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105TH CONGRESS, 1st Session | HOUSE OF REPRESENTATIVES | REPORT 105–76

HOUSING OPPORTUNITY AND RESPONSIBILITY ACT OF 1997

APRIL 25, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial Services, submitted the following

REPORT

together with

ADDITIONAL, MINORITY, AND DISSENTING VIEWS

[To accompany H.R. 2]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 2) to repeal the United States Housing Act of 1937, deregulate the public housing program and the program for rental housing assistance for low-income families, and increase community control over such programs, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Housing Opportunity and Responsibility Act of 1997".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title and table of contents.
Sec. 2. Declaration of policy to renew American neighborhoods.

TITLE I—GENERAL PROVISIONS

Sec. 101. Statement of purpose.
Sec. 102. Definitions.
Sec. 103. Organization of public housing agencies.
Sec. 104. Determination of adjusted income and median income.
Sec. 105. Community work and family self-sufficiency requirements.
Sec. 106. Local housing management plans.
Sec. 107. Review of plans.
Sec. 108. Reporting requirements.
Sec. 109. Pet ownership.
Sec. 110. Administrative grievance procedure.
Sec. 111. Headquarters reserve fund.
Sec. 112. Labor standards.
Sec. 113. Nondiscrimination.

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Sec. 114. Prohibition on use of funds.
Sec. 115. Inapplicability to Indian housing.
Sec. 116. Regulations.

TITLE II—PUBLIC HOUSING

Subtitle A—Block Grants

Sec. 201. Block grant contracts.
Sec. 202. Grant authority, amount, and eligibility.
Sec. 203. Eligible and required activities.
Sec. 204. Determination of grant allocation.
Sec. 205. Sanctions for improper use of amounts.

Subtitle B—Admissions and Occupancy Requirements

Sec. 221. Low-income housing requirement.
Sec. 222. Family eligibility.
Sec. 223. Preferences for occupancy.
Sec. 224. Admission procedures.
Sec. 225. Family choice of rental payment.
Sec. 226. Lease requirements.
Sec. 227. Designated housing for elderly and disabled families.

Subtitle C—Management

Sec. 231. Management procedures.
Sec. 232. Housing quality requirements.
Sec. 233. Employment of residents.
Sec. 234. Resident councils and resident management corporations.
Sec. 235. Management by resident management corporation.
Sec. 236. Transfer of management of certain housing to independent manager at request of residents.
Sec. 237. Resident opportunity program.

Subtitle D—Homeownership

Sec. 251. Resident homeownership programs.

Subtitle E—Disposition, Demolition, and Revitalization of Developments

Sec. 261. Requirements for demolition and disposition of developments.
Sec. 262. Demolition, site revitalization, replacement housing, and choice-based assistance grants for developments.
Sec. 263. Voluntary voucher system for public housing.

Subtitle F—Mixed-Finance Public Housing

Sec. 271. Authority.
Sec. 272. Mixed-finance housing developments.
Sec. 273. Mixed-finance housing plan.
Sec. 274. Rent levels for housing financed with low-income housing tax credit.
Sec. 275. Carry-over of assistance for replaced housing.

Subtitle G—General Provisions

Sec. 281. Payment of non-Federal share.
Sec. 282. Authorization of appropriations for block grants.
Sec. 283. Funding for operation safe home.
Sec. 284. Funding for relocation of victims of domestic violence.

TITLE III—CHOICE-BASED RENTAL HOUSING AND HOMEOWNERSHIP ASSISTANCE FOR LOW-INCOME FAMILIES

Subtitle A—Allocation

Sec. 301. Authority to provide housing assistance amounts.
Sec. 302. Contracts with PHA's.
Sec. 303. Eligibility of PHA's for assistance amounts.
Sec. 304. Allocation of amounts.
Sec. 305. Administrative fees.
Sec. 306. Authorizations of appropriations.
Sec. 307. Conversion of section 8 assistance.
Sec. 308. Recapture and reuse of annual contract project reserves under choice-based housing assistance and section 8 tenant-based assistance programs.

Subtitle B—Choice-Based Housing Assistance for Eligible Families

Sec. 321. Eligible families and preferences for assistance.
Sec. 322. Resident contribution.
Sec. 323. Rental indicators.
Sec. 324. Lease terms.
Sec. 325. Termination of tenancy.
Sec. 326. Eligible owners.
Sec. 327. Selection of dwelling units.
Sec. 328. Eligible dwelling units.
Sec. 329. Homeownership option.
Sec. 330. Assistance for rental of manufactured homes.

Subtitle C—Payment of Housing Assistance on Behalf of Assisted Families

Sec. 351. Housing assistance payments contracts.
Sec. 352. Amount of monthly assistance payment.
Sec. 353. Payment standards.
Sec. 354. Reasonable rents.
Sec. 355. Prohibition of assistance for vacant rental units.

Subtitle D—General and Miscellaneous Provisions

Sec. 371. Definitions.
Sec. 372. Rental assistance fraud recoveries.
Sec. 373. Study regarding geographic concentration of assisted families.
Sec. 374. Study regarding rental assistance.

TITLE IV—HOME RULE FLEXIBLE GRANT OPTION

Sec. 401. Purpose.
Sec. 402. Flexible grant program.
Sec. 403. Covered housing assistance.
Sec. 404. Program requirements.
Sec. 405. Applicability of certain provisions.
Sec. 406. Application.
Sec. 407. Training.
Sec. 408. Accountability.
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TITLE V—ACCOUNTABILITY AND OVERSIGHT OF PUBLIC HOUSING AGENCIES

Subtitle A—Study of Alternative Methods for Evaluating Public Housing Agencies

Sec. 501. In general.
Sec. 502. Purposes.
Sec. 503. Evaluation of various performance evaluation systems.
Sec. 504. Consultation.
Sec. 505. Contract to conduct study.
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Sec. 507. Funding.
Sec. 508. Effective date.

Subtitle B—Housing Evaluation and Accreditation Board

Sec. 521. Establishment.
Sec. 522. Membership.
Sec. 523. Functions.
Sec. 524. Powers.
Sec. 525. Fees.
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Subtitle C—Interim Applicability of Public Housing Management Assessment Program

Sec. 531. Interim applicability.
Sec. 532. Management assessment indicators.
Sec. 533. Designation of PHA's.
Sec. 534. On-site inspection of troubled PHA's.
Sec. 535. Administration.

Subtitle D—Accountability and Oversight Standards and Procedures

Sec. 541. Audits.
Sec. 542. Performance agreements for authorities at risk of becoming troubled.
Sec. 543. Performance agreements and CDBG sanctions for troubled PHA's.
Sec. 544. Option to demand conveyance of title to or possession of public housing.
Sec. 545. Removal of ineffective PHA's.
Sec. 546. Mandatory takeover of chronically troubled PHA's.
Sec. 547. Treatment of troubled PHA's.
Sec. 548. Maintenance of records.
Sec. 549. Annual reports regarding troubled PHA's.
Sec. 550. Applicability to resident management corporations.
Sec. 551. Advisory council for Housing Authority of New Orleans.

TITLE VI—REPEALS AND RELATED AMENDMENTS

Subtitle A—Repeals, Effective Date, and Savings Provisions

Sec. 601. Effective date and repeal of United States Housing Act of 1937.
Sec. 602. Other repeals.

Subtitle B—Other Provisions Relating to Public Housing and Rental Assistance Programs

Sec. 621. Allocation of elderly housing amounts.
Sec. 622. Pet ownership.
Sec. 623. Review of drug elimination program contracts.
Sec. 624. Amendments to Public and Assisted Housing Drug Elimination Act of 1990.

Subtitle C—Limitations Relating to Occupancy in Federally Assisted Housing

Sec. 641. Screening of applicants.
Sec. 642. Termination of tenancy and assistance for illegal drug users and alcohol abusers.
Sec. 643. Lease requirements.
Sec. 644. Availability of criminal records for tenant screening and eviction.
Sec. 645. Definitions.

TITLE VII—AFFORDABLE HOUSING AND MISCELLANEOUS PROVISIONS

Sec. 701. Rural housing assistance.
Sec. 702. Treatment of occupancy standards.
Sec. 703. Implementation of plan.
Sec. 704. Income eligibility for HOME and CDBG programs.
Sec. 705. Prohibition of use of CDBG grants for employment relocation activities.
Sec. 706. Use of American products.
Sec. 707. Consultation with affected areas in settlement of litigation.

Sec. 708. Use of assisted housing by aliens.
Sec. 709. Effective date.

SEC. 2. DECLARATION OF POLICY TO RENEW AMERICAN NEIGHBORHOODS.

The Congress hereby declares that—

(1) the Federal Government has a responsibility to promote the general welfare of the Nation—

(A) by using Federal resources to aid families and individuals seeking affordable homes that are safe, clean, and healthy and, in particular, assisting responsible, deserving citizens who cannot provide fully for themselves because of temporary circumstances or factors beyond their control;

(B) by working to ensure a thriving national economy and a strong private housing market; and

(C) by developing effective partnerships among the Federal Government, State and local governments, and private entities that allow government to accept responsibility for fostering the development of a healthy marketplace and allow families to prosper without government involvement in their day-to-day activities;

(2) the Federal Government cannot through its direct action alone provide for the housing of every American citizen, or even a majority of its citizens, but it is the responsibility of the Government to promote and protect the independent and collective actions of private citizens to develop housing and strengthen their own neighborhoods;

(3) the Federal Government should act where there is a serious need that private citizens or groups cannot or are not addressing responsibly;

(4) housing is a fundamental and necessary component of bringing true opportunity to people and communities in need, but providing physical structures to house low-income families will not by itself pull generations up from poverty;

(5) it is a goal of our Nation that all citizens have decent and affordable housing; and

(6) our Nation should promote the goal of providing decent and affordable housing for all citizens through the efforts and encouragement of Federal, State, and local governments, and by the independent and collective actions of private citizens, organizations, and the private sector.

TITLE I—GENERAL PROVISIONS

SEC. 101. STATEMENT OF PURPOSE.

The purpose of this Act is to promote safe, clean, and healthy housing that is affordable to low-income families, and thereby contribute to the supply of affordable housing, by—

(1) deregulating and decontrolling public housing agencies, thereby enabling them to perform as property and asset managers;

(2) providing for more flexible use of Federal assistance to public housing agencies, allowing the authorities to leverage and combine assistance amounts with amounts obtained from other sources;

(3) facilitating mixed income communities;

(4) increasing accountability and rewarding effective management of public housing agencies;

(5) creating incentives and economic opportunities for residents of dwelling units assisted by public housing agencies to work, become self-sufficient, and transition out of public housing and federally assisted dwelling units;

(6) recreating the existing rental assistance voucher program so that the use of vouchers and relationships between landlords and tenants under the program operate in a manner that more closely resembles the private housing market; and

(7) remedying troubled public housing agencies and replacing or revitalizing severely distressed public housing developments.

SEC. 102. DEFINITIONS.

For purposes of this Act, the following definitions shall apply:

(1) ACQUISITION COST.—When used in reference to public housing, the term "acquisition cost" means the amount prudently expended by a public housing agency in acquiring property for a public housing development.

(2) DEVELOPMENT.—The terms "public housing development" and "development" (when used in reference to public housing) mean—

(A) public housing; and

(B) the improvement of any such housing.

(3) DISABLED FAMILY.—The term "disabled family" means a family whose head (or his or her spouse), or whose sole member, is a person with disabilities. Such term includes 2 or more persons with disabilities living together, and 1 or more such persons living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

(4) DRUG-RELATED CRIMINAL ACTIVITY.—The term "drug-related criminal activity" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled substance (as such term is defined in section 102 of the Controlled Substances Act).

(5) EFFECTIVE DATE.—The term "effective date", when used in reference to this Act, means the effective date determined under section 601(a).

(6) ELDERLY FAMILIES AND NEAR ELDERLY FAMILIES.—The terms "elderly family" and "near-elderly family" mean a family whose head (or his or her spouse), or whose sole member, is an elderly person or a near-elderly person, respectively. Such terms include 2 or more elderly persons or near-elderly persons living together, and 1 or more such persons living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

(7) ELDERLY PERSON.—The term "elderly person" means a person who is at least 62 years of age.

(8) ELIGIBLE PUBLIC HOUSING AGENCY.—The term "eligible public housing agency" means, with respect to a fiscal year, a public housing agency that is eligible under section 202(d) for a grant under this title.

(9) FAMILY.—The term "family" includes a family with or without children, an elderly family, a near-elderly family, a disabled family, and a single person.

(10) GROUP HOME AND INDEPENDENT LIVING FACILITY.—The terms "group home" and "independent living facility" have the meanings given such terms in section 811(k) of the Cranston-Gonzalez National Affordable Housing Act.

(11) INCOME.—The term "income" means, with respect to a family, income from all sources of each member of the household, as determined in accordance with criteria prescribed by the applicable public housing agency and the Secretary, except that the following amounts shall be excluded:

(A) Any amounts not actually received by the family.

(B) Any amounts that would be eligible for exclusion under section 1613(a)(7) of the Social Security Act.

(12) LOCAL HOUSING MANAGEMENT PLAN.—The term "local housing management plan" means, with respect to any fiscal year, the plan under section 106 of a public housing agency for such fiscal year.

(13) LOW-INCOME FAMILY.—The term "low-income family" means a family whose income does not exceed 80 percent of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may, for purposes of this paragraph, establish income ceilings higher or lower than 80 percent of the median for the area on the basis of the public housing agency's findings that such variations are necessary because of unusually high or low family incomes.

(14) LOW-INCOME HOUSING.—The term "low-income housing" means dwellings that comply with the requirements—

(A) under title II for assistance under such title for the dwellings; or

(B) under title III for rental assistance payments under such title for the dwellings.

(15) NEAR-ELDERLY PERSON.—The term "near-elderly person" means a person who is at least 55 years of age.

(16) OPERATION.—When used in reference to public housing, the term "operation" means any or all undertakings appropriate for management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a public housing development, including the financing of resident programs and services.

(17) PERSON WITH DISABILITIES.—The term "person with disabilities" means a person who—

(A) has a disability as defined in section 223 of the Social Security Act,

(B) is determined, pursuant to regulations issued by the Secretary, to have a physical, mental, or emotional impairment which (i) is expected to be of long-continued and indefinite duration, (ii) substantially impedes his or her ability to live independently, and (iii) is of such a nature that such ability could be improved by more suitable housing conditions, or

(C) has a developmental disability as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act.

Such term shall not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome. Notwithstanding any other provision of law, no individual shall be considered a person with disabilities, for purposes of eligibility for public housing under title II of this Act, solely on the basis of any drug or alcohol dependence. The Secretary shall consult with other appropriate Federal agencies to implement the preceding sentence.

(18) PRODUCTION.—When used in reference to public housing, the term "production" means any or all undertakings necessary for planning, land acquisition, financing, demolition, construction, or equipment, in connection with the construction, acquisition, or rehabilitation of a property for use as a public housing development, including activity in connection with a public housing development that is confined to the reconstruction, remodeling, or repair of existing buildings.

(19) PRODUCTION COST.—When used in reference to public housing, the term "production cost" means the costs incurred by a public housing agency for production of public housing and the necessary financing for production (including the payment of carrying charges and acquisition costs).

(20) PUBLIC HOUSING.—The term "public housing" means housing, and all necessary appurtenances thereto, that—

(A) is low-income housing, low-income dwelling units in mixed-finance housing (as provided in subtitle F), or low-income dwelling units in mixed income housing (as provided in section 221(c)(2)); and

(B)(i) is subject to an annual block grant contract under title II; or

(ii) was subject to an annual block grant contract under title II (or an annual contributions contract under the United States Housing Act of 1937) which is not in effect, but for which occupancy is limited in accordance with the requirements under section 222(a).

(21) PUBLIC HOUSING AGENCY.—The term "public housing agency" is defined in section 103.

(22) RESIDENT COUNCIL.—The term "resident council" means an organization or association that meets the requirements of section 234(a).

(23) RESIDENT MANAGEMENT CORPORATION.—The term "resident management corporation" means a corporation that meets the requirements of section 234(b)(2).

(24) RESIDENT PROGRAM.—The term "resident programs and services" means programs and services for families residing in public housing developments. Such term includes (A) the development and maintenance of resident organizations which participate in the management of public housing developments, (B) the training of residents to manage and operate the public housing development and the utilization of their services in management and operation of the development, (C) counseling on household management, housekeeping, budgeting, money management, homeownership issues, child care, and similar matters, (D) advice regarding resources for job training and placement, education, welfare, health, and other community services, (E) services that are directly related to meeting resident needs and providing a wholesome living environment; and (F) referral to appropriate agencies in the community when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

(25) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

(26) STATE.—The term "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, and any other territory or possession of the United States and Indian tribes.

(27) VERY LOW-INCOME FAMILY.—The term "very low-income family" means a low-income family whose income does not exceed 50 percent of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may, for purposes of this paragraph, establish income ceilings higher or lower than 50 percent of the median for the area on the basis of the public housing agency's findings that such variations are necessary because of unusually high or low family incomes.

SEC. 103. ORGANIZATION OF PUBLIC HOUSING AGENCIES.

(a) REQUIREMENTS.—For purposes of this Act, the terms "public housing agency" and "agency" mean any entity that—

(1) is—

(A) a public housing agency that was authorized under the United States Housing Act of 1937 to engage in or assist in the development or operation of low-income housing;

(B) authorized under this Act to engage in or assist in the development or operation of low-income housing by any State, county, municipality, or other governmental body or public entity;

(C) an entity authorized by State law to administer choice-based housing assistance under title III; or

(D) an entity selected by the Secretary, pursuant to subtitle D of title V, to manage housing; and

(2) complies with the requirements under subsection (b).

The term does not include any entity that is an Indian housing authority for purposes of the United States Housing Act of 1937 (as in effect before the effectiveness of the Native American Housing Assistance and Self-Determination Act of 1996) or a tribally designated housing entity, as such term is defined in section 4 of the Native American Housing Assistance and Self-Determination Act of 1996.

(b) GOVERNANCE.—

(1) BOARD OF DIRECTORS.—Each public housing agency shall have a board of directors or other form of governance as prescribed in State or local law. No person may be barred from serving on such board or body because of such person's residency in a public housing development or status as an assisted family under title III.

(2) RESIDENT MEMBERSHIP.—

(A) IN GENERAL.—Except as provided in subparagraph (B), in localities in which a public housing agency is governed by a board of directors or other similar body, the board or body shall include not less than 1 member who is an elected public housing resident member (as such term is defined in paragraph (5)).

(B) EXCEPTIONS.—The requirement in subparagraph (A) with respect to elected public housing resident members shall not apply to—

(i) any State or local governing body that serves as a public housing agency for purposes of this Act and whose responsibilities include substantial activities other than acting as the public housing agency, except that such requirement shall apply to any advisory committee or organization that is established by such governing body and whose responsibilities relate only to the governing body's functions as a public housing agency for purposes of this Act;

(ii) any public housing agency that owns or operates less than 250 public housing dwelling units (including any agency that does not own or operate public housing); or

(iii) any public housing agency in a State that requires the members of the board of directors or other similar body of a public housing agency to be salaried and to serve on a full-time basis.

(3) FULL PARTICIPATION.—No public housing agency may limit or restrict the capacity or offices in which a member of such board or body may serve on such board or body solely because of the member's status as a resident member.

(4) CONFLICTS OF INTEREST.—The Secretary shall establish guidelines to prevent conflicts of interest on the part of members of the board or directors or governing body of a public housing agency.

(5) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

(A) ELECTED PUBLIC HOUSING RESIDENT MEMBER.—The term "elected public housing resident member" means, with respect to the public housing agency involved, an individual who is a resident member of the board of directors (or other similar governing body of the agency) by reason of election to such position pursuant to an election—

(i) in which eligibility for candidacy in such election is limited to individuals who—

(I) maintain their principal residence in a dwelling unit of public housing administered or assisted by the agency; and

(II) have not been convicted of a felony;

(ii) in which only residents of dwelling units of public housing administered by the agency may vote; and

(iii) that is conducted in accordance with standards and procedures for such election, which shall be established by the Secretary.

(B) RESIDENT MEMBER.—The term "resident member" means a member of the board of directors or other similar governing body of a public housing agency who is a resident of a public housing dwelling unit owned, adminis-

tered, or assisted by the agency or is a member of an assisted family (as such term is defined in section 371) assisted by the agency.

(c) ESTABLISHMENT OF POLICIES.—Any rules, regulations, policies, standards, and procedures necessary to implement policies required under section 106 to be included in the local housing management plan for a public housing agency shall be approved by the board of directors or similar governing body of the agency and shall be publicly available for review upon request.

SEC. 104. DETERMINATION OF ADJUSTED INCOME AND MEDIAN INCOME.

(a) ADJUSTED INCOME.—For purposes of this Act, the term "adjusted income" means, with respect to a family, the difference between the income of the members of the family residing in a dwelling unit or the persons on a lease and the amount of any income exclusions for the family under subsections (b) and (c), as determined by the public housing agency.

(b) MANDATORY EXCLUSIONS FROM INCOME.—In determining adjusted income, a public housing agency shall exclude from the annual income of a family the following amounts:

(1) ELDERLY AND DISABLED FAMILIES.—$400 for any elderly or disabled family.

(2) MEDICAL EXPENSES.—The amount by which 3 percent of the annual family income is exceeded by the sum of—

(A) unreimbursed medical expenses of any elderly family;

(B) unreimbursed medical expenses of any nonelderly family, except that this subparagraph shall apply only to the extent approved in appropriation Acts; and

(C) unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family, to the extent necessary to enable any member of such family (including such handicapped member) to be employed.

(3) CHILD CARE EXPENSES.—Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

(4) MINORS, STUDENTS, AND PERSONS WITH DISABILITIES.—$480 for each member of the family residing in the household (other than the head of the household or his or her spouse) who is less than 18 years of age or is attending school or vocational training on a full-time basis, or who is 18 years of age or older and is a person with disabilities.

(5) CHILD SUPPORT PAYMENTS.—Any payment made by a member of the family for the support and maintenance of any child who does not reside in the household, except that the amount excluded under this paragraph may not exceed $480 for each child for whom such payment is made.

(6) EARNED INCOME OF MINORS.—The amount of any earned income of a member of the family who is not—

(A) 18 years of age or older; and

(B) the head of the household (or the spouse of the head of the household).

(c) PERMISSIVE EXCLUSIONS FROM INCOME.—In determining adjusted income, a public housing agency may, in the discretion of the agency, establish exclusions from the annual income of a family. Such exclusions may include the following amounts:

(1) EXCESSIVE TRAVEL EXPENSES.—Excessive travel expenses in an amount not to exceed $25 per family per week, for employment- or education-related travel.

(2) EARNED INCOME.—An amount of any earned income of the family, established at the discretion of the public housing agency, which may be based on—

(A) all earned income of the family,

(B) the amount earned by particular members of the family;

(C) the amount earned by families having certain characteristics; or

(D) the amount earned by families or members during certain periods or from certain sources.

(3) OTHERS.—Such other amounts for other purposes, as the public housing agency may establish.

(d) MEDIAN INCOME.—In determining median incomes (of persons, families, or households) for an area or establishing any ceilings or limits based on income under this Act, the Secretary shall determine or establish area median incomes and income ceilings and limits for Westchester and Rockland Counties, in the State of New York, as if each such county were an area not contained within the metropolitan statistical area in which it is located. In determining such area median incomes or establishing such income ceilings or limits for the portion of such metropolitan statistical area that does not include Westchester or Rockland Counties, the Sec-

retary shall determine or establish area median incomes and income ceilings and limits as if such portion included Westchester and Rockland Counties.

SEC. 105. COMMUNITY WORK AND FAMILY SELF-SUFFICIENCY REQUIREMENTS.

(a) COMMUNITY WORK REQUIREMENT.—

(1) IN GENERAL.—Except as provided in paragraph (3), each public housing agency shall require, as a condition of occupancy of a public housing dwelling unit by a family and of providing housing assistance under title III on behalf of a family, that each adult member of the family shall contribute not less than 8 hours of work per month (not including political activities) within the community in which the family resides, which may include work performed on locations not owned by the public housing agency).

(2) EMPLOYMENT STATUS AND LIABILITY.—The requirement under paragraph (1) may not be construed to establish any employment relationship between the public housing agency and the member of the family subject to the work requirement under such paragraph or to create any responsibility, duty, or liability on the part of the public housing agency for actions arising out of the work done by the member of the family to comply with the requirement, except to the extent that the member of the family is fulfilling the requirement by working directly for such public housing agency.

(3) EXEMPTIONS.—A public housing agency shall provide for the exemption, from the applicability of the requirement under paragraph (1), of each individual who is—

(1) an elderly person;

(2) a person with disabilities;

(3) working, attending school or vocational training, or otherwise complying with work requirements applicable under other public assistance programs (as determined by the agencies or organizations responsible for administering such programs); or

(4) otherwise physically impaired to the extent that they are unable to comply with the requirement, as certified by a doctor.

(b) REQUIREMENT REGARDING TARGET DATE FOR TRANSITION OUT OF ASSISTED HOUSING.—

(1) IN GENERAL.—Each public housing agency shall require, as a condition of occupancy of a public housing dwelling unit by a family and of providing housing assistance under title III on behalf of a family, that the family and the agency enter into an agreement (included, pursuant to subsection (d)(2)(C), as a term of an agreement under subsection (d)) establishing a target date by which the family intends to graduate from, terminate tenancy in, or no longer receive public housing or housing assistance under title III.

(2) RIGHTS OF OCCUPANCY.—This subsection may not be construed (nor may any provision of subsection (d) or (e)) to create a right on the part of any public housing agency to evict or terminate assistance for a family solely on the basis of any failure of the family to comply with the target date established pursuant to paragraph (1).

(3) FACTORS.—In establishing a target date pursuant to paragraph (1) for a family that receives benefits for welfare or public assistance from a State or other public agency under a program that limits the duration during which such benefits may be received, the public housing agency and the family may take into consideration such time limit. This section may not be construed to require any public housing agency to adopt any such time limit on the duration of welfare or public assistance benefits as the target date pursuant to paragraph (1) for a resident.

(4) EXEMPTIONS.—A public housing agency shall provide for the exemption, from the applicability of the requirements under paragraph (1), of each individual who is—

(1) an elderly person;

(2) a person with disabilities;

(3) working, attending school or vocational training, or otherwise complying with work requirements applicable under other public assistance programs (as determined by the agencies or organizations responsible for administering such programs); or

(4) otherwise physically impaired to the extent that they are unable to comply with the requirement, as certified by a doctor.

(c) TREATMENT OF INCOME CHANGES RESULTING FROM WELFARE PROGRAM REQUIREMENTS.—

(1) COVERED FAMILY.—For purposes of this subsection, the term "covered family" means a family that (A) receives benefits for welfare or public assistance

from a State or other public agency under a program for which the Federal, State, or local law relating to the program requires, as a condition of eligibility for assistance under the program, participation of a member of the family in an economic self-sufficiency program, and (B) resides in a public housing dwelling unit or is provided housing assistance under title III.

(2) DECREASES IN INCOME FOR FAILURE TO COMPLY.—Notwithstanding the provisions of sections 225 and 322 (relating to family rental contributions), if the welfare or public assistance benefits of a covered family are reduced under a Federal, State, or local law regarding such an assistance program because of any failure of any member of the family to comply with the conditions under the assistance program requiring participation in an economic self-sufficiency program, the amount required to be paid by the family as a monthly contribution toward rent may not be decreased, during the period of the reduction, as a result of any decrease in the income of the family (to the extent that the decrease in income is a result of the benefits reduction).

(3) EFFECT OF FRAUD.—Notwithstanding the provisions of sections 225 and 322 (relating to family rental contributions), if the welfare or public assistance benefits of a covered family are reduced because of an act of fraud by a member of the family under the law or program, the amount required to be paid by the covered family as a monthly contribution toward rent may not be decreased, during the period of the reduction, as a result of any decrease in the income of the family (to the extent that the decrease in income is a result of the benefits reduction).

(4) NOTICE.—Paragraphs (2) and (3) shall not apply to any covered family before the public housing agency providing assistance under this Act on behalf of the family obtains written notification from the relevant welfare or public assistance agency specifying that the family's benefits have been reduced because of noncompliance with economic self-sufficiency program requirements or fraud and the level of such reduction.

(5) OCCUPANCY RIGHTS.—This subsection may not be construed to authorize any public housing agency to establish any time limit on tenancy in a public housing dwelling unit or on receipt of housing assistance under title III.

(6) REVIEW.—Any covered family residing in public housing that is affected by the operation of this subsection shall have the right to review the determination under this subsection through the administrative grievance procedure established pursuant to section 110 for the public housing agency.

