require that whenever program income is generated by the use of CDBG funds, it must be used for CDBG eligible activities. Currently, the use of such funds is only restricted during the period the unit of general local government is participating in a CDBG program. Once such participation ends,

under current law any program income received is no longer subject to CDBG program requirements. The Committee believes that requiring these funds to be used for CDBG purposes in perpetuity best protects the Federal government's investment and best ensures that low- and moderate-income persons will benefit from these resources. The Committee bill also authorizes the Secretary to exclude from consideration as program income any amounts determined to be so small that compliance with the program income guidelines would present an unreasonable administrative burden on the entity responsible for enforcement of this provision.

#### State community development plan and report

NAHA established a requirement that requires all CDBG recipients to have prepared and submitted to the Secretary a description of its nonhousing community development needs and strategies for meeting those needs. The Committee bill clarifies and expands on this community development plan by requiring each State that receives a grant from HUD to implement a computerized data base, and to submit a report containing a summary of the community development and infrastructure needs within the State and the strategies to be used by the State to meet such needs in an efficient and coordinated matter. Currently, the information required under the community development plan established in NAHA is submitted both to the recipient's respective state government and to the Secretary.

To ensure that this information does not simply lie dormant at HUD, the Committee bill requires the Secretary to submit in its annual report to Congress that uses information submitted in the community development plans to describe the community development and infrastructure needs in the United States, the strategies to be used by the States to meet such needs in an efficient and coordinated manner, and a strategy for the federal government to assist States in meeting such needs.

The Committee believes that CDBG recipients should only be required to submit plans and reports as necessary to achieve the purposes of the CDBG program, and no more. Therefore, the Committee intends that the completion of a community development plan as established in NAHA and amended here, is sufficient to meet the requirements that a grantee must certify that it has developed a community development plan to receive a CDBG grant as required in section 104(b)(4) of the Housing and Community Development Act of 1974 (P.L. 93-383).

#### Eligible activity

The Committee bill raises the 15 percent CDBG public services cap to 25 percent for fiscal years 1993 through 1997 for the City of Los Angeles and the County of Los Angeles. This change will provide the City and County with critically needed funds to address both the immediate social service needs resulting from the civil unrest that occurred in April, 1992, as well as the pervasive and underlying causes of such unrest. These funds will help fill the gaps created in program funding of various federal programs.

Waiving the 15 percent cap for both the city and county of Los Angeles will have no effect on the overall funding of the CDBG program, and no new mandates are placed on other entitlement or nonentitlement cities and counties.

The Committee believes that microenterprises may be an effective tool to foster economic development in both urban cities and rural communities. Microenterprise activities will employ five people or less, one of which is the owner. Typically, a microenterprise requires small, short-term working capital loans for start-up money. Unfortunately, such lending can be unattractive to commercial banks because the loan transaction costs are high relative to the interest and fees received from a small loan. Further, the microenterprise borrower generally has few assets that can serve as collateral and often has no credit history. Because of these obstacles, the Committee believes that a stronger commitment to supporting such ventures is necessary. The Committee intends that, by making microenterprises an eligible activity within the CDBG program, the Department and its grantees will become more familiar with microenterprises and will be better able to offer support to such ventures.

The Committee bill makes the provision of assistance to universities or colleges carrying out activities otherwise eligible under the CDBG program, eligible activities. Such activities are also included in the section 107 special purpose grants. Many states and communities simply do not realize that sources of expertise may be found in the colleges and universities located in their jurisdictions. The Committee intends that these provisions will foster the creation of partnerships between state and local governments and universities and colleges.

#### Direct homeownership activities

In the 1990 housing legislation, the Committee made direct homeownership activities eligible under the CDBG program. This change recognized the fact that the newly created HOME program, which would be the most direct route for such assistance, would not be fully implemented in the first couple years of its existence. Since HOME is still not fully operational, the Committee extends the authority to conduct homeownership activities under the CDBG program for an additional year.

#### Special purpose grants

The Committee bill provides that, in fiscal years 1993-1998, any unit of general local government affected by the proposed or actual closure of a military installation, by the cancellation of a Defense contract, or by a publicly-announced planned major reduction in Defense spending that would directly and adversely impact the community and will result in the loss or 1,000 or more full-time Defense employee positions over a five year period would be eligible to receive a special purpose grant for any CDBG eligible activities. While these communities may not qualify under typical measures of distress, the Committee believes that it is important to recognize the unique distress that such communities will face as Defense reductions are implemented and

to take measures to aid in the transition from Defense dependent to more economically diverse communities. The Committee bill provides an opportunity for such impacted areas to plan for economic diversification and adjustment activities.

#### Assistance for Colonias

The Committee bill expands the types of activities eligible under the Colonias set-aside created in the NAHA and changes the procedure for designating areas as colonias. The experience of the Committee since the creation of this set-aside in 1990 is that States and counties have been reluctant or unable to identify and designate colonias for the purposes of this program. Therefore, the Committee changes the designation process so that a colonia can be qualified for this program without regard to a State or county action. Further, to ensure that real improvements can be made in these communities, eligible activities have been expanded to include and limited to the acquisition, construction, reconstruction, rehabilitation or installation of public water or sewer projects necessary to furnish water and sewage services to persons of low- or moderate-income. Previously, only planning activities could be undertaken with the assistance provided by this set-aside. The provision in the Committee bill ensures that the planning activities that are funded and undertaken will be implemented.

#### Subtitle B-Other Community Development Programs

##### Community development plans and computerized database

Due to competing federal priorities, the nation's cities and infrastructure have been neglected by the federal government for the past decade. The resulting decline is evident in collapsing bridges, crumbling roads, inadequate housing, and other community development problems. As the Committee endeavors to authorize programs which will address these needs, it becomes increasingly important that the magnitude of these needs are known. As indicated above, NAHA established a requirement that requires all CDBG recipients to have prepared and submitted to the Secretary a description of its nonhousing community development needs and strategies for meeting those needs. To assist in the compilation and coordination of this critical community development information, the Committee bill includes a program to establish a computerized database of community development needs. Under the program, the Secretary is required to develop a computer software program to utilize computer technology to inventory community development needs, and to coordinate strategies for meeting such needs within and among states. This system will be available to the states upon request. Once in use, this database will serve as a planning tool not only for states and localities, but also for Congress and the federal government to identify existing community development needs.

##### Neighborhood development program

The Neighborhood Development Demonstration program was created to increase neighborhood involvement in community development and to raise local funds for such activities. This demonstration program

has proven that nonprofit groups can raise private matching funds from within their neighborhood as well as conduct successful projects that provide significant benefits to low- and moderate-income persons. The success of this capacity building demonstration program is all the more significant in light of the fact that most grantees have only 3-5 staff and are located in very poor neighborhoods. The Committee concurs with HUD's final evaluation of this program which states that the objectives of the program have been realized. Therefore, the Committee has made this demonstration into a permanent program. In recognition of the role that the late Senator John Heinz played in initiating this program, it has been named in his honor.

In keeping with the growing recognition that banking activity is key to neighborhood revitalization, the Committee has adopted an important change: neighborhood groups working closely with financial institutions will receive a preference for funding. This coordinates the Neighborhood Development Program with the Bank Enterprise Act, authorized in the 1991 omnibus bank bill, which emphasized the need for community groups and banks to work closely together.

The Committee emphasizes that this policy change does not effect this program's current policy on where neighborhood groups receive their neighborhood-based funding.

The Committee believes that the ability of neighborhood groups to raise funds from all sources in the community is critical and that no one source is better than any other source. Indeed, raising money from a variety of local businesses, organizations and residents ensures broad-based support for the project being undertaken and increases the likelihood of long-term commitment by the community to such activities. However, this statutory change recognizes the view that neighborhood groups working with banks will be more effective in redeveloping a neighborhood than those groups that do not work with banks.

#### Study regarding housing technology research

The Committee recognizes that federal, private and public involvement in the development of housing technology research offers significant benefits by providing more affordable housing and in the creation of jobs due to better U.S. competition in this field as compared with other nations. The Committee feels that current public and private investment in this field is smaller in comparison to federal research dollars in other areas, and as a result, substantial economic and social gains are being lost. The Committee believes that it is important for the federal government to acquire greater understanding and research in this field; therefore, the Committee bill requires the Department to conduct a review of all resources currently applied to basic research in housing technology and to assess how that investment stacks up against what other countries are providing .

#### Enterprise zones

The Committee bill contains a provision that renews the designation process for Enterprise Zones contained in Title VII

of the Housing and Community Development Act of 1987. The bill renews the Banking Committee's commitment to enterprise zones and issues affecting economically distressed areas, in keeping with the Committee's legislative responsibility for all HUD programs.

#### TITLE IX-REGULATORY AND MISCELLANEOUS PROGRAMS

Administration of Department of Housing and Urban Development

Special assistant for Indian and Alaskan Native programs-The Committee bill includes a provision that specifies duties and functions for the Special Assistant for Indian and Alaska Native Programs. The Committee is aware that the Special Assistant position has been in the law since 1989; however, at this time the Indian housing programs are administered through an office under the Assistant Secretary of Public and Indian Housing and the Indian CDBG program is administered by the Assistant Secretary for Community Planning and Development in Washington, DC. In the regional offices, the two programs are combined in a division of Indian programs which has served Indian areas well.

The Committee bill provides for the same centralization of administration at HUD headquarters, so that the Indian housing program, the Indian portion of HOME, the resident initiatives programs for Indians, the Indian CDBG program, and any other programs that are specifically designed for Indian areas can be coordinated in one office. The responsibilities include administering and coordinating all Indian housing and community development programs for Indian housing authorities and tribes, and directing, coordinating and managing any regional HUD offices that administer Indian programs. The Committee bill also requires the Secretary to include a description of the extent of housing needs and community development needs of Indian families and tribes and the activities of the office and the Department in meeting those needs in HUD's annual report.

The Committee does not intend that new staff be hired to assume these functions and duties. The Committee expects staffing for the office to be transferred from other offices in HUD no later than one year after enactment and, to the extent possible, preference be given to individuals who are Indians. The Committee believes that this position should provide greater coordination effectiveness, and clarity to Indian housing and community development programs.

Interest rate reductions for HUD-held assigned mortgages-The Committee bill requires the Secretary to reduce interest rates on HUD-held assigned mortgages when necessary to prevent foreclosure. This authority has long been available to the Secretary but has remained unutilized. A HUD Inspector General audit on October 30, 1989, entitled, "Management of HUD's Assigned Single Family Inventory," found that HUD required thousands of mortgagors in HUD's Mortgage Assignment Program to pay more than the current market rate. The audit stated that "by lowering the mortgage rates to a more reasonable level, these mortgagors would have an increased chance to eventually pay off accrued delinquencies and mortgage principal." The difference between a 13% interest rate and a 10% interest rate on a \$50,000

mortgage is nearly \$100 on each monthly mortgage payment. The reduction in such payments will in most cases forestall foreclosure. The provision in the Committee bill will compel the Department to make such adjustments. The Committee bill permits the Department to make an adjustment to the interest rate if the borrower's circumstances change and the borrower becomes able to afford higher monthly payments. However, to ensure payment stability for the borrower, the Committee bill only permits the Secretary to exercise this interest rate adjustment once.