(7) COOPERATION AGREEMENTS FOR ECONOMIC SELF-SUFFICIENCY ACTIVITIES.—

(A) REQUIREMENT.—A public housing agency providing public housing dwelling units or housing assistance under title III for covered families shall make its best efforts to enter into such cooperation agreements, with State, local, and other agencies providing assistance to covered families under welfare or public assistance programs, as may be necessary, to provide for such agencies to transfer information to facilitate administration of subsection (a) and paragraphs (2), (3), and (4) of this subsection, and other information regarding rents, income, and assistance that may assist a public housing agency or welfare or public assistance agency in carrying out its functions.

(B) CONTENTS.—A public housing agency shall seek to include in a cooperation agreement under this paragraph requirements and provisions designed to target assistance under welfare and public assistance programs to families residing in public housing developments and receiving choice-based assistance under title III, which may include providing for self-sufficiency services within such housing, providing for services designed to meet the unique employment-related needs of residents of such housing and recipients of such assistance, providing for placement of workfare positions on-site in such housing, and such other elements as may be appropriate.

(C) CONFIDENTIALITY.—This paragraph may not be construed to authorize any release of information that is prohibited by, or in contravention of, any other provision of Federal, State, or local law.

(d) COMMUNITY WORK AND FAMILY SELF-SUFFICIENCY AGREEMENTS.—

(1) IN GENERAL.—A public housing agency shall enter into a community work and family self-sufficiency agreement under this subsection with each adult member and head of household of each family who is to reside in a dwelling unit in public housing of the agency and each family on behalf of whom the agency will provide housing assistance under title III. Under the agreement the family shall agree that, as a condition of occupancy of the public housing dwelling unit or of receiving such housing assistance, the family will comply with the terms of the agreement.

(2) TERMS.—An agreement under this subsection shall include the following:

(A) Terms designed to encourage and facilitate the economic self-sufficiency of the assisted family entering into the agreement and the graduation of the family from assisted housing to unassisted housing.

(B) Notice of the requirements under subsection (a) (relating to community work) and the conditions imposed by, and exemptions from, such requirement.

(C) The target date agreed upon by the family pursuant to subsection (b) for graduation from, termination of tenancy in, or termination of receipt of public housing or housing assistance under title III.

(D) Terms providing for any resources, services, and assistance relating to self-sufficiency that will be made available to the family, including any assistance to be made available pursuant to subsection (c)(7)(B) under a cooperation agreement entered into under subsection (c)(7).

(E) Notice of the provisions of paragraphs (2) through (7) of subsection (c) (relating to effect of changes in income on rent and assisted families rights under such circumstances).

(e) LEASE PROVISIONS.—A public housing agency shall incorporate into leases under sections 226, and into any agreements for the provision of choice-based assistance under title III on behalf of a family—

(1) a provision requiring compliance with the requirement under subsection (a); and

(2) provisions incorporating the conditions under subsection (c).

(f) TREATMENT OF INCOME.—Notwithstanding any other provision of this section, in determining the income or tenancy of a family who resides in public housing or receives housing assistance under title III, a public housing agency shall consider any decrease in the income of a family that results from the reduction of any welfare or public assistance benefits received by the family under any Federal, State, or local law regarding a program for such assistance if the family (or a member thereof, as applicable) has complied with the conditions for receiving such assistance and is unable to obtain employment notwithstanding such compliance.

(g) DEFINITION.—For purposes of this section, the term "economic self-sufficiency program" means any program designed to encourage, assist, train, or facilitate the economic independence of participants and their families or to provide work for participants, including programs for job training, employment counseling, work placement, basic skills training, education, workfare, financial or household management, apprenticeship, or other activities as the Secretary may provide.

SEC. 106. LOCAL HOUSING MANAGEMENT PLANS.

(a) 5-YEAR PLAN.—The Secretary shall provide for each public housing agency to submit to the Secretary, once every 5 years, a plan under this subsection for the agency covering a period consisting of 5 fiscal years. Each such plan shall contain, with respect to the 5-year period covered by the plan, the following information:

(1) STATEMENT OF MISSION.—A statement of the mission of the agency for serving the needs of low-income families in the jurisdiction of the agency during such period.

(2) GOALS AND OBJECTIVES.—A statement of the goals and objectives of the agency that will enable the agency to serve the needs identified pursuant to paragraph (1) during such period.

(3) CAPITAL IMPROVEMENT OVERVIEW.—If the agency will provide capital improvements for public housing developments during such period, an overview of such improvements, the rationale for such improvements, and an analysis of how such improvements will enable the agency to meet its goals, objectives, and mission.

The first 5-year plan under this subsection for a public housing agency shall be submitted for the 5-year period beginning with the first fiscal year for which the agency receives assistance under this Act.

(b) ANNUAL PLAN.—The Secretary shall provide for each public housing agency to submit to the Secretary a local housing management plan under this section for each fiscal year that contains the information required under subsection (d). For each fiscal year after the initial submission of a plan under this section by a public housing agency, the agency may comply with requirements for submission of a plan under this subsection by submitting an update of the plan for the fiscal year.

(c) PROCEDURES.—The Secretary shall establish requirements and procedures for submission and review of plans, including requirements for timing and form of submission, and for the contents of such plans. Such procedures shall provide that a public housing agency—

(1) shall, in conjunction with the relevant State or unit of general local government, establish procedures to ensure that the plan under this section is consistent with the applicable comprehensive housing affordability strategy (or any consolidated plan incorporating such strategy) for the jurisdiction in which the public housing agency is located, in accordance with title I of the Cranston-Gonzalez National Affordable Housing Act; and

(2) may, at the option of the agency, submit a plan under this section together with, or as part of, the comprehensive housing affordability strategy (or any consolidated plan incorporating such strategy) for the relevant jurisdiction, and for concomitant review of such plans submitted together.

(d) CONTENTS.—An annual local housing management plan under this section for a public housing agency shall contain the following information relating to the upcoming fiscal year for which the assistance under this Act is to be made available:

(1) NEEDS.—A statement of the housing needs of low-income and very low-income families residing in the community served by the agency, and of other low-income families on the waiting list of the agency (including the housing needs of elderly families and disabled families), and the means by which the agency intends, to the maximum extent practicable, to address such needs.

(2) FINANCIAL RESOURCES.—A statement of financial resources available for the agency the planned uses of such resources that includes—

(A) a description of the financial resources available to the agency;

(B) the uses to which such resources will be committed, including all proposed eligible and required activities under section 203 and housing assistance to be provided under title III;

(C) an estimate of the costs of operation and the market rental value of each public housing development; and

(D) a specific description, based on population and demographic data, of the unmet affordable housing needs of families in the community served by the agency having incomes not exceeding 30 percent of the area median income and a statement of how the agency will expend grant amounts received under this Act to meet the housing needs of such families.

(3) POPULATION SERVED.—A statement of the policies of the agency governing eligibility, admissions, and occupancy of families with respect to public housing dwelling units and housing assistance under title III, including—

(A) the requirements for eligibility for such units and assistance and the method and procedures by which eligibility and income will be determined and verified;

(B) the requirements for selection and admissions of eligible families for such units and assistance, including any preferences and procedures established by the agency and any outreach efforts;

(C) the procedures for assignment of families admitted to dwelling units owned, leased, managed, operated, or assisted by the agency;

(D) any standards and requirements for occupancy of public housing dwelling units and units assisted under title III, including resident screening policies, standard lease provisions, conditions for continued occupancy, termination of tenancy, eviction, and conditions for termination of housing assistance;

(E) the procedures for maintaining waiting lists for admissions to public housing developments of the agency, which may include a system of site-based waiting lists under section 224(c);

(F) the criteria for providing and denying housing assistance under title III to families moving into the jurisdiction of the agency; and

(G) the fair housing policy of the agency.

(4) RENT DETERMINATION.—A statement of the policies of the agency governing rents charged for public housing dwelling units and rental contributions of assisted families under title III and the system used by the agency to ensure that such rents comply with the requirements of this Act.

(5) OPERATION AND MANAGEMENT.—A statement of the rules, standards, and policies of the public housing agency governing maintenance and management of housing owned and operated by the agency, and management of the public housing agency and programs of the agency, including—

(A) a description of the manner in which the agency is organized (including any consortia or joint ventures) and staffed to perform the duties and functions of the public housing agency and to administer the operating fund distributions of the agency;

(B) policies relating to the rental of dwelling units, including policies designed to reduce vacancies;

(C) housing quality standards in effect pursuant to sections 232 and 328 and any certifications required under such sections;

(D) emergency and disaster plans for public housing;

(E) priorities and improvements for management of public housing, including initiatives to control costs; and

(F) policies of the agency requiring the loss or termination of housing assistance and tenancy under sections 641 and 642 (relating to occupancy standards for federally assisted housing).

(6) GRIEVANCE PROCEDURE.—A statement of the grievance procedures of the agency under section 110.

(7) CAPITAL IMPROVEMENTS.—With respect to public housing developments owned or operated by the agency, a plan describing the capital improvements necessary to ensure long-term physical and social viability of the developments.

(8) DEMOLITION AND DISPOSITION.—With respect to public housing developments owned or operated by the agency—

(A) a description of any such housing to be demolished or disposed of under subtitle E of title II; and

(B) a timetable for such demolition or disposition.

(9) DESIGNATION OF HOUSING FOR ELDERLY AND DISABLED FAMILIES.—With respect to public housing developments owned or operated by the agency, a description of any developments (or portions thereof) that the agency has designated or will designate for occupancy by elderly and disabled families in accordance with section 227 and any information required under section 227(d) for such designated developments.

(10) CONVERSION OF PUBLIC HOUSING.—With respect to public housing owned or operated by the agency, a description of any building or buildings that the agency is required, under section 203(b), to convert to housing assistance under title III or that the agency voluntarily converts, an analysis of such buildings required under such section for conversion, and a statement of the amount of grant amounts under title II to be used for rental assistance or other housing assistance.

(11) HOMEOWNERSHIP ACTIVITIES.—A description of any homeownership programs of the agency under subtitle D of title II or section 329 for the agency and the requirements and assistance available under such programs.

(12) ECONOMIC SELF-SUFFICIENCY AND COORDINATION WITH WELFARE AND OTHER APPROPRIATE AGENCIES.—A description of—

(A) policies relating to services and amenities provided or offered to assisted families, including the provision of service coordinators and services designed for certain populations (such as the elderly and disabled);

(B) how the agency will coordinate with State, local, and other agencies providing assistance to families participating in welfare or public assistance programs;

(C) how the agency will implement and administer section 105; and

(D) any policies, programs, plans, and activities of the agency for the enhancement of the economic and social self-sufficiency of residents assisted by the programs of the agency, including rent structures to encourage self-sufficiency.

(13) SAFETY AND CRIME PREVENTION.—A plan established by the public housing agency, which shall be subject to the following requirements:

(A) SAFETY MEASURES.—The plan shall provide, on a development-by-development basis, for measures to ensure the safety of public housing residents.

(B) ESTABLISHMENT.—The plan shall be established, with respect to each development, in consultation with the police officer or officers in command for the precinct in which the development is located.

(C) CONTENT.—The plan shall describe the need for measures to ensure the safety of public housing residents and for crime prevention measures, describe any such activities conducted, or to be conducted, by the agency, and provide for coordination between the public housing agency and the appropriate police precincts for carrying out such measures and activities.

(D) SECRETARIAL ACTION.—If the Secretary determines, at any time, that the security needs of a development are not being adequately addressed by the plan, or that the local police precinct is not complying with the plan, the Secretary may mediate between the public housing agency and the local precinct to resolve any issues of conflict. If after such mediation has occurred and the Secretary determines that the security needs of the development are not adequately addressed, the Secretary may require the public housing agency to submit an amended plan.

(14) ANNUAL AUDIT.—The results of the most recent fiscal year audit of the agency required under section 541(b).

(15) TROUBLED AGENCIES.—Such other additional information as the Secretary may determine to be appropriate for each public housing agency that is designated—

(A) under section 533(c) as at risk of becoming troubled; or

(B) under section 533(a) as troubled.

(16) ASSET MANAGEMENT.—A statement of how the agency will carry out its asset management functions with respect to the public housing inventory of the agency, including how the agency will plan for the long-term operating, capital investment, rehabilitation, modernization, disposition, and other needs for such inventory.

(e) CITIZEN PARTICIPATION.—

(1) PUBLICATION OF NOTICE.—Not later than 45 days before the date of a hearing conducted under paragraph (2) by the governing body of a public housing agency, the agency shall—

(A) publish a notice informing the public that the proposed local housing management plan or amendment is available for inspection at the principal office of the public housing agency during normal business hours and make the plan or amendment so available for inspection during such period; and

(B) publish a notice informing the public that a public hearing will be conducted to discuss the local housing management plan and to invite public comment regarding that plan.

(2) PUBLIC HEARING.—Before submitting a plan under this section or a significant amendment under section 107(f) to a plan, a public housing agency shall, at a location that is convenient to residents, conduct a public hearing, as provided in the notice published under paragraph (1), regarding the public housing plan or the amendment of the agency.

(3) CONSIDERATION OF COMMENTS.—A public housing agency shall consider any comments or views made available pursuant to paragraphs (1) and (2) in preparing a final plan or amendment for submission to the Secretary. A summary of such comments or views shall be attached to the plan, amendment, or report submitted.

(4) ADOPTION OF PLAN.—After conducting the public hearing under paragraph (2) and considering public comments in accordance with paragraph (3), the public housing agency shall make any appropriate changes to the local housing management plan or amendment and shall—

(A) adopt the local housing management plan;

(B) submit the plan to any local elected official or officials responsible for appointing the members of the board of directors (or other similar governing body) of the public housing agency for review and approval under subsection (f);

(C) submit the plan to the Secretary in accordance with this section; and

(D) make the submitted plan or amendment publicly available.

(f) LOCAL REVIEW.—The public housing agency shall submit a plan under this subsection to any local elected official or officials responsible for appointing the members of the board of directors (or other similar governing body) of the public housing agency for review and approval for a 45-day period beginning on the date that the plan is submitted to such local official or officials (which period may run concurrently with any period under subsection (e) for public comment). If the local official or officials responsible under this subsection do not act within 45 days of submission of the plan, the plan shall be considered approved. If the local official or officials responsible under this subsection reject the public housing agency's plan, they shall return the plan with their recommended changes to the agency within 5 days of their disapproval. The agency shall resubmit an updated plan to the local official or officials within 30 days of receiving the objections, If the local official or officials again reject the plan, the resubmitted plan, together with the local official's objections, shall be submitted to the Secretary for approval.

(g) PLANS FOR SMALL PHA'S AND PHA'S ADMINISTERING ONLY RENTAL ASSISTANCE.—The Secretary shall establish requirements for submission of plans under this section and the information to be included in such plans applicable to public housing agencies that own or operate less than 250 public housing dwelling units and shall establish requirements for such submission and information applicable to agencies that only administer housing assistance under title III (and do not own or operate public housing). Such requirements shall waive any requirements under this section that the Secretary determines are burdensome or unnecessary for such agencies.

SEC. 107. REVIEW OF PLANS.

(a) REVIEW AND NOTICE.—

(1) REVIEW.—The Secretary shall conduct a limited review of each local housing management plan submitted to the Secretary to ensure that the plan is complete and complies with the requirements of section 106. The Secretary shall have the discretion to review a plan to the extent that the Secretary considers review is necessary.

(2) NOTICE.—The Secretary shall notify each public housing agency submitting a plan whether the plan complies with such requirements not later than 75 days after receiving the plan. If the Secretary does not notify the public housing agency, as required under this subsection and subsection (b), the Secretary shall be considered, for purposes of this Act, to have made a determination that the plan complies with the requirements under section 106 and the agency shall be considered to have been notified of compliance upon the expiration of such 75-day period. The preceding sentence shall not preclude judicial review regarding such compliance pursuant to chapter 7 of title 5, United States Code, or an action regarding such compliance under section 1979 of the Revised Statutes of the United States (42 U.S.C. 1883).

(b) NOTICE OF REASONS FOR DETERMINATION OF NONCOMPLIANCE.—If the Secretary determines that a plan, as submitted, does not comply with the requirements under section 106, the Secretary shall specify in the notice under subsection (a) the reasons for the noncompliance and any modifications necessary for the plan to meet the requirements under section 106.

(c) STANDARDS FOR DETERMINATION OF NONCOMPLIANCE.—The Secretary may determine that a plan does not comply with the requirements under section 106 only if—

(1) the plan is incomplete in significant matters required under such section;

(2) there is evidence available to the Secretary that challenges, in a substantial manner, any information provided in the plan;

(3) the Secretary determines that the plan does not comply with Federal law or violates the purposes of this Act because it fails to provide housing that will be viable on a long-term basis at a reasonable cost;

(4) the plan plainly fails to adequately identify the needs of low-income families for housing assistance in the jurisdiction of the agency;

(5) the plan plainly fails to adequately identify the capital improvement needs for public housing developments in the jurisdiction of the agency;

(6) the activities identified in the plan are plainly inappropriate to address the needs identified in the plan; or

(7) the plan is inconsistent with the requirements of this Act.

The Secretary shall determine that a plan does not comply with the requirements under section 106 if the plan does not include the information required under section 106(d)(2)(D).

(d) TREATMENT OF EXISTING PLANS.—Notwithstanding any other provision of this title, a public housing agency shall be considered to have submitted a plan under this section if the agency has submitted to the Secretary a comprehensive plan under section 14(e) of the United States Housing Act of 1937 (as in effect immediately before the effective date of the repeal under section 601(b) of this Act) or under the comprehensive improvement assistance program under such section 14, and the Secretary has approved such plan, before January 1, 1997. The Secretary shall provide specific procedures and requirements for such authorities to amend such plans by submitting only such additional information as is necessary to comply with the requirements of section 106.

(e) ACTIONS TO CHANGE PLAN.—A public housing agency that has submitted a plan under section 106 may change actions or policies described in the plan before submission and review of the plan of the agency for the next fiscal year only if—

(1) in the case of costly or nonroutine changes, the agency submits to the Secretary an amendment to the plan under subsection (f) which is reviewed in accordance with such subsection; or

(2) in the case of inexpensive or routine changes, the agency describes such changes in such local housing management plan for the next fiscal year.

(f) AMENDMENTS TO PLAN.—

(1) IN GENERAL.—During the annual or 5-year period covered by the plan for a public housing agency, the agency may submit to the Secretary any amendments to the plan.

(2) REVIEW.—The Secretary shall conduct a limited review of each proposed amendment submitted under this subsection to determine whether the plan, as amended by the amendment, complies with the requirements of section 106 and notify each public housing agency submitting the amendment whether the plan,

as amended, complies with such requirements not later than 30 days after receiving the amendment. If the Secretary determines that a plan, as amended, does not comply with the requirements under section 106, such notice shall indicate the reasons for the noncompliance and any modifications necessary for the plan to meet the requirements under section 106. If the Secretary does not notify the public housing agency as required under this paragraph, the plan, as amended, shall be considered, for purposes of this section, to comply with the requirements under section 106.

(3) STANDARDS FOR DETERMINATION OF NONCOMPLIANCE.—The Secretary may determine that a plan, as amended by a proposed amendment, does not comply with the requirements under section 106 only if—

(A) the plan, as amended, would be subject to a determination of noncompliance in accordance with the provisions of subsection (c);

(B) the Secretary determines that—

(i) the proposed amendment is plainly inconsistent with the activities specified in the plan; or

(ii) there is evidence that challenges, in a substantial manner, any information contained in the amendment; or

(C) the Secretary determines that the plan, as amended, violates the purposes of this Act because it fails to provide housing that will be viable on a long-term basis at a reasonable cost.

(4) AMENDMENTS TO EXTEND TIME OF PERFORMANCE.—Notwithstanding any other provision of this subsection, the Secretary may not determine that any amendment to the plan of a public housing agency that extends the time for performance of activities assisted with amounts provided under this title fails to comply with the requirements under section 106 if the Secretary has not provided the amount of assistance set forth in the plan or has not provided the assistance in a timely manner.

SEC. 108. REPORTING REQUIREMENTS.

(a) PERFORMANCE AND EVALUATION REPORT.—Each public housing agency shall annually submit to the Secretary, on a date determined by the Secretary, a performance and evaluation report concerning the use of funds made available under this Act. The report of the public housing agency shall include an assessment by the agency of the relationship of such use of funds made available under this Act, as well as the use of other funds, to the needs identified in the local housing management plan and to the purposes of this Act. The public housing agency shall certify that the report was available for review and comment by affected tenants prior to its submission to the Secretary.

(b) REVIEW OF PHA'S.—The Secretary shall, at least on an annual basis, make such reviews as may be necessary or appropriate to determine whether each public housing agency receiving assistance under this section—

(1) has carried out its activities under this Act in a timely manner and in accordance with its local housing management plan; and

(2) has a continuing capacity to carry out its local housing management plan in a timely manner.

(c) RECORDS.—Each public housing agency shall collect, maintain, and submit to the Secretary such data and other program records as the Secretary may require, in such form and in accordance with such schedule as the Secretary may establish.

SEC. 109. PET OWNERSHIP.

Pet ownership in housing assisted under this Act that is federally assisted rental housing (as such term is defined in section 227 of the Housing and Urban-Rural Recovery Act of 1983) shall be governed by the provisions of section 227 of such Act.

SEC. 110. ADMINISTRATIVE GRIEVANCE PROCEDURE.

(a) REQUIREMENTS.—Each public housing agency receiving assistance under this Act shall establish and implement an administrative grievance procedure under which residents of public housing will—

(1) be advised of the specific grounds of any proposed adverse public housing agency action;

(2) have an opportunity for a hearing before an impartial party (including appropriate employees of the public housing agency) upon timely request within a reasonable period of time;

(3) have an opportunity to examine any documents or records or regulations related to the proposed action;

(4) be entitled to be represented by another person of their choice at any hearing;

(5) be entitled to ask questions of witnesses and have others make statements on their behalf; and

(6) be entitled to receive a written decision by the public housing agency on the proposed action.

(b) EXCLUSION FROM ADMINISTRATIVE PROCEDURE OF GRIEVANCES CONCERNING EVICTIONS FROM PUBLIC HOUSING.—A public housing agency shall exclude from its procedure established under subsection (a) any grievance concerning an eviction from or termination of tenancy in public housing in any State which requires that, prior to eviction, a resident be provided a hearing in court which the Secretary determines provides the basic elements of due process.

(c) INAPPLICABILITY TO CHOICE-BASED RENTAL HOUSING ASSISTANCE.—This section may not be construed to require any public housing agency to establish or implement an administrative grievance procedure with respect to assisted families under title III.

SEC. 111. HEADQUARTERS RESERVE FUND.

(a) ANNUAL RESERVATION OF AMOUNTS.—Notwithstanding any other provision of law, the Secretary may retain not more than 2 percent of the amounts appropriated to carry out title II for any fiscal year for use in accordance with this section.

(b) USE OF AMOUNTS.—Any amounts that are retained under subsection (a) or appropriated for use under this section shall be available for subsequent allocation to specific areas and communities, and may only be used for the Department of Housing and Urban Development and—

(1) for unforeseen housing needs resulting from natural and other disasters;

(2) for housing needs resulting from emergencies, as determined by the Secretary, other than such disasters;

(3) for housing needs related to a settlement of litigation, including settlement of fair housing litigation; and

(4) for needs related to the Secretary's actions under this Act regarding troubled and at-risk public housing agencies.

Housing needs under this subsection may be met through the provision of assistance in accordance with title II or title III, or both.

SEC. 112. LABOR STANDARDS.

(a) IN GENERAL.—Any contract for grants, sale, or lease pursuant to this Act relating to public housing shall contain the following provisions:

(1) OPERATION.—A provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary, shall be paid to all contractors and persons employed in the operation of the low-income housing development involved.

(2) PRODUCTION.—A provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a–276a–5), shall be paid to all laborers and mechanics employed in the production of the development involved.

The Secretary shall require certification as to compliance with the provisions of this section before making any payment under such contract.

(b) EXCEPTIONS.—Subsection (a) and the provisions relating to wages (pursuant to subsection (a)) in any contract for grants, sale, or lease pursuant to this Act relating to public housing, shall not apply to any individual who—

(1) performs services for which the individual volunteered;

(2)(A) does not receive compensation for such services; or

(B) is paid expenses, reasonable benefits, or a nominal fee for such services; and

(3) is not otherwise employed at any time in the construction work.

SEC. 113. NONDISCRIMINATION.

(a) IN GENERAL.—No person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with amounts made available under this Act. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity.

(b) CIVIL RIGHTS COMPLIANCE.—Each public housing agency that receives grant amounts under this Act shall use such amounts and carry out its local housing management plan approved under section 107 in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of

1973, the Age Discrimination Act of 1975, and the Americans With Disabilities Act of 1990, and shall affirmatively further fair housing.

SEC. 114. PROHIBITION ON USE OF FUNDS.

None of the funds made available to the Department of Housing and Urban Development to carry out this Act, which are obligated to State or local governments, public housing agencies, housing finance agencies, or other public or quasi-public housing agencies, shall be used to indemnify contractors or subcontractors of the government or agency against costs associated with judgments of infringement of intellectual property rights.

SEC. 115. INAPPLICABILITY TO INDIAN HOUSING.

Except as specifically provided by law, the provisions of this title, and titles II, III, IV, and V shall not apply to public housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority under the United States Housing Act of 1937 or to housing assisted under the Native American Housing Assistance and Self-Determination Act of 1996.

SEC. 116. REGULATIONS.

(a) IN GENERAL.—The Secretary may issue any regulations necessary to carry out this Act. This subsection shall take effect on the date of the enactment of this Act.

(b) RULE OF CONSTRUCTION.—Any failure by the Secretary to issue any regulations authorized under subsection (a) shall not affect the effectiveness of any provision of this Act or any amendment made by this Act.

TITLE II—PUBLIC HOUSING

Subtitle A—Block Grants

SEC. 201. BLOCK GRANT CONTRACTS.

(a) IN GENERAL.—The Secretary shall enter into contracts with public housing agencies under which—

(1) the Secretary agrees to make a block grant under this title, in the amount provided under section 202(c), for assistance for low-income housing to the public housing agency for each fiscal year covered by the contract; and

(2) the agency agrees—

(A) to provide safe, clean, and healthy housing that is affordable to low-income families and services for families in such housing;

(B) to operate, or provide for the operation, of such housing in a financially sound manner;

(C) to use the block grant amounts in accordance with this title and the local housing management plan for the agency that complies with the requirements of section 106;

(D) to involve residents of housing assisted with block grant amounts in functions and decisions relating to management and the quality of life in such housing;

(E) that the management of the public housing of the agency shall be subject to actions authorized under subtitle D of title V;

(F) that the Secretary may take actions under section 205 with respect to improper use of grant amounts provided under the contract; and

(G) to otherwise comply with the requirements under this title.

(b) SMALL PUBLIC HOUSING AGENCY CAPITAL GRANT OPTION.—For any fiscal year, upon the request of the Governor of the State, the Secretary shall make available directly to the State, from the amounts otherwise included in the block grants for all public housing agencies in such State which own or operate less than 100 dwelling units, ½ of that portion of such amounts that is derived from the capital improvement allocations for such agencies pursuant to section 203(c)(1) or 203(d)(2), as applicable. The Governor of the State will have the responsibility to distribute all of such funds, in amounts determined by the Governor, only to meet the exceptional capital improvement requirements for the various public housing agencies in the State which operate less than 100 dwelling units: *Provided*, however, that for States where Federal funds provided to the State are subject to appropriation action by the State legislature, the capital funds made available to the Governor under this subsection shall be subject to such appropriation by the State legislature.

(c) MODIFICATION.—Contracts and agreements between the Secretary and a public housing agency may not be amended in a manner which would—

(1) impair the rights of—

(A) leaseholders for units assisted pursuant to a contract or agreement; or

(B) the holders of any outstanding obligations of the public housing agency involved for which annual contributions have been pledged; or

(2) provide for payment of block grant amounts under this title in an amount exceeding the allocation for the agency determined under section 204.

Any rule of law contrary to this subsection shall be deemed inapplicable.

SEC. 202. GRANT AUTHORITY, AMOUNT, AND ELIGIBILITY.

(a) AUTHORITY.—The Secretary shall make block grants under this title to eligible public housing agencies in accordance with block grant contracts under section 201.

(b) PERFORMANCE FUNDS.—

(1) IN GENERAL.—The Secretary shall establish 2 funds for the provision of grants to eligible public housing agencies under this title, as follows:

(A) CAPITAL FUND.—A capital fund to provide capital and management improvements to public housing developments.

(B) OPERATING FUND.—An operating fund for public housing operations.

(2) FLEXIBILITY OF FUNDING.—

(A) IN GENERAL.—A public housing agency may use up to 20 percent of the amounts from a grant under this title that are allocated and provided from the capital fund for activities that are eligible under section 203(a)(2) to be funded with amounts from the operating fund.

(B) FULL FLEXIBILITY FOR SMALL PHA'S.—In the case of a public housing agency that owns or operates less than 250 public housing dwelling units and is (in the determination of the Secretary) operating and maintaining its public housing in a safe, clean, and healthy condition, the agency may use amounts from a grant under this title for any eligible activities under section 203(a), regardless of the fund from which the amounts were allocated and provided.