Negotiated Rulemaking-While the Committee recognizes that many of the programs administered by the Department are not statutorily subject to the formal rulemaking requirements of the Administrative Procedures Act (APA) because they are grant or loan programs, both the Department and Congress have generally relied on the procedures for rulemaking provided for in the APA in developing such programs. The Department explicitly provides for such procedures at 24 CFR part 10. This reliance grows from a basic sense that the open and consultative nature of the APA procedures provides the best forum in which to develop the complicated and important programs administered by HUD.

The Committee recognizes that the development of a proposed rule can provide an additional point at which this open and consultative process can take place. To this end, the bill provides that the Department must whenever possible use the Negotiated Rulemaking Act of 1990 (P.O. 101-648) to develop proposed regulations.

This Act was enacted in part to reduce the adversarial nature of the rulemaking process and thereby reduce the expense and time associated with rulemaking. The Act provides for the establishment of a committee composed of interested parties that would meet to develop a proposed rule. Any proposed rule developed by such a committee is then considered by the agency convening the committee for purposes of publication in the Federal Register as a proposed rule. The Committee believes that the Negotiated Rulemaking Act is particularly appropriate in circumstances involving the management and funding of public housing and could be of use in implementing the section 8 merger and technical rewrite provided for in Title I of this bill. The Committee urges the Department to use this mechanism whenever possible and feasible.

The Committee notes that in several places in this bill specific use of negotiated rulemaking procedures are required and that in other provisions specific rulemaking requirements are dictated. The failure of the rulemaking requirements to mention negotiated rulemaking procedures is not meant by the Committee to preclude the use of such procedures to develop the proposed rules required by the specific rulemaking requirements.

Participant's consent to release of information

This amendment prevents the Department from requiring the release of information by third parties as a condition of receiving housing assistance unless the requested consent for information is appropriately limited as to time, relevance and necessity and

such request is in compliance with the Privacy Act of 1974. The Committee was alerted in March that the Department had developed an Authorization Form for the Release of Information, HUD-9886, which must be signed by section 8 applicants. Without a signature, housing assistance could be denied or terminated.

Several tenants in a Minnesota Housing Finance Agency complex refused to sign Form HUD-9886 because of their concerns that the form violated the Privacy Act by allowing managers of HUD housing programs to request any information at any time of any person or organization on every tenant without their knowledge. The management responded by notifying the tenants that their housing assistance would be terminated.

This form is the result of a provision contained in section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (P.O. 100-628). This section allows the Secretary, a PHA, or an owner responsible for ensuring eligibility under a HUD program to obtain a participant's consent to obtain salary and wage information from third-parties. The provision also allows HUD and PHAs to seek wage and unemployment benefit information from the State agencies that administer unemployment benefits.

The Committee is concerned with the validity of Form HUD-9886 in that the information requested may go beyond the intent of the McKinney Act Amendments and may be in violation of the Privacy Act. In adopting this provision, the Committee intends to suspend all adverse actions, including tenant evictions, that could result from a failure to sign Form HUD-9886.

The Committee intends that the Department develop a new form pursuant to Section 904 and consistent with the Privacy Act. The form itself should give tenants and applicants a clear statement of their rights relative to any information obtained and the consent obtained should be effective for no more than a year. Tenants and applicants should also be permitted to review any files maintained by the PHA or owner and to request that any errors in the file be corrected. Nothing in this provision prohibits PHAs or owners from obtaining relevant financial information directly from applicants or existing tenants.

#### Fair housing initiatives program

The Committee held hearings in May, 1992, to review the disturbing findings of a Federal Reserve study on the 1990 Home Mortgage Disclosure Act (HMDA) data. Although the this data indicated that racial minorities are rejected for mortgage loans more than twice as often as whites, and that a poor white applicant is more likely to be granted a mortgage than a wealthy black applicant, the four banking regulatory agencies collectively could come up with only one single example of a fair lending violation they had referred to the U.S. Department of Justice for prosecution.

While the Committee is sadly aware of the prevalence of race discrimination in rental housing and believes that efforts to root out such behavior should be redoubled, the Committee is equally concerned about mortgage discrimination suggested by the

recent HMDA data. Sanctioned by the federal courts, the use of testers in mortgage lending is one of the more promising tools for detecting and remedying mortgage discrimination. The Committee is aware that using testers in rental housing has proven eminently successful in prosecuting racial discrimination and is pleased that the Department has recently issued a Notice of Funding Availability to conduct a major testing project on mortgage lending practices under the Private Enforcement Initiative of the Fair Housing Initiatives Program.

The Committee has increased funding for FHIP to \$6.5 million for FY 1993 and \$6.3 million in FY 1992. This increased support for FHIP is especially appropriate given the recent HMDA data and the lackluster enforcement of regulatory agencies at the federal level. The Committee's intent is that any increased funding will build upon the promising use of racial testing in mortgage lending in exposing discrimination. The Committee is particularly interested in testing programs and activities where credit and net worth criteria have been isolated as non-controlling in the denial of mortgage applications.

#### National Commission on Manufactured Housing

The National Commission of Manufactured Housing was established in section 943 of NAHA to develop recommendations for modernizing the National Manufactured Housing Construction and Safety Standards Act of 1974 (P.L. 93-383). The Committee bill includes several changes to the Commission's authorizing provisions to ensure that the Commission will be able to properly carry out its important public charge. First, the bill authorizes for FY 1993 such sums as may be necessary for the operation of the Commission. The Committee intends the Commission should have adequate funds, not to exceed \$1 million, to carry out its function. Second, the Commission has been given a firm termination date of October 1, 1993, to eliminate and possible confusion as to the life of the Commission. Under current law, the Commission would expire after 9 months following the appointment of all the members but it was unclear whether a Commission's interim resignation would delay the full appointment date for purposes of the 9 month expiration date. Third, the Commission has been given the clear authority to hire staff without having to abide by a cumbersome contracting process set up in existing law.

The Committee has been frustrated by the inability of the Commission to hold an organizational meeting and begin its long-delayed work. The Committee's firm intent is that the Commission begin its work with all deliberate speed and that the Department and the General Services Administration provide whatever resources or assistance may be necessary without delay. The Committee is particularly disturbed that, for whatever reason, the Commission has been prevented from using duly authorized and appropriated money in this fiscal year. Consequently, the Committee bill provides that any amounts appropriated for the Commission shall remain available until expended.

#### Real Estate Settlement Procedures Act of 1974

The Committee bill amends the Real Estate Settlement Procedures Act (RESPA) of 1974 (P.L. 93-533) to make clear that for purposes of RESPA, a settlement service includes the origination of a loan. The bill would also make clear that RESPA applies to second mortgages and mortgage refinancings.

This mortgage origination issue is before the Committee because of the Graham decision. *United States v. Graham Mortgage Corp.*, 740 F.2d 414 (6th Cir. 1984). In that case, Graham Mortgage Corporation was accused of violating the anti-kickback provisions of section 8(a) of RESPA by charging a developer fewer ``points'' on mortgage loans than it customarily charged in exchange for the developer's referral to GMC of other mortgage loan customers. Although the Sixth Circuit rejected the government's argument by reasoning that the statutory definition of settlement services did not clearly extend to mortgage lending procedures, the Committee believes that mortgage lending must be included as a settlement service to preserve the effectiveness of RESPA as a consumer protection statute.

The Committee bill applies the provisions of RESPA, including the disclosure and the anti-kickback rules, to second mortgages and to refinancings of mortgages. The Committee included second mortgages within RESPA because of the unfortunate potential for fraud and abuse among the elderly and inner-city homeowners. The Committee heard disturbing testimony at a May, 1991, hearing in Boston that indicated some secondary mortgage lenders, home-repair specialists and banks had allegedly taken advantage of elderly and minority homeowners by making loans with rates as high as 25% with balloon payments due in three to five years of the unpaid principal plus interest. The Committee believes that some homeowners might have been spared foreclosure and bankruptcy if comprehensive RESPA disclosures had been required during the negotiation process and if the anti-kickback provisions had been in place.

Finally, the Committee is concerned that the recent surge in refinancing of existing mortgages may also trap unsuspecting consumers with unexpected closing fees not adequately disclosed during negotiations. The practical effect of the lack of disclosure according to consumer experts and some mortgage industry executives is to allow unscrupulous lenders or brokers to lure consumers desiring to refinance their application with low rate quotes and verbal estimates of credit fees only to require significantly higher fees at the settlement table. The Committee is aware that in some cases these higher fees can cause a homebuyer refinancing a mortgage to pay \$1,000 or more in additional fees at closing.

Disclosures under the Home Mortgage Disclosure Act of 1973

On May 7, and May 14, 1992, the Subcommittee on Housing and Community Development and the Subcommittee on Consumer Affairs and Coinage held joint hearings on the implications of the Home Mortgage Disclosure Act (HMDA) data released in the Fall of 1991. Among other issues, the hearing examined the disparities between the percentage of home loans granted to minorities and

non-minorities as revealed by the HMDA data. The data indicated that minorities were rejected more than twice as often as non-minorities. Also examined was the usefulness of such data in assessing and enforcing lenders' obligations under several anti-discrimination and fair lending statutes. The data indicated that the biggest problem areas were large money center banks and regional 'super' banks. Furthermore, the hearings highlighted problems associated with the late release of the HMDA data to the public and the format used to disseminate it. The Committee bill makes a number of changes to HMDA to ensure that the public receives useful and timely information regarding the lending records of financial institution. The Committee believes this will assist in efforts to enforce fair lending laws.

This section requires financial institutions to make available to the public, upon request, their loan application registers (LARs). Certain information would be removed from the LAR for privacy purposes. Furthermore, this section allows for the LAR information to be presented by depository institutions without editing or compilation and in a format presently used by the institution. While not mandated by this provision, the public availability of LARs by census tract order would significantly add to their utility as a research tool, as well as enhance their usefulness to institutions maintaining such information. It is the sense of the Committee that the Federal Financial Institutions Examination Council (FFIEC) should take the necessary steps to facilitate the availability of LARs by census tract order.

In addition, disclosure statements for individual institutions, which are compiled by the FFIEC, must be available by depository institutions to the public, upon request, within three business days of receipt from the FFIEC. Statutory language requires that each institution provide a clear and conspicuous notice to accompany the data indicating that it is still subject to a 30-day final review period by the institution.

The intent of this section is to encourage the relevant federal agencies to expedite the processing, analysis and dissemination of the HMDA data and make it available to the public at the earliest possible time. It is the Committee's intent that, in meeting the new timetables as outlined in this section, the federal agencies not compromise the quality of the data. The FFIEC should make every effort to speed the processing of HMDA data, consistent with the need for accurate and reliable data.