(c) AMOUNT OF GRANTS.—The amount of the grant under this title for a public housing agency for a fiscal year shall be the amount of the allocation for the agency determined under section 204, except as otherwise provided in this title and title V.

(d) ELIGIBILITY.—A public housing agency shall be an eligible public housing agency with respect to a fiscal year for purposes of this title only if—

(1) the Secretary has entered into a block grant contract with the agency;

(2) the agency has submitted a local housing management plan to the Secretary for such fiscal year;

(3) the plan has been determined to comply with the requirements under section 106 and the Secretary has not notified the agency that the plan fails to comply with such requirements;

(4) the agency is exempt from local taxes, as provided under subsection (e), or receives a contribution, as provided under such subsection;

(5) no member of the board of directors or other governing body of the agency, or the executive director, has been convicted of a felony;

(6) the agency has entered into an agreement providing for local cooperation in accordance with subsection (f); and

(7) the agency has not been disqualified for a grant pursuant to section 205(a) or title V.

(e) PAYMENTS IN LIEU OF STATE AND LOCAL TAXATION OF PUBLIC HOUSING DEVELOPMENTS.—

(1) EXEMPTION FROM TAXATION.—A public housing agency may receive a block grant under this title only if—

(A)(i) the developments of the agency (exclusive of any portions not assisted with amounts provided under this title) are exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and

(ii) the public housing agency makes payments in lieu of taxes to such taxing authority equal to 10 percent of the sum, for units charged in the developments of the agency, of the difference between the gross rent and the utility cost, or such lesser amount as is—

(I) prescribed by State law;

(II) agreed to by the local governing body in its agreement under subsection (f) for local cooperation with the public housing agency or under a waiver by the local governing body; or

(III) due to failure of a local public body or bodies other than the public housing agency to perform any obligation under such agreement; or

(B) the agency complies with the requirements under subparagraph (A) with respect to public housing developments (including public housing units in mixed-income developments), but the agency agrees that the units other than public housing units in any mixed-income developments (as such term is defined in section 221(c)(2)) shall be subject to any otherwise applicable real property taxes imposed by the State, city, county or other political subdivision.

(2) EFFECT OF FAILURE TO EXEMPT FROM TAXATION.—Notwithstanding paragraph (1), a public housing agency that does not comply with the requirements under such paragraph may receive a block grant under this title, but only if the State, city, county, or other political subdivision in which the development is situated contributes, in the form of cash or tax remission, the amount by which the taxes paid with respect to the development exceed 10 percent of the gross rent and utility cost charged in the development.

(f) LOCAL COOPERATION.—In recognition that there should be local determination of the need for low-income housing to meet needs not being adequately met by private enterprise, the Secretary may not make any grant under this title to a public housing agency unless the governing body of the locality involved has entered into an agreement with the agency providing for the local cooperation required by the Secretary pursuant to this title.

(g) EXCEPTION.—Notwithstanding subsection (a), the Secretary may make a grant under this title for a public housing agency that is not an eligible public housing agency but only for the period necessary to secure, in accordance with this title, an alternative public housing agency for the public housing of the ineligible agency.

(h) RECAPTURE OF CAPITAL ASSISTANCE AMOUNTS.—The Secretary may recapture, from any grant amounts made available to a public housing agency from the capital fund, any portion of such amounts that are not used or obligated by the public housing agency for use for eligible activities under section 203(a)(1) (or dedicated for use pursuant to section 202(b)(2)(A)) before the expiration of the 24-month period beginning upon the award of such grant to the agency.

SEC. 203. ELIGIBLE AND REQUIRED ACTIVITIES.

(a) ELIGIBLE ACTIVITIES.—Except as provided in subsection (b) and in section 202(b)(2), grant amounts allocated and provided from the capital fund and grant amounts allocated and provided from the operating fund may be used for the following activities:

(1) CAPITAL FUND ACTIVITIES.—Grant amounts from the capital fund may be used for—

(A) the production and modernization of public housing developments, including the redesign, reconstruction, and reconfiguration of public housing sites and buildings and the production of mixed-income developments;

(B) vacancy reduction;

(C) addressing deferred maintenance needs and the replacement of dwelling equipment;

(D) planned code compliance;

(E) management improvements;

(F) demolition and replacement under section 261;

(G) tenant relocation;

(H) capital expenditures to facilitate programs to improve the economic empowerment and self-sufficiency of public housing tenants; and

(I) capital expenditures to improve the security and safety of residents.

(2) OPERATING FUND ACTIVITIES.—Grant amounts from the operating fund may be used for—

(A) procedures and systems to maintain and ensure the efficient management and operation of public housing units;

(B) activities to ensure a program of routine preventative maintenance;

(C) anti-crime and anti-drug activities, including the costs of providing adequate security for public housing tenants;

(D) activities related to the provision of services, including service coordinators for elderly persons or persons with disabilities;

(E) activities to provide for management and participation in the management of public housing by public housing tenants;

(F) the costs associated with the operation and management of mixed-income developments;

(G) the costs of insurance;

(H) the energy costs associated with public housing units, with an emphasis on energy conservation;

(I) the costs of administering a public housing community work program under section 105, including the costs of any related insurance needs; and

(J) activities in connection with a homeownership program for public housing residents under subtitle D, including providing financing or assistance for purchasing housing, or the provision of financial assistance to resident management corporations or resident councils to obtain training, technical assistance, and educational assistance to promote homeownership opportunities.

(b) REQUIRED CONVERSION OF ASSISTANCE FOR PUBLIC HOUSING TO RENTAL HOUSING ASSISTANCE.—

(1) REQUIREMENT.—A public housing agency that receives grant amounts under this title shall provide assistance in the form of rental housing assistance under title III, or appropriate site revitalization or other appropriate capital improvements approved by the Secretary, in lieu of assisting the operation and modernization of any building or buildings of public housing, if the agency provides sufficient evidence to the Secretary that the building or buildings—

(A) are on the same or contiguous sites;

(B) consist of more than 300 dwelling units;

(C) have a vacancy rate of at least 10 percent for dwelling units not in funded, on-schedule modernization programs;

(D) are identified as distressed housing for which the public housing agency cannot assure the long-term viability as public housing through reasonable revitalization, density reduction, or achievement of a broader range of household income; and

(E) have an estimated cost of continued operation and modernization as public housing that exceeds the cost of providing choice-based rental assistance under title III for all families in occupancy, based on appropriate indicators of cost (such as the percentage of the total development cost required for modernization).

Public housing agencies shall identify properties that meet the definition of subparagraphs (A) through (E) and shall consult with the appropriate public housing residents and the appropriate unit of general local government in identifying such properties.

(2) USE OF OTHER AMOUNTS.—In addition to grant amounts under this title attributable (pursuant to the formulas under section 204) to the building or buildings identified under paragraph (1), the Secretary may use amounts provided in appropriation Acts for choice-based housing assistance under title III for families residing in such building or buildings or for appropriate site revitalization or other appropriate capital improvements approved by the Secretary.

(3) ENFORCEMENT.—The Secretary shall take appropriate action to ensure conversion of any building or buildings identified under paragraph (1) and any other appropriate action under this subsection, if the public housing agency fails to take appropriate action under this subsection.

(4) FAILURE OF PHA'S TO COMPLY WITH CONVERSION REQUIREMENT.—If the Secretary determines that—

(A) a public housing agency has failed under paragraph (1) to identify a building or buildings in a timely manner,

(B) a public housing agency has failed to identify one or more buildings which the Secretary determines should have been identified under paragraph (1), or

(C) one or more of the buildings identified by the public housing agency pursuant to paragraph (1) should not, in the determination of the Secretary, have been identified under that paragraph,

the Secretary may identify a building or buildings for conversion and take other appropriate action pursuant to this subsection.

(5) CESSATION OF UNNECESSARY SPENDING.—Notwithstanding any other provision of law, if, in the determination of the Secretary, a building or buildings meets or is likely to meet the criteria set forth in paragraph (1), the Secretary may direct the public housing agency to cease additional spending in connection with such building or buildings, except to the extent that additional spending is necessary to ensure safe, clean, and healthy housing until the Secretary determines or approves an appropriate course of action with respect to such building or buildings under this subsection.

(6) USE OF BUDGET AUTHORITY.—Notwithstanding any other provision of law, if a building or buildings are identified pursuant to paragraph (1), the Secretary may authorize or direct the transfer, to the choice-based or tenant-based assistance program of such agency or to appropriate site revitalization or other capital improvements approved by the Secretary, of—

(A) in the case of an agency receiving assistance under the comprehensive improvement assistance program, any amounts obligated by the Secretary for the modernization of such building or buildings pursuant to section 14 of the United States Housing Act of 1937 (as in effect immediately before the effective date of the repeal under section 601(b));

(B) in the case of an agency receiving public housing modernization assistance by formula pursuant to such section 14, any amounts provided to the agency which are attributable pursuant to the formula for allocating such assistance to such building or buildings;

(C) in the case of an agency receiving assistance for the major reconstruction of obsolete projects, any amounts obligated by the Secretary for the major reconstruction of such building or buildings pursuant to section 5(j)(2) of the United States Housing Act of 1937, as in effect immediately before the effective date of the repeal under section 601(b); and

(D) in the case of an agency receiving assistance pursuant to the formulas under section 204, any amounts provided to the agency which are attributable pursuant to the formulas for allocating such assistance to such building or buildings.

(7) RELOCATION REQUIREMENTS.—Any public housing agency carrying out conversion of public housing under this subsection shall—

(A) notify the families residing in the public housing development subject to the conversion, in accordance with any guidelines issued by the Secretary governing such notifications, that—

(i) the development will be removed from the inventory of the public housing agency; and

(ii) the families displaced by such action will receive choice-based housing assistance or occupancy in a unit operated or assisted by the public housing agency;

(B) ensure that each family that is a resident of the development is relocated to other safe, clean, and healthy affordable housing, which is, to the maximum extent practicable, housing of the family's choice, including choice-based assistance under title III (provided that with respect to choice-based assistance, the preceding requirement shall be fulfilled only upon the relocation of such family into such housing);

(C) provide any necessary counseling for families displaced by such action to facilitate relocation; and

(D) provide any reasonable relocation expenses for families displaced by such action.

(8) TRANSITION.—Any amounts made available to a public housing agency to carry out section 202 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (enacted as section 101(e) of Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104–134; 110 Stat. 1321–279)) may be used to carry out this section. The Secretary shall provide for public housing agencies to conform and continue actions taken under such section 202 in accordance with the requirements under this section.

(c) EXTENSION OF DEADLINES.—The Secretary may, for a public housing agency, extend any deadline established pursuant to this section or a local housing management plan for up to an additional 5 years if the Secretary makes a determination that the deadline is impracticable.

(d) COMPLIANCE WITH PLAN.—The local housing management plan submitted by a public housing agency (including any amendments to the plan), unless determined under section 107 not to comply with the requirements under section 106, shall be binding upon the Secretary and the public housing agency and the agency shall use any grant amounts provided under this title for eligible activities under subsection (a) in accordance with the plan. This subsection may not be construed to preclude changes or amendments to the plan, as authorized under section 107 or any actions authorized by this Act to be taken without regard to a local housing management plan.

SEC. 204. DETERMINATION OF GRANT ALLOCATION.

(a) IN GENERAL.—For each fiscal year, after reserving amounts under section 111 from the aggregate amount made available for the fiscal year for carrying out this title, the Secretary shall allocate any remaining amounts among eligible public housing agencies in accordance with this section, so that the sum of all of the allocations for all eligible authorities is equal to such remaining amount.

(b) ALLOCATION AMOUNT.—The Secretary shall determine the amount of the allocation for each eligible public housing agency, which shall be—

(1) for any fiscal year beginning after the enactment of a law containing the formulas described in paragraphs (1) and (2) of subsection (c), the sum of the amounts determined for the agency under each such formula; or

(2) for any fiscal year beginning before the expiration of such period, the sum of—

(A) the operating allocation determined under subsection (d)(1) for the agency; and

(B) the capital improvement allocation determined under subsection (d)(2) for the agency.

(c) PERMANENT ALLOCATION FORMULAS FOR CAPITAL AND OPERATING FUNDS.—

(1) ESTABLISHMENT OF CAPITAL FUND FORMULA.—The formula under this paragraph shall provide for allocating assistance under the capital fund for a fiscal year. The formula may take into account such factors as—

(A) the number of public housing dwelling units owned or operated by the public housing agency, the characteristics and locations of the developments, and the characteristics of the families served and to be served (including the incomes of the families);

(B) the need of the public housing agency to carry out rehabilitation and modernization activities, and reconstruction, production, and demolition activities related to public housing dwelling units owned or operated by the public housing agency, including backlog and projected future needs of the agency;

(C) the cost of constructing and rehabilitating property in the area; and

(D) the need of the public housing agency to carry out activities that provide a safe and secure environment in public housing units owned or operated by the public housing agency.

(2) ESTABLISHMENT OF OPERATING FUND FORMULA.—

(A) IN GENERAL.—The formula under this paragraph shall provide for allocating assistance under the operating fund for a fiscal year. The formula may take into account such factors as—

(i) standards for the costs of operating and reasonable projections of income, taking into account the characteristics and locations of the public housing developments and characteristics of the families served and to be served (including the incomes of the families), or the costs of providing comparable services as determined in accordance with criteria or a formula representing the operations of a prototype well-managed public housing development;

(ii) the number of public housing dwelling units owned or operated by the public housing agency;

(iii) the need of the public housing agency to carry out anti-crime and anti-drug activities, including providing adequate security for public housing residents; and

(iv) any record by the public housing agency of exemplary performance in the operation of public housing.

(B) INCENTIVE TO INCREASE INCOME.—The formula shall provide an incentive to encourage public housing agencies to increase nonrental income and to increase rental income attributable to their units by encouraging occupancy by families whose incomes have increase while in occupancy and newly admitted families. Any such incentive shall provide that the agency shall derive the full benefit of any increase in nonrental or rental income, and such increase shall not result in a decrease in amounts provided to the agency under this title. In addition, an agency shall be permitted to retain, from each fiscal year, the full benefit of such an increase in nonrental or rental income, except to the extent that such benefit exceeds (i) 100 percent of the total amount of the operating allocation for which the agency is eligible under this section, and (ii) the maximum balance permitted for the agency's operating reserve under this section and any regulations issued under this section.

(C) TREATMENT OF UTILITY RATES.—The formula shall not take into account the amount of any cost reductions for a public housing agency due to the difference between projected and actual utility rates attributable to actions that are taken by the agency which lead to such reductions, as determined by the Secretary. In the case of any public housing agency that receives financing from any person or entity other than the Secretary or enters into a performance contract to undertake energy conservation improvements in a public housing development, under which the payment does not exceed the cost of the energy saved as a result of the improvements during a reasonable negotiated contract period, the formula shall not take into ac-

count the amount of any cost reductions for the agency due to the differences between projected and actual utility consumption attributable to actions that are taken by the agency which lead to such reductions, as determined by the Secretary. Notwithstanding the preceding 2 sentences, after the expiration of the 10-year period beginning upon the savings initially taking effect, the Secretary may reduce the amount allocated to the agency under the formula by up to 50 percent of such differences.

(3) CONSIDERATION OF PERFORMANCE, COSTS, AND OTHER FACTORS.—The formulas under paragraphs (1) and (2) should each reward performance and may each consider appropriate factors that reflect the different characteristics and sizes of public housing agencies, the relative needs, revenues, costs, and capital improvements of agencies, and the relative costs to agencies of operating a well-managed agency that meets the performance targets for the agency established in the local housing management plan for the agency.

(4) DEVELOPMENT UNDER NEGOTIATED RULEMAKING PROCEDURE.—The formulas under this subsection shall be developed according to procedures for issuance of regulations under the negotiated rulemaking procedure under subchapter III of chapter 5 of title 5, United States Code, except that the formulas shall not be contained in a regulation.

(5) REPORT.—Not later than the expiration of the 12-month period beginning upon the enactment of this Act, the Secretary shall submit a report to the Congress containing the proposed formulas established pursuant to paragraph (4) that meets the requirements of this subsection.

(d) INTERIM ALLOCATION REQUIREMENTS.—

(1) OPERATING ALLOCATION.—

(A) APPLICABILITY TO APPROPRIATED AMOUNTS.—Of any amounts available for allocation under this subsection for a fiscal year, an amount shall be used only to provide amounts for operating allocations under this paragraph for eligible public housing agencies that bears the same ratio to such total amount available for allocation that the amount appropriated for fiscal year 1997 for operating subsidies under section 9 of the United States Housing Act of 1937 bears to the sum of such operating subsidy amounts plus the amounts appropriated for such fiscal year for modernization under section 14 of such Act.

(B) DETERMINATION.—The operating allocation under this paragraph for a public housing agency for a fiscal year shall be an amount determined by applying, to the amount to be allocated under this paragraph, the formula used for determining the distribution of operating subsidies for fiscal year 1997 to public housing agencies (as modified under subparagraphs (C) and (D)) under section 9 of the United States Housing Act of 1937, as in effect immediately before the effective date of the repeal under section 601(b).

(C) TREATMENT OF CHRONICALLY VACANT UNITS.—The Secretary shall revise the formula referred to in subparagraph (B) so that the formula does not provide any amounts, other than utility costs and other necessary costs (such as costs necessary for the protection of persons and property), attributable to any dwelling unit of a public housing agency that has been vacant continuously for 6 or more months. A unit shall not be considered vacant for purposes of this paragraph if the unit is unoccupied because of rehabilitation or renovation that is on schedule.

(D) TREATMENT OF INCREASES IN INCOME.—The Secretary shall revise the formula referred to in subparagraph (B) to provide an incentive to encourage public housing agencies to increase nonrental income and to increase rental income attributable to their units by encouraging occupancy by families whose incomes have increased while in occupancy and newly admitted families. Any such incentive shall provide that the agency shall derive the full benefit of any increase in nonrental or rental income, and such increase shall not result in a decrease in amounts provided to the agency under this title. In addition, an agency shall be permitted to retain, from each fiscal year, the full benefit of such an increase in nonrental or rental income, except that such benefit may not be retained if—

(i) the agency's operating allocation equals 100 percent of the amount for which it is eligible under section 9 of the United States Housing Act of 1937, as in effect immediately before the effective date of the repeal under section 601(b) of this Act; and

(ii) the agency's operating reserve balance is equal to the maximum amount permitted under section 9 of the United States Housing Act of

1937, as in effect immediately before the effective date of the repeal under section 601(b) of this Act.

(2) CAPITAL IMPROVEMENT ALLOCATION.—

(A) APPLICABILITY TO APPROPRIATED AMOUNTS.—Of any amounts available for allocation under this subsection for a fiscal year, an amount shall be used only to provide amounts for capital improvement allocations under this paragraph for eligible public housing agencies that bears the same ratio to such total amount available for allocation that the amount appropriated for fiscal year 1997 for modernization under section 14 of the United States Housing Act of 1937 bears to the sum of such modernization amounts plus the amounts appropriated for such fiscal year for operating subsidies under section 9 of such Act.

(B) DETERMINATION.—The capital improvement allocation under this paragraph for an eligible public housing agency for a fiscal year shall be determined by applying, to the amount to be allocated under this paragraph, the formula used for determining the distribution of modernization assistance for fiscal year 1997 to public housing agencies under section 14 of the United States Housing Act of 1937, as in effect immediately before the effective date of the repeal under section 601(b), except that the Secretary shall establish a method for taking into consideration allocation of amounts under the comprehensive improvement assistance program.

(e) ELIGIBILITY OF UNITS ACQUIRED FROM PROCEEDS OF SALES UNDER DEMOLITION OR DISPOSITION PLAN.—If a public housing agency uses proceeds from the sale of units under a homeownership program in accordance with section 251 to acquire additional units to be sold to low-income families, the additional units shall be counted as public housing for purposes of determining the amount of the allocation to the agency under this section until sale by the agency, but in any case no longer than 5 years.

SEC. 205. SANCTIONS FOR IMPROPER USE OF AMOUNTS.

(a) IN GENERAL.—In addition to any other actions authorized under this title, if the Secretary finds pursuant to an audit under section 541 that a public housing agency receiving grant amounts under this title has failed to comply substantially with any provision of this title, the Secretary may—

(1) terminate payments under this title to the agency;

(2) withhold from the agency amounts from the total allocation for the agency pursuant to section 204;

(3) reduce the amount of future grant payments under this title to the agency by an amount equal to the amount of such payments that were not expended in accordance with this title;

(4) limit the availability of grant amounts provided to the agency under this title to programs, projects, or activities not affected by such failure to comply;

(5) withhold from the agency amounts allocated for the agency under title III; or

(6) order other corrective action with respect to the agency.

(b) TERMINATION OF COMPLIANCE ACTION.—If the Secretary takes action under subsection (a) with respect to a public housing agency, the Secretary shall—

(1) in the case of action under subsection (a)(1), resume payments of grant amounts under this title to the agency in the full amount of the total allocation under section 204 for the agency at the time that the Secretary first determines that the agency will comply with the provisions of this title;

(2) in the case of action under paragraph (2), (5), or (6) of subsection (a), make withheld amounts available as the Secretary considers appropriate to ensure that the agency complies with the provisions of this title; or

(3) in the case of action under subsection (a)(4), release such restrictions at the time that the Secretary first determines that the agency will comply with the provisions of this title.

Subtitle B—Admissions and Occupancy Requirements

SEC. 221. LOW-INCOME HOUSING REQUIREMENT.

(a) PRODUCTION ASSISTANCE.—Any public housing produced using amounts provided under a grant under this title or under the United States Housing Act of 1937 shall be operated as public housing for the 40-year period beginning upon such production.

(b) OPERATING ASSISTANCE.—No portion of any public housing development operated with amounts from a grant under this title or operating assistance provided under the United States Housing Act of 1937 may be disposed of before the expiration of the 10-year period beginning upon the conclusion of the fiscal year for which the grant or such assistance was provided, except as provided in this Act.

(c) CAPITAL IMPROVEMENTS ASSISTANCE.—Amounts may be used for eligible activities under section 203(a)(1) only for the following housing developments:

(1) LOW-INCOME DEVELOPMENTS.—Amounts may be used for a low-income housing development that—

(A) is owned by public housing agencies;

(B) is operated as low-income rental housing and produced or operated with assistance provided under a grant under this title; and

(C) is consistent with the purposes of this title.

Any development, or portion thereof, referred to in this paragraph for which activities under section 203(a)(1) are conducted using amounts from a grant under this title shall be maintained and used as public housing for the 20-year period beginning upon the receipt of such grant. Any public housing development, or portion thereof, that received the benefit of a grant pursuant to section 14 of the United States Housing Act of 1937 shall be maintained and used as public housing for the 20-year period beginning upon receipt of such amounts.

(2) MIXED INCOME DEVELOPMENTS.—Amounts may be used for eligible activities under section 203(a)(1) for mixed-income developments, which shall be a housing development that—

(A) contains dwelling units that are available for occupancy by families other than low-income families;

(B) contains a number of dwelling units—

(i) which units are made available (by master contract or individual lease) for occupancy only by low- and very low-income families identified by the public housing agency;

(ii) which number is not less than a reasonable number of units, including related amenities, taking into account the amount of the assistance provided by the agency compared to the total investment (including costs of operation) in the development;

(iii) which units are subject to the statutory and regulatory requirements of the public housing program, except that the Secretary may grant appropriate waivers to such statutory and regulatory requirements if reductions in funding or other changes to the program make continued application of such requirements impracticable;

(iv) which units are specially designated as dwelling units under this subparagraph, except the equivalent units in the development may be substituted for designated units during the period the units are subject to the requirements of the public housing program; and

(v) which units shall be eligible for assistance under this title; and

(C) is owned by the public housing agency, an affiliate controlled by it, or another appropriate entity.

Notwithstanding any other provision of this title, to facilitate the establishment of socioeconomically mixed communities, a public housing agency that uses grant amounts under this title for a mixed income development under this paragraph may, to the extent that income from such a development reduces the amount of grant amounts used for operating or other costs relating to public housing, use such resulting savings to rent privately developed dwelling units in the neighborhood of the mixed income development. Such units shall be made available for occupancy only by low-income families eligible for residency in public housing.

SEC. 222. FAMILY ELIGIBILITY.

(a) IN GENERAL.—Dwelling units in public housing may be rented only to families who are low-income families at the time of their initial occupancy of such units.

(b) INCOME MIX WITHIN DEVELOPMENTS.—A public housing agency may establish and utilize income-mix criteria for the selection of residents for dwelling units in public housing developments that limit admission to a development by selecting applicants having incomes appropriate so that the mix of incomes of families occupying the development at any time is proportional to the income mix in the eligible population of the jurisdiction of the agency at such time, as adjusted to take into consideration the severity of housing need. Any criteria established under this subsection shall be subject to the provisions of subsection (c).

(c) INCOME MIX.—

(1) PHA INCOME MIX.—Of the public housing dwelling units of a public housing agency made available for occupancy by eligible families, not less than 35 percent shall be occupied by families whose incomes at the time of occupancy do not exceed 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary, may for purposes of this subsection, establish income ceilings higher or lower than 30 percent of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes. This paragraph may not be construed to create any authority on the part of any public housing agency to evict any family residing in public housing solely because of the income of the family or because of any noncompliance or overcompliance with the requirement of this paragraph.

(2) PROHIBITION OF CONCENTRATION OF LOW-INCOME FAMILIES.—A public housing agency may not, in complying with the requirements under paragraph (1), concentrate very low-income families (or other families with relatively low incomes) in public housing dwelling units in certain public housing developments or certain buildings within developments. The Secretary may review the income and occupancy characteristics of the public housing developments, and the buildings of such developments, of public housing agencies to ensure compliance with the provisions of this paragraph.

(3) FUNGIBILITY WITH CHOICE-BASED ASSISTANCE.—If, during a fiscal year, a public housing agency provides choice-based housing assistance under title III for a number of low-income families, who are initially assisted by the agency in such year and have incomes described in section 321(b) (relating to income targeting), which exceeds the number of families that is required for the agency to comply with the percentage requirement under such section 321(b) for such fiscal year, notwithstanding paragraph (1) of this subsection, the number of public housing dwelling units that the agency must otherwise make available in accordance with such paragraph to comply with the percentage requirement under such paragraph shall be reduced by such excess number of families for such fiscal year.

(d) WAIVER OF ELIGIBILITY REQUIREMENTS FOR OCCUPANCY BY POLICE OFFICERS.—

(1) AUTHORITY AND WAIVER.—To the extent necessary to provide occupancy in public housing dwelling units to police officers and other law enforcement or security personnel (who are not otherwise eligible for residence in public housing) and to increase security for other public housing residents in developments where crime has been a problem, a public housing agency may, with respect to such units and subject to paragraph (2)—

(A) waive—

(i) the provisions of subsection (a) of this section and section 225(a); and

(ii) the applicability of—

(I) any preferences for occupancy established under section 223;

(II) the minimum rental amount established pursuant to section 225(c) and any maximum monthly rental amount established pursuant to section 225(b);

(III) any criteria relating to income mix within developments established under subsection (b);

(IV) the income mix requirements under subsection (c); and

(V) any other occupancy limitations or requirements; and

(B) establish special rent requirements and other terms and conditions of occupancy.

(2) CONDITIONS OF WAIVER.—A public housing agency may take the actions authorized in paragraph (1) only if agency determines that such actions will increase security in the public housing developments involved and will not result in a significant reduction of units available for residence by low-income families.

SEC. 223. PREFERENCES FOR OCCUPANCY.

(a) AUTHORITY TO ESTABLISH.—Each public housing agency may establish a system for making dwelling units in public housing available for occupancy that provides preference for such occupancy to families having certain characteristics.

(b) CONTENT.—Each system of preferences established pursuant to this section shall be based upon local housing needs and priorities, as determined by the public housing agency using generally accepted data sources, including any information obtained pursuant to an opportunity for public comment as provided under section 106(e) and under the requirements applicable to the comprehensive housing affordability strategy for the relevant jurisdiction.

(c) SENSE OF THE CONGRESS.—It is the sense of the Congress that, to the greatest extent practicable, public housing agencies involved in the selection of tenants under the provisions of this title should adopt preferences for individuals who are victims of domestic violence.

SEC. 224. ADMISSION PROCEDURES.

(a) ADMISSION REQUIREMENTS.—A public housing agency shall ensure that each family residing in a public housing development owned or administered by the agency is admitted in accordance with the procedures established under this title by the agency and the income limits under section 222.

(b) NOTIFICATION OF APPLICATION DECISIONS.—A public housing agency shall establish procedures designed to provide for notification to an applicant for admission to public housing of the determination with respect to such application, the basis for the determination, and, if the applicant is determined to be eligible for admission, the projected date of occupancy (to the extent such date can reasonably be determined). If an agency denies an applicant admission to public housing, the agency shall notify the applicant that the applicant may request an informal hearing on the denial within a reasonable time of such notification.