Temporary inapplicability of certification of limitation of assistance for multifamily projects

The Committee is troubled that application of HUD's anti-subsidy layering guidelines has literally curtailed multifamily production. These guidelines were developed pursuant to section 102(d) of the HUD Reform Act of 1989 to prevent future windfalls and abuses under the HUD assisted programs. Congress was concerned that developers and sponsors of multifamily housing projects were combining section 8 assistance, FHA insurance, the low-income housing tax credit, and other federal, state, and local assistance in projects in amounts that far exceeded the

amounts necessary for financial feasibility and an appropriate return.

The Committee is concerned that HUD in promulgating the guidelines has effectively established a system which duplicates, in the case of low-income housing tax credit projects, the analysis conducted by the tax credit allocating agencies as required by the Internal Revenue Service. The Committee believes that the guidelines also provide rigid standards and benchmarks which do not take into account the variations among project types, locations, and risks and therefore threaten the viability of projects. The net effect of the application of these guidelines is to reduce subsidies and mortgage amounts to the point that many projects are no longer feasible and are simply not worth the risk to developers.

Further, the Committee is concerned that there are interminable delays in HUD's central office processing which have a similar effect. The Committee believes that HUD's fervor in avoiding scandal and abuse is simply killing any development at all.

The Committee is aware that HUD's own consultant has recommended that the guidelines be revised to simplify the review process and to make the standards conform to the tax credit allocator and the IRS; however, HUD initially rejected that advice. And consequently, the Committee bill includes a provision which waives applicability of the guidelines through fiscal year 1994 so that HUD can be persuaded to act more reasonably and responsibly with their guidelines. The waiver applies to any development of five or more units with FHA insurance, HOME assistance, McKinney Act assistance, and section 8 assistance for which an application for assistance has been submitted to the Secretary prior to September 30, 1994. The Committee understands that HUD may be moving to change its policies and guidelines in this area. The Committee is encouraged by this movement and will be monitoring HUD's actions closely.

The Committee does not intend that HUD ever apply their guidelines retroactively to projects that had received their firm commitments and initial endorsements prior to passage of the HUD Reform Act. Nor does the Committee intend that the Department require participating jurisdictions under the HOME program to apply HUD's rigid guidelines to HOME projects, although the Committee does expect jurisdictions to provide only that assistance which is necessary for each HOME project.

#### Reestablishment of solar bank

The Committee bill reestablishes the Solar Energy and Energy Conservation Bank and authorizes such sums as may be necessary to provide for the purchase and installation of residential and commercial energy conservation improvements and solar energy systems. The Solar Energy and Energy Conservation Bank was never fully supported under the Reagan Administration and received only one appropriation during those years. With this change, the Committee establishes a renewed commitment to advancing solar energy initiatives and reverses the neglect of the past Administration.

## Energy efficient mortgages

The 1990 housing legislation established an interagency Task Force to create a uniform plan to make housing more affordable through mortgage financing incentives for energy efficiency. The Committee bill expands the scope of the Task Force to require that it also determine whether notifying potential home purchasers of the availability of energy efficient mortgages would promote energy efficiency in residential buildings, and if so, to recommend appropriate notification guidelines.

## Economic opportunities for low- and very low-income persons

Federal housing and community development programs provide states and local governments with a substantial amount of financial assistance which in turn produces significant employment and other economic opportunities. The Committee believes it is imperative that such broad economic influence be wielded to benefit low- and very low-income persons, particularly those who are recipients of government assistance. The Committee bill therefore requires that any entity receiving federal housing and community development funds, directly or indirectly, make their best efforts, consistent with existing federal, state, and local laws and regulations, to give such low- and very low-income persons, the opportunity to participate in any training and employment activities generated by any development assistance provided and to give priority in the awarding of contracts to businesses that provide economic opportunities for low- and very low-income persons. With this provision, the Committee renews its commitment to ensuring that such economic opportunities are provided to low- and very low-income persons.

In doing so, however, the Committee does not intend to mandate quotas or specific goals. Rather, the Committee intends that this provision serves as a guide and a reminder for policymakers and program administrators who implement federal housing and community development programs that they must consistently use their best efforts to ensure that these scarce federal resources are directed to those most in need.

## National American Indian Housing Council

The Committee bill authorizes such sums as may be appropriated for the National American Indian Housing Council (NAIHC) for training and technical assistance activities for Indian housing authorities. The Committee is aware that last year in report language accompanying the HUD-VA appropriations legislation, the Congress directed HUD to provide \$500,000 to NAIHC for carrying out training and technical assistance with regard to management and development for Indian housing authorities. Despite that directive, HUD has only released \$375,000 to NAIHC, starting in April of this year. The Committee believes that this organization has provided invaluable assistance to IHAs in establishing and carrying out the Indian housing programs and a lack of a reliable source of funding places them in jeopardy from year to year and hampers their ability to provide critical services to IHAs.

The Committee believes that this organization has provided invaluable assistance to IHAs in establishing and carrying out the Indian housing programs and a lack of a reliable source of funding places them in jeopardy from year to year and hampers their ability to provide critical services to IHAs.

#### Study regarding foreclosure alternatives

The Committee recognizes that there were over 400,000 residential foreclosures last year. The Committee is concerned about this large number of foreclosures and in this study directs the Secretary to evaluate alternatives to foreclosure.

The Committee intends that the report contain a detailed description and assessment of each alternative to foreclosure. It should also contain a statement regarding the intent of the Secretary to use any authority available under the provisions of section 230 of NAHA and section 7(i) of the Department of Housing and Urban Development Act of 1982. The report should also contain any recommendations of the Secretary for administrative or legislative action to assist homeowners to avoid foreclosure and any loss of equity in their homes that may result from foreclosure.

In addition to the areas required by section (a)(2), the Committee requests the Secretary to revise and analyze additional mechanisms, if any, that could be applied at the federal level to provide adequate safeguards to a mortgagor's equity in a property when such property is secured by a federally-related mortgage. Among the areas of interest to the Committee are the feasibility of a one-time forbearance period on principal payments to borrowers whose loan is three months or more in default; the feasibility of requiring an appraisal of a homeowner's property during the forbearance period to determine the fair market value of the property as the basis for any deficiency judgment; and the feasibility of achieving a fair market sale through foreclosure by requiring that the property be professionally marketed, including the appropriate advertising of the property and the use of multiple listing and public auctions conducted by professional private sector auction market specialists.

#### TITLE X-HOUSING PROGRAMS UNDER STEWART B. MCKINNEY HOMELESS ASSISTANCE ACT

Title X of the Committee bill contains the reauthorization of the homeless programs under the Stewart B., McKinney Homeless Assistance Act which are administered by the Department of Housing and Urban Development (HUD). The Committee bill also merges several existing HUD homeless programs into one Supportive Housing program, creates a new demonstration program entitled Safe Havens for Homeless Individuals and creates a new Rural Homelessness Grant program to assist the homeless in rural areas.

The Committee bill represents the third reauthorization of the HUD McKinney homeless programs since the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77) was first created in July 1987. The Committee also strongly believes that the HUD homeless programs must continue to be reauthorized in order to assist with the emergency needs of homeless persons throughout the United

States. The Committee also strongly believes that the McKinney homeless program must be fully funded in order to address the emergency housing and services needs of homeless Americans. The Committee, however, maintains that these McKinney programs are a band-aid approach to addressing the needs of the homeless because these programs primarily are aimed at addressing emergency and transitional housing needs and do not provide permanent housing opportunities for the homeless. The Committee is concerned that the reauthorization of the McKinney Act programs since their introduction are viewed as the primary manner in which Congress and the Administration seek to assist the homeless. The Committee emphasizes that it does not view the McKinney homeless programs as a panacea to assist the homeless, rather these programs assist the homeless in an emergency fashion and do not address the rudimentary cause of homelessness--the lack of permanent shelter.

The Committee bill authorizes a total of approximately \$735.4 million for fiscal year 1993 for the HUD McKinney homeless programs and such sums may be necessary for the new Rural Homeless Grant program which will be administered by the Department of Agriculture's Farmers Home Administration (FmHA). The Committee bill contains the following funding authorizations: \$143.5 million for the Emergency Shelter Grants program; \$187.2 million for the Supportive Housing program; \$50 million for the new Safe Havens for the Homeless Individuals Demonstration program; \$85.7 million for the Section 8 Assistance for Single Room Occupancy (SRO) Dwellings program; and \$268.9 million for the Shelter Plus Care program.

#### Participation of homeless persons in McKinney homeless programs

The Committee bill amends each HUD McKinney housing program to provide that project sponsors will utilize, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities and in providing services to the homeless under each of the HUD homeless programs. The Committee bill also requires the participation of homeless persons by authorizing HUD to require each program recipient, that is not a state, to provide for the participation of not less than one homeless individual or formerly homeless individual on the board of directors or other equivalent policymaking entity to the extent that these entities consider policies and make decisions regarding facilities, services, or other assistance of HUD-assisted recipients.

The Committee bill amends the following HUD homeless programs to include these two provisions: the Emergency Shelter Grants program; the Supportive Housing program; the Safe Havens for Homeless Individuals Demonstration program; the Section 8 Assistance for SRO Dwellings program; and the Shelter Plus Care program. The Committee also included these requirements in the rural homeless housing assistance programs authorized in the bill.

The Committee bill contains these two provisions to encourage homeless and formerly homeless persons to participate in both the development and operation of projects funded by HUD McKinney Act programs and the policy making processes which govern these

projects. These provisions stem from the Committee's belief that programs intended to serve homeless persons can benefit from the advance and experience gained from people who have experienced homelessness and who have a unique perspective on how to make programs more responsive to the needs of homeless persons. The Committee feels that these provisions will not only improve federally assisted programs that assist the homeless, but will play an important role in empowering homeless people.

The Committee intends that homeless and formerly homeless persons employed through this provision will be paid comparable wages and provided the same benefits as all other persons employed by a given program.

The Committee has included as a program requirement that grant recipients be required to provide for the participation of homeless and formerly homeless persons on their decision making boards. Should this prove to be overly burdensome, the Committee intends that the recipient may request that the Secretary waive this requirement and provide for participation through another mechanism. However, if the waiver is granted, the Committee intends that the recipient consult with homeless and formerly homeless individuals in developing each program to assist the homeless in order to obtain input from the homeless.

The Committee does not intend that the provision which requires homeless or formerly homeless to participate in the recipient's decision making process to mean that public housing authorities (PHAs) must have on their commissions or boards, a homeless or formerly homeless person. Rather, the Committee intends that the PHA consult with homeless or formerly homeless persons in developing applications under each of programs for which a PHA would be an eligible recipient.

#### Termination of assistance

The Committee bill requires that a program recipient must provide a due process procedure that recognizes the rights of individuals and is established by the recipient if a homeless individual or family violates program requirements and the recipient wishes to terminate program assistance. The Committee bill authorizes this due process requirement for the following programs: the Emergency Shelter Grants Program; the Supportive Housing Program; the Safe Havens for Homeless Individuals Demonstration Program; the Section 8 Assistance for SRO Dwellings program; and the Rural Homelessness Grant program. The Committee notes that this same provision is currently in existing law for another homeless program, the Shelter Plus Care program, which was created in the Cranston-Gonzalez National Affordable Housing Act.