(c) SITE-BASED WAITING LISTS.—A public housing agency may establish procedures for maintaining waiting lists for admissions to public housing developments of the agency, which may include (notwithstanding any other law, regulation, handbook, or notice to the contrary) a system of site-based waiting lists whereby applicants may apply directly at or otherwise designate the development or developments in which they seek to reside. All such procedures shall comply with all provisions of title VI of the Civil Rights Act of 1964, the Fair Housing Act, and other applicable civil rights laws.

(d) CONFIDENTIALITY FOR VICTIMS OF DOMESTIC VIOLENCE.—A public housing agency shall be subject to the restrictions regarding release of information relating to the identity and new residence of any family in public housing that was a victim of domestic violence that are applicable to shelters pursuant to the Family Violence Prevention and Services Act. The agency shall work with the United States Postal Service to establish procedures consistent with the confidentiality provisions in the Violence Against Women Act of 1994.

(e) TRANSFERS.—A public housing agency may apply, to each public housing resident seeking to transfer from one development to another development owned or operated by the agency, the screening procedures applicable at such time to new applicants for public housing.

SEC. 225. FAMILY CHOICE OF RENTAL PAYMENT.

(a) RENTAL CONTRIBUTION BY RESIDENT.—A family residing in a public housing dwelling shall pay as monthly rent for the unit the amount determined under paragraph (1) or (2) of subsection (b), subject to the requirement under subsection (c). Each public housing agency shall provide for each family residing in a public housing dwelling unit owned or administered by the agency to elect annually whether the rent paid by such family shall be determined under paragraph (1) or (2) of subsection (b).

(b) ALLOWABLE RENT STRUCTURES.—

(1) FLAT RENTS.—Each public housing agency shall establish, for each dwelling unit in public housing owned or administered by the agency, a flat rental amount for the dwelling unit, which shall—

(A) be based on the rental value of the unit, as determined by the public housing agency; and

(B) be designed in accordance with subsection (e) so that the rent structures do not create a disincentive for continued residency in public housing by families who are attempting to become economically self-sufficient through employment or who have attained a level of self-sufficiency through their own efforts.

The rental amount for a dwelling unit shall be considered to comply with the requirements of this paragraph if such amount does not exceed the actual monthly costs to the public housing agency attributable to providing and operating the dwelling unit. The preceding sentence may not be construed to require establishment of rental amounts equal to or based on operating costs or to prevent public housing agencies from developing flat rents required under this paragraph in any other manner that may comply with this paragraph.

(2) INCOME-BASED RENTS.—The monthly rental amount determined under this paragraph for a family shall be an amount, determined by the public housing agency, that does not exceed the greatest of the following amounts (rounded to the nearest dollar):

(A) 30 percent of the monthly adjusted income of the family.

(B) 10 percent of the monthly income of the family.

(C) If the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the actual housing costs of the family, is specifically designated by such agency to meet the housing costs of the family, the portion of such payments that is so designated.

Nothing in this paragraph may be construed to require a public housing agency to charge a monthly rent in the maximum amount permitted under this paragraph.

(c) MINIMUM RENTAL AMOUNT.—Notwithstanding the method for rent determination elected by a family pursuant to subsection (a), each public housing agency shall require that the monthly rent for each dwelling unit in public housing owned or administered by the agency shall not be less than a minimum amount (which amount shall include any amount allowed for utilities), which shall be an amount determined by the agency that is not less than $25 nor more than $50.

(d) HARDSHIP PROVISIONS.—

(1) MINIMUM RENTAL.—

(A) IN GENERAL.—Notwithstanding subsection (c), a public housing agency shall grant an exemption from application of the minimum monthly rental under such subsection to any family unable to pay such amount because of financial hardship, which shall include situations in which (i) the family has lost eligibility for or is awaiting an eligibility determination for a Federal, State, or local assistance program; (ii) the family would be evicted as a result of the imposition of the minimum rent requirement under subsection (c); (iii) the income of the family has decreased because of changed circumstance, including loss of employment; and (iv) a death in the family has occurred; and other situations as may be determined by the agency.

(B) WAITING PERIOD.—If a resident requests a hardship exemption under this paragraph and the public housing agency reasonably determines the hardship to be of a temporary nature, an exemption shall not be granted during the 90-day period beginning upon the making of a request for the exemption. A resident may not be evicted during such 90-day period for nonpayment of rent. In such a case, if the resident thereafter demonstrates that the financial hardship is of a long-term basis, the agency shall retroactively exempt the resident from the applicability of the minimum rent requirement for such 90-day period.

(2) SWITCHING RENT DETERMINATION METHODS.—Notwithstanding subsection (a), in the case of a family that has elected to pay rent in the amount determined under subsection (b)(1), a public housing agency shall provide for the family to pay rent in the amount determined under subsection (b)(2) during the period for which such election was made if the family is unable to pay the amount determined under subsection (b)(1) because of financial hardship, including—

(A) situations in which the income of the family has decreased because of changed circumstances, loss of reduction of employment, death in the family, and reduction in or loss of income or other assistance;

(B) an increase, because of changed circumstances, in the family's expenses for—

(i) medical costs;

(ii) child care;

(iii) transportation;

(iv) education; or

(v) similar items; and

(C) such other situations as may be determined by the agency.

(e) ENCOURAGEMENT OF SELF-SUFFICIENCY.—The rental policy developed by each public housing agency shall encourage and reward employment and economic self-sufficiency.

(f) INCOME REVIEWS.—Each public housing agency shall review the income of each family occupying a dwelling unit in public housing owned or administered by the agency not less than annually, except that, in the case of families that are paying rent in the amount determined under subsection (b)(1), the agency shall review the income of such family not less than once every 3 years.

(g) DISALLOWANCE OF EARNED INCOME FROM RENT DETERMINATIONS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the rent payable under this section by a family whose income increases as a result of employment of a member of the family who was previously unemployed for 1 or more years (including a family whose income increases as a result of the participation of a family member in any family self-sufficiency or other job training

program) may not be increased as a result of the increased income due to such employment during the 18-month period beginning on the date on which the employment is commenced.

(2) PHASE-IN OF RENT INCREASES.—After the expiration of the 18-month period referred to in paragraph (1), rent increases due to the continued employment of the family member described in paragraph (1) shall be phased in over a subsequent 3-year period.

(3) TRANSITION.—Notwithstanding the provisions of paragraphs (1) and (2), any resident of public housing participating in the program under the authority contained in the undesignated paragraph at the end of section 3(c)(3) of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act) shall be governed by such authority after such date.

(h) PHASE-IN OF RENT CONTRIBUTION INCREASES AFTER EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), for any family residing in a dwelling unit in public housing upon the effective date of this Act, if the monthly contribution for rental of an assisted dwelling unit to be paid by the family upon initial applicability of this title is greater than the amount paid by the family under the provisions of the United States Housing Act of 1937 immediately before such applicability, any such resulting increase in rent contribution shall be—

(A) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more of such contribution before initial applicability; and

(B) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent of such contribution before initial applicability.

(2) EXCEPTION.—The minimum rental amount under subsection (c) shall apply to each family described in paragraph (1) of this subsection, notwithstanding such paragraph.

SEC. 226. LEASE REQUIREMENTS.

In renting dwelling units in a public housing development, each public housing agency shall utilize leases that—

(1) do not contain unreasonable terms and conditions;

(2) obligate the public housing agency to maintain the development in compliance with the housing quality requirements under section 232;

(3) require the public housing agency to give adequate written notice of termination of the lease, which shall not be less than—

(A) the period provided under the applicable law of the jurisdiction or 14 days, whichever is less, in the case of nonpayment of rent;

(B) a reasonable period of time, but not to exceed 14 days, when the health or safety of other residents or public housing agency employees is threatened; and

(C) the period of time provided under the applicable law of the jurisdiction, in any other case;

(4) contain the provisions required under sections 642 and 643 (relating to limitations on occupancy in federally assisted housing); and

(5) specify that, with respect to any notice of eviction or termination, notwithstanding any State law, a public housing resident shall be informed of the opportunity, prior to any hearing or trial, to examine any relevant documents, records or regulations directly related to the eviction or termination.

SEC. 227. DESIGNATED HOUSING FOR ELDERLY AND DISABLED FAMILIES.

(a) AUTHORITY TO PROVIDE DESIGNATED HOUSING.—

(1) IN GENERAL.—Subject only to provisions of this section and notwithstanding any other provision of law, a public housing agency for which the information required under subsection (d) is in effect may provide public housing developments (or portions of developments) designated for occupancy by (A) only elderly families, (B) only disabled families, or (C) elderly and disabled families.

(2) PRIORITY FOR OCCUPANCY.—In determining priority for admission to public housing developments (or portions of developments) that are designated for occupancy as provided in paragraph (1), the public housing agency may make units in such developments (or portions) available only to the types of families for whom the development is designated.

(3) ELIGIBILITY OF NEAR-ELDERLY FAMILIES.—If a public housing agency determines that there are insufficient numbers of elderly families to fill all the units in a development (or portion of a development) designated under paragraph (1)

for occupancy by only elderly families, the agency may provide that near-elderly families may occupy dwelling units in the development (or portion).

(b) STANDARDS REGARDING EVICTIONS.—Except as provided in subtitle C of title VI, any tenant who is lawfully residing in a dwelling unit in a public housing development may not be evicted or otherwise required to vacate such unit because of the designation of the development (or portion of a development) pursuant to this section or because of any action taken by the Secretary or any public housing agency pursuant to this section.

(c) RELOCATION ASSISTANCE.—A public housing agency that designates any existing development or building, or portion thereof, for occupancy as provided under subsection (a)(1) shall provide, to each person and family who agrees to be relocated in connection with such designation—

(1) notice of the designation and an explanation of available relocation benefits, as soon as is practicable for the agency and the person or family;

(2) access to comparable housing (including appropriate services and design features), which may include choice-based rental housing assistance under title III, at a rental rate paid by the tenant that is comparable to that applicable to the unit from which the person or family has vacated; and

(3) payment of actual, reasonable moving expenses.

(d) REQUIRED INCLUSIONS IN LOCAL HOUSING MANAGEMENT PLAN.—A public housing agency may designate a development (or portion of a development) for occupancy under subsection (a)(1) only if the agency, as part of the agency's local housing management plan—

(1) establishes that the designation of the development is necessary—

(A) to achieve the housing goals for the jurisdiction under the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act; or

(B) to meet the housing needs of the low-income population of the jurisdiction; and

(2) includes a description of—

(A) the development (or portion of a development) to be designated;

(B) the types of tenants for which the development is to be designated;

(C) any supportive services to be provided to tenants of the designated development (or portion);

(D) how the design and related facilities (as such term is defined in section 202(d)(8) of the Housing Act of 1959) of the development accommodate the special environmental needs of the intended occupants; and

(E) any plans to secure additional resources or housing assistance to provide assistance to families that may have been housed if occupancy in the development were not restricted pursuant to this section.

For purposes of this subsection, the term "supportive services" means services designed to meet the special needs of residents. Notwithstanding section 107, the Secretary may approve a local housing management plan without approving the portion of the plan covering designation of a development pursuant to this section.

(e) EFFECTIVENESS.—

(1) INITIAL 5-YEAR EFFECTIVENESS.—The information required under subsection (d) shall be in effect for purposes of this section during the 5-year period that begins upon notification under section 107(a) of the public housing agency that the information complies with the requirements under section 106 and this section.

(2) RENEWAL.—Upon the expiration of the 5-year period under paragraph (1) or any 2-year period under this paragraph, an agency may extend the effectiveness of the designation and information for an additional 2-year period (that begins upon such expiration) by submitting to the Secretary any information needed to update the information. The Secretary may not limit the number of times a public housing agency extends the effectiveness of a designation and information under this paragraph.

(3) TREATMENT OF EXISTING PLANS.—Notwithstanding any other provision of this section, a public housing agency shall be considered to have submitted the information required under this section if the agency has submitted to the Secretary an application and allocation plan under section 7 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act) that has not been approved or disapproved before such effective date.

(4) TRANSITION PROVISION.—Any application and allocation plan approved under section 7 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act) before such effective date shall be considered to be the information required to be submitted

under this section and that is in effect for purposes of this section for the 5-year period beginning upon such approval.

(f) INAPPLICABILITY OF UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITIONS POLICY ACT OF 1970.—No resident of a public housing development shall be considered to be displaced for purposes of the Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970 because of the designation of any existing development or building, or portion thereof, for occupancy as provided under subsection (a) of this section.

(g) USE OF AMOUNTS.—Any amounts appropriated pursuant to section 10(b) of the Housing Opportunity Program Extension Act of 1996 (Public Law 104–120) may also be used for choice-based rental housing assistance under title III for public housing agencies to implement this section.

Subtitle C—Management

SEC. 231. MANAGEMENT PROCEDURES.

(a) SOUND MANAGEMENT.—A public housing agency that receives grant amounts under this title shall establish and comply with procedures and practices sufficient to ensure that the public housing developments owned or administered by the agency are operated in a sound manner.

(b) ACCOUNTING SYSTEM FOR RENTAL COLLECTIONS AND COSTS.—

(1) ESTABLISHMENT.—Each public housing agency that receives grant amounts under this title shall establish and maintain a system of accounting for rental collections and costs (including administrative, utility, maintenance, repair, and other operating costs) for each project and operating cost center (as determined by the Secretary).

(2) ACCESS TO RECORDS.—Each public housing agency shall make available to the general public the information required pursuant to paragraph (1) regarding collections and costs.

(3) EXEMPTION.—The Secretary may permit authorities owning or operating fewer than 500 dwelling units to comply with the requirements of this subsection by accounting on an agency-wide basis.

(c) MANAGEMENT BY OTHER ENTITIES.—Except as otherwise provided under this Act, a public housing agency may contract with any other entity to perform any of the management functions for public housing owned or operated by the public housing agency.

SEC. 232. HOUSING QUALITY REQUIREMENTS.

(a) IN GENERAL.—Each public housing agency that receives grant amounts under this Act shall maintain its public housing in a condition that complies—

(1) in the case of public housing located in a jurisdiction which has in effect laws, regulations, standards, or codes regarding habitability of residential dwellings, with such applicable laws, regulations, standards, or codes; or

(2) in the case of public housing located in a jurisdiction which does not have in effect laws, regulations, standards, or codes described in paragraph (1), with the housing quality standards established under subsection (b).

(b) FEDERAL HOUSING QUALITY STANDARDS.—The Secretary shall establish housing quality standards under this subsection that ensure that public housing dwelling units are safe, clean, and healthy. Such standards shall include requirements relating to habitability, including maintenance, health and sanitation factors, condition, and construction of dwellings, and shall, to the greatest extent practicable, be consistent with the standards established under section 328(c). The Secretary shall differentiate between major and minor violations of such standards.

(c) DETERMINATIONS.—Each public housing agency providing housing assistance shall identify, in the local housing management plan of the agency, whether the agency is utilizing the standard under paragraph (1) or (2) of subsection (a).

(d) ANNUAL INSPECTIONS.—Each public housing agency that owns or operates public housing shall make an annual inspection of each public housing development to determine whether units in the development are maintained in accordance with the requirements under subsection (a). The agency shall retain the results of such inspections and, upon the request of the Secretary, the Inspector General for the Department of Housing and Urban Development, or any auditor conducting an audit under section 541, shall make such results available.

SEC. 233. EMPLOYMENT OF RESIDENTS.

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) is amended—

(1) in subsection (c)(1)—

(A) in subparagraph (A)—

(i) by striking "public and Indian housing agencies" and inserting "public housing agencies and recipients of grants under the Native American Housing Assistance and Self-Determination Act of 1996"; and

(ii) by striking "development assistance" and all that follows through the end and inserting "assistance provided under title II of the Housing Opportunity and Responsibility Act of 1997 and used for the housing production, operation, or capital needs."; and

(B) in subparagraph (B)(ii), by striking "managed by the public or Indian housing agency" and inserting "assisted by the public housing agency or the recipient of a grant under the Native American Housing Assistance and Self-Determination Act of 1996"; and

(2) in subsection (d)(1)—

(A) in subparagraph (A)—

(i) by striking "public and Indian housing agencies" and inserting "public housing agencies and recipients of grants under the Native American Housing Assistance and Self-Determination Act of 1996"; and

(ii) by striking "development assistance" and all that follows through "section 14 of that Act" and inserting "assistance provided under title II of the Housing Opportunity and Responsibility Act of 1997 and used for the housing production, operation, or capital needs"; and

(B) in subparagraph (B)(ii), by striking "operated by the public or Indian housing agency" and inserting "assisted by the public housing agency or the recipient of a grant under the Native American Housing Assistance and Self-Determination Act of 1996".

SEC. 234. RESIDENT COUNCILS AND RESIDENT MANAGEMENT CORPORATIONS.

(a) RESIDENT COUNCILS.—The residents of a public housing development may establish a resident council for the development for purposes of consideration of issues relating to residents, representation of resident interests, and coordination and consultation with a public housing agency. A resident council shall be an organization or association that—

(1) is nonprofit in character;

(2) is representative of the residents of the eligible housing;

(3) adopts written procedures providing for the election of officers on a regular basis; and

(4) has a democratically elected governing board, which is elected by the residents of the eligible housing on a regular basis.

(b) RESIDENT MANAGEMENT CORPORATIONS.—

(1) ESTABLISHMENT.—The residents of a public housing development may establish a resident management corporation for the purpose of assuming the responsibility for the management of the development under section 235 or purchasing a development.

(2) REQUIREMENTS.—A resident management corporation shall be a corporation that—

(A) is nonprofit in character;

(B) is organized under the laws of the State in which the development is located;

(C) has as its sole voting members the residents of the development; and

(D) is established by the resident council for the development or, if there is not a resident council, by a majority of the households of the development.

SEC. 235. MANAGEMENT BY RESIDENT MANAGEMENT CORPORATION.

(a) AUTHORITY.—A public housing agency may enter into a contract under this section with a resident management corporation to provide for the management of public housing developments by the corporation.

(b) CONTRACT.—A contract under this section for management of public housing developments by a resident management corporation shall establish the respective management rights and responsibilities of the corporation and the public housing agency. The contract shall be consistent with the requirements of this Act applicable to public housing development and may include specific terms governing management personnel and compensation, access to public housing records, submission of and adherence to budgets, rent collection procedures, resident income verification, resident eligibility determinations, resident eviction, the acquisition of supplies and materials and such other matters as may be appropriate. The contract shall be treated as a contracting out of services.

(c) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing development, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

(d) BLOCK GRANT ASSISTANCE AND INCOME.—A contract under this section shall provide for—

(1) the public housing agency to provide a portion of the block grant assistance under this title to the resident management corporation for purposes of operating the public housing development covered by the contract and performing such other eligible activities with respect to the development as may be provided under the contract;

(2) the amount of income expected to be derived from the development itself (from sources such as rents and charges);

(3) the amount of income to be provided to the development from the other sources of income of the public housing agency (such as interest income, administrative fees, and rents); and

(4) any income generated by a resident management corporation of a public housing development that exceeds the income estimated under the contract shall be used for eligible activities under section 203(a).

(e) CALCULATION OF TOTAL INCOME.—

(1) MAINTENANCE OF SUPPORT.—Subject to paragraph (2), the amount of assistance provided by a public housing agency to a public housing development managed by a resident management corporation may not be reduced during the 3-year period beginning on the date on which the resident management corporation is first established for the development.

(2) REDUCTIONS AND INCREASES IN SUPPORT.—If the total income of a public housing agency is reduced or increased, the income provided by the public housing agency to a public housing development managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the agency, except that any reduction in block grant amounts under this title to the agency that occurs as a result of fraud, waste, or mismanagement by the agency shall not affect the amount provided to the resident management corporation.

SEC. 236. TRANSFER OF MANAGEMENT OF CERTAIN HOUSING TO INDEPENDENT MANAGER AT REQUEST OF RESIDENTS.

(a) AUTHORITY.—The Secretary may transfer the responsibility and authority for management of specified housing (as such term is defined in subsection (h)) from a public housing agency to an eligible management entity, in accordance with the requirements of this section, if—

(1) such housing is owned or operated by a public housing agency that is designated as a troubled agency under section 533(a); and

(2) the Secretary determines that—

(A) such housing has deferred maintenance, physical deterioration, or obsolescence of major systems and other deficiencies in the physical plant of the project;

(B) such housing is occupied predominantly by families with children who are in a severe state of distress, characterized by such factors as high rates of unemployment, teenage pregnancy, single-parent households, long-term dependency on public assistance and minimal educational achievement;

(C) such housing is located in an area such that the housing is subject to recurrent vandalism and criminal activity (including drug-related criminal activity); and

(D) the residents can demonstrate that the elements of distress for such housing specified in subparagraphs (A) through (C) can be remedied by an entity that has a demonstrated capacity to manage, with reasonable expenses for modernization.

Such a transfer may be made only as provided in this section, pursuant to the approval by the Secretary of a request for the transfer made by a majority vote of the residents for the specified housing, after consultation with the public housing agency for the specified housing.

(b) BLOCK GRANT ASSISTANCE.—Pursuant to a contract under subsection (c), the Secretary shall require the public housing agency for specified housing to provide to the manager for the housing, from any block grant amounts under this title for the agency, fair and reasonable amounts for operating costs for the housing. The amount made available under this subsection to a manager shall be determined by

the Secretary based on the share for the specified housing of the total block grant amounts for the public housing agency transferring the housing, taking into consideration the operating and capital improvement needs of the specified housing, the operating and capital improvement needs of the remaining public housing units managed by the public housing agency, and the local housing management plan of such agency.

(c) CONTRACT BETWEEN SECRETARY AND MANAGER.—

(1) REQUIREMENTS.—Pursuant to the approval of a request under this section for transfer of the management of specified housing, the Secretary shall enter into a contract with the eligible management entity.

(2) TERMS.— A contract under this subsection shall contain provisions establishing the rights and responsibilities of the manager with respect to the specified housing and the Secretary and shall be consistent with the requirements of this Act applicable to public housing developments.

(d) COMPLIANCE WITH LOCAL HOUSING MANAGEMENT PLAN.—A manager of specified housing under this section shall comply with the approved local housing management plan applicable to the housing and shall submit such information to the public housing agency from which management was transferred as may be necessary for such agency to prepare and update its local housing management plan.

(e) DEMOLITION AND DISPOSITION BY MANAGER.—A manager under this section may demolish or dispose of specified housing only if, and in the manner, provided for in the local housing management plan for the agency transferring management of the housing.

(f) LIMITATION ON PHA LIABILITY.—A public housing agency that is not a manager for specified housing shall not be liable for any act or failure to act by a manager or resident council for the specified housing.

(g) TREATMENT OF MANAGER.—To the extent not inconsistent with this section and to the extent the Secretary determines not inconsistent with the purposes of this Act, a manager of specified housing under this section shall be considered to be a public housing agency for purposes of this title.

(h) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) ELIGIBLE MANAGEMENT ENTITY.—The term "eligible management entity" means, with respect to any public housing development, any of the following entities:

(A) NONPROFIT ORGANIZATION.—A public or private nonprofit organization, which shall—

(i) include a resident management corporation or resident management organization and, as determined by the Secretary, a public or private nonprofit organization sponsored by the public housing agency that owns the development; and

(ii) not include the public housing agency that owns the development.

(B) FOR-PROFIT ENTITY.—A for-profit entity that has demonstrated experience in providing low-income housing.

(C) STATE OR LOCAL GOVERNMENT.—A State or local government, including an agency or instrumentality thereof.

(D) PUBLIC HOUSING AGENCY.—A public housing agency (other than the public housing agency that owns the development).

The term does not include a resident council.

(2) MANAGER.—The term "manager" means any eligible management entity that has entered into a contract under this section with the Secretary for the management of specified housing.

(3) NONPROFIT.—The term "nonprofit" means, with respect to an organization, association, corporation, or other entity, that no part of the net earnings of the entity inures to the benefit of any member, founder, contributor, or individual.

(4) PRIVATE NONPROFIT ORGANIZATION.—The term "private nonprofit organization" means any private organization (including a State or locally chartered organization) that—

(A) is incorporated under State or local law;

(B) is nonprofit in character;

(C) complies with standards of financial accountability acceptable to the Secretary; and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income families.

(5) PUBLIC HOUSING AGENCY.—The term "public housing agency" has the meaning given such term in section 103(a).

(6) PUBLIC NONPROFIT ORGANIZATION.—The term "public nonprofit organization" means any public entity that is nonprofit in character.

(7) SPECIFIED HOUSING.—The term "specified housing" means a public housing development or developments, or a portion of a development or developments, for which the transfer of management is requested under this section. The term includes one or more contiguous buildings and an area of contiguous row houses, but in the case of a single building, the building shall be sufficiently separable from the remainder of the development of which it is part to make transfer of the management of the building feasible for purposes of this section.

SEC. 237. RESIDENT OPPORTUNITY PROGRAM.

(a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing developments, as a means of improving existing living conditions in public housing developments, by providing increased flexibility for public housing developments that are managed by residents by—

(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term "public housing development" includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

(b) PROGRAM REQUIREMENTS.—

(1) RESIDENT COUNCIL.—As a condition of entering into a resident opportunity program, the elected resident council of a public housing development shall approve the establishment of a resident management corporation that complies with the requirements of section 234(b)(2). When such approval is made by the elected resident council of a building or row house area, the resident opportunity program shall not interfere with the rights of other families residing in the development or harm the efficient operation of the development. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council.

(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing development, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the development.

(3) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, shall enter into a contract with the agency establishing the respective management rights and responsibilities of the corporation and the agency. The contract shall be treated as a contracting out of services and shall be subject to the requirements under section 235 for such contracts.

(4) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing development shall be audited annually by a certified public accountant. A written report of each such audit shall be forwarded to the public housing agency and the Secretary.

(c) COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing developments managed by resident management corporations may be provided with modernization assistance from grant amounts under this title for purposes of renovating such developments. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the public housing agency involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

(d) WAIVER OF FEDERAL REQUIREMENTS.—

(1) WAIVER OF REGULATORY REQUIREMENTS.—Upon the request of any resident management corporation and public housing agency, and after notice and an opportunity to comment is afforded to the affected residents, the Secretary may waive (for both the resident management corporation and the public housing agency) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing development.

(2) WAIVER TO PERMIT EMPLOYMENT.—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargain-

ing agreements, permit residents of such development to volunteer a portion of their labor.

(3) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 222, family rental payments under section 225, tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

(e) OPERATING ASSISTANCE AND DEVELOPMENT INCOME.—

(1) CALCULATION OF OPERATING SUBSIDY.—The grant amounts received under this title by a public housing agency used for operating fund activities under section 203(a)(2) that are allocated to a public housing development managed by a resident management corporation shall not be less than per unit monthly amount of such assistance used by the public housing agency in the previous year, as determined on an individual development basis.

(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing development entered into by a public housing agency and a resident management corporation shall specify the amount of income expected to be derived from the development itself (from sources such as rents and charges) and the amount of income funds to be provided to the development from the other sources of income of the agency (such as assistance for operating activities under section 203(a)(2), interest income, administrative fees, and rents).

(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available under this title, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing developments, and the securing of such support. In addition, the Secretary may provide financial assistance to resident management corporations or resident councils for activities sponsored by resident organizations for economic uplift, such as job training, economic development, security, and other self-sufficiency activities beyond those related to the management of public housing. The Secretary may require resident councils or resident management corporations to utilize public housing agencies or other qualified organizations as contract administrators with respect to financial assistance provided under this paragraph.

(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing development may not exceed $100,000.

(3) PROHIBITION.—A resident management corporation or resident council may not, before the award to the corporation or council of a grant amount under this subsection, enter into any contract or other agreement with any entity to provide such entity with amounts from the grant for providing technical assistance or carrying out other activities eligible for assistance with amounts under this subsection. Any such agreement entered into in violation of this paragraph shall be void and unenforceable.

(4) FUNDING.—Of any amounts made available for financial assistance under this title, the Secretary may use to carry out this subsection $15,000,000 for fiscal year 1998.

(5) LIMITATION REGARDING ASSISTANCE UNDER HOPE GRANT PROGRAM.—The Secretary may not provide financial assistance under this subsection to any resident management corporation or resident council with respect to which assistance for the development or formation of such entity is provided under title III of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act).

(6) TECHNICAL ASSISTANCE AND CLEARINGHOUSE.—The Secretary may use up to 10 percent of the amount made available pursuant to paragraph (4)—

(A) to provide technical assistance, directly or by grant or contract, and

(B) to receive, collect, process, assemble, and disseminate information,

in connection with activities under this subsection.

(g) ASSESSMENT AND REPORT BY SECRETARY.—Not later than 3 years after the date of the enactment of this Act, the Secretary shall—

(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate.

(h) APPLICABILITY.—Any management contract between a public housing agency and a resident management corporation that is entered into after the date of the enactment of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 shall be subject to this section and any regulations issued to carry out this section.

Subtitle D—Homeownership

SEC. 251. RESIDENT HOMEOWNERSHIP PROGRAMS.

(a) IN GENERAL.—A public housing agency may carry out a homeownership program in accordance with this section and the local housing management plan of the agency to make public housing dwelling units, public housing developments, and other housing projects available for purchase by low-income families. An agency may transfer a unit only pursuant to a homeownership program approved by the Secretary. Notwithstanding section 107, the Secretary may approve a local housing management plan without approving the portion of the plan regarding a homeownership program pursuant to this section. In the case of the portion of a plan regarding the homeownership program that is submitted separately pursuant to the preceding sentence, the Secretary shall approve or disapprove such portion not later than 60 days after the submission of such portion.

(b) PARTICIPATING UNITS.—A program under this section may cover any existing public housing dwelling units or projects, and may include other dwelling units and housing owned, operated, or assisted, or otherwise acquired for use under such program, by the public housing agency.

(c) ELIGIBLE PURCHASERS.—

(1) LOW-INCOME REQUIREMENT.—Only low-income families assisted by a public housing agency, other low-income families, and entities formed to facilitate such sales by purchasing units for resale to low-income families shall be eligible to purchase housing under a homeownership program under this section.

(2) OTHER REQUIREMENTS.—A public housing agency may establish other requirements or limitations for families to purchase housing under a homeownership program under this section, including requirements or limitations regarding employment or participation in employment counseling or training activities, criminal activity, participation in homeownership counseling programs, evidence of regular income, and other requirements. In the case of purchase by an entity for resale to low-income families, the entity shall sell the units to low-income families within 5 years from the date of its acquisition of the units. The entity shall use any net proceeds from the resale and from managing the units, as determined in accordance with guidelines of the Secretary, for housing purposes, such as funding resident organizations and reserves for capital replacements.

(d) FINANCING AND ASSISTANCE.—A homeownership program under this section may provide financing for acquisition of housing by families purchasing under the program or by the public housing agency for sale under this program in any manner considered appropriate by the agency (including sale to a resident management corporation).

(e) DOWNPAYMENT REQUIREMENT.—

(1) IN GENERAL.—Each family purchasing housing under a homeownership program under this section shall be required to provide from its own resources a downpayment in connection with any loan for acquisition of the housing, in an amount determined by the public housing agency. Except as provided in paragraph (2), the agency shall permit the family to use grant amounts, gifts from relatives, contributions from private sources, and similar amounts as downpayment amounts in such purchase,

(2) DIRECT FAMILY CONTRIBUTION.—In purchasing housing pursuant to this section, each family shall contribute an amount of the downpayment, from resources of the family other than grants, gifts, contributions, or other similar amounts referred to in paragraph (1), that is not less than 1 percent of the purchase price.

(f) OWNERSHIP INTERESTS.—A homeownership program under this section may provide for sale to the purchasing family of any ownership interest that the public housing agency considers appropriate under the program, including ownership in fee

simple, a condominium interest, an interest in a limited dividend cooperative, a shared appreciation interest with a public housing agency providing financing.

(g) RESALE.—

(1) AUTHORITY AND LIMITATION.—A homeownership program under this section shall permit the resale of a dwelling unit purchased under the program by an eligible family, but shall provide such limitations on resale as the agency considers appropriate (whether the family purchases directly from the agency or from another entity) for the agency to recapture—

(A) from any economic gain derived from any such resale occurring during the 5-year period beginning upon purchase of the dwelling unit by the eligible family, a portion of the amount of any financial assistance provided under the program by the agency to the eligible family; and

(B) after the expiration of such 5-year period, only such amounts as are equivalent to the assistance provided under this section by the agency to the purchaser.

(2) CONSIDERATIONS.—The limitations referred to in paragraph (1) may provide for consideration of the aggregate amount of assistance provided under the program to the family, the contribution to equity provided by the purchasing eligible family, the period of time elapsed between purchase under the homeownership program and resale, the reason for resale, any improvements to the property made by the eligible family, any appreciation in the value of the property, and any other factors that the agency considers appropriate.

(h) SALE OF CERTAIN SCATTERED-SITE HOUSING.—A public housing agency that the Secretary has determined to be a high-performing agency may use the proceeds from the disposition of scattered-site public housing under a homeownership program under this section to purchase replacement scattered-site dwelling units, to the extent such use is provided for in the local housing management plan for the agency approved under section 107. Any such replacement dwelling units shall be considered public housing for purposes of this Act.

(i) INAPPLICABILITY OF DISPOSITION REQUIREMENTS.—The provisions of section 261 shall not apply to disposition of public housing dwelling units under a homeownership program under this section, except that any dwelling units sold under such a program shall be treated as public housing dwelling units for purposes of subsections (e) and (f) of section 261.

Subtitle E—Disposition, Demolition, and Revitalization of Developments

SEC. 261. REQUIREMENTS FOR DEMOLITION AND DISPOSITION OF DEVELOPMENTS.

(a) AUTHORITY AND FLEXIBILITY.—A public housing agency may demolish, dispose of, or demolish and dispose of nonviable or nonmarketable public housing developments of the agency in accordance with this section.

(b) LOCAL HOUSING MANAGEMENT PLAN REQUIREMENT.—A public housing agency may take any action to demolish or dispose of a public housing development (or a portion of a development) only if such demolition or disposition complies with the provisions of this section and is in accordance with the local housing management plan for the agency. Notwithstanding section 107, the Secretary may approve a local housing management plan without approving the portion of the plan covering demolition or disposition pursuant to this section.

(c) PURPOSE OF DEMOLITION OR DISPOSITION.—A public housing agency may demolish or dispose of a public housing development (or portion of a development) only if the agency provides sufficient evidence to the Secretary that—

(1) the development (or portion thereof) is severely distressed or obsolete;

(2) the development (or portion thereof) is in a location making it unsuitable for housing purposes;

(3) the development (or portion thereof) has design or construction deficiencies that make cost-effective rehabilitation infeasible;

(4) assuming that reasonable rehabilitation and management intervention for the development has been completed and paid for, the anticipated revenue that would be derived from charging market-based rents for units in the development (or portion thereof) would not cover the anticipated operating costs and replacement reserves of the development (or portion) at full occupancy and the development (or portion) would constitute a substantial burden on the resources of the public housing agency;

(5) retention of the development (or portion thereof) is not in the best interests of the residents of the public housing agency because—

(A) developmental changes in the area surrounding the development adversely affect the health or safety of the residents or the feasible operation of the development by the public housing agency;

(B) demolition or disposition will allow the acquisition, development, or rehabilitation of other properties which will be more efficiently or effectively operated as low-income housing; or

(C) other factors exist that the agency determines are consistent with the best interests of the residents and the agency and not inconsistent with other provisions of this Act;

(6) in the case only of demolition or disposition of a portion of a development, the demolition or disposition will help to ensure the remaining useful life of the remainder of the development; or

(7) in the case only of property other than dwelling units—

(A) the property is excess to the needs of a development; or

(B) the demolition or disposition is incidental to, or does not interfere with, continued operation of a development.

The evidence required under this subsection shall include, as a condition of demolishing or disposing of a public housing development (or portion of a development) estimated to have a value of $100,000 or more, a statement of the market value of the development (or portion), which has been determined by a party not having any interest in the housing or the public housing agency and pursuant to not less than 2 professional, independent appraisals of the development (or portion).

(d) CONSULTATION.—A public housing agency may demolish or dispose of a public housing development (or portion of a development) only if the agency notifies and confers regarding the demolition or disposition with—

(1) the residents of the development (or portion); and

(2) appropriate local government officials.

(e) COUNSELING.—A public housing agency may demolish or dispose of a public housing development (or a portion of a development) only if the agency provides any necessary counseling for families displaced by such action to facilitate relocation.

(f) USE OF PROCEEDS.—Any net proceeds from the disposition of a public housing development (or portion of a development) shall be used for—

(1) housing assistance for low-income families that is consistent with the low-income housing needs of the community, through acquisition, development, or rehabilitation of, or homeownership programs for, other low-income housing or the provision of choice-based assistance under title III for such families;

(2) supportive services relating to job training or child care for residents of a development or developments; or

(3) leveraging amounts for securing commercial enterprises, on-site in public housing developments of the public housing agency, appropriate to serve the needs of the residents.

(g) RELOCATION.—A public housing agency that demolishes or disposes of a public housing development (or portion of a development thereof) shall ensure that—

(1) each family that is a resident of the development (or portion) that is demolished or disposed of is relocated to other safe, clean, healthy, and affordable housing, which is, to the maximum extent practicable, housing of the family's choice, including choice-based assistance under title III (provided that with respect to choice-based assistance, the preceding requirement shall be fulfilled only upon the relocation of the such family into such housing);

(2) the public housing agency does not take any action to dispose of any unit until any resident to be displaced is relocated in accordance with paragraph (1); and

(3) each resident family to be displaced is paid relocation expenses, and the rent to be paid initially by the resident following relocation does not exceed the amount permitted under section 225(a).

(h) RIGHT OF FIRST REFUSAL FOR RESIDENT ORGANIZATIONS AND RESIDENT MANAGEMENT CORPORATIONS.—

(1) IN GENERAL.—A public housing agency may not dispose of a public housing development (or portion of a development) unless the agency has, before such disposition, offered to sell the property, as provided in this subsection, to each resident organization and resident management corporation operating at the development for continued use as low-income housing, and no such organization or corporation purchases the property pursuant to such offer. A resident organization may act, for purposes of this subsection, through an entity formed to facilitate homeownership under subtitle D.

(2) TIMING.—Disposition of a development (or portion thereof) under this section may not take place—

(A) before the expiration of the period during which any such organization or corporation may notify the agency of interest in purchasing the property, which shall be the 30-day period beginning on the date that the agency first provides notice of the proposed disposition of the property to such resident organizations and resident management corporations;

(B) if an organization or corporation submits notice of interest in accordance with subparagraph (A), before the expiration of the period during which such organization or corporation may obtain a commitment for financing to purchase the property, which shall be the 60-day period beginning upon the submission to the agency of the notice of interest; or

(C) if, during the period under subparagraph (B), an organization or corporation obtains such financing commitment and makes a bona fide offer to the agency to purchase the property for a price equal to or exceeding the applicable offer price under paragraph (3).

The agency shall sell the property pursuant to any purchase offer described in subparagraph (C).

(3) TERMS OF OFFER.—An offer by a public housing agency to sell a property in accordance with this subsection shall involve a purchase price that reflects the market value of the property, the reason for the sale, the impact of the sale on the surrounding community, and any other factors that the agency considers appropriate.

(i) INFORMATION FOR LOCAL HOUSING MANAGEMENT PLAN.—A public housing agency may demolish or dispose of a public housing development (or portion thereof) only if it includes in the applicable local housing management plan information sufficient to describe—

(1) the housing to be demolished or disposed of;

(2) the purpose of the demolition or disposition under subsection (c) and why the demolition or disposition complies with the requirements under subsection (c), and includes evidence of the market value of the development (or portion) required under subsection (c);

(3) how the consultations required under subsection (d) will be made;

(4) how the net proceeds of the disposition will be used in accordance with subsection (f);

(5) how the agency will relocate residents, if necessary, as required under subsection (g); and

(6) that the agency has offered the property for acquisition by resident organizations and resident management corporations in accordance with subsection (h).

(j) SITE AND NEIGHBORHOOD STANDARDS EXEMPTION.—Notwithstanding any other provision of law, a public housing agency may provide for development of public housing dwelling units on the same site or in the same neighborhood as any dwelling units demolished, pursuant to a plan under this section, but only if such development provides for significantly fewer dwelling units.

(k) TREATMENT OF REPLACEMENT UNITS.—

(1) PROVISION OF OTHER HOUSING ASSISTANCE.—In connection with any demolition or disposition of public housing under this section, a public housing agency may provide for other housing assistance for low-income families that is consistent with the low-income housing needs of the community, including—

(A) the provision of choice-based assistance under title III; and

(B) the development, acquisition, or lease by the agency of dwelling units, which dwelling units shall—

(i) be eligible to receive assistance with grant amounts provided under this title; and

(ii) be made available for occupancy, operated, and managed in the manner required for public housing, and subject to the other requirements applicable to public housing dwelling units.

(2) TREATMENT OF INDIVIDUALS.—For purposes of this subsection, an individual between the ages of 18 and 21, inclusive, shall, at the discretion of the individual, be considered a family.

(l) USE OF NEW DWELLING UNITS.—A public housing agency demolishing or disposing of a public housing development (or portion thereof) under this section shall seek, where practical, to ensure that, if housing units are provided on any property that was previously used for the public housing demolished or disposed of, not less than 25 percent of such dwelling units shall be dwelling units reserved for occupancy during the remaining useful life of the housing by low-income families.

(m) PERMISSIBLE RELOCATION WITHOUT PLAN.—If a public housing agency determines that because of an emergency situation public housing dwelling units are severely uninhabitable, the public housing agency may relocate residents of such

dwelling units before the submission of a local housing management plan providing for demolition or disposition of such units.

(n) CONSOLIDATION OF OCCUPANCY WITHIN OR AMONG BUILDINGS.—Nothing in this section may be construed to prevent a public housing agency from consolidating occupancy within or among buildings of a public housing development, or among developments, or with other housing for the purpose of improving living conditions of, or providing more efficient services to, residents.

(o) DE MINIMIS EXCEPTION TO DEMOLITION REQUIREMENTS.—Notwithstanding any other provision of this section, in any 5-year period a public housing agency may demolish not more than the lesser of 5 dwelling units or 5 percent of the total dwelling units owned and operated by the public housing agency, without providing for such demolition in a local housing management plan, but only if the space occupied by the demolished unit is used for meeting the service or other needs of public housing residents or the demolished unit was beyond repair.

SEC. 262. DEMOLITION, SITE REVITALIZATION, REPLACEMENT HOUSING, AND CHOICE-BASED ASSISTANCE GRANTS FOR DEVELOPMENTS.

(a) PURPOSES.—The purpose of this section is to provide assistance to public housing agencies for the purposes of—

(1) reducing the density and improving the living environment for public housing residents of severely distressed public housing developments through the demolition of obsolete public housing developments (or portions thereof);

(2) revitalizing sites (including remaining public housing dwelling units) on which such public housing developments are located and contributing to the improvement of the surrounding neighborhood; and

(3) providing housing that will avoid or decrease the concentration of very low-income families; and

(4) providing choice-based assistance in accordance with title III for the purpose of providing replacement housing and assisting residents to be displaced by the demolition.

(b) GRANT AUTHORITY.—The Secretary may make grants available to public housing agencies as provided in this section.

(c) CONTRIBUTION REQUIREMENT.—The Secretary may not make any grant under this section to any applicant unless the applicant certifies to the Secretary that the applicant will supplement the amount of assistance provided under this section with an amount of funds from sources other than this section equal to not less than 5 percent of the amount provided under this section, including amounts from other Federal sources, any State or local government sources, any private contributions, and the value of any in-kind services or administrative costs provided.

(d) ELIGIBLE ACTIVITIES.—Grants under this section may be used for activities to carry out revitalization programs for severely distressed public housing, including—

(1) architectural and engineering work, including the redesign, reconstruction, or redevelopment of a severely distressed public housing development, including the site on which the development is located;

(2) the demolition, sale, or lease of the site, in whole or in part;

(3) covering the administrative costs of the applicant, which may not exceed such portion of the assistance provided under this section as the Secretary may prescribe;

(4) payment of reasonable legal fees;

(5) providing reasonable moving expenses for residents displaced as a result of the revitalization of the development;

(6) economic development activities that promote the economic self-sufficiency of residents under the revitalization program;

(7) necessary management improvements;

(8) leveraging other resources, including additional housing resources, retail supportive services, jobs, and other economic development uses on or near the development that will benefit future residents of the site;

(9) replacement housing and housing assistance under title III;

(10) transitional security activities; and

(11) necessary supportive services, except that not more than 10 percent of the amount of any grant may be used for activities under this paragraph.

(e) APPLICATION AND SELECTION.—

(1) APPLICATION.—An application for a grant under this section shall contain such information and shall be submitted at such time and in accordance with such procedures, as the Secretary shall prescribe.

(2) SELECTION CRITERIA.—The Secretary shall establish selection criteria for the award of grants under this section, which shall include—

(A) the relationship of the grant to the local housing management plan for the public housing agency and how the grant will result in a revitalized site that will enhance the neighborhood in which the development is located;

(B) the capability and record of the applicant public housing agency, or any alternative management agency for the agency, for managing large-scale redevelopment or modernization projects, meeting construction timetables, and obligating amounts in a timely manner;

(C) the extent to which the public housing agency could undertake such activities without a grant under this section;

(D) the extent of involvement of residents, State and local governments, private service providers, financing entities, and developers, in the development of a revitalization program for the development; and

(E) the amount of funds and other resources to be leveraged by the grant.

The Secretary shall give preference in selection to any public housing agency that has been awarded a planning grant under section 24(c) of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act).

(f) COST LIMITS.—Subject to the provisions of this section, the Secretary—

(1) shall establish cost limits on eligible activities under this section sufficient to provide for effective revitalization programs; and

(2) may establish other cost limits on eligible activities under this section.

(g) DEMOLITION AND REPLACEMENT.—Any severely distressed public housing demolished or disposed of pursuant to a revitalization plan and any public housing produced in lieu of such severely distressed housing, shall be subject to the provisions of section 261.

(h) ADMINISTRATION BY OTHER ENTITIES.—The Secretary may require a grantee under this section to make arrangements satisfactory to the Secretary for use of an entity other than the public housing agency to carry out activities assisted under the revitalization plan, if the Secretary determines that such action will help to effectuate the purposes of this section.

(i) WITHDRAWAL OF FUNDING.—If a grantee under this section does not proceed expeditiously, in the determination of the Secretary, the Secretary shall withdraw any grant amounts under this section that have not been obligated by the public housing agency. The Secretary shall redistribute any withdrawn amounts to one or more public housing agencies eligible for assistance under this section or to one or more other entities capable of proceeding expeditiously in the same locality in carrying out the revitalization plan of the original grantee.

(j) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) APPLICANT.—The term "applicant" means—

(A) any public housing agency that is not designated as troubled pursuant to section 533(a);

(B) any public housing agency or private housing management agent selected, or receiver appointed pursuant, to section 545; and

(C) any public housing agency that is designated as troubled pursuant to section 533(a) that—

(i) is so designated principally for reasons that will not affect the capacity of the agency to carry out a revitalization program;

(ii) is making substantial progress toward eliminating the deficiencies of the agency; or

(iii) is otherwise determined by the Secretary to be capable of carrying out a revitalization program.

(2) PRIVATE NONPROFIT CORPORATION.—The term "private nonprofit organization" means any private nonprofit organization (including a State or locally chartered nonprofit organization) that—

(A) is incorporated under State or local law;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

(C) complies with standards of financial accountability acceptable to the Secretary; and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to very low-income families.

(3) SEVERELY DISTRESSED PUBLIC HOUSING.—The term "severely distressed public housing" means a public housing development (or building in a development) that—

(A) requires major redesign, reconstruction or redevelopment, or partial or total demolition, to correct serious deficiencies in the original design (in-

cluding inappropriately high population density), deferred maintenance, physical deterioration or obsolescence of major systems and other deficiencies in the physical plant of the development;

(B) is a significant contributing factor to the physical decline of and disinvestment by public and private entities in the surrounding neighborhood;

(C)(i) is occupied predominantly by families who are very low-income families with children, are unemployed, and dependent on various forms of public assistance; and

(ii) has high rates of vandalism and criminal activity (including drug-related criminal activity) in comparison to other housing in the area;

(D) cannot be revitalized through assistance under other programs, such as the public housing block grant program under this title, or the programs under sections 9 and 14 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act), because of cost constraints and inadequacy of available amounts; and

(E) in the case of individual buildings, is, in the Secretary's determination, sufficiently separable from the remainder of the development of which the building is part to make use of the building feasible for purposes of this section.

(4) SUPPORTIVE SERVICES.—The term "supportive services" includes all activities that will promote upward mobility, self-sufficiency, and improved quality of life for the residents of the public housing development involved, including literacy training, job training, day care, and economic development activities.

(k) ANNUAL REPORT.—The Secretary shall submit to the Congress an annual report setting forth—

(1) the number, type, and cost of public housing units revitalized pursuant to this section;

(2) the status of developments identified as severely distressed public housing;

(3) the amount and type of financial assistance provided under and in conjunction with this section; and

(4) the recommendations of the Secretary for statutory and regulatory improvements to the program established by this section.

(l) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for grants under this section $500,000,000 for each of fiscal years 1998, 1999, and 2000.

(2) TECHNICAL ASSISTANCE.—Of the amount appropriated pursuant to paragraph (1) for any fiscal year, the Secretary may use not more than 0.50 percent for technical assistance. Such assistance may be provided directly or indirectly by grants, contracts, or cooperative agreements, and shall include training, and the cost of necessary travel for participants in such training, by or to officials of the Department of Housing and Urban Development, of public housing agencies, and of residents.

(m) SUNSET.—No assistance may be provided under this section after September 30, 2000.

SEC. 263. VOLUNTARY VOUCHER SYSTEM FOR PUBLIC HOUSING.

(a) IN GENERAL.—A public housing agency may convert any public housing development (or portion thereof) owned and operated by the agency to a system of choice-based rental housing assistance under title III, in accordance with this section.

(b) ASSESSMENT AND PLAN REQUIREMENT.—In converting under this section to a choice-based rental housing assistance system, the public housing agency shall develop a conversion assessment and plan under this subsection, in consultation with the appropriate public officials and with significant participation by the residents of the development (or portion thereof), which assessment and plan shall—

(1) be consistent with and part of the local housing management plan for the agency;

(2) describe the conversion and future use or disposition of the public housing development, including an impact analysis on the affected community;

(3) include a cost analysis that demonstrates whether or not the cost (both on a net present value basis and in terms of new budget authority requirements) of providing choice-based rental housing assistance under title III for the same families in substantially similar dwellings over the same period of time is less expensive than continuing public housing assistance in the public housing development proposed for conversion for the remaining useful life of the development;

(4) identify the actions, if any, that the public housing agency will take with regard to converting any public housing development or developments (or por-

tions thereof) of the agency to a system of choice-based rental housing assistance under title III;

(5) require the public housing agency to—

(A) notify the families residing in the public housing development subject to the conversion, in accordance with any guidelines issued by the Secretary governing such notifications, that—

(i) the development will be removed from the inventory of the public housing agency; and

(ii) the families displaced by such action will receive choice-based housing assistance;

(B) provide any necessary counseling for families displaced by such action to facilitate relocation; and

(C) provide any reasonable relocation expenses for families displaced by such action; and

(6) ensure that each family that is a resident of the development is relocated to other safe, clean, and healthy affordable housing, which is, to the maximum extent practicable, housing of the family's choice, including choice-based assistance under title III (provided that with respect to choice-based assistance, the preceding requirement shall be fulfilled only upon the relocation of such family into such housing).

(c) STREAMLINED ASSESSMENT AND PLAN.—At the discretion of the Secretary or at the request of a public housing agency, the Secretary may waive any or all of the requirements of subsection (b) or otherwise require a streamlined assessment with respect to any public housing development or class of public housing developments.

(d) IMPLEMENTATION OF CONVERSION PLAN.—

(1) IN GENERAL.—A public housing agency may implement a conversion plan only if the conversion assessment under this section demonstrates that the conversion—

(A) will not be more expensive than continuing to operate the public housing development (or portion thereof) as public housing; and

(B) will principally benefit the residents of the public housing development (or portion thereof) to be converted, the public housing agency, and the community.

(2) DISAPPROVAL.—The Secretary shall disapprove a conversion plan only if the plan is plainly inconsistent with the conversion assessment under subsection (b) or there is reliable information and data available to the Secretary that contradicts that conversion assessment.

(e) OTHER REQUIREMENTS.—To the extent approved by the Secretary, the funds used by the public housing agency to provide choice-based rental housing assistance under title III shall be added to the housing assistance payment contract administered by the public housing agency or any entity administering the contract on behalf of the public housing agency.

(f) SAVINGS PROVISION.—This section does not affect any contract or other agreement entered into under section 22 of the United States Housing Act of 1937 (as such section existed before the effective date of the repeal under section 601(b) of this Act).

Subtitle F—Mixed-Finance Public Housing

SEC. 271. AUTHORITY.

Notwithstanding sections 203 and 262, the Secretary may, upon such terms and conditions as the Secretary may prescribe, authorize a public housing agency to provide for the use of grant amounts allocated and provided from the capital fund or from a grant under section 262, to produce mixed- finance housing developments, or replace or revitalize existing public housing dwelling units with mixed-finance housing developments, but only if the agency submits to the Secretary a plan for such housing that is approved pursuant to section 273 by the Secretary.

SEC. 272. MIXED-FINANCE HOUSING DEVELOPMENTS.

(a) IN GENERAL.—For purposes of this subtitle, the term "mixed-finance housing" means low-income housing or mixed-income housing (as described in section 221(c)(2)) for which the financing for production or revitalization is provided, in part, from entities other than the public housing agency.

(b) PRODUCTION.—A mixed-finance housing development shall be produced or revitalized, and owned—

(1) by a public housing agency or by an entity affiliated with a public housing agency;

(2) by a partnership, a limited liability company, or other entity in which the public housing agency (or an entity affiliated with a public housing agency) is a general partner, is a managing member, or otherwise participates in the activities of the entity;

(3) by any entity that grants to the public housing agency the option to purchase the public housing project during the 20-year period beginning on the date of initial occupancy of the public housing project in accordance with section 42(l)(7) of the Internal Revenue Code of 1986; or

(4) in accordance with such other terms and conditions as the Secretary may prescribe by regulation.

This subsection may not be construed to require production or revitalization, and ownership, by the same entity.

SEC. 273. MIXED-FINANCE HOUSING PLAN.

The Secretary may approve a plan for production or revitalization of mixed-finance housing under this subtitle only if the Secretary determines that—

(1) the public housing agency has the ability, or has provided for an entity under section 272(b) that has the ability, to use the amounts provided for use under the plan for such housing, effectively, either directly or through contract management;

(2) the plan provides permanent financing commitments from a sufficient number of sources other than the public housing agency, which may include banks and other conventional lenders, States, units of general local government, State housing finance agencies, secondary market entities, and other financial institutions;

(3) the plan provides for use of amounts provided under section 271 by the public housing agency for financing the mixed-income housing in the form of grants, loans, advances, or other debt or equity investments, including collateral or credit enhancement of bond issued by the agency for production or revitalization of the development; and

(4) the plan complies with any other criteria that the Secretary may establish.

SEC. 274. RENT LEVELS FOR HOUSING FINANCED WITH LOW-INCOME HOUSING TAX CREDIT.

With respect to any dwelling unit in a mixed-finance housing development that is assisted pursuant to the low-income housing tax credit under section 42 of the Internal Revenue Code of 1986, the rents charged to the residents of the unit shall be set at levels not to exceed the amounts allowable under such section.

SEC. 275. CARRY-OVER OF ASSISTANCE FOR REPLACED HOUSING.

In the case of a mixed-finance housing development that is replacement housing for public housing demolished or disposed of, or is the result of the revitalization of existing public housing, the share of assistance received from the capital fund and the operating fund by the public housing agency that owned or operated the housing demolished, disposed of, or revitalized shall not be reduced because of such demolition, disposition, or revitalization after the commencement of such demolition, disposition, or revitalization, unless—

(1) upon the expiration of the 18-month period beginning upon the approval of the plan under section 273 for the mixed-finance housing development, the agency does not have binding commitments for production or revitalization, or a construction contract, for such development;

(2) upon the expiration of the 4-year period beginning upon the approval of the plan, the mixed-finance housing development is not substantially ready for occupancy and is placed under the block grant contract for the agency under section 201; or

(3) the number of dwelling units in the mixed-finance housing development that are made available for occupancy only by low-income families is substantially less than the number of such dwelling units in the public housing demolished, disposed of, or revitalized.

The Secretary may extend the period under paragraph (1) or (2) for a public housing agency if the Secretary determines that circumstances beyond the control of the agency caused the agency to fail to meet the deadline under such paragraph.

Subtitle G—General Provisions

SEC. 281. PAYMENT OF NON-FEDERAL SHARE.

Rental or use-value of buildings or facilities paid for, in whole or in part, from production, modernization, or operation costs financed under this title may be used

as the non-Federal share required in connection with activities undertaken under Federal grant-in-aid programs which provide social, educational, employment, and other services to the residents in a project assisted under this title.

SEC. 282. AUTHORIZATION OF APPROPRIATIONS FOR BLOCK GRANTS.

There are authorized to be appropriated for grants under this title, the following amounts:

(1) CAPITAL FUND.—For the allocations from the capital fund for grants, $2,500,000,000 for each of fiscal years 1998, 1999, 2000, 2001, and 2002; and

(2) OPERATING FUND.—For the allocations from the operating fund for grants, $2,900,000,000 for each of fiscal years 1998, 1999, 2000, 2001, and 2002.