The Committee bill provides this protection for residents of McKinney assisted programs because the Committee has learned of instances where families with children and individuals have been removed from federally assisted homeless facilities with as little as 24 hours notice; thus, the Committee believes that minimum standards are necessary to protect homeless people and prevent future abuses. The Committee believes that in all these programs there must be a fair procedure to determine whether

alleged violations have in fact occurred, who is responsible for them, and whether complete termination of assistance or lesser sanctions are appropriate. The Committee intends that recipients be permitted to terminate assistance only in accordance with a formal process that recognizes the rights of individuals to due process of law.

#### Emergency shelter grants program

The Committee believes that there is a continued need to provide funding for the creation and support of emergency shelters to assist the homeless throughout the United States. The Committee bill authorizes \$143.5 million for the establishment of emergency shelters throughout the country. The Committee notes that there is still a great demand for emergency shelter assistance by the homeless; there are approximately 3 million persons who are homeless in the United States. While the Committee strongly believes in the need to establish permanent housing for all homeless Americans, the need for additional emergency shelter assistance also continues.

The Committee finds that emergency requests for homeless assistance are in fact increasing. For instance, the 1991 U.S. Conference of Mayors' Annual Survey of Hunger and Homelessness found that requests for emergency assistance continue to rise--an average increase of 13 percent for shelter requests across the country. Another recent survey of recipients under the FEMA Emergency Food and Shelter program clearly showed that emergency needs are increasing. This survey advised that ninety percent of the local boards and recipient organizations surveyed found that their demand for services had increased by more than 30 percent since August 1991.

#### Supportive housing program

The Committee bill creates a new measure, entitled the Supportive Housing program, which combines the existing Supportive Housing Demonstration and Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) programs into one program. The Committee intends, through this merger, to preserve the current flexibility which is a characteristic of the SAFAH program while simplifying the process of applying for federal homelessness assistance.

This consolidated program maintains all activities formerly eligible under the Supportive Housing Demonstration (including transitional housing and permanent housing for handicapped homeless persons) Program, as well as those activities under the SAFAH program. The Committee believes that the flexibility of the SAFAH program to assist the homeless must be maintained within this new Supportive Housing program and for that reason has included statutory language throughout the text that emphasizes innovative approaches to assist the homeless and a requirement that not less than 10 percent of program funds be used to fund supportive services for the homeless. The Supportive Housing program provides for the development of comprehensive transitional housing programs for homeless families and individuals, permanent supportive housing for homeless persons

with disabilities, and a flexible array of supportive services, such as child care and employment counseling, among others, that help people in the transition to permanent housing.

The Committee does not intend that this Supportive Housing program be viewed as a block grant approach to assist the homeless. The Committee believes that there continues to be a pattern of underfunding of the federal programs that assist the homeless. Thus, given this pattern, the Committee believes that the appropriate level of funding would not be available to fund a block grant program to assist the homeless. Instead, the Committee continues to reauthorize the various homeless programs authorized in existing law in order to meet the needs of homeless persons.

The Committee bill makes several changes to the provisions in the existing law version of the Supportive Housing program that will better assist program recipients in providing housing and supportive services to the homeless. These changes include: (1) reducing the one-for-one match of program assistance by recipients to a 10 percent match; (2) adding as an eligible activity the development of SRO Dwellings or the provision of supportive services within SRO dwellings; (3) specific funding set-asides of not less than 25 percent for homeless families with children, not less than 25 percent for homeless persons with disabilities, and not less than 10 percent for supportive services (the Supportive Housing Demonstration program currently does not provide these set-asides); (4) removing the limitation of \$200,000 and \$400,000 respectively, on the grant amounts for acquisition and rehabilitation, and new construction which are in existing law; (5) adding the participation of homeless and formerly homeless in the rehabilitation and construction of assisted projects, and in the decisionmaking process of project recipients (these provisions are not currently in existing law) (6) adding a due process procedure for termination of assistance by recipients (this provision currently applies to the Shelter Plus Care program only); (7) prohibiting HUD from denying program assistance to recipients solely because the facility permits the homeless to reside for more than 24 months (generally existing law only allows transitional housing residents to reside in assisted facilities for up to 24 months); and (8) creating transition provisions by allowing Supportive Housing Demonstration and SAFAH programs to continue to operate until program regulations become effective for this Supportive Housing program.

The Committee intends that this Supportive Housing program allow grantees to apply directly to HUD to receive funds for the provision of supportive services to assist the homeless. The Committee intends that recipients can be able to receive program funds solely to provide supportive services to the homeless. Funding for the receipt of supportive services is not to be conditioned on the receipt of program funds for housing under this program. For example, funds could be used to provide child care services at a family shelter or to provide services during the day, on a drop-in basis, at an emergency shelter, or could be used in conjunction with foreclosed properties or the utilization of public buildings for the homeless. The Committee intends that

at least 10 percent of the funding for the Supportive Housing program be dedicated to projects which provide this kind of flexible service assistance.

The Committee bill requires grant recipients to supplement assistance provided by the Supportive Housing program with an amount equal to not less than 10 percent of the federal funds provided. This match requirement is a significant reduction from the one-for-one matching requirements in the current Supportive Housing Demonstration program. The Committee believes that such a reduction is necessary given the fact that it has become increasingly difficult for project sponsors to match federal funds because of the long term economic recession.

#### Safe havens for homeless individuals demonstration program

The Committee bill creates a new demonstration program, Safe Havens for Homeless Individuals, based on a recommendation by the Federal Task Force on Homelessness and Severe Mental Illness. Safe Havens fills a gap in existing McKinney Act programs for homeless persons with mental illness, substance abuse problems, or dual diagnosis, who are currently unable to use available shelter, mental health, or substance abuse services. The program creates small, private or semi-private, 24-hour accommodations designed to provide safe and stable housing for a segment of the homeless population that is often distrustful of the service system or unable to abide by the strict program rules required in many emergency shelters. The Committee creates the program in order to determine whether Safe Havens are successful in encouraging eligible individuals to enter treatment and more traditional forms of housing after a period of stabilization in a Safe Haven facility.

The Committee bill provides grantees the option of providing supportive services—such as mental health and substance abuse treatment, employment counseling, and housing search assistance—on the premises or allowing them to assist Safe Havens residents to obtain them elsewhere. Although supportive services will be made available to participants if they choose to use them, Safe Havens residents will not be forced to participate in services until they are ready.

The Committee directs HUD to insure regulations that place as few requirements or restrictions on the Safe Havens residents as necessary to ensure the safety and health of each resident with the programs purpose.

The Committee has worked in a bipartisan manner in creating this Safe Havens demonstration program. The Committee notes that the Safe Havens program was originally proposed by the Administration. The Committee bill contains most of the provisions of the Safe Havens program as originally proposed by the Administration; however, there have been several changes and refinements made to the proposed program. The Committee bill contains the following major changes to the Administration's proposed program: (1) the bill allows program assistance to be used to assist all eligible persons who are ``unable'' to participate in mental health treatment programs instead of those

persons who are ``unwilling or unable'' to participate in mental health programs as originally proposed by the Administration; (2) the bill adds new construction as an eligible activity under the demonstration program; (3) the bill does not preempt state or local laws regarding the removal of tenants from an assisted project as proposed by the Administration. The Committee finds the position of the Administration to preempt state and local laws unacceptable. In fact, the Committee bill contains a provision that requires program recipients to establish due process procedure for the termination of assistance to eligible individuals.

#### Section 8 assistance for single room occupancy (SRO) dwellings

The Committee bill reauthorizes the section 8 Assistance for SRO Dwellings program at \$89.7 million for FY 1993. The Committee strongly believes that this program effectively serves homeless persons through a long-term permanent housing approach. The Committee notes that the program is vitally-needed given the great demand for permanent housing opportunities for the homeless. The Committee notes that this SRO program remains one of the few programs within the scope of the McKinney Act which offers permanent housing. The Committee, throughout the year, has received testimony on the effectiveness of the SRO assistance program and remains quite concerned that the Administration did not propose any new funding for the program in its FY 1993 Budget Request to Congress.

#### Shelter plus care program

The Committee bill reauthorizes the Shelter Plus Care program at \$269.1 million for FY 1993. The Committee bill merges the three components of the program in existing law into one program and creates an additional type of activity which can be funded under the program. The Committee bill sets aside not less than 10 percent of program funding for each of the following types of eligible program activities: tenant-based rental assistance; project-based rental assistance; sponsor-based rental assistance; and section 8 moderate rehabilitation assistance for single room occupancy (SRO) dwellings.

The Committee consolidates the three components of the existing Shelter Plus Care programs and a new eligible activity into one integrated program which is aimed at simplifying the administration and implementation of the program. The Committee believes that this consolidated approach will greatly simplify the program by causing less administrative burdens for program applicants which under this new approach will be able to interact directly with one unified Shelter Plus Care administrative structure under the Department. The Committee notes that program applicants are now required to become familiar with three sets of regulations, contracts, and methods of payments which results in excessive amounts of time and effort by applicants on administrative matters.

The Committee bill creates a fourth eligible activity, project-based rental assistance, which was first proposed by the Administration. The Committee notes that this new activity is

intended to be additional to the section 8 SRO assistance activity which is currently authorized in existing law and is in no manner intended to replace it as originally proposed by the Administration. The Committee believes that the SRO eligible activity continues to play a valuable role in sheltering homeless persons and the Committee does not wish to eliminate it from the eligible activities under the Shelter Plus Care program. Likewise, the Committee believes that public housing authorities, which administer the SRO assistance, play a valuable role in providing housing assistance, and thus, the Committee bill authorizes PHAs as eligible entities to participate under the other Shelter Plus Care program activities.

The Committee bill also clarifies that nonprofit organizations which are public nonprofits are eligible to receive program assistance. The Committee makes this change in order to assist community mental health organizations in states, such as Texas, which have been precluded from receiving program assistance because they are public nonprofits. The same change has been made to the Supportive Housing program in order to make public nonprofits eligible for the program. Existing law currently limits assistance to private nonprofit organizations.

#### FHA single family property disposition

The Committee bill requires a 30-day marketing period for HUD-acquired single family properties before they are made available for use to house the homeless. This provision changes the current requirement that properties must be offered for 10 days for use to assist the homeless before the property can be marketed generally.

The Committee emphasizes that it continues to strongly believe that HUD-held foreclosed property should be made available to house the homeless and this action by the Committee is not intended to dissuade HUD from using its inventory to assist homeless persons. Thus, the Committee bill also includes a provision which requires HUD to reserve for disposition not more than 10 percent of the total eligible properties and not subject these properties to the 30-day marketing requirement for those areas that HUD determines do not have a sufficient quantity of decent, safe, and sanitary affordable housing available under this homeless disposition program.

#### Rural homeless housing assistance

The Committee bill includes two provisions designed to address the growing problem of homelessness in rural areas. In a hearing on HUD homeless program, the Committee heard testimony about the need for federal attention to address the special needs of rural communities in addressing homelessness. The Committee notes that little is known about the largely hidden problem of homelessness in rural America or about how to best design assistance programs to meet rural needs. In many cases, existing McKinney Act programs are often not suitable for communities with small and diverse homeless populations that have a need for comprehensive, flexible programs rather than programs that provide a specific service to a limited segment of the homeless population.