SEC. 283. FUNDING FOR OPERATION SAFE HOME.

Of any amounts made available for fiscal years 1998 and 1999 for carrying out the Community Partnerships Against Crime Act of 1997 (as so designated pursuant to section 624(a) of this Act), not more than $20,000,000 shall be available in each such fiscal year, for use under the Operation Safe Home program administered by the Office of the Inspector General of the Department of Housing and Urban Development, for law enforcement efforts to combat violent crime on or near the premises of public and federally assisted housing and to provide assistance (including housing assistance under title III) for relocating witnesses of crimes pursuant to requests from law enforcement or prosecuting agencies.

SEC. 284. FUNDING FOR RELOCATION OF VICTIMS OF DOMESTIC VIOLENCE.

Of any amounts made available for fiscal years 1998, 1999, 2000, 2001, and 2002 for choice-based housing assistance under title III of this Act, not more than $700,000 shall be available in each such fiscal year for relocating residents of public housing (including providing assistance for costs of relocation and housing assistance under title III of this Act) who are residing in public housing, who have been subject to domestic violence, and for whom provision of assistance is likely to reduce or eliminate the threat of subsequent violence to the members of the family. The Secretary shall establish procedures for eligibility and administration of assistance under this section.

TITLE III—CHOICE-BASED RENTAL HOUSING AND HOMEOWNERSHIP ASSISTANCE FOR LOW-INCOME FAMILIES

Subtitle A—Allocation

SEC. 301. AUTHORITY TO PROVIDE HOUSING ASSISTANCE AMOUNTS.

To the extent that amounts to carry out this title are made available, the Secretary may enter into contracts with public housing agencies for each fiscal year to provide housing assistance under this title.

SEC. 302. CONTRACTS WITH PHA'S.

(a) CONDITION OF ASSISTANCE.—The Secretary may provide amounts under this title to a public housing agency for a fiscal year only if the Secretary has entered into a contract under this section with the public housing agency, under which the Secretary shall provide such agency with amounts (in the amount of the allocation for the agency determined pursuant to section 304) for housing assistance under this title for low-income families.

(b) USE FOR HOUSING ASSISTANCE.—A contract under this section shall require a public housing agency to use amounts provided under this title to provide housing assistance in any manner authorized under this title.

(c) ANNUAL OBLIGATION OF AUTHORITY.—A contract under this title shall provide amounts for housing assistance for 1 fiscal year covered by the contract.

(d) ENFORCEMENT OF HOUSING QUALITY REQUIREMENTS.—Each contract under this section shall require the public housing agency administering assistance provided under the contract—

(1) to ensure compliance, under each housing assistance payments contract entered into pursuant to the contract under this section, with the provisions of the housing assistance payments contract included pursuant to section 351(c)(4); and

(2) to establish procedures for assisted families to notify the agency of any noncompliance with such provisions.

SEC. 303. ELIGIBILITY OF PHA'S FOR ASSISTANCE AMOUNTS.

The Secretary may provide amounts available for housing assistance under this title pursuant to the formula established under section 304(a) to a public housing agency only if—

(1) the agency has submitted a local housing management plan to the Secretary for such fiscal year and applied to the Secretary for such assistance;

(2) the plan has been determined to comply with the requirements under section 106 and the Secretary has not notified the agency that the plan fails to comply with such requirements;

(3) no member of the board of directors or other governing body of the agency, or the executive director, has been convicted of a felony; and

(4) the agency has not been disqualified for assistance pursuant to title V.

SEC. 304. ALLOCATION OF AMOUNTS.

(a) FORMULA ALLOCATION.—

(1) IN GENERAL.—When amounts for assistance under this title are first made available for reservation, after reserving amounts in accordance with subsections (b)(3) and (c), the Secretary shall allocate such amounts, only among public housing agencies meeting the requirements under this title to receive such assistance, on the basis of a formula that is established in accordance with paragraph (2) and based upon appropriate criteria to reflect the needs of different States, areas, and communities, using the most recent data available from the Bureau of the Census of the Department of Commerce and the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act (or any consolidated plan incorporating such strategy) for the applicable jurisdiction. The Secretary may establish a minimum allocation amount, in which case only the public housing agencies that, pursuant to the formula, are provided an amount equal to or greater than the minimum allocation amount, shall receive an allocation.

(2) REGULATIONS.—The formula under this subsection shall be established by regulation issued by the Secretary. Notwithstanding sections 563(a) and 565(a) of title 5, United States Code, any proposed regulation containing such formula shall be issued pursuant to a negotiated rulemaking procedure under subchapter III of chapter 5 of such title and the Secretary shall establish a negotiated rulemaking committee for development of any such proposed regulations.

(b) ALLOCATION CONSIDERATIONS.—

(1) LIMITATION ON REALLOCATION FOR ANOTHER STATE.—Any amounts allocated for a State or areas or communities within a State that are not likely to be used within the fiscal year for which the amounts are provided shall not be reallocated for use in another State, unless the Secretary determines that other areas or communities within the same State (that are eligible for amounts under this title) cannot use the amounts within the same fiscal year.

(2) EFFECT OF RECEIPT OF TENANT-BASED ASSISTANCE FOR DISABLED FAMILIES.—The Secretary may not consider the receipt by a public housing agency of assistance under section 811(b)(1) of the Cranston-Gonzalez National Affordable Housing Act, or the amount received, in approving amounts under this title for the agency or in determining the amount of such assistance to be provided to the agency.

(3) EXEMPTION FROM FORMULA ALLOCATION.—The formula allocation requirements of subsection (a) shall not apply to any assistance under this title that is approved in appropriation Acts for uses that the Secretary determines are incapable of geographic allocation, including amendments of existing housing assistance payments contracts, renewal of such contracts, assistance to families that would otherwise lose assistance due to the decision of the project owner to prepay the project mortgage or not to renew the housing assistance payments contract, assistance to prevent displacement from public or assisted housing or to provide replacement housing in connection with the demolition or disposition of public housing, assistance for relocation from public housing, assistance in connection with protection of crime witnesses, assistance for conversion from leased housing contracts under section 23 of the United States Housing Act of 1937 (as in effect before the enactment of the Housing and Community Development Act of 1974), and assistance in support of the property disposition and portfolio management functions of the Secretary.

(c) RECAPTURE OF AMOUNTS.—

(1) AUTHORITY.—In each fiscal year, from any budget authority made available for assistance under this title or section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act) that is obligated to a public housing agency but remains un-

obligated by the agency upon the expiration of the 8-month period beginning upon the initial availability of such amounts for obligation by the agency, the Secretary may deobligate an amount, as determined by the Secretary, not exceeding 50 percent of such unobligated amount.

(2) USE.—The Secretary may reallocate and transfer any amounts deobligated under paragraph (1) only to public housing agencies in areas that the Secretary determines have received less funding than other areas, based on the relative needs of all areas.

SEC. 305. ADMINISTRATIVE FEES.

(a) FEE FOR ONGOING COSTS OF ADMINISTRATION.—

(1) IN GENERAL.—The Secretary shall establish fees for the costs of administering the choice-based housing assistance program under this title.

(2) FISCAL YEAR 1998.—

(A) CALCULATION.—For fiscal year 1998, the fee for each month for which a dwelling unit is covered by a contract for assistance under this title shall be—

(i) in the case of a public housing agency that, on an annual basis, is administering a program for not more than 600 dwelling units, 7.65 percent of the base amount; and

(ii) in the case of an agency that, on an annual basis, is administering a program for more than 600 dwelling units—

(I) for the first 600 units, 7.65 percent of the base amount; and

(II) for any additional dwelling units under the program, 7.0 percent of the base amount.

(B) BASE AMOUNT.—For purposes of this paragraph, the base amount shall be the higher of—

(i) the fair market rental established under section 8(c) of the United States Housing Act of 1937 (as in effect immediately before the effective date of the repeal under section 601(b) of this Act) for fiscal year 1993 for a 2-bedroom existing rental dwelling unit in the market area of the agency, and

(ii) the amount that is the lesser of (I) such fair market rental for fiscal year 1994 or (II) 103.5 percent of the amount determined under clause (i),

adjusted based on changes in wage data or other objectively measurable data that reflect the costs of administering the program, as determined by the Secretary. The Secretary may require that the base amount be not less than a minimum amount and not more than a maximum amount.

(3) SUBSEQUENT FISCAL YEARS.—For subsequent fiscal years, the Secretary shall publish a notice in the Federal Register, for each geographic area, establishing the amount of the fee that would apply for public housing agencies administering the program, based on changes in wage data or other objectively measurable data that reflect the costs of administering the program, as determined by the Secretary.

(4) INCREASE.—The Secretary may increase the fee if necessary to reflect the higher costs of administering small programs and programs operating over large geographic areas.

(b) FEE FOR PRELIMINARY EXPENSES.—The Secretary shall also establish reasonable fees (as determined by the Secretary) for—

(1) the costs of preliminary expenses, in the amount of $500, for a public housing agency, but only in the first year that the agency administers a choice-based housing assistance program under this title, and only if, immediately before the effective date of this Act, the agency was not administering a tenant-based rental assistance program under the United States Housing Act of 1937 (as in effect immediately before such effective date), in connection with its initial increment of assistance received;

(2) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the programs; and

(3) extraordinary costs approved by the Secretary.

(c) TRANSFER OF FEES IN CASES OF CONCURRENT GEOGRAPHICAL JURISDICTION.—In each fiscal year, if any public housing agency provides tenant-based rental assistance under section 8 of the United States Housing Act of 1937 or housing assistance under this title on behalf of a family who uses such assistance for a dwelling unit that is located within the jurisdiction of such agency but is also within the jurisdiction of another public housing agency, the Secretary shall take such steps as may be necessary to ensure that the public housing agency that provides the services for

a family receives all or part of the administrative fee under this section (as appropriate).

SEC. 306. AUTHORIZATIONS OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated for providing public housing agencies with housing assistance under this title, $1,861,668,000 for each of fiscal years 1998, 1999, 2000, 2001, and 2002.

(b) ASSISTANCE FOR DISABLED FAMILIES.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated, for choice-based housing assistance under this title to be used in accordance with paragraph (2), $50,000,000 for fiscal year 1998, and such sums as may be necessary for each subsequent fiscal year.

(2) USE.—The Secretary shall provide amounts made available under paragraph (1) to public housing agencies only for use to provide housing assistance under this title for nonelderly disabled families (including such families relocating pursuant to designation of a public housing development under section 227 and other nonelderly disabled families who have applied to the agency for housing assistance under this title).

(3) ALLOCATION OF AMOUNTS.—The Secretary shall allocate and provide amounts made available under paragraph (1) to public housing agencies as the Secretary determines appropriate based on the relative levels of need among the authorities for assistance for families described in paragraph (1).

(c) ASSISTANCE FOR WITNESS RELOCATION.—Of the amounts made available for choice-based housing assistance under this title for each fiscal year, the Secretary, in consultation with the Inspector General, shall make available such sums as may be necessary for such housing assistance for the relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to requests from law enforcement and prosecutive agencies.

SEC. 307. CONVERSION OF SECTION 8 ASSISTANCE.

(a) IN GENERAL.—Any amounts made available to a public housing agency under a contract for annual contributions for assistance under section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act) that have not been obligated for such assistance by such agency before such effective date shall be used to provide assistance under this title, except to the extent the Secretary determines such use is inconsistent with existing commitments.

(b) EXCEPTION.—Subsection (a) shall not apply to any amounts made available under a contract for housing constructed or substantially rehabilitated pursuant to section 8(b)(2) of the United States Housing Act of 1937, as in effect before October 1, 1983.

SEC. 308. RECAPTURE AND REUSE OF ANNUAL CONTRACT PROJECT RESERVES UNDER CHOICE-BASED HOUSING ASSISTANCE AND SECTION 8 TENANT-BASED ASSISTANCE PROGRAMS.

To the extent that the Secretary determines that the amount in the reserve account for annual contributions contracts (for housing assistance under this title or tenant-based assistance under section 8 of the United States Housing Act of 1937) that is under contract with a public housing agency for such assistance is in excess of the amounts needed by the agency, the Secretary shall recapture such excess amount. The Secretary may hold recaptured amounts in reserve until needed to enter into, amend, or renew contracts under this title or to amend or renew contracts under section 8 of such Act for tenant-based assistance with any agency.

Subtitle B—Choice-Based Housing Assistance for Eligible Families

SEC. 321. ELIGIBLE FAMILIES AND PREFERENCES FOR ASSISTANCE.

(a) LOW-INCOME REQUIREMENT.—Housing assistance under this title may be provided only on behalf of a family that—

(1) at the time that such assistance is initially provided on behalf of the family, is determined by the public housing agency to be a low-income family; or

(2) qualifies to receive such assistance under any other provision of Federal law.

(b) INCOME TARGETING.—Of the families initially assisted under this title by a public housing agency in any year, not less than 40 percent shall be families whose incomes do not exceed 30 percent of the area median income, as determined by the

Secretary with adjustments for smaller and larger families. The Secretary may establish income ceiling higher or lower than 30 percent of the area median income on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

(c) REVIEWS OF FAMILY INCOMES.—

(1) IN GENERAL.—Reviews of family incomes for purposes of this title shall be subject to the provisions of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 and shall be conducted upon the initial provision of housing assistance for the family and thereafter not less than annually.

(2) PROCEDURES.—Each public housing agency administering housing assistance under this title shall establish procedures that are appropriate and necessary to ensure that income data provided to the agency and owners by families applying for or receiving housing assistance from the agency is complete and accurate.

(d) PREFERENCES FOR ASSISTANCE.—

(1) AUTHORITY TO ESTABLISH.—Any public housing agency that receives amounts under this title may establish a system for making housing assistance available on behalf of eligible families that provides preference for such assistance to eligible families having certain characteristics.

(2) CONTENT.—Each system of preferences established pursuant to this subsection shall be based upon local housing needs and priorities, as determined by the public housing agency using generally accepted data sources, including any information obtained pursuant to an opportunity for public comment as provided under section 106(e) and under the requirements applicable to the comprehensive housing affordability strategy for the relevant jurisdiction.

(3) SENSE OF THE CONGRESS.—It is the sense of the Congress that, to the greatest extent practicable, public housing agencies involved in the selection of tenants under the provisions of this title should adopt preferences for individuals who are victims of domestic violence.

(e) PORTABILITY OF HOUSING ASSISTANCE.—

(1) NATIONAL PORTABILITY.—An eligible family that is selected to receive or is receiving assistance under this title may rent any eligible dwelling unit in any area where a program is being administered under this title. Notwithstanding the preceding sentence, a public housing agency may require that any family not living within the jurisdiction of the public housing agency at the time the family applies for assistance from the agency shall, during the 12-month period beginning on the date of initial receipt of housing assistance made available on behalf of the family from such agency, lease and occupy an eligible dwelling unit located within the jurisdiction served by the agency. The agency for the jurisdiction into which the family moves shall have the responsibility for administering assistance for the family.

(2) SOURCE OF FUNDING FOR A FAMILY THAT MOVES.—For a family that has moved into the jurisdiction of a public housing agency and that, at the time of the move, has been selected to receive, or is receiving, assistance provided by another agency, the agency for the jurisdiction into which the family has moved may, in its discretion, cover the cost of assisting the family under its contract with the Secretary or through reimbursement from the other agency under that agency's contract.

(3) AUTHORITY TO DENY ASSISTANCE TO CERTAIN FAMILIES WHO MOVE.—A family may not receive housing assistance as provided under this subsection if the family has moved from a dwelling unit in violation of the lease for the dwelling unit.

(4) FUNDING ALLOCATIONS.—In providing assistance amounts under this title for public housing agencies for any fiscal year, the Secretary may give consideration to any reduction or increase in the number of resident families under the program of an agency in the preceding fiscal year as a result of this subsection.

(f) CONFIDENTIALITY FOR VICTIMS OF DOMESTIC VIOLENCE.—A public housing agency shall be subject to the restrictions regarding release of information relating to the identity and new residence of any family receiving housing assistance who was a victim of domestic violence that are applicable to shelters pursuant to the Family Violence Prevention and Services Act. The agency shall work with the United States Postal Service to establish procedures consistent with the confidentiality provisions in the Violence Against Women Act of 1994.

SEC. 322. RESIDENT CONTRIBUTION.

(a) AMOUNT.—

(1) MONTHLY RENT CONTRIBUTION.—An assisted family shall contribute on a monthly basis for the rental of an assisted dwelling unit an amount that the public housing agency determines is appropriate with respect to the family and the unit, but which—

(A) shall not be less than the minimum monthly rental contribution determined under subsection (b); and

(B) shall not exceed the greatest of—

(i) 30 percent of the monthly adjusted income of the family;

(ii) 10 percent of the monthly income of the family; and

(iii) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the actual housing costs of the family, is specifically designated by such agency to meet the housing costs of the family, the portion of such payments that is so designated.

(2) EXCESS RENTAL AMOUNT.—In any case in which the monthly rent charged for a dwelling unit pursuant to the housing assistance payments contract exceeds the applicable payment standard (established under section 353) for the dwelling unit, the assisted family residing in the unit shall contribute (in addition to the amount of the monthly rent contribution otherwise determined under paragraph (1) for such family) such entire excess rental amount.

(b) MINIMUM MONTHLY RENTAL CONTRIBUTION.—

(1) IN GENERAL.—The public housing agency shall determine the amount of the minimum monthly rental contribution of an assisted family (which rent shall include any amount allowed for utilities), which—

(A) shall be based upon factors including the adjusted income of the family and any other factors that the agency considers appropriate;

(B) shall be not less than $25, nor more than $50; and

(C) may be increased annually by the agency, except that no such annual increase may exceed 10 percent of the amount of the minimum monthly contribution in effect for the preceding year.

(2) HARDSHIP PROVISIONS.—

(A) IN GENERAL.—Notwithstanding paragraph (1), a public housing agency shall grant an exemption in whole or in part from payment of the minimum monthly rental contribution established under this paragraph to any assisted family unable to pay such amount because of financial hardship, which shall include situations in which (i) the family has lost eligibility for or is awaiting an eligibility determination for a Federal, State, or local assistance program; (ii) the family would be evicted as a result of imposition of the minimum rent; (iii) the income of the family has decreased because of changed circumstance, including loss of employment; and (iv) a death in the family has occurred; and other situations as may be determined by the agency.

(B) WAITING PERIOD.—If an assisted family requests a hardship exemption under this paragraph and the public housing agency reasonably determines the hardship to be of a temporary nature, an exemption shall not be granted during the 90-day period beginning upon the making of a request for the exemption. An assisted family may not be evicted during such 90-day period for nonpayment of rent. In such a case, if the assisted family thereafter demonstrates that the financial hardship is of a long-term basis, the agency shall retroactively exempt the family from the applicability of the minimum rent requirement for such 90-day period.

(c) TREATMENT OF CHANGES IN RENTAL CONTRIBUTION.—

(1) NOTIFICATION OF CHANGES.—A public housing agency shall promptly notify the owner of an assisted dwelling unit of any change in the resident contribution by the assisted family residing in the unit that takes effect immediately or at a later date.

(2) COLLECTION OF RETROACTIVE CHANGES.—In the case of any change in the rental contribution of an assisted family that affects rental payments previously made, the public housing agency shall collect any additional amounts required to be paid by the family under such change directly from the family and shall refund any excess rental contribution paid by the family directly to the family.

(d) PHASE-IN OF RENT CONTRIBUTION INCREASES.—

(1) IN GENERAL.—Except as provided in paragraph (2), for any family that is receiving tenant-based rental assistance under section 8 of the United States Housing Act of 1937 upon the initial applicability of the provisions of this title to such family, if the monthly contribution for rental of an assisted dwelling unit to be paid by the family upon such initial applicability is greater than the amount paid by the family under the provisions of the United States Housing

Act of 1937 immediately before such applicability, any such resulting increase in rent contribution shall be—

(A) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more of such contribution before initial applicability; and

(B) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent of such contribution before initial applicability.

(2) EXCEPTION.—The minimum rent contribution requirement under subsection (b)(1) shall apply to each family described in paragraph (1) of this subsection, notwithstanding such paragraph.

SEC. 323. RENTAL INDICATORS.

(a) IN GENERAL.—The Secretary shall establish and issue rental indicators under this section periodically, but not less than annually, for existing rental dwelling units that are eligible dwelling units. The Secretary shall establish and issue the rental indicators by housing market area (as the Secretary shall establish) for various sizes and types of dwelling units.

(b) AMOUNT.—For a market area, the rental indicator established under subsection (a) for a dwelling unit of a particular size and type in the market area shall be a dollar amount that reflects the rental amount for a standard quality rental unit of such size and type in the market area that is an eligible dwelling unit.

(c) EFFECTIVE DATE.—The Secretary shall cause the proposed rental indicators established under subsection (a) for each market area to be published in the Federal Register with reasonable time for public comment, and such rental indicators shall become effective upon the date of publication in final form in the Federal Register.

(d) ANNUAL ADJUSTMENT.—Each rental indicator in effect under this section shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so that the indicators will be current for the year to which they apply, in rents for existing rental dwelling units of various sizes and types in the market area suitable for occupancy by families assisted under this title.

SEC. 324. LEASE TERMS.

Rental assistance may be provided for an eligible dwelling unit only if the assisted family and the owner of the dwelling unit enter into a lease for the unit that—

(1) provides for a single lease term of 12 months and continued tenancy after such term under a periodic tenancy on a month-to-month basis;

(2) contains terms and conditions specifying that termination of tenancy during the term of a lease shall be subject to the provisions set forth in sections 642 and 643; and

(3) is set forth in the standard form, which is used in the local housing market area by the owner and applies generally to any other tenants in the property who are not assisted families, together with any addendum necessary to include the many terms required under this section.

A lease may include any addenda appropriate to set forth the provisions under this title.

SEC. 325. TERMINATION OF TENANCY.

Each housing assistance payments contract shall provide that the owner shall conduct the termination of tenancy of any tenant of an assisted dwelling unit under the contract in accordance with applicable State or local laws, including providing any notice of termination required under such laws.

SEC. 326. ELIGIBLE OWNERS.

(a) OWNERSHIP ENTITY.—Rental assistance under this title may be provided for any eligible dwelling unit for which the owner is any public agency, private person or entity (including a cooperative), nonprofit organization, agency of the Federal Government, or public housing agency.

(b) INELIGIBLE OWNERS.—

(1) IN GENERAL.—Notwithstanding subsection (a), a public housing agency—

(A) may not enter into a housing assistance payments contract (or renew an existing contract) covering a dwelling unit that is owned by an owner who is debarred, suspended, or subject to limited denial of participation under part 24 of title 24, Code of Federal Regulations;

(B) may prohibit, or authorize the termination or suspension of, payment of housing assistance under a housing assistance payments contract in effect at the time such debarment, suspension, or limited denial of participation takes effect.

If the public housing agency takes action under subparagraph (B), the agency shall take such actions as may be necessary to protect assisted families who are affected by the action, which may include the provision of additional assistance under this title to such families.

(2) PROHIBITION OF SALE OR RENTAL TO RELATED PARTIES.—The Secretary shall establish guidelines to prevent housing assistance payments for a dwelling unit that is owned by any spouse, child, or other party who allows an owner described in paragraph (1) to maintain control of the unit.

SEC. 327. SELECTION OF DWELLING UNITS.

(a) FAMILY CHOICE.—The determination of the dwelling unit in which an assisted family resides and for which housing assistance is provided under this title shall be made solely by the assisted family, subject to the provisions of this title and any applicable law.

(b) DEED RESTRICTIONS.—Housing assistance may not be used in any manner that abrogates any local deed restriction that applies to any housing consisting of 1 to 4 dwelling units. Nothing in this section may be construed to affect the provisions or applicability of the Fair Housing Act.

SEC. 328. ELIGIBLE DWELLING UNITS.

(a) IN GENERAL.—A dwelling unit shall be an eligible dwelling unit for purposes of this title only if the public housing agency to provide housing assistance for the dwelling unit determines that the dwelling unit—

(1) is an existing dwelling unit that is not located within a nursing home or the grounds of any penal, reformatory, medical, mental, or similar public or private institution; and

(2) complies—

(A) in the case of a dwelling unit located in a jurisdiction which has in effect laws, regulations, standards, or codes regarding habitability of residential dwellings, with such applicable laws, regulations, standards, or codes; or

(B) in the case of a dwelling unit located in a jurisdiction which does not have in effect laws, regulations, standards, or codes described in subparagraph (A), with the housing quality standards established under subsection (c).

Each public housing agency providing housing assistance shall identify, in the local housing management plan for the agency, whether the agency is utilizing the standard under subparagraph (A) or (B) of paragraph (2).

(b) DETERMINATIONS.—

(1) IN GENERAL.—A public housing agency shall make the determinations required under subsection (a) pursuant to an inspection of the dwelling unit conducted before any assistance payment is made for the unit.

(2) EXPEDITIOUS INSPECTION.—Inspections of dwelling units under this subsection shall be made before the expiration of the 15-day period beginning upon a request by the resident or landlord to the public housing agency. The performance of the agency in meeting the 15-day inspection deadline shall be taken into account in assessing the performance of the agency.

(c) FEDERAL HOUSING QUALITY STANDARDS.—The Secretary shall establish housing quality standards under this subsection that ensure that assisted dwelling units are safe, clean, and healthy. Such standards shall include requirements relating to habitability, including maintenance, health and sanitation factors, condition, and construction of dwellings, and shall, to the greatest extent practicable, be consistent with the standards established under section 232(b). The Secretary shall differentiate between major and minor violations of such standards.

(d) ANNUAL INSPECTIONS.—Each public housing agency providing housing assistance shall make an annual inspection of each assisted dwelling unit during the term of the housing assistance payments contracts for the unit to determine whether the unit is maintained in accordance with the requirements under subsection (a)(2). The agency shall retain the records of the inspection for a reasonable time and shall make the records available upon request to the Secretary, the Inspector General for the Department of Housing and Urban Development, and any auditor conducting an audit under section 541.

(e) INSPECTION GUIDELINES.—The Secretary shall establish procedural guidelines and performance standards to facilitate inspections of dwelling units and conform such inspections with practices utilized in the private housing market. Such guidelines and standards shall take into consideration variations in local laws and practices of public housing agencies and shall provide flexibility to authorities appropriate to facilitate efficient provision of assistance under this title.

(f) RULE OF CONSTRUCTION.—This section may not be construed to prevent the provision of housing assistance in connection with supportive services for elderly or disabled families.

SEC. 329. HOMEOWNERSHIP OPTION.

(a) IN GENERAL.—A public housing agency providing housing assistance under this title may provide homeownership assistance to assist eligible families to purchase a dwelling unit (including purchase under lease-purchase homeownership plans).

(b) REQUIREMENTS.—A public housing agency providing homeownership assistance under this section shall, as a condition of an eligible family receiving such assistance, require the family to—

(1) demonstrate that the family has sufficient income from employment or other sources (other than public assistance), as determined in accordance with requirements established by the agency; and

(2) meet any other initial or continuing requirements established by the public housing agency.

(c) DOWNPAYMENT REQUIREMENT.—

(1) IN GENERAL.—A public housing agency may establish minimum downpayment requirements, if appropriate, in connection with loans made for the purchase of dwelling units for which homeownership assistance is provided under this section. If the agency establishes a minimum downpayment requirement, the agency shall permit the family to use grant amounts, gifts from relatives, contributions from private sources, and similar amounts as downpayment amounts in such purchase, subject to the requirements of paragraph (2).

(2) DIRECT FAMILY CONTRIBUTION.—In purchasing housing pursuant to this section subject to a downpayment requirement, each family shall contribute an amount of the downpayment, from resources of the family other than grants, gifts, contributions, or other similar amounts referred to in paragraph (1), that is not less than 1 percent of the purchase price.

(d) INELIGIBILITY UNDER OTHER PROGRAMS.—A family may not receive homeownership assistance pursuant to this section during any period when assistance is being provided for the family under other Federal homeownership assistance programs, as determined by the Secretary, including assistance under the HOME Investment Partnerships Act, the Homeownership and Opportunity Through HOPE Act, title II of the Housing and Community Development Act of 1987, and section 502 of the Housing Act of 1949.

SEC. 330. ASSISTANCE FOR RENTAL OF MANUFACTURED HOMES.

(a) AUTHORITY.—Nothing in this title may be construed to prevent a public housing agency from providing housing assistance under this title on behalf of a low-income family for the rental of—

(1) a manufactured home that is the principal residence of the family and the real property on which the home is located; or

(2) the real property on which is located a manufactured home, which is owned by the family and is the principal residence of the family.

(b) ASSISTANCE FOR CERTAIN FAMILIES OWNING MANUFACTURED HOMES.—

(1) AUTHORITY.—Notwithstanding section 351 or any other provision of this title, a public housing agency that receives amounts under a contract under section 302 may enter into a housing assistance payment contract to make assistance payments under this title to a family that owns a manufactured home, but only as provided in paragraph (2).