To address these issues, the Committee bill establishes a rural homelessness demonstration program in FmHA intended to increase the capacity of rural communities to prevent and respond to homelessness, to collect information on the extent and characteristics of homelessness in these areas, and to develop and demonstrate successful models of delivering emergency, prevention and permanent assistance in rural settings that can be replicated on a national scale. The Committee has designed this program to provide flexible funds to public and private nonprofits serving rural areas so that they may provide housing and supportive service assistance to families and individuals who are homeless (including homeless migrant farmworkers) and persons at-risk of homelessness.

The Committee also continues to strongly believe that the migrant homeless program authorized under section 516 in the Committee bill at \$14.5 million for fiscal year 1993 must be funded. The Committee believes that both the new rural homelessness grant program created in the Committee bill as well as the migrant program authorized in existing law must both be adequately funded in order to assist the homeless in rural areas. The Committee bill authorizes such sums as may be necessary for fiscal year 1993 for the new rural homelessness grant program, and the Committee encourages the Appropriations Committee to fund this program at a minimum level of \$40 million in order to effectively deal with the issue of homelessness in rural areas.

The bill also amends rules governing the Farmers Home Administration single family home property disposition program to expand the use of these properties as transitional and permanent housing to homeless families and individuals. The Committee intends for the Farmers Home Administration to engage in aggressive outreach to inform eligible agencies about this program and the availability of such properties on a regular and timely basis.

#### Evaluations of programs by homeless

The Committee bill requires each participating jurisdiction under the HOME Investment Partnership program to submit an evaluation of the effectiveness of each HUD McKinney housing program within its annual report by surveying homeless individuals and families which are assisted under these programs within the community. Current law requires each participating jurisdiction under the HOME program to annually review and report its progress in carrying out its housing strategy identified in the Comprehensive Housing Affordability Strategy submitted to HUD.

The Committee bill adds this requirement on surveying homeless recipients under McKinney programs to a participating jurisdiction's annual report to HUD. The Committee believes that it is important to receive responses on the effectiveness of assisting homeless persons through the McKinney Act programs directly from the homeless which are assisted under these programs.

#### Extension of original McKinney Act housing programs

The Committee bill strikes the revised McKinney Act housing assistance provisions, sections 821 and 823 of NAHA. The Committee believes that those provisions are not necessary and proves overly burdensome to the Department. Section 823 of the McKinney Act, which is repealed in the Committee bill, requires HUD to conduct a feasibility study on the allocation of homeless assistance through alternative formulas. The Committee believes that this requirement is unnecessarily burdensome to the Department and thus, the Committee eliminates this provision from existing law.

The Committee is quite concerned that there is a tendency in developing formula methods to distribute homeless assistance for some analysts to use the data collected by the Census on the homeless in the 1990 decennial census. The Committee is quite concerned that the data collected by the S-Night (March 20, 1990) Count of homeless persons is an incomplete count of the population of homeless persons in the United States. Thus, the Committee believes that the enumeration of the S-Night Count should not be used by Federal, State, local, or any other governmental unit, for the allocation of assistance to homeless persons.

Consultation and report regarding use of National Guard facilities as overnight shelters for homeless individuals

The Committee bill requires HUD to consult with the chief executive officers of the States and the Secretary of Defense to determine the availability of space at National Guard facilities for use by homeless organizations in providing overnight shelter. The Committee bill also requires HUD to submit to Congress a report within one year of the enactment date regarding the consultations and determinations made by HUD on the use of the National Guard facilities. This provisions was previously accepted in conference between the House and Senate on the Cranston-Gonzalez National Affordable Housing Act; but was mistakenly not included as part of the conference report to the Act.

#### TITLE XI-NEW TOWNS DEMONSTRATION

The Committee is extremely troubled by the civil disturbances that occurred in Los Angeles in April, 1992. The Committee believes that these disturbances were the inevitable result of more than a decade of neglect and disinvestment in our nation's inner cities. The lack of affordable and decent housing, jobs and economic development, and adequate social supports have left Los Angeles and many other of the nation's cities without the resources to build and maintain safe and vibrant neighborhoods.

The Committee bill establishes a New Towns Demonstration program to provide for the revitalization and renewal of inner city neighborhoods and to demonstrate the effectiveness of new town developments in revitalizing and restoring depressed and underprivileged inner city neighborhoods.

The Secretary is to select from the areas of the city of Los

Angeles that were declared a disaster or emergency area as a result of the April civil disturbances, two demonstration areas based on the respective levels poverty and unemployment in such areas.

The demonstration requires that a governing board consisting of community leaders, residents, local business owners and lenders develop a new town plan that lays out the activities and services that will be provided. The Committee intends that this requirement for local involvement be used to ensure that the plan is reflective of and sensitive to the community's needs. The new town plan must describe the needs and the resources necessary to address in an integrated fashion the needs of the community. This new town plan must then be reviewed and approved by the chief executive officer(s) of all units of general local government that may be affected by the plan. This review and approval should help foster the partnership that must be created between units of general local government to ensure that the plan is feasible and that there is a commitment to providing the necessary resources.

The new town plan must address not only the housing, employment and social service needs of the community, it must also describe how such needs will be met in terms of financial, physical and labor resources. These requirements are intended to encourage a comprehensive approach to revitalizing the distressed areas in which the new town demonstration program occurs. Preference in awarding contracts, purchasing materials, acquiring services, and obtaining assistance or training must be given to contractors, business owners, developers and other providers that are located within the new town demonstration area. The plan must provide for at least 1,500 dwelling units to be constructed or renovated, of which 60 percent must be for homeownership. In addition, the units must be of varying sizes and costs so that the program provides affordable housing to families at 120 percent of area median income and below. Appropriate social and supportive services must be provided to residents of housing assisted under this demonstration program and to residents in the new town demonstration area. Such services include rental and homeownership counseling, child care, job placement, educational programs, and recreational and health care facilities. The Committee bill requires that, to the extent practicable, any activities shall employ and provide job training opportunities for residents of the area. The Committee bill requires that at least 25 percent of the total amounts used to carry out the demonstration program come from non-federal sources to encourage a federal-local partnership. The Committee believes that the partnerships between federal and local governments and between public and private entities will provide the foundation for a strong, long-term commitment to these distressed areas.

To ensure that sufficient funds are available for the construction and rehabilitation of housing as specified in the new town demonstration program plan, the Committee bill provides insurance authority and special mortgage terms to FHA mortgages insured pursuant to this demonstration program. The Committee bill also provides for repayable advances for the construction or rehabilitation of rental housing, in an amount not to exceed \$50,000 per unit.

To address vital unmet needs and to promote the creation of jobs and economic development, the Committee bill authorizes assistance to units of general local government that are located in part or in whole in any new town demonstration area to carry out eligible activities. These activities include acquisition of real property to address blight, to foster historic preservation, to provide public works, and to coordinate activities and services for high risk youth. Other eligible activities include: (1) construction of public works and facilities, (2) clearance and rehabilitation of buildings including facilities for high risk youth and privately owned buildings and improvements, and (3) provision of public services and housing (limited to 25 percent of total assistance), of which at least 15 percent of housing funds must be available only to nonprofit organizations. Relocation assistance and payment of administrative expenses are also provided. Neither of the two new town demonstration programs can receive more than 50 percent of any amount appropriated.

The Committee believes that this program will demonstrate the necessity and effectiveness of a comprehensive approach to community revitalization. Each link-jobs, housing, infrastructure, education, health care, focus on youth-must be addressed in order to secure a safe, decent, affordable and thriving neighborhood. The nation's cities have been neglected for too long; the Los Angeles civil disturbances drew pointed attention to this fact. The Committee intends that a renewed commitment to the nation's cities will emerge from this turmoil.

#### STATEMENTS MADE IN ACCORDANCE WITH HOUSE RULES

In accordance with clauses 2(1)(2)(B), 2(1)(3) and 2(1)(4) of rule XI of the Rules of the House of Representatives, the following statements are made.

#### COMMITTEE VOTE

(Rule XI, clause 2(1)(2)(B))

The Committee on Banking, Finance and Urban Affairs, with a quorum present, ordered H.R. 5334, as amended, favorably reported by a voice vote at its markup on June 16, 1992.

#### OVERSIGHT FINDINGS AND RECOMMENDATIONS

(Rule XI, clauses 2(1)(3)(A) and (D), and rule X, clauses 2(b)(1) and (2) and 4(c)(2))

The Subcommittee on Housing and Community Development held six days of hearings in March and April on the reauthorization of all housing and community development programs within the subcommittee's jurisdiction. In addition, the subcommittee, in conjunction with the Committee on Banking, Finance and Urban Affairs, held a series of field hearings in January, February and March around the country to investigate the State of the nation's economy and its impact on housing and community development programs. Accordingly, the Committee recommends that the House pass H.R. 5334, as amended. The bill addresses the needs and

accomplishes the objectives reflected in these hearings.

#### ADVISORY COMMITTEE STATEMENT

(Section 5(b) of the Federal Advisory Committee Act)

The Committee bill establishes a task force to review the standards and obligations of residency in federally assisted housing for the explicit purpose of providing assistance to the Secretary of HUD in developing consistent, fair and reasonable occupancy standards, selection criteria, and eviction procedures for current and future residents of such housing. The task force will perform necessary functions that are not duplicated by any other task force, committee, or agency already in existence. It has a clearly defined purpose; a balanced and independent membership comprised of housing authorities, owners, tenants, advocacy groups, and service providers; a provision for support and cooperation by HUD; and a defined timetable for submitting findings and recommendations to the Congress and to HUD for appropriate future action. The bill also reauthorizes the National Commission on Distressed Public Housing, the National Commission on American Indian, Alaska Native, and Native Hawaiian Housing, and the National Commission on Manufactured Housing in order that these commissions be given time to complete their missions.

#### INFLATION IMPACT STATEMENT

(Rule XI, clause 2(1)(4))

The Committee finds that the bill will not have any impact on any inflationary trends in the national economy.

Cost Estimate of the Congressional Budget Office Pursuant to Section 403 of the Congressional Budget Act of 1974

(Rule XI, clause 2(1)(3)(C))

U.S. Congress,

Congressional Budget Office,  
Washington, DC, July 30, 1992.  
Hon. Henry B. Gonzalez,  
Chairman, Committee on Banking, Finance and Urban Affairs,  
House of Representatives, Washington, DC

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate for H.R. 5334, the Housing and Community Development Act of 1992.

Enactment of H.R. 5334 would affect direct spending. Therefore, the bill would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. as a result, the estimate required under clause 8 of House Rule XXI is attached.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

James L. Blum

(For Robert D. Reischauer, Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 5334.
2. Bill title: Housing and Community Development Act of 1992.
3. Bill status: As ordered reported by the House Committee on Banking, Finance and Urban Affairs on June 16, 1992.
4. Bill purpose: H.R. 5334 would amend various laws relating to, and authorize funding for, the federal government's housing and community development programs. Section 8 of the United States Housing Act of 1937, the principle means by which low-income housing assistance is provided, would be completely rewritten. The bill would establish several new programs relating to the delivery of assistance to low-income households and would authorize appropriations of these programs.