(2) LIMITATIONS.—In the case only of a low-income family that owns a manufactured home, rents the real property on which it is located, and to whom housing assistance under this title has been made available for the rental of such property, the public housing agency making such assistance available shall enter into a contract to make housing assistance payments under this title directly to the family (rather than to the owner of such real property) if—

(A) the owner of the real property refuses to enter into a contract to receive housing assistance payments pursuant to section 351(a);

(B) the family was residing in such manufactured home on such real property at the time such housing assistance was initially made available on behalf of the family;

(C) the family provides such assurances to the agency, as the Secretary may require, to ensure that amounts from the housing assistance payments are used for rental of the real property; and

(D) the rental of the real property otherwise complies with the requirements for assistance under this title.

A contract pursuant to this subsection shall be subject to the provisions of section 351 and any other provisions applicable to housing assistance payments contracts under this title, except that the Secretary may provide such exceptions as the Secretary considers appropriate to facilitate the provision of assistance under this subsection.

Subtitle C—Payment of Housing Assistance on Behalf of Assisted Families

SEC. 351. HOUSING ASSISTANCE PAYMENTS CONTRACTS.

(a) IN GENERAL.—Each public housing agency that receives amounts under a contract under section 302 may enter into housing assistance payments contracts with owners of existing dwelling units to make housing assistance payments to such owners in accordance with this title.

(b) PHA ACTING AS OWNER.—A public housing agency may enter into a housing assistance payments contract to make housing assistance payments under this title to itself (or any agency or instrumentality thereof) as the owner of dwelling units (other than public housing), and the agency shall be subject to the same requirements that are applicable to other owners, except that the determinations under section 328(a) and 354(b) shall be made by a competent party not affiliated with the agency, and the agency shall be responsible for any expenses of such determinations.

(c) PROVISIONS.—Each housing assistance payments contract shall—

(1) have a term of not more than 12 months;

(2) require that the assisted dwelling unit may be rented only pursuant to a lease that complies with the requirements of section 324;

(3) comply with the requirements of sections 325, 642, and 643 (relating to termination of tenancy);

(4) require the owner to maintain the dwelling unit in accordance with the applicable standards under section 328(a)(2); and

(5) provide that the screening and selection of eligible families for assisted dwelling units shall be the function of the owner.

SEC. 352. AMOUNT OF MONTHLY ASSISTANCE PAYMENT.

(a) UNITS HAVING GROSS RENT EXCEEDING PAYMENT STANDARD.—In the case of a dwelling unit bearing a gross rent that exceeds the payment standard established under section 353 for a dwelling unit of the applicable size and located in the market area in which such assisted dwelling unit is located, the amount of the monthly assistance payment shall be the amount by which such payment standard exceeds the amount of the resident contribution determined in accordance with section 322(a)(1).

(b) SHOPPING INCENTIVE FOR UNITS HAVING GROSS RENT NOT EXCEEDING PAYMENT STANDARD.—In the case of an assisted family renting an eligible dwelling unit bearing a gross rent that does not exceed the payment standard established under section 353 for a dwelling unit of the applicable size and located in the market area in which such assisted dwelling unit is located, the following requirements shall apply:

(1) AMOUNT OF MONTHLY ASSISTANCE PAYMENT.—The amount of the monthly assistance payment for housing assistance under this title on behalf of the assisted family shall be the amount by which the gross rent for the dwelling unit exceeds the amount of the resident contribution.

(2) ESCROW OF SHOPPING INCENTIVE SAVINGS.—An amount equal to 50 percent of the difference between payment standard and the gross rent for the dwelling unit shall be placed in an interest bearing escrow account on behalf of such family on a monthly basis by the public housing agency. Amounts in the escrow account shall be made available to the assisted family on an annual basis.

(3) DEFICIT REDUCTION.—The public housing agency making housing assistance payments on behalf of such assisted family in a fiscal year shall reserve from amounts made available to the agency for assistance payments for such fiscal year an amount equal to the amount described in paragraph (2). At the end of each fiscal year, the Secretary shall recapture any such amounts reserved by public housing agencies and such amounts shall be covered into the General Fund of the Treasury of the United States.

For purposes of this section, in the case of a family receiving homeownership assistance under section 329, the term "gross rent" shall mean the homeownership costs to the family as determined in accordance with guidelines of the Secretary.

SEC. 353. PAYMENT STANDARDS.

(a) ESTABLISHMENT.—Each public housing agency providing housing assistance under this title shall establish payment standards under this section for various areas, and sizes and types of dwelling units, for use in determining the amount of monthly housing assistance payment to be provided on behalf of assisted families.

(b) USE OF RENTAL INDICATORS.—The payment standard for each size and type of housing for each market area shall be an amount that is not less than 80 percent, and not greater than 120 percent, of the rental indicator established under section 323 for such size and type for such area.

(c) REVIEW.—If the Secretary determines, at any time, that a significant percentage of the assisted families who are assisted by a public housing agency and are occupying dwelling units of a particular size are paying more than 30 percent of their adjusted incomes for rent, the Secretary shall review the payment standard established by the agency for such size dwellings. If, pursuant to the review, the Secretary determines that such payment standard is not appropriate to serve the needs of the low-income population of the jurisdiction served by the agency (taking into consideration rental costs in the area), as identified in the approved community improvement plan of the agency, the Secretary may require the public housing agency to modify the payment standard.

SEC. 354. REASONABLE RENTS.

(a) ESTABLISHMENT.—The rent charged for a dwelling unit for which rental assistance is provided under this title shall be established pursuant to negotiation and agreement between the assisted family and the owner of the dwelling unit.

(b) REASONABLENESS.—

(1) DETERMINATION.—A public housing agency providing rental assistance under this title for a dwelling unit shall, before commencing assistance payments for a unit (with respect to initial contract rents and any rent revisions), determine whether the rent charged for the unit exceeds the rents charged for comparable units in the applicable private unassisted market.

(2) UNREASONABLE RENTS.—If the agency determines that the rent charged for a dwelling unit exceeds such comparable rents, the agency shall—

(A) inform the assisted family renting the unit that such rent exceeds the rents for comparable unassisted units in the market; and

(B) refuse to provide housing assistance payments for such unit.

SEC. 355. PROHIBITION OF ASSISTANCE FOR VACANT RENTAL UNITS.

If an assisted family vacates a dwelling unit for which rental assistance is provided under a housing assistance payments contract before the expiration of the term of the lease for the unit, rental assistance pursuant to such contract may not be provided for the unit after the month during which the unit was vacated.

Subtitle D—General and Miscellaneous Provisions

SEC. 371. DEFINITIONS.

For purposes of this title:

(1) ASSISTED DWELLING UNIT.—The term "assisted dwelling unit" means a dwelling unit in which an assisted family resides and for which housing assistance payments are made under this title.

(2) ASSISTED FAMILY.—The term "assisted family" means an eligible family on whose behalf housing assistance payments are made under this title or who has been selected and approved for housing assistance.

(3) CHOICE-BASED.—The term "choice-based" means, with respect to housing assistance, that the assistance is not attached to a dwelling unit but can be used for any eligible dwelling unit selected by the eligible family.

(4) ELIGIBLE DWELLING UNIT.—The term "eligible dwelling unit" means a dwelling unit that complies with the requirements under section 328 for consideration as an eligible dwelling unit.

(5) ELIGIBLE FAMILY.—The term "eligible family" means a family that meets the requirements under section 321(a) for assistance under this title.

(6) HOMEOWNERSHIP ASSISTANCE.—The term "homeownership assistance" means housing assistance provided under section 329 for the ownership of a dwelling unit.

(7) HOUSING ASSISTANCE.—The term "housing assistance" means choice-based assistance provided under this title on behalf of low-income families for the rental or ownership of an eligible dwelling unit.

(8) HOUSING ASSISTANCE PAYMENTS CONTRACT.—The term "housing assistance payments contract" means a contract under section 351 between a public housing agency (or the Secretary) and an owner to make housing assistance payments under this title to the owner on behalf of an assisted family.

(9) PUBLIC HOUSING AGENCY.—The terms "public housing agency" and "agency" have the meaning given such terms in section 103, except that the terms include—

(A) a consortia of public housing agencies that the Secretary determines has the capacity and capability to administer a program for housing assistance under this title in an efficient manner;

(B) any other entity that, upon the effective date of this Act, was administering any program for tenant-based rental assistance under section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act), pursuant to a contract with the Secretary or a public housing agency; and

(C) with respect to any area in which no public housing agency has been organized or where the Secretary determines that a public housing agency is unwilling or unable to implement this title, or is not performing effectively—

(i) the Secretary or another entity that by contract agrees to receive assistance amounts under this title and enter into housing assistance payments contracts with owners and perform the other functions of public housing agency under this title; or

(ii) notwithstanding any provision of State or local law, a public housing agency for another area that contracts with the Secretary to administer a program for housing assistance under this title, without regard to any otherwise applicable limitations on its area of operation.

(10) OWNER.—The term "owner" means the person or entity having the legal right to lease or sublease dwelling units. Such term includes any principals, general partners, primary shareholders, and other similar participants in any entity owning a multifamily housing project, as well as the entity itself.

(11) RENT.—The terms "rent" and "rental" include, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

(12) RENTAL ASSISTANCE.—The term "rental assistance" means housing assistance provided under this title for the rental of a dwelling unit.

SEC. 372. RENTAL ASSISTANCE FRAUD RECOVERIES.

(a) AUTHORITY TO RETAIN RECOVERED AMOUNTS.—The Secretary shall permit public housing agencies administering housing assistance under this title to retain, out of amounts obtained by the authorities from tenants that are due as a result of fraud and abuse, an amount (determined in accordance with regulations issued by the Secretary) equal to the greater of—

(1) 50 percent of the amount actually collected; or

(2) the actual, reasonable, and necessary expenses related to the collection, including costs of investigation, legal fees, and collection agency fees.

(b) USE.—Amounts retained by an agency shall be made available for use in support of the affected program or project, in accordance with regulations issued by the Secretary. If the Secretary is the principal party initiating or sustaining an action to recover amounts from families or owners, the provisions of this section shall not apply.

(c) RECOVERY.—Amounts may be recovered under this section—

(1) by an agency through a lawsuit (including settlement of the lawsuit) brought by the agency or through court-ordered restitution pursuant to a criminal proceeding resulting from an agency's investigation where the agency seeks prosecution of a family or where an agency seeks prosecution of an owner;

(2) through administrative repayment agreements with a family or owner entered into as a result of an administrative grievance procedure conducted by an impartial decisionmaker in accordance with section 110; or

(3) through an agreement between the parties.

SEC. 373. STUDY REGARDING GEOGRAPHIC CONCENTRATION OF ASSISTED FAMILIES.

(a) IN GENERAL.—The Secretary shall conduct a study of the geographic areas in the State of Illinois served by the Housing Authority of Cook County and the Chicago Housing Authority and submit to the Congress a report and a specific proposal, which addresses and resolves the issues of—

(1) the adverse impact on local communities due to geographic concentration of assisted households under the tenant-based housing programs under section

8 of the United States Housing Act of 1937 (as in effect upon the enactment of this Act) and under this title; and

(2) facilitating the deconcentration of such assisted households by providing broader housing choices to such households.

The study shall be completed, and the report shall be submitted, not later than 90 days after the date of the enactment of this Act.

(b) CONCENTRATION.—For purposes of this section, the term "concentration" means, with respect to any area within a census tract, that—

(1) 15 percent or more of the households residing within such area have incomes which do not exceed the poverty level; or

(2) 15 percent or more of the total affordable housing stock located within such area is assisted housing.

(c) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

SEC. 374. STUDY REGARDING RENTAL ASSISTANCE.

The Secretary shall conduct a nationwide study of the choice-based housing assistance program under this title and the tenant-based rental assistance program under section 8 of the United States Housing Act of 1937 (as in effect pursuant to section 601(c) and 602(b)). The study shall, for various localities—

(1) determine who are the providers of the housing in which families assisted under such programs reside;

(2) describe and analyze the physical and demographic characteristics of the housing in which such assistance is used, including, for housing in which at least one such assisted family resides, the total number of units in the housing and the number of units in the housing for which such assistance is provided;

(3) determine the total number of units for which such assistance is provided;

(4) describe the durations that families remain on waiting lists before being provided such housing assistance; and

(5) assess the extent and quality of participation of housing owners in such assistance programs in relation to the local housing market, including comparing—

(A) the quality of the housing assisted to the housing generally available in the same market; and

(B) the extent to which housing is available to be occupied using such assistance to the extent to which housing is generally available in the same market.

The Secretary shall submit a report describing the results of the study to the Congress not later than the expiration of the 2-year period beginning on the date of the enactment of this Act.

TITLE IV—HOME RULE FLEXIBLE GRANT OPTION

SEC. 401. PURPOSE.

The purpose of this title is to give local governments and municipalities the flexibility to design creative approaches for providing and administering Federal housing assistance based on the particular needs of the communities that—

(1) give incentives to low-income families with children where the head of household is working, seeking work, or preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient;

(2) reduce cost and achieve greater cost-effectiveness in Federal housing assistance expenditures;

(3) increase housing choices for low-income families; and

(4) reduce excessive geographic concentration of assisted families.

SEC. 402. FLEXIBLE GRANT PROGRAM.

(a) AUTHORITY AND USE.—The Secretary shall carry out a program under which a jurisdiction may, upon the application of the jurisdiction and the review and approval of the Secretary, receive, combine, and enter into performance-based contracts for the use of amounts of covered housing assistance in a period consisting of not less than 1 nor more than 5 fiscal years in the manner determined appropriate by the participating jurisdiction—

(1) to provide housing assistance and services for low-income families in a manner that facilitates the transition of such families to work;

(2) to reduce homelessness;

(3) to increase homeownership among low-income families; and

(4) for other housing purposes for low-income families determined by the participating jurisdiction.

(b) INAPPLICABILITY OF CATEGORICAL PROGRAM REQUIREMENTS.—

(1) IN GENERAL.—Except as provided in paragraph (2) and section 405, the provisions of this Act regarding use of amounts made available under each of the programs included as covered housing assistance and the program requirements applicable to each such program shall not apply to amounts received by a jurisdiction pursuant to this title.

(2) APPLICABILITY OF CERTAIN LAWS.—This title may not be construed to exempt assistance under this Act from, or make inapplicable any provision of this Act or of any other law that requires that assistance under this Act be provided in compliance with—

(A) title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.);

(B) the Fair Housing Act (42 U.S.C. 3601 et seq.);

(C) section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 701 et seq.);

(D) title IX of the Education Amendments of 1972 (86 Stat. 373 et seq.);

(E) the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.);

(F) the Americans with Disabilities Act of 1990; or

(G) the National Environmental Policy Act of 1969 and other provisions of law that further protection of the environment (as specified in regulations that shall be issued by the Secretary).

(c) EFFECT ON PROGRAM ALLOCATIONS FOR COVERED HOUSING ASSISTANCE.—The amount of assistance received pursuant to this title by a participating jurisdiction shall not be decreased, because of participation in the program under this title, from the sum of the amounts that otherwise would be made available for or within the participating jurisdiction under the programs included as covered housing assistance.

SEC. 403. COVERED HOUSING ASSISTANCE.

For purposes of this title, the term "covered housing assistance" means—

(1) operating assistance provided under section 9 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act);

(2) modernization assistance provided under section 14 of such Act;

(3) assistance provided under section 8 of such Act for the certificate and voucher programs;

(4) assistance for public housing provided under title II of this Act; and

(5) choice-based rental assistance provided under title III of this Act.

Such term does not include any amounts obligated for assistance under existing contracts for project-based assistance under section 8 of the United States Housing Act of 1937 or section 601(f) of this Act.

SEC. 404. PROGRAM REQUIREMENTS.

(a) ELIGIBLE FAMILIES.—Each family on behalf of whom assistance is provided for rental or homeownership of a dwelling unit using amounts made available pursuant to this title shall be a low-income family. Each dwelling unit assisted using amounts made available pursuant to this title shall be available for occupancy only by families that are low-income families at the time of their initial occupancy of the unit.

(b) COMPLIANCE WITH ASSISTANCE PLAN.—A participating jurisdiction shall provide assistance using amounts received pursuant to this title in the manner set forth in the plan of the jurisdiction approved by the Secretary under section 406(a)(2).

(c) RENT POLICY.—A participating jurisdiction shall ensure that the rental contributions charged to families assisted with amounts received pursuant to this title are reasonable and designed to encourage employment and self-sufficiency by participating families.

(d) HOUSING QUALITY STANDARDS.—

(1) COMPLIANCE.—A participating jurisdiction shall ensure that housing assisted with amounts received pursuant to this title is maintained in a condition that complies—

(A) in the case of housing located in a jurisdiction which has in effect laws, regulations, standards, or codes regarding habitability of residential dwellings, with such applicable laws, regulations, standards, or codes; or

(B) in the case of housing located in a jurisdiction which does not have in effect laws, regulations, standards, or codes described in paragraph (1), with the housing quality standards established under paragraph (2).

(2) FEDERAL HOUSING QUALITY STANDARDS.—The Secretary shall establish housing quality standards under this paragraph that ensure that dwelling units

assisted under this title are safe, clean, and healthy. Such standards shall include requirements relating to habitability, including maintenance, health and sanitation factors, condition, and construction of dwellings, and shall, to the greatest extent practicable, be consistent with the standards established under sections 232(b) and 328(c). The Secretary shall differentiate between major and minor violations of such standards.

(e) NUMBER OF FAMILIES ASSISTED.—A participating jurisdiction shall ensure that, in providing assistance with amounts received pursuant to this title in each fiscal year, not less than substantially the same total number of eligible low-income families are assisted as would have been assisted had the amounts of covered housing assistance not been combined for use under this title.

(f) CONSISTENCY WITH WELFARE PROGRAM.—A participating jurisdiction shall ensure that assistance provided with amounts received pursuant to this title is provided in a manner that is consistent with the welfare, public assistance, or other economic self-sufficiency programs operating in the jurisdiction by facilitating the transition of assisted families to work, which may include requiring compliance with the requirements under such welfare, public assistance, or self-sufficiency programs as a condition of receiving housing assistance with amounts provided under this title.

(g) TREATMENT OF CURRENTLY ASSISTED FAMILIES.—

(1) CONTINUATION OF ASSISTANCE.—A participating jurisdiction shall ensure that each family that was receiving housing assistance or residing in an assisted dwelling unit pursuant to any of the programs included as covered housing assistance immediately before the jurisdiction initially provides assistance pursuant to this title shall be offered assistance or an assisted dwelling unit under the program of the jurisdiction under this title.

(2) PHASE-IN OF RENT CONTRIBUTION INCREASES.—For any family that was receiving housing assistance pursuant to any of the programs included as covered housing assistance immediately before the jurisdiction initially provides assistance pursuant to this title, if the monthly contribution for rental of a dwelling unit assisted under this title to be paid by the family upon initial applicability of this title is greater than the amount paid by the family immediately before such applicability, any such resulting increase in rent contribution shall be—

(A) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more of such contribution before initial applicability; and

(B) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent of such contribution before initial applicability.

(h) AMOUNT OF ASSISTANCE.—In providing housing assistance using amounts received pursuant to this title, the amount of assistance provided by a participating jurisdiction on behalf of each assisted low-income family shall be sufficient so that if the family used such assistance to rent a dwelling unit having a rent equal to the 40th percentile of rents for standard quality rental units of the same size and type in the same market area, the contribution toward rental paid by the family would be affordable (as such term is defined by the jurisdiction) to the family.

(i) PORTABILITY.—A participating jurisdiction shall ensure that financial assistance for housing provided with amounts received pursuant to this title may be used by a family moving from an assisted dwelling unit located within the jurisdiction to obtain a dwelling unit located outside of the jurisdiction.

(j) PREFERENCES.—In providing housing assistance using amounts received pursuant to this section, a participating jurisdiction may establish a system for making housing assistance available that provides preference for assistance to families having certain characteristics. A system of preferences established pursuant to this subsection shall be based on local housing needs and priorities, as determined by the jurisdiction using generally accepted data sources.

SEC. 405. APPLICABILITY OF CERTAIN PROVISIONS.

(a) PUBLIC HOUSING DEMOLITION AND DISPOSITION REQUIREMENTS.—Section 261 shall continue to apply to public housing notwithstanding any use of the housing under this title.

(b) LABOR STANDARDS.—Section 112 shall apply to housing assisted with amounts provided pursuant to this title, other than housing assisted solely due to occupancy by families receiving tenant-based assistance.

SEC. 406. APPLICATION.

(a) IN GENERAL.—The Secretary shall provide for jurisdictions to submit applications to receive and use covered housing assistance amounts as authorized in this title for periods of not less than 1 and not more than 5 fiscal years. An application—

(1) shall be submitted only after the jurisdiction provides for citizen participation through a public hearing and, if appropriate, other means;

(2) shall include a plan developed by the jurisdiction for the provision of housing assistance with amounts received pursuant to this title that takes into consideration comments from the public hearing and any other public comments on the proposed program, and comments from current and prospective residents who would be affected, and that includes criteria for meeting each of the requirements under section 404 and this title;

(3) shall describe how the plan for use of amounts will assist in meeting the goals set forth in section 401;

(4) shall propose standards for measuring performance in using assistance provided pursuant to this title based on the performance standards under subsection (b)(2);

(5) shall propose the length of the period for which the jurisdiction is applying for assistance under this title;

(6) may include a request assistance for training and technical assistance to assist with design of the program and to participate in a detailed evaluation;

(7) shall—

(A) in the case of the application of any jurisdiction within whose boundaries are areas subject to any other unit of general local government, include the signed consent of the appropriate executive official of such unit to the application; and

(B) in the case of the application of a consortia of units of general local government (as provided under section 409(1)(B)), include the signed consent of the appropriate executive officials of each unit included in the consortia;

(8) shall include information sufficient, in the determination of the Secretary—

(A) to demonstrate that the jurisdiction has or will have management and administrative capacity sufficient to carry out the plan under paragraph (2);

(B) to demonstrate that carrying out the plan will not result in excessive duplication of administrative efforts and costs, particularly with respect to activities performed by public housing agencies operating within the boundaries of the jurisdiction;

(C) to describe the function and activities to be carried out by such public housing agencies affected by the plan; and

(D) to demonstrate that the amounts received by the jurisdiction will be maintained separate from other funds available to the jurisdiction and will be used only to carry out the plan; and

(9) shall include information describing how the jurisdiction will make decisions regarding asset management of housing for low-income families under programs for covered housing assistance or assisted with grant amounts under this title.

A plan required under paragraph (2) to be included in the application may be contained in a memorandum of agreement or other document executed by a jurisdiction and public housing agency, if such document is submitted together with the application.

(b) REVIEW, APPROVAL, AND PERFORMANCE STANDARDS.—

(1) REVIEW.—The Secretary shall review applications for assistance pursuant to this title and shall approve or disapprove such applications within 60 days after their submission. The Secretary shall provide affected public housing agencies an opportunity to review an application submitted under this subsection and to provide written comments on the application, which shall be a period of not less than 30 days ending before the Secretary approves or disapproves the application. If the Secretary determines that the application complies with the requirements of this title, the Secretary shall offer to enter into an agreement with jurisdiction providing for assistance pursuant to this title and incorporating a requirement that the jurisdiction achieve a particular level of performance in each of the areas for which performance standards are established under paragraph (2). If the Secretary determines that an application does not comply with the requirements of this title, the Secretary shall notify the jurisdiction submitting the application of the reasons for such disapproval and actions that may be taken to make the application approvable.

(2) PERFORMANCE STANDARDS.—The Secretary shall establish standards for measuring performance of jurisdictions in the following areas:

(A) Success in moving dependent low-income families to economic self-sufficiency.

(B) Success in reducing the numbers of long-term homeless families.

(C) Decrease in the per-family cost of providing assistance.

(D) Reduction of excessive geographic concentration of assisted families.

(E) Any other performance goals that the Secretary may prescribe.

(3) APPROVAL.—If the Secretary and a jurisdiction that the Secretary determines has submitted an application meeting the requirements of this title enter into an agreement referred to in paragraph (1), the Secretary shall approve the application and provide covered housing assistance for the jurisdiction in the manner authorized under this title. The Secretary may not approve any application for assistance pursuant to this title unless the Secretary and jurisdiction enter into an agreement referred to in paragraph (1). The Secretary shall establish requirements for the approval of applications under this section submitted by public housing agencies designated under section 533(a) as troubled, which may include additional or different criteria determined by the Secretary to be more appropriate for such agencies.

(c) STATUS OF PHA'S.—Nothing in this section or title may be construed to require any change in the legal status of any public housing agency or in any legal relationship between a jurisdiction and a public housing agency as a condition of participation in the program under this title.

SEC. 407. TRAINING.

The Secretary, in consultation with representatives of public and assisted housing interests, shall provide training and technical assistance relating to providing assistance under this title and conduct detailed evaluations of up to 30 jurisdictions for the purpose of identifying replicable program models that are successful at carrying out the purposes of this title.

SEC. 408. ACCOUNTABILITY.

(a) PERFORMANCE GOALS.—The Secretary shall monitor the performance of participating jurisdictions in providing assistance pursuant to this title based on the performance standards contained in the agreements entered into pursuant to section 406(b)(1).

(b) KEEPING RECORDS.—Each participating jurisdiction shall keep such records as the Secretary may prescribe as reasonably necessary to disclose the amounts and the disposition of amounts provided pursuant to this title, to ensure compliance with the requirements of this title and to measure performance against the performance goals under subsection (a).

(c) REPORTS.—Each participating jurisdiction agency shall submit to the Secretary a report, or series of reports, in a form and at a time specified by the Secretary. The reports shall—

(1) document the use of funds made available under this title;

(2) provide such information as the Secretary may request to assist the Secretary in assessing the program under this title; and

(3) describe and analyze the effect of assisted activities in addressing the purposes of this title.

(d) ACCESS TO DOCUMENTS BY SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this title.

(e) ACCESS TO DOCUMENTS BY COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this title.

SEC. 409. DEFINITIONS.

For purposes of this title, the following definitions shall apply:

(1) JURISDICTION.—The term "jurisdiction" means—

(A) a unit of general local government (as such term is defined in section 104 of the Cranston-Gonzalez National Affordable Housing Act) that has boundaries, for purposes of carrying out this title, that—

(i) wholly contain the area within which a public housing agency is authorized to operate; and

(ii) do not contain any areas contained within the boundaries of any other participating jurisdiction; and

(B) a consortia of such units of general local government, organized for purposes of this title.

(2) PARTICIPATING JURISDICTION.—The term "participating jurisdiction" means, with respect to a period for which such approval is made, a jurisdiction

that has been approved under section 406(b)(3) to receive assistance pursuant to this title for such fiscal year.

TITLE V—ACCOUNTABILITY AND OVERSIGHT OF PUBLIC HOUSING AGENCIES

Subtitle A—Study of Alternative Methods for Evaluating Public Housing Agencies

SEC. 501. IN GENERAL.

The Secretary of Housing and Urban Development shall provide under section 505 for a study to be conducted to determine the effectiveness of various alternative methods of evaluating the performance of public housing agencies and other providers of federally assisted housing.

SEC. 502. PURPOSES.

The purposes of the study under this subtitle shall be—

(1) to identify and examine various methods of evaluating and improving the performance of public housing agencies in administering public housing and tenant-based rental assistance programs and of other providers of federally assisted housing, which are alternatives to oversight by the Department of Housing and Urban Development; and

(2) to identify specific monitoring and oversight activities currently conducted by the Department of Housing and Urban Development that are insufficient or ineffective in accurately and efficiently assessing the performance of public housing agencies and other providers of federally assisted housing, and to evaluate whether such activities should be eliminated, modified, or transferred to other entities (including government and private entities) to increase accuracy and effectiveness and improve monitoring.

SEC. 503. EVALUATION OF VARIOUS PERFORMANCE EVALUATION SYSTEMS.

To carry out the purpose under section 502(1), the study under this subtitle shall identify, and analyze and assess the costs and benefits of, the following methods of regulating and evaluating the performance of public housing agencies and other providers of federally assisted housing:

(1) CURRENT SYSTEM.—The system pursuant to the United States Housing Act of 1937 (as in effect upon the enactment of this Act), including the methods and requirements under such system for reporting, auditing, reviewing, sanctioning, and monitoring of such agencies and housing providers and the public housing management assessment program pursuant to subtitle C of this title (and section 6(j) of the United States Housing Act of 1937 (as in effect upon the enactment of this Act)).

(2) ACCREDITATION MODELS.—Various models that are based upon accreditation of such agencies and housing providers, subject to the following requirements:

(A) The study shall identify and analyze various models used in other industries and professions for accreditation and determine the extent of their applicability to the programs for public housing and federally assisted housing.