5. Estimated cost to the Federal Government:

\* \* \* TABLE START \* \* \*

By fiscal year, in millions of dollars    1993 1994 1995 1996  
1997

Direct Spending:

Estimated budget authority .....	43	.....	43	.....	41
.....	41	.....	41		

Estimated outlays .....	43	.....	43	.....	41	.....	41
.....	41						

Authorization of appropriations:

Estimated authorization level .....	30,299	.....	20	.....
24 .....	21	.....	21	

Estimated outlays .....	2,792	.....	5,994	.....	5,825
.....	4,303	.....	3,602		

\* \* \* TABLE END \* \* \*

CBO does not have sufficient information to estimate the costs of the following programs or activities, which are therefore not included in the above table: sharing certain savings associated with bond refinancing authorized in Title I, certain service coordinators authorized in Title VI, and the homeless assistance grants in Title X.

The costs of this bill fall within budget functions 370, 450, 600, and 750.

Basic of estimate: CBO assumes that this bill will be enacted and that the full amounts authorized will be appropriated by the beginning of fiscal year 1993. Outlays are estimated based on historical spending rates for the various programs.

#### Title I-Housing assistance

Rental assistance and public housing programs.-Title I would authorize the appropriation of \$15.2 billion for the Department of housing and Urban Development's (HUD's) rental assistance and public housing programs in 1993. Almost half of this amount \$7.3 billion, would be used to renew 223,300 section 8 assistance contracts that will expire in 1993, and another \$1.9 billion would be set aside to amend currently underfunded contracts. About \$3 billion would provide aid for an estimated 66,600 previously unassisted unit-56,000 section 8 units and 10,600 public and Indian housing units. Another \$2.3 billion would be used for the public housing modernization program. Capital financing and rental assistance for the elderly and disabled are authorized separately in Title VI.

Section 141 of the bill contains revision of HUD's section 8 rental subsidy program. Although completely rewritten, the amended section 8 would provide the same assistance to very low and low-income households in much the same fashion as under current law. HUD would continue to pay the difference between the rent charge for occupancy and 30 percent of the tenants' adjusted income; the per-unit subsidy costs would not change. The bill would, however, eliminate vouchers, that are one of the means by which this assistance is currently provided. The means that would be authorized closely resembles section 8 certificates. While this would not affect federal expenditures, the number of units supported by a given amount of budget authority could change, because there is a significant difference between certificates and vouchers in the amount of budget authority required. The 1993 budget resolution baseline assumes budget authority for a 5-year certificate of \$36,600 and budget authority for a 5-year voucher of \$32,160. The estimated number of units that would be assisted by the section 8 authority authorized by this bill (discussed above) is based on the assumption that per-unit budget authority would be calculated in the same manner as certificates.

Public housing operating subsidies.-The bill would authorize \$2.2 billion for public housing operating subsidies. In addition, the bill would authorize such sums as may be necessary to offset the funding reduction proposed in HUD's budget submission to reflect certain cost savings anticipated by the Administration. CBO has included the department's fiscal year 1993 budget estimate for this amount, \$128 million, in this cost estimate. A similar provision would authorize the appropriation of amounts necessary to cover the costs of the public housing tenant income adjustments included in the Cranston-Gonzales National Affordable Housing Act (NAHA). These adjustments would lower tenant rent contributions and thus increase federal expenses. NAHA requires approval in appropriation acts before these provisions would be implemented. CBO estimates that these tenant income changes would reduce collections from public housing residents by \$160 million in 1993. This estimate is based on a projection of the number of

households that would be involved and their incomes. An additional authorization of such sums as may be necessary is included for technical assistance to encourage resident management efforts in public housing projects. CBO has included \$5 million for this purpose, based on the amount appropriated in 1992.

Moving to opportunity program.-Title I would establish in permanent law a demonstration program for very low-income families with children living in public housing units located in concentrated poverty areas. The program would provide section 8 rental subsidies and other assistance to help the families involved move out of such areas. A similar program was funded in the 1992 HUD appropriations act (Public Law 102-139). That act provides section 8 authority totalling \$20 million to be used in five unspecified, large cities in 1992. These cities have yet to be selected. H.R. 5334 would limit the program in 1993 to the same five cities plus Los Angeles, California, and would authorize the appropriation of such sums as may be necessary for the year. The amount included in this cost estimate, \$25 million, is based on the 1992 appropriations adjusted for inflation and the addition of another city. No special provision was made in the CBO estimate to account for the size of Los Angeles.

Flexible subsidy program.-The bill would authorize the appropriation of \$54 million for HUD's flexible subsidy program. In addition, section 236(f) (3) of the National Housing Act would be amended to allow the use in 1993 of amounts in the Rental Housing Assistance Fund. The fund was established to receive rents paid by certain tenants in section 236 housing projects that are in excess of amounts due project owners. Use of these funds requires appropriation action. The CBO baseline includes estimated excess rent collections of \$70 million, and for the purposes of this estimate, this amount has been added to the authorized amount for the program, making a total of 124 million.

Refinancing savings.-Public Law 102-273, enacted on April 21, 1992, allows local housing agencies to keep half of rental assistance savings that occur in HUD's section 8 rental assistance program when certain outstanding tax-exempt bonds are refinanced. These bonds were issued to finance low-income housing during a period of high interest rates. Bond issuing agencies were provided special financial adjustments under section 8 to help cover financing costs. H.R. 5334 would authorize the appropriation of the sums necessary to pay local authorities half the saving realized from refinancing that occurred prior to the beginning of 1992, the date set by Public Law 102-273. Based on information from HUD, CBO estimates that \$26 million would be necessary for this purpose in 1993, including \$9 million for refinancing savings that would accrue in 1993. This provision would cost \$9 million per year for about the next 10 years because, under current law, all savings now revert to the federal government. Sharing past and future savings with the refinancing jurisdictions would require approval in appropriation acts. These prior refinancing activities involve principal amounts totaling about \$430 million and began in 1989, with most taking place in 1990 and 1991.

Other high interest rate bonds were issued by state and local housing finance agencies that did not receive the special financial adjustment assistance mentioned above. The bill would, however, authorize the same 50 percent sharing of past and future savings stemming from the refinancing of certain of these other bonds. Currently CBO does not have sufficient information to estimate the costs of this provision.

Youthbuild.-If enacted, H.R. 5334 would establish a new federal assistance program under which the abilities of economically disadvantaged youth would be used to increase the supply of affordable housing for low- and very low-income families and the homeless. The young participants would be paid and would receive training and other educational benefits. Participants would be required to spend 50 percent of their time devoted to these educational activities. Funds provided would be used to cover the costs of employing and training the participants as well as other expenses relating to the acquisition, rehabilitation, or construction of low-income housing. The bill would authorize for 1993 the appropriation of such sums as may be necessary for this program. CBO has no way of estimating the funding required to achieve the purposes of this new program because the bill does not specify either the number of units or the number of youth involved. It has been estimated by an organization involved in such projects that the costs would average about \$40,000 per housing unit.

Homeownership trust.-Section 182 of the bill would authorize appropriations for use in 1993 by the National Homeownership Trust. The trust was created as part of NAHA to fund aid to certain first-time homebuyers. The program would not make direct first mortgage loans, but it could provide interest reduction payments and closing cost assistance that would require secondary liens on the property in favor of the government. These advances would not require interest payments and would be repaid only if borrower incomes increased sufficiently or proceeds from the sale of the property were adequate. The program would be targeted to low- and moderate-income families and to housing financed with loans that do not exceed amounts that could be insured under the National Housing Act. In addition to specifying a program level of \$542 million for 1993, the bill would authorize the amounts necessary to cover the costs of loan subsidies inherent in the program. It is the subsidy costs that are included in this estimate. CBO estimates that the cost of subsidizing the Homeownership Trusts activities would amount to about 40 percent of the assistance extended. We expect that most of the funds advanced would be repaid but that most of these payments would likely occur several years after aid is provided. Since the advances would not require interest payments, the length of time they remain outstanding would largely determine the cost to the government. For this estimate, CBO assumed that most repayments would result from the sale of property, probably around the eighth year after the advance are made.

Loan guarantees for Indian housing.-This title also would establish a new program to guarantee loans made to Indian families or Indian housing authorities to construct, acquire, or rehabilitate one-to four-family dwellings. The bill specifies the

basic requirements for the new program, including a maximum guarantee fee of one percent of the principal obligation of the loan, to be paid when the guarantee is issued. Further, it would authorize appropriations in an indefinite amount to cover the cost of the program in fiscal years 1993 through 1995. In accordance with credit reform scorekeeping procedures established by the Budget Enforcement Act of 1990 the cost of this program would be measured in terms of credit subsidies, estimated on a present value basis. CBO's estimate of this cost--\$1 million to \$2 million per year--assumes that loan guarantee commitments would range from \$25 million in fiscal year 1993 to \$50 million in fiscal years 1994 and 1995 and that the subsidy would equal 5 percent of the loan principal guaranteed. Because this is a new program, the subsidy rate is very difficult to predict with any precision, as is the volume of loans that would be guaranteed.

Other authorizations.-The bill authorizes appropriations for several other existing programs, including public housing family investment centers and early childhood development services, rental assistance for family unification and moving to opportunity, drug elimination grants for subsidized housing, counseling assistance, and the HOPE home ownership program.

The following table details the estimated budgetary impact of Title I.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE I

By fiscal year, in millions of dollars    1993 1994 1995 1996  
1997

Low-income housing:

Authorization level ..... 15,159 .....  
.....

Estimated outlays ..... 451 ..... 1,569 ..... 2,511  
..... 2,444 ..... 2,329

Public housing operating subsidies:

Estimated authorization level ..... 2,458 .....  
.....

Estimated outlays..... 1,130 ..... 1,278 ..... 49  
.....

Moving to opportunity:

Estimated authorization level ..... 25 .....  
.....

Estimated outlays..... 1 ..... 3 ..... 4 ..... 4  
..... 4

Flexible subsidy program:

Estimated authorization level ..... 124 .....  
.....

Estimated outlays..... 0 ..... 30 ..... 27 ..... 20  
..... 14

Refinanced housing finance agency bonds:

Estimated authorization level ..... 26 ..... 9 ..... 9  
..... 9 ..... 9

Estimated outlays..... 26 ..... 9 ..... 9 ..... 9  
..... 9

Homeownership trust:

Estimated authorization level ..... 225 .....  
.....

Estimated outlays..... 0 ..... 131 ..... 30 ..... 8  
..... 8

Loan guarantees for Indian housing:

Estimated authorization level ..... 1 ..... 3 ..... 3  
.....

Estimated outlays..... 1 ..... 2 ..... 2 ..... 2  
.....

Public housing resident management:

Estimated authorization level ..... 5 .....  
.....

Estimated outlays..... 2 ..... 3 .....  
.....

Public housing family investment centers:

Authorization level ..... 27 .....  
.....

Estimated outlays..... 0 ..... 7 ..... 7 ..... 13  
.....

Public housing childhood development services:

Authorization level ..... 22 .....  
.....

Estimated outlays..... 1 ..... 11 ..... 10 .....  
.....

Family unification assistance:

Authorization level ..... 36 .....  
.....

Estimated outlays..... 0 ..... 4 ..... 6 ..... 6  
..... 6

Drug elimination grants:

Authorization level ..... 174 .....  
.....

Estimated outlays..... 26 ..... 87 ..... 61 .....  
.....

Housing counseling:

Authorization level ..... 12 .....  
.....

Estimated outlays..... 8 ..... 3 ..... 1 .....  
.....

HOPE ownership grants:

Authorization level ..... 400 .....  
.....

Estimated outlays..... 16 ..... 128 ..... 100 .....  
68 ..... 44

Title I Total:

Estimated authorization level ..... 18,694 ..... 12 .....  
12 ..... 9 ..... 9

Estimated outlays..... 1,662 ..... 3,265 ..... 2,817  
..... 2,574 ..... 2,404

\* \* \* TABLE END \* \* \*

Title II-Home investment partnerships

This title would authorize 1993 appropriations of \$2.2 billion to fund HUD's Home Investment Partnerships program. This money would be used by participating jurisdictions to assist families to obtain decent, affordable housing and to increase the supply of such housing. This program is part of NAHA and was first funded in the 1992 appropriations act. The outlays shown in the table below are based on spending rates used in the 1993 budget resolution baseline.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE II

By fiscal year, in millions of dollars 19931994199519961997

Home investment partnerships:

Authorization level..... 2,169.....  
.....

Estimated outlays..... 44..... 371..... 821.....  
 606..... 324  
 \* \* \* TABLE END \* \* \*

Title III-Preservation of low-income housing

Title III would authorize \$892 million for implementing the provisions of the Low Income Housing Preservation and Resident Homeownership Act. This statute authorizes incentives to prevent the loss of certain projects from the federally assisted housing stock because owners might opt to leave the programs when their mortgages become eligible for prepayment. An estimated 46,000 units could be preserved under current law for low-income use with the amount authorized. The estimate of outlays is based on the assumption that HUD would approve the units that would receive this funding over a 3-year period, and that once approved, they would receive assistance for 5 years.

Several provisions of Title III would, however, increase the per-unit federal cost of preserving these projects by effectively increasing the rents. Because tenant contributions would be unaffected, the higher rents would necessitate an increase in the per-unit federal subsidy to tenants in these projects. Therefore, fewer units could be preserved with a given amount of budget authority, but CBO has no basis for estimating by how much the number of units preserved would decrease. In particular, section 313 would increase the allowable amount for federally insured repair loans from 90 percent to 100 percent of the cost of repairs. Besides increasing the projects' rents, this provision would increase the risk to the Federal Housing Administration (FHA) insurance fund. Section 303 would increase the value of projects, if sold to qualified purchasers, by adding to the allowed sales price amounts in the reserve-for-replacement account or by not subtracting from the allowed sales price amounts in residual receipts accounts. Thus, acquirers' purchase costs would be increased and rents would be correspondingly higher.

Section 312 would decrease the per-unit annual federal costs in the short run but would increase long-term federal costs of preservation compared with current regulations. It would increase from 20 years to 40 years the term of federally insured second mortgages for the purposes of taking out equity or acquiring or rehabilitating projects, thereby reducing monthly mortgage payments but doubling the period over which these payments are made. Although rents and thus federal rent subsidies would therefore be reduced during the first 20 years, this reduction would be more than offset by increased subsidies in the last 20 years.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE III

By fiscal year, in millions of dollars 19931994199519961997

Authorization level ..... 892 .....  
 .....

Estimated outlays ..... 5 ..... 110 ..... 170 .....  
175 ..... 185  
\* \* \* TABLE END \* \* \*

#### Title IV-Multifamily housing planning and investment strategies

Title IV would mandate that owners of certain federally assisted or insured multifamily housing projects, including all assisted projects for the elderly, submit to HUD comprehensive assessments of the present and future needs for assistance to maintain the projects' livability and financial viability and, for elderly projects, to provide supportive services. Up to \$5,000 of the cost of the assessment would be allowed as a project expense. No federal costs are associated with this provision because it would prohibit rent increases to cover these costs. For some projects, this provision could displace expenditures for project repairs, however. This would be the case if a project's excess reserves were insufficient to pay for the allowable cost of the assessment and its replacement reserves had to be tapped.

#### Title V-Mortgage insurance secondary mortgage market

Direct spending.-Amendments with a direct impact on federal spending include changes to the single family mortgage insurance programs of FHA's Mutual Mortgage Insurance Fund (MMI). One would increase the maximum amount for mortgages insured in high-cost areas from \$124,875 to 75 percent of the Federal Home Loan Mortgage Corporation conforming loan limit (currently \$202,300). Another would increase the effective maximum loan-to-value ratio for insured mortgages by prohibiting HUD from limiting the percentage or amount of closing costs that may be included as part of the ``value'' of a home when applying statutory loan-to-value ratios. Current HUD regulations, which include such a limitation, would be overturned. By lowering the base to which statutory ratios are applied, the current regulation effectively lowers the maximum allowable mortgage amount for a given property.

In accordance with credit reform scorekeeping procedures established by the Budget Enforcement Act of 1990, the costs (or savings) associated with these changes are measured in terms of credit subsidies. Subsidy amount are estimated on a present value basis. Under current law, we estimate that the subsidy for the MMI fund mortgage insurance program is negative-program receipts exceed costs. As a result, no subsidy appropriation is required for this program. The impact of these changes is reflected as a change in that negative subsidy, equivalent to a change in federal receipts, and is considered direct spending.

The provision increasing the maximum mortgage amount in high-cost areas would increase federal receipts by increasing the volume of these mortgages insured by FHA. While the magnitude of this increase is very difficult to predict, CBO estimates that FHA would insure additional mortgages with a principal value over \$2 billion, resulting in savings to the federal government, on a present value basis, of \$44 million in fiscal year 1993 and \$57 million to \$58 million in each of fiscal years 1994 through 1997.

The amendment increasing loan-to-value ratios of FHA-insured homes would increase the likelihood of default of these mortgages, resulting in increased claim payments and a reduction in the negative subsidy generated by this program. We estimate that the present value cost of these increased claims would be about \$12 million in fiscal year 1993 and \$15 million to \$16 million in each of fiscal years 1994 through 1997. Most of this cost would be offset in the first year, when we estimate that a slight increase in the volume of mortgages insured (still at a negative subsidy rate) would generate additional receipts. Because buyers would need less cash to purchase a home, some probably would respond by accelerating their purchase. Specifically, we assume that about 5,000 additional mortgages would be insured by FHA in fiscal year 1993, resulting in savings to the federal government of about \$11 million. As a result, the net cost of this amendment in that year would be \$1 million. Again, this estimate is highly uncertain because both the magnitude of increased defaults and the change in volume are very difficult to predict.

Authorization of appropriations.-Title V would authorize fiscal year 1993 appropriations of \$631.8 million to cover the costs of FHA mortgage insurance programs, and would limit loan guarantee commitments in that year to \$66.2 billion. In addition, the bill would authorize \$100 million for fiscal year 1992 for field office staff to administer FHA's multifamily mortgage insurance programs. CBO assumes that the amounts authorized for fiscal year 1993 would be appropriated prior to the start of that fiscal year. Estimated outlays are based on historical spending patterns. We assume that no additional amounts would be appropriated for the current fiscal year, because we assume that H.R. 5334 would not be enacted until very late in the year.

Other.-Title V includes a number of other provisions that amend various FHA programs, but we estimate that none of these would have a significant budgetary impact. Included is an amendment that would give the Secretary of HUD the discretion to lower premiums charged under the MMI single family mortgage insurance program. CBO does not expect the Secretary to take advantage of this authority in the next five years. Another provision would establish an Energy Efficient Mortgage Pilot Program as an adjunct to the MMI fund program. Again, CBO does not expect this program to have a significant budgetary impact.

Title V also would authorize the Government National Mortgage Association (GNMA) to compensate the issuers of GNMA mortgage-backed securities for losses that would occur when federal law requires that interest rates be lowered on mortgages backing these securities. During the recent conflict in the Persian Gulf, such a reduction of interest rates took place. The Soldiers and Sailors Civil Relief Act requires that when such a conflict occurs interest rates on the outstanding debt of those involved be lowered to 6 percent. A preliminary estimate by GNMA indicates that, had this rate reduction been covered, between \$10 million and \$20 million would have been paid from the GNMA reserves. No cost for this provision has been included in this cost estimate, because there is no basis for projecting when similar events may occur.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE V

By fiscal year, in millions of dollars 1993 1994 1995 1996 1997

Direct spending:

Estimated budget authority..... 43..... 43.....  
41..... 41..... 41

Estimated outlays..... 43..... 43..... 41.....  
41..... 41

Authorization of Appropriations:

Authorization level..... 632..... .....

Estimated outlays..... 473..... 142..... .....

.....  
\* \* \* TABLE END \* \* \*

Title VI-Housing for elderly persons, handicapped persons, and persons with disabilities

This title would authorize the appropriation of over \$2 billion to assist low-income elderly and disabled individuals. The specific items are shown in the table below. We estimate that the funds authorized for elderly and disabled housing would support some 16,500 units. The outlay rates used for this estimate are based on recent experience and are those assumed for the 1993 budget resolution baseline. In addition, \$163 million would be authorized to provide housing assistance for those afflicted with acquired immunodeficiency syndrome (AIDS)

Subtitle E would require public housing agencies and owners of section 8 assisted housing to retain the services of individuals to coordinate the provision of certain services required by residents of this housing. These services could include, among others, health-related assistance, meals, transportation assistance, and personal care. The services could come from the federal government or other public or private sources. The appropriation of \$50 million would be authorized by the bill. Appropriations of such sums as might be necessary would be authorized to cover service coordinators in other types of housing specified in the bill, CBO does not have sufficient information to provide a precise estimate of this cost, but it is not likely to exceed the \$30 million authorized for public housing.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE VI

By fiscal year, in millions of dollars 1993 1994 1995 1996  
1997

Elderly and disabled capital grants:

Authorization level.....	967.....	.....	.....	.....
Estimated outlays.....	0.....	0.....	251.....	
251.....	464			
Elderly and disabled rental assistance:				
Authorization level.....	1,091.....	.....	.....	.....
.....				
Estimated outlays.....	0.....	0.....	1.....	9.....
15				
Congregate and other elderly services:				
Authorization level.....	75.....	.....	.....	.....
.....				
Estimated outlays.....	14.....	19.....	8.....	
8.....	9			
AIDS housing assistance:				
Authorization level.....	163.....	.....	.....	.....
.....				
Estimated outlays.....	3.....	50.....	47.....	
20.....	20			
Service coordinators:				
Authorization level.....	50.....	.....	.....	.....
.....				
Estimated outlays.....	23.....	26.....	1.....	.....
.....				
Total title VI:				
Authorization level.....	2,346.....	.....	.....	.....
.....				
Estimated outlays.....	40.....	95.....	308.....	
288.....	508			

\* \* \* TABLE END \* \* \*

#### Title VII-Rural housing

This title would authorize 1993 appropriations to cover \$2.3 billion of mortgage loans made or guaranteed by the Farmers Home Administration (FmHA). Of this amount, \$1.5 billion would assist low-income home buyers and about \$0.8 billion would finance low-income rental housing. Much smaller sums would be available for several other of FmHA's direct loan programs. Appropriations of \$0.7 billion would be authorized to cover the subsidy cost of these loans. The bill also would authorize that an indefinite portion of the \$1.5 billion allocated for single-family loans be used to guarantee unsubsidized private lending. Based on the 1992 appropriations act (Public Law 102-142), CBO estimates that about 0.1 billion would be used for this purpose. Since this type of guaranteed loan involves much smaller federal costs, not all of the subsidy authority would be used before the \$1.5 billion loan

limit is reached.

The bill would authorize \$0.1 billion for eight of FmHA's housing grant programs, \$436 million for rural rental assistance, and an indefinite amount for a new program to provide funding for service coordinators similar to those authorized in Title VI. Based on information from FmHA, CBO estimates that \$25 million would be necessary in 1993. FmHA has provided financing for about 400,000 residential units in 16,000 projects. Almost 50 percent of these units are occupied by elderly households. We assume that about half of these would qualify and would ask for assistance.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE VII

by fiscal year, in millions of dollars    1993 1994 1995 1996  
1997

Loan subsidy costs:

Authorization level.....	696.....	.....	.....	.....
Estimated outlays.....	275.....	317.....	54.....	.....
17.....	8			

Rural support grants:

Authorization level.....	109.....	.....	.....	.....
Estimated outlays.....	28.....	35.....	26.....	.....
8.....	9			

Rental assistance:

Authorization level.....	436.....	.....	.....	.....
Estimated outlays.....	9.....	49.....	59.....	.....
63.....	65			

Service coordinator grants:

Authorization level.....	25.....	.....	.....	.....
Estimated outlays.....	0.....	21.....	4.....	.....

Total title VII:

Authorization level.....	1,266.....	.....	.....	.....
.....				
Estimated outlays.....	313.....	422.....	143.....	.....
87.....	82			

\* \* \* TABLE END \* \* \*

Title VIII-Community development

Title VIII would authorize about \$3.4 billion for the community development block grant (CDBG) program and other community

development activities for fiscal year 1993. Most of the funding would be authorized for the CDBG program. Based on historical spending rates in the CDBG program, CBO estimates that these funds would be spent over four years. The bill also would establish a limitation on CDBG guaranteed loans of \$312 million for fiscal year 1993. CBO estimates that these loans would have no subsidy cost associated with them because, assuming the authorized CDBG grant amount, these loans are made at no cost to the federal government.

In addition, the bill would authorize funding for and make changes in other community development programs. The bill would require HUD to develop an integrated database system and mapping tool for a new program to assist states and units of general local government in developing new methods to monitor community development and infrastructure needs and would authorize such sums as necessary to fund the program and to make grants to states for capital costs relating to the installation and use of the database developed by HUD. Based on information from other agencies and private sector organizations that administer database information systems, CBO estimates that establishing and maintaining the database would cost HUD at least \$2 million annually. CBO estimates that only a small number of grants to states would be made in the first two years after authorization, but that after the program is established, HUD may make about \$10 million in grants annually. These costs could vary significantly depending on the complexity of the database HUD establishes, the type of access it installs, the amount of staff time and equipment HUD devotes to the project, as well as the equipment and systems already available in states.

H.R. 5334 would authorize \$38 million for the Neighborhood Reinvestment Corporation and \$2 million for a neighborhood development demonstration project. The bill also would provide for certain set-asides, revise several definitions regarding community development programs, require HUD to produce reports and studies and issue new regulations, add to the list of activities eligible for funding under the CDBG program, and add requirements regarding neighborhood development funding organizations and enterprise zones. CBO estimates that these requirements would result in costs to the federal government of about \$2 million over the 1993-1997 period.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE VIII

By fiscal year, in millions of dollars	1993	1994	1995	1996	1997
Estimated authorization level.....	3,448.....	8.....			
12.....	12.....	12			
Estimated outlays.....	172.....	1,403.....	1,405.....		
487.....	12				

\* \* \* TABLE END \* \* \*

Title IX-Regulatory and miscellaneous provisions

Title IX would authorize \$80 million for miscellaneous HUD programs and would revise a number of administrative and regulatory provisions. The authorizations include \$23 million for HUD research and development, \$7 million for the fair housing initiatives program, and such sums as necessary for HUD program monitoring and evaluation, the National Commission on Manufactured Housing, the solar bank, and providing assistance for the National American Indian Housing Council for fiscal year 1993.

Based on information from agencies, current funding levels, or past funding for currently discontinued programs, CBO has estimated funding levels of about \$50 million in fiscal year 1993 for those programs that received authorization for such sums as necessary. Funding for all of these programs could be as small or large as the Congress deems appropriate for the activities authorized.

Title IX would change several HUD administrative provisions, establish an office of the Special Assistant for Indian and Alaska Native Programs, and require HUD to issue new regulations and produce several studies and reports. CBO estimates that these activities would result in costs of about \$1.5 million in fiscal year 1993.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE IX

By fiscal year, in millions of dollars	1993	1994	1995	1996	1997
Estimated authorization level.....	80.....	-.....			
-.....	-.....	-			
Estimated outlays.....	43.....	22.....	15.....		
-.....	-				

\* \* \* TABLE END \* \* \*

Title X-Housing program under Stewart B. McKinney Homeless Assistance Act

This title would amend certain provisions of the Stewart B. McKinney Homeless Assistance Act and would authorize the appropriation of \$740 million for 1993. Two of the McKinney Act programs, supportive housing and supplemental assistance, would be combined to form a new supportive housing program. The new program would provide the same types of assistance currently provided. These include housing and supportive services for the homeless, particularly families and disabled persons. Section 1003 would authorize \$187 million for the new, combined program and would require that at least 10 percent be allocated to supportive services. A 10 percent match from non-program sources would be required of participants.

Section 1004 of the bill would establish a new program called ``Safe Haven'' to benefit certain homeless individuals. Those assisted would include the seriously mentally ill, chronic substance abusers, and others not receiving mental health care or other supportive services that may be needed. Funds could be used

to build or acquire and renovate structures and to cover operating and administrative expenses. The bill would authorize appropriations of \$50 million for the safe haven program.

Section 1008 would establish two new programs intended to assist homeless individuals and families in rural areas. The first would make available certain 1- to 4-family dwelling units acquired by FmHA for housing the homeless. Given the limited number of units meeting the specifications in the bill, the cost of this provision is not expected to be great. The second new grant program would provide assistance on behalf of the rural homeless or those who risk becoming homeless. CBO does not have sufficient information to provide an estimate of the potential cost of this provision.

\* \* \* TABLE START \* \* \*

ESTIMATED BUDGETARY IMPACT OF TITLE X

By fiscal year, in millions of dollars 1993 1994 1995 1996 1997

Emergency shelter grants:

Authorization level.....	144.....	.....	.....	.....
Estimated outlays.....	22.....	86.....	36.....	.....

Supportive housing:

Authorization level.....	187.....	.....	.....	.....
Estimated outlays.....	4.....	28.....	50.....	25.....

Safe havens:

Authorization level.....	50.....	.....	.....	.....
Estimated outlays.....	10.....	18.....	8.....	8.....

McKinney single-room occupancy:

Estimated authorization level.....	90.....	.....	.....	.....
Estimated outlays.....	0.....	4.....	6.....	8.....

Shelter plus care:

Estimated authorization level.....	269.....	.....	.....	.....
Estimated outlays.....	2.....	23.....	37.....	39.....

Total title X:

Estimated authorization level..... 740.....  
.....

Estimated outlays..... 37..... 158..... 136.....  
80..... 81

\* \* \* TABLE END \* \* \*

Title XI-New towns demonstration program for emergency relief of Los Angeles

Title XI would authorize such sums as necessary for a ``new town'' demonstration program for certain areas of Los Angeles affected by the civil disturbances in April and May of 1992. The bill would establish criteria for the demonstration areas and authorize funding for a number of assistance activities, such as the construction and renovation of housing, the creation of jobs and job training programs, the provision of social and supportive services, and other community development activities.

As part of these programs, HUD would provide assistance in the development of housing under the demonstration program. The bill specifies a minimum number of units to be constructed with assistance and requires that a portion of the assistance be repaid. CBO estimates that such a program would cost about \$32 million in 1993, assuming the minimum level of activity required by the bill.

In addition, the bill would authorize such sums as necessary for community development activities in the specified areas of Los Angeles. CBO has no basis for a precise estimate of the cost of this program. Funding for both of these programs could be as small or large as the Congress deems appropriate for the activities authorized.

\* \* \* TABLE START \* \* \*

#### ESTIMATED BUDGETARY IMPACT OF TITLE XI

By fiscal year, in millions of dollars  
1993 1994 1995 1996 1997

Estimated authorization level..32.....

Estimated outlays..... 3... 6...10... 6....6

6. Pay-as-you-go considerations: The Budget Enforcement Act of 1990 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. CBO estimates that the provisions in Title V affecting loan subsidies of the Mutual Mortgage Insurance Fund would affect direct spending. Therefore, pay-as-you-go procedures would apply to this bill. CBO estimates that the bill would result in a reduction in direct spending of \$43 million in 1993, \$43 million in 1994, and \$41 million in 1995.

7. Estimated cost to State and local governments: CBO estimates that Title XI would result in costs to state and local governments of about \$11 million in fiscal year 1993. The title

would require that not less than 25 percent of the total amounts used to carry out the new towns demonstration program be provided by non-federal sources. While some of the nonfederal funding could be provided through donations from private organizations, CBO estimates that these amounts would not be significant and that the majority of the funding would be provided by state and local governments.

8. Estimate comparison: None.

9. Previous CBO estimate: None.

10. Estimate prepared by: Patricia Conroy, Marjorie Miller and Brent Shipp and Carla Pedone.

11. Estimate approved by: C. G. Nuckols, Assistant Director for Budget Analysis.

Congressional Budget Office Estimate\1\

The(FOOTNOTE) applicable cost estimate of this act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

(FOOTNOTE)\1\An estimate of H.R. 5334 as ordered reported by the House Committee on Banking, Finance and Urban Affairs on June 16, 1992. This estimate was transmitted by the Congressional Budget Office on July 30, 1992.

\* \* \* TABLE START \* \* \*

By fiscal year, in millions of dollars	1992	1993	1994	1995
Changes in outlays.....	0.....	43.....	43.....	41
Change in receipts.....	(\1\)	(\1\)	(\1\)	(\1\)

FOOTNOTE: Not applicable.