(B) If any accreditation models are determined to be applicable to the public and federally assisted housing programs, the study shall identify appropriate goals, objectives, and procedures for an accreditation program for such agencies housing providers.

(C) The study shall evaluate the effectiveness of establishing an independent accreditation and evaluation entity to assist, supplement, or replace the role of the Department of Housing and Urban Development in assessing and monitoring the performance of such agencies and housing providers.

(D) The study shall identify the necessary and appropriate roles and responsibilities of various entities that would be involved in an accreditation program, including the Department of Housing and Urban Development, the Inspector General of the Department, an accreditation entity, independent auditors and examiners, local entities, and public housing agencies.

(E) The study shall determine the costs involved in developing and maintaining such an independent accreditation program.

(F) The study shall analyze the need for technical assistance to assist public housing agencies in improving performance and identify the most effective methods to provide such assistance.

(3) PERFORMANCE BASED MODELS.—Various performance-based models, including systems that establish performance goals or targets, assess the compliance with such goals or targets, and provide for incentives or sanctions based on performance relative to such goals or targets.

(4) LOCAL REVIEW AND MONITORING MODELS.—Various models providing for local, resident, and community review and monitoring of such agencies and housing providers, including systems for review and monitoring by local and State governmental bodies and agencies.

(5) PRIVATE MODELS.—Various models using private contractors for review and monitoring of such agencies and housing providers.

(6) OTHER MODELS.—Various models of any other systems that may be more effective and efficient in regulating and evaluating such agencies and housing providers.

SEC. 504. CONSULTATION.

The entity that, pursuant to section 505, carries out the study under this subtitle shall, in carrying out the study, consult with individuals and organization experienced in managing public housing, private real estate managers, representatives from State and local governments, residents of public housing, families and individuals receiving choice- or tenant-based assistance, the Secretary of Housing and Urban Development, the Inspector General of the Department of Housing and Urban Development, and the Comptroller General of the United States.

SEC. 505. CONTRACT TO CONDUCT STUDY.

(a) IN GENERAL.—Subject to subsection (b), the Secretary shall enter into a contract with a public or nonprofit private entity to conduct the study under this subtitle, using amounts made available pursuant to section 507.

(b) NATIONAL ACADEMY OF PUBLIC ADMINISTRATION.—The Secretary shall request the National Academy of Public Administration to enter into the contract under paragraph (1) to conduct the study under this subtitle. If such Academy declines to conduct the study, the Secretary shall carry out such paragraph through other public or nonprofit private entities.

SEC. 506. REPORT.

(a) INTERIM REPORT.—The Secretary shall ensure that not later than the expiration of the 6-month period beginning on the date of the enactment of this Act, the entity conducting the study under this subtitle submits to the Congress an interim report describing the actions taken to carry out the study, the actions to be taken to complete the study, and any findings and recommendations available at the time.

(b) FINAL REPORT.—The Secretary shall ensure that—

(1) not later than the expiration of the 12-month period beginning on the date of the enactment of this Act, the study required under this subtitle is completed and a report describing the findings and recommendations as a result of the study is submitted to the Congress; and

(2) before submitting the report under this subsection to the Congress, the report is submitted to the Secretary and national organizations for public housing agencies at such time to provide the Secretary and such agencies an opportunity to review the report and provide written comments on the report, which shall be included together with the report upon submission to the Congress under paragraph (1).

SEC. 507. FUNDING.

Of any amounts made available under title V of the Housing and Urban Development Act of 1970 for policy development and research for fiscal year 1998, $500,000 shall be available to carry out this subtitle.

SEC. 508. EFFECTIVE DATE.

This subtitle shall take effect on the date of the enactment of this Act.

Subtitle B—Housing Evaluation and Accreditation Board

SEC. 521. ESTABLISHMENT.

(a) IN GENERAL.—There is established an independent agency in the executive branch of the Government to be known as the Housing Foundation and Accreditation Board (in this title referred to as the "Board").

(b) REQUIREMENT FOR CONGRESSIONAL REVIEW OF STUDY.—Notwithstanding any other provision of this Act, sections 523, 524, and 525 shall not take effect and the Board shall not have any authority to take any action under such sections (or otherwise) unless there is enacted a law specifically providing for the repeal of this subsection. This subsection may not be construed to prevent the appointment of the Board under section 522.

(c) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

SEC. 522. MEMBERSHIP.

(a) IN GENERAL.—The Board shall be composed of 12 members appointed by the President not later than 180 days after the date of the final report regarding the study required under subtitle A is submitted to the Congress pursuant to section 506(b), as follows:

(1) 4 members shall be appointed from among 10 individuals recommended by the Secretary of Housing and Urban Development.

(2) 4 members shall be appointed from among 10 individuals recommended by the Chairman and Ranking Minority Member of the Committee on Banking, Housing, and Urban Affairs of the Senate.

(3) 4 members appointed from among 10 individuals recommended by the Chairman and Ranking Minority Member of the Committee on Banking and Financial Services of the House of Representatives.

(b) QUALIFICATIONS.—

(1) REQUIRED REPRESENTATION.—The Board shall at all times have the following members:

(A) 2 members who are residents of public housing or dwelling units assisted under title III of this Act or the provisions of section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act).

(B) At least 2, but not more than 4 members who are executive directors of public housing agencies.

(C) 1 member who is a member of the Institute of Real Estate Managers.

(D) 1 member who is the owner of a multifamily housing project assisted under a program administered by the Secretary of Housing and Urban Development.

(2) REQUIRED EXPERIENCE.—The Board shall at all times have as members individuals with the following experience:

(A) At least 1 individual who has extensive experience in the residential real estate finance business.

(B) At least 1 individual who has extensive experience in operating a nonprofit organization that provides affordable housing.

(C) At least 1 individual who has extensive experience in construction of multifamily housing.

(D) At least 1 individual who has extensive experience in the management of a community development corporation.

(E) At least 1 individual who has extensive experience in auditing participants in government programs.

A single member of the board with the appropriate experience may satisfy the requirements of more than 1 subparagraph of this paragraph. A single member of the board with the appropriate qualifications and experience may satisfy the requirements of a subparagraph of paragraph (1) and a subparagraph of this paragraph.

(c) POLITICAL AFFILIATION.—Not more than 6 members of the Board may be of the same political party.

(d) TERMS.—

(1) IN GENERAL.—Each member of the Board shall be appointed for a term of 4 years, except as provided in paragraphs (2) and (3).

(2) TERMS OF INITIAL APPOINTEES.—As designated by the President at the time of appointment, of the members first appointed—

(A) 3 shall be appointed for terms of 1 year;
(B) 3 shall be appointed for terms of 2 years;
(C) 3 shall be appointed for terms of 3 years; and
(D) 3 shall be appointed for terms of 4 years.

(3) VACANCIES.—Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member's term until a successor has taken office. A vacancy in the Board shall be filled in the manner in which the original appointment was made.

(e) CHAIRPERSON.—The Board shall elect a chairperson from among members of the Board.

(f) QUORUM.—A majority of the members of the Board shall constitute a quorum for the transaction of business.

(g) VOTING.—Each member of the Board shall be entitled to 1 vote, which shall be equal to the vote of every other member of the Board.

(h) PROHIBITION ON ADDITIONAL PAY.—Members of the Board shall serve without compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of their duties as members of the Board.

SEC. 523. FUNCTIONS.

The purpose of this subtitle is to establish the Board as a nonpolitical entity to carry out, not later than the expiration of the 12-month period beginning upon the appointment under section 522 of all of the initial members of the Board (or such other date as may be provided by law), the following functions:

(1) ESTABLISHMENT OF PERFORMANCE BENCHMARKS.—The Board shall establish standards and guidelines for use by the Board in measuring the performance and efficiency of public housing agencies and other owners and providers of federally assisted housing in carrying out operational and financial functions. The standards and guidelines shall be designed to replace the public housing management assessment program under section 6(j) of the United States Housing Act of 1937 (as in effect before the enactment of this Act) and improve the evaluation of the performance of housing providers relative to such program. In establishing such standards and guidelines, the Board shall consult with the Secretary, the Inspector General of the Department of Housing and Urban Development, and such other persons and entities as the Board considers appropriate.

(2) ESTABLISHMENT OF ACCREDITATION PROCEDURE AND ACCREDITATION.—The Board shall—

(A) establish a procedure for the Board to accredit public housing agencies to receive block grants under title II for the operation, maintenance, and production of public housing and amounts for housing assistance under title III, based on the performance of agencies, as measured by the performance benchmarks established under paragraph (1) and any audits and reviews of agencies; and

(B) commence the review and accreditation of public housing agencies under the procedures established under subparagraph (A).

In carrying out the functions under this section, the Board shall take into consideration the findings and recommendations contained in the report issued under section 506(b).

SEC. 524. POWERS.

(a) HEARINGS.—The Board may, for the purpose of carrying out this subtitle, hold such hearings and sit and act at such times and places as the Board determines appropriate.

(b) RULES AND REGULATIONS.—The Board may adopt such rules and regulations as may be necessary to establish its procedures and to govern the manner of its operations, organization, and personnel.

(c) ASSISTANCE FROM FEDERAL AGENCIES.—

(1) INFORMATION.—The Board may secure directly from any department or agency of the Federal Government such information as the Board may require for carrying out its functions, including public housing agency plans submitted to the Secretary by public housing agencies under title I. Upon request of the Board, any such department or agency shall furnish such information.

(2) GENERAL SERVICES ADMINISTRATION.—The Administrator of General Services shall provide to the Board, on a reimbursable basis, such administrative support services as the Board may request.

(3) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.—Upon the request of the chairperson of the Board, the Secretary of Housing and Urban Development

shall, to the extent possible and subject to the discretion of the Secretary, detail any of the personnel of the Department of Housing and Urban Development, on a nonreimbursable basis, to assist the Board in carrying out its functions under this subtitle.

(4) HUD INSPECTOR GENERAL.—The Inspector General of the Department of Housing and Urban Development shall serve the Board as a principal adviser with respect to all aspects of audits of public housing agencies. The Inspector General may advise the Board with respect to other activities and functions of the Board.

(d) MAILS.—The Board may use the United States mails in the same manner and under the same conditions as other Federal agencies.

(e) CONTRACTING.—The Board may, to such extent and in such amounts as are provided in appropriation Acts, enter into contracts with private firms, institutions, and individuals for the purpose of conducting evaluations of public housing agencies, audits of public housing agencies, and research and surveys necessary to enable the Board to discharge its functions under this subtitle.

(f) STAFF.—

(1) EXECUTIVE DIRECTOR.—The Board shall appoint an executive director of the Board, who shall be compensated at a rate fixed by the Board, but which shall not exceed the rate established for level V of the Executive Schedule under title 5, United States Code.

(2) OTHER PERSONNEL.—In addition to the executive director, the Board may appoint and fix the compensation of such personnel as the Board considers necessary, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(g) ACCESS TO DOCUMENTS.—The Board shall have access for the purposes of carrying out its functions under this subtitle to any books, documents, papers, and records of a public housing agency to which the Secretary has access under this Act.

SEC. 525. FEES.

(a) ACCREDITATION FEES.—The Board may establish and charge reasonable fees for the accreditation of public housing agencies as the Board considers necessary to cover the costs of the operations of the Board relating to its functions under section 523.

(b) FUND.—Any fees collected under this section shall be deposited in an operations fund for the Board, which is hereby established in the Treasury of the United States. Amounts in such fund shall be available, to the extent provided in appropriation Acts, for the expenses of the Board in carrying out its functions under this subtitle.

SEC. 526. GAO AUDIT.

The activities and transactions of the Board shall be subject to audit by the Comptroller General of the United States under such rules and regulations as may be prescribed by the Comptroller General. The representatives of the General Accounting Office shall have access for the purpose of audit and examination to any books, documents, papers, and records of the Board that are necessary to facilitate an audit.

Subtitle C—Interim Applicability of Public Housing Management Assessment Program

SEC. 531. INTERIM APPLICABILITY.

This subtitle shall be effective only during the period that begins on the effective date of this Act and ends upon the date of the effectiveness of the standards and procedures required under section 523.

SEC. 532. MANAGEMENT ASSESSMENT INDICATORS.

(a) ESTABLISHMENT.—The Secretary shall develop and publish in the Federal Register indicators to assess the management performance of public housing agencies and other entities managing public housing (including resident management corporations, independent managers pursuant to section 236, and management entities pursuant to subtitle D). The indicators shall be established by rule under section 553 of title 5, United States Code. Such indicators shall enable the Secretary to evaluate the performance of public housing agencies and such other managers of public housing in all major areas of management operations.

(b) CONTENT.—The management assessment indicators shall include the following indicators:

(1) The number and percentage of vacancies within an agency's or manager's inventory, including the progress that an agency or manager has made within the previous 3 years to reduce such vacancies.

(2) The amount and percentage of funds obligated to the public housing agency or manager from the capital fund or under section 14 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act), which remain unexpended after 3 years.

(3) The percentage of rents uncollected.

(4) The energy consumption (with appropriate adjustments to reflect different regions and unit sizes).

(5) The average period of time that an agency or manager requires to repair and turn-around vacant dwelling units.

(6) The proportion of maintenance work orders outstanding, including any progress that an agency or manager has made during the preceding 3 years to reduce the period of time required to complete maintenance work orders.

(7) The percentage of dwelling units that an agency or manager fails to inspect to ascertain maintenance or modernization needs within such period of time as the Secretary deems appropriate (with appropriate adjustments, if any, for large and small agencies or managers).

(8) The extent to which the rent policies of any public housing agency establishing rental amounts in accordance with section 225(b) comply with the requirement under section 225(c).

(9) Whether the agency is providing acceptable basic housing conditions, as determined by the Secretary.

(10) Any other factors as the Secretary deems appropriate.

(c) CONSIDERATIONS IN EVALUATION.—The Secretary shall—

(1) administer the system of evaluating public housing agencies and managers flexibly to ensure that agencies and managers are not penalized as result of circumstances beyond their control;

(2) reflect in the weights assigned to the various management assessment indicators the differences in the difficulty of managing individual developments that result from their physical condition and their neighborhood environment; and

(3) determine a public housing agency's or manager's status as "troubled with respect to modernization" under section 533(b) based upon factors solely related to its ability to carry out modernization activities.

SEC. 533. DESIGNATION OF PHA'S.

(a) TROUBLED PHA'S.—The Secretary shall, under the rulemaking procedures under section 553 of title 5, United States Code, establish procedures for designating troubled public housing agencies and managers, which procedures shall include identification of serious and substantial failure to perform as measured by (1) the performance indicators specified under section 532 and such other factors as the Secretary may deem to be appropriate; or (2) such other evaluation system as is determined by the Secretary to assess the condition of the public housing agency or other entity managing public housing, which system may be in addition to or in lieu of the performance indicators established under section 532. Such procedures shall provide that an agency that does not provide acceptable basic housing conditions shall be designated a troubled public housing agency.

(b) AGENCIES TROUBLED WITH RESPECT TO CAPITAL ACTIVITIES.—The Secretary shall designate, by rule under section 553 of title 5, United States Code, agencies and managers that are troubled with respect to capital activities.

(c) AGENCIES AT RISK OF BECOMING TROUBLED.—The Secretary shall designate, by rule under section 553 of title 5, United States Code, agencies and managers that are at risk of becoming troubled.

(d) EXEMPLARY AGENCIES.—The Secretary may also, in consultation with national organizations representing public housing agencies and managers and public officials (as the Secretary determines appropriate), identify and commend public housing agencies and managers that meet the performance standards established under section 532 in an exemplary manner.

(e) APPEAL OF DESIGNATION.—The Secretary shall establish procedures for public housing agencies and managers to appeal designation as a troubled agency or manager (including designation as a troubled agency or manager for purposes of capital activities), to petition for removal of such designation, and to appeal any refusal to remove such designation.

SEC. 534. ON-SITE INSPECTION OF TROUBLED PHA'S.

(a) IN GENERAL.—Upon designating a public housing agency or manager as troubled pursuant to section 533 and determining that an assessment under this section will not duplicate any other review previously conducted or required to be conducted of the agency or manager, the Secretary shall provide for an on-site, independent assessment of the management of the agency or manager.

(b) CONTENT.—To the extent the Secretary deems appropriate (taking into consideration an agency's or manager's performance under the indicators specified under section 532, the assessment team shall also consider issues relating to the agency's or manager's resident population and physical inventory, including the extent to which—

(1) the public housing agency plan for the agency or manager adequately and appropriately addresses the rehabilitation needs of the public housing inventory;

(2) residents of the agency or manager are involved in and informed of significant management decisions; and

(3) any developments in the agency's or manager's inventory are severely distressed (as such term is defined under section 262.

(c) INDEPENDENT ASSESSMENT TEAM.—An independent assessment under this section shall be carried out by a team of knowledgeable individuals selected by the Secretary (referred to in this title as the "assessment team") with expertise in public housing and real estate management. In conducting an assessment, the assessment team shall consult with the residents and with public and private entities in the jurisdiction in which the public housing is located. The assessment team shall provide to the Secretary and the public housing agency or manager a written report, which shall contain, at a minimum, recommendations for such management improvements as are necessary to eliminate or substantially remedy existing deficiencies.

SEC. 535. ADMINISTRATION.

(a) PHA'S.—The Secretary shall carry out this subtitle with respect to public housing agencies substantially in the same manner as the public housing management assessment system under section 6(j) of the United States Housing Act of 1937 (as in effect immediately before the effective date of the repeal under section 601(b) of this Act) was required to be carried out with respect to public housing agencies. The Secretary may comply with the requirements under this subtitle by using any regulations issued to carry out such system and issuing any additional regulations necessary to make such system comply with the requirements under this subtitle.

(b) OTHER MANAGERS.—The Secretary shall establish specific standards and procedures for carrying out this subtitle with respect to managers of public housing that are not public housing agencies. Such standards and procedures shall take in consideration special circumstances relating to entities hired, directed, or appointed to manage public housing.

Subtitle D—Accountability and Oversight Standards and Procedures

SEC. 541. AUDITS.

(a) BY SECRETARY AND COMPTROLLER GENERAL.—Each block grant contract under section 201 and each contract for housing assistance amounts under section 302 shall provide that the Secretary, the Inspector General of the Department of Housing and Urban Development, andthe Comptroller General of the United States, or any of their duly authorized representatives, shall, for the purpose of audit and examination, have access to any books, documents, papers, and records of the public housing agency (or other entity) entering into such contract that are pertinent to this Act and to its operations with respect to financial assistance under the this Act.

(b) BY PHA.—

(1) REQUIREMENT.—Each public housing agency that owns or operates 250 or more public housing dwelling units and receives assistance under this Act shall have an audit made in accordance with chapter 75 of title 31, United States Code. The Secretary, the Inspector General of the Department of Housing and Urban Development, and the Comptroller General of the United States shall have access to all books, documents, papers, or other records that are pertinent to the activities carried out under this Act in order to make audit examinations, excerpts, and transcripts.

(2) WITHHOLDING OF AMOUNTS.—The Secretary may, in the sole discretion of the Secretary, arrange for, and pay the costs of, an audit required under paragraph (1). In such circumstances, the Secretary may withhold, from assistance otherwise payable to the agency under this Act, amounts sufficient to pay for the reasonable costs of conducting an acceptable audit, including, when appropriate, the reasonable costs of accounting services necessary to place the agency's books and records in auditable condition.

SEC. 542. PERFORMANCE AGREEMENTS FOR AUTHORITIES AT RISK OF BECOMING TROUBLED.

(a) IN GENERAL.—Upon designation of a public housing agency as at risk of becoming troubled under section 533(c), the Secretary shall seek to enter into an agreement with the agency providing for improvement of the elements of the agency that have been identified. An agreement under this section shall contain such terms and conditions as the Secretary determines are appropriate for addressing the elements identified, which may include an on-site, independent assessment of the management of the agency.

(b) POWERS OF SECRETARY.—If the Secretary determines that such action is necessary to prevent the public housing agency from becoming a troubled agency, the Secretary may—

(1) solicit competitive proposals from other public housing agencies and private housing management agents (which may be selected by existing tenants through administrative procedures established by the Secretary), for any case in which such agents may be needed for managing all, or part, of the housing or functions administered by the agency; or

(2) solicit competitive proposals from other public housing agencies and private entities with experience in construction management, for any case in which such authorities or firms may be needed to oversee implementation of assistance made available for capital improvement for public housing of the agency.

SEC. 543. PERFORMANCE AGREEMENTS AND CDBG SANCTIONS FOR TROUBLED PHA'S.

(a) IN GENERAL.—Upon designation of a public housing agency as a troubled agency under section 533(a) and after reviewing the report submitted pursuant to section 534(c) and consulting with the assessment team for the agency under section 534, the Secretary shall seek to enter into an agreement with the agency providing for improving the management performance of the agency.

(b) CONTENTS.—An agreement under this section between the Secretary and a public housing agency shall set forth—

(1) targets for improving performance, as measured by the guidelines and standards established under section 532 and other requirements within a specified period of time, which shall include targets to be met upon the expiration of the 12-month period beginning upon entering into the agreement;

(2) strategies for meeting such targets;

(3) sanctions for failure to implement such strategies; and

(4) to the extent the Secretary deems appropriate, a plan for enhancing resident involvement in the management of the public housing agency.

(c) LOCAL ASSISTANCE IN IMPLEMENTATION.—The Secretary and the public housing agency shall, to the maximum extent practicable, seek the assistance of local public and private entities in carrying out an agreement under this section.

(d) DEFAULT UNDER PERFORMANCE AGREEMENT.—Upon the expiration of the 12-month period beginning upon entering into an agreement under this section with a public housing agency, the Secretary shall review the performance of the agency in relation to the performance targets and strategies under the agreement. If the Secretary determines that the agency has failed to comply with the performance targets established for such period, the Secretary shall take the action authorized under subsection (b)(2) or (b)(5) of section 545.

(e) CDBG SANCTION AGAINST LOCAL GOVERNMENT CONTRIBUTING TO TROUBLED STATUS OF PHA.—If the Secretary determines that the actions or inaction of any unit of general local government within which any portion of the jurisdiction of a public housing agency is located has substantially contributed to the conditions resulting in the agency being designated under section 533(a) as a troubled agency, the Secretary may redirect or withhold, from such unit of general local government any amounts allocated for such unit under section 106 of the Housing and Community Development Act of 1974.

SEC. 544. OPTION TO DEMAND CONVEYANCE OF TITLE TO OR POSSESSION OF PUBLIC HOUSING.

(a) AUTHORITY FOR CONVEYANCE.—A contract under section 201 for block grants under title II (including contracts which amend or supersede contracts previously

made (including contracts for contributions)) may provide that upon the occurrence of a substantial default with respect to the covenants or conditions to which the public housing agency is subject (as such substantial default shall be defined in such contract), the public housing agency shall be obligated, at the option of the Secretary, to—

(1) convey title in any case where, in the determination of the Secretary (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act; or

(2) deliver to the Secretary possession of the development, as then constituted, to which such contract relates.

(b) OBLIGATION TO RECONVEY.—Any block grant contract under title II containing the provisions authorized in subsection (a) shall also provide that the Secretary shall be obligated to reconvey or redeliver possession of the development, as constituted at the time of reconveyance or redelivery, to such public housing agency or to its successor (if such public housing agency or a successor exists) upon such terms as shall be prescribed in such contract, and as soon as practicable after—

(1) the Secretary is satisfied that all defaults with respect to the development have been cured, and that the development will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or

(2) the termination of the obligation to make annual block grants to the agency, unless there are any obligations or covenants of the agency to the Secretary which are then in default.

Any prior conveyances and reconveyances or deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the development to the Secretary pursuant to subsection (a) upon the subsequent occurrence of a substantial default.

(c) CONTINUED GRANTS FOR REPAYMENT OF BONDS AND NOTES UNDER 1937 ACT.—If—

(1) a contract for block grants under title II for an agency includes provisions that expressly state that the provisions are included pursuant to this subsection, and

(2) the portion of the block grant payable for debt service requirements pursuant to the contract has been pledged by the public housing agency as security for the payment of the principal and interest on any of its obligations, then—

(A) the Secretary shall (notwithstanding any other provisions of this Act), continue to make the block grant payments for the agency so long as any of such obligations remain outstanding; and

(B) the Secretary may covenant in such a contract that in any event such block grant amounts shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the development for the purpose at the time such block grant payments are made, will suffice for the payment of all installments of principal and interest on the obligations for which the amounts provided for in the contract shall have been pledged as security that fall due within the next succeeding 12 months.

In no case shall such block grant amounts be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

SEC. 545. REMOVAL OF INEFFECTIVE PHA'S.

(a) CONDITIONS OF REMOVAL.—The actions specified in subsection (b) may be taken only upon—

(1) the occurrence of events or conditions that constitute a substantial default by a public housing agency with respect to (A) the covenants or conditions to which the public housing agency is subject, or (B) an agreement entered into under section 543; or

(2) submission to the Secretary of a petition by the residents of the public housing owned or operated by a public housing agency that is designated as troubled pursuant to section 533(a).

(b) REMOVAL ACTIONS.—Notwithstanding any other provision of law or of any block grant contract under title II or any grant agreement under title III, in accordance with subsection (a), the Secretary may—

(1) solicit competitive proposals from other public housing agencies and private housing management agents (which, in the discretion of the Secretary, may be selected by existing public housing residents through administrative procedures established by the Secretary) and, if appropriate, provide for such agents

to manage all, or part, of the housing administered by the public housing agency or all or part of the other functions of the agency;

(2) take possession of the public housing agency, including any developments or functions of the agency under any section of this Act;

(3) solicit competitive proposals from other public housing agencies and private entities with experience in construction management and, if appropriate, provide for such authorities or firms to oversee implementation of assistance made available for capital improvements for public housing;

(4) require the agency to make other arrangements acceptable to the Secretary and in the best interests of the public housing residents and assisted families under title III for managing all, or part of, the public housing administered by the agency or the functions of the agency; or

(5) petition for the appointment of a receiver for the public housing agency to any district court of the United States or to any court of the State in which any portion of the jurisdiction of the public housing agency is located, that is authorized to appoint a receiver for the purposes and having the powers prescribed in this section.

(c) EMERGENCY ASSISTANCE.—The Secretary may make available to receivers and other entities selected or appointed pursuant to this section such assistance as is fair and reasonable to remedy the substantial deterioration of living conditions in individual public housing developments or other related emergencies that endanger the health, safety and welfare of public housing residents or assisted families under title III.

(d) POWERS OF SECRETARY.—If the Secretary takes possession of an agency, or any developments or functions of an agency, pursuant to subsection (b)(2), the Secretary—

(1) may abrogate contracts that substantially impede correction of the substantial default or improvement of the classification, but only after efforts to renegotiate such contracts have failed and the Secretary has made a written determination regarding such abrogation, which shall be available to the public upon request, identify such contracts, and explain the determination that such contracts may be abrogated;

(2) may demolish and dispose of assets of the agency in accordance with section 261;

(3) where determined appropriate by the Secretary, may require the establishment of one or more new public housing agencies;

(4) may consolidate the agency into other well-managed public housing agencies with the consent of such well-managed authorities;

(5) shall not be subject to any State or local laws relating to civil service requirements, employee rights, procurement, or financial or administrative controls that, in the determination of the Secretary, substantially impede correction of the substantial default or improvement of the classification, but only if the Secretary has made a written determination regarding such inapplicability, which shall be available to the public upon request, identify such inapplicable laws, and explain the determination that such laws impede such correction; and

(6) shall have such additional authority as a district court of the United States has the authority to confer under like circumstances upon a receiver to achieve the purposes of the receivership.

The Secretary may appoint, on a competitive or noncompetitive basis, an individual or entity as an administrative receiver to assume the Secretary's responsibility under this paragraph for the administration of a public housing agency. The Secretary may delegate to the administrative receiver any or all of the powers of the Secretary under this subsection. Regardless of any delegation under this subsection, an administrative receiver may not require the establishment of one or more new public housing agencies pursuant to paragraph (3) unless the Secretary first approves such establishment. For purposes of this subsection, the term "public housing agency" includes any developments or functions of a public housing agency under any section of this title.

(e) RECEIVERSHIP.—

(1) REQUIRED APPOINTMENT.—In any proceeding under subsection (b)(5), upon a determination that a substantial default has occurred, and without regard to the availability of alternative remedies, the court shall appoint a receiver to conduct the affairs of the public housing agency in a manner consistent with this Act and in accordance with such further terms and conditions as the court may provide. The receiver appointed may be another public housing agency, a private management corporation, the Secretary, or any other appropriate entity. The court shall have power to grant appropriate temporary or preliminary relief pending final disposition of the petition by the Secretary.

(2) POWERS OF RECEIVER.—If a receiver is appointed for a public housing agency pursuant to subsection (b)(5), in addition to the powers accorded by the court appointing the receiver, the receiver—

(A) may abrogate contracts that substantially impede correction of the substantial default or improvement of the classification, but only after bona fide efforts to renegotiate such contracts have failed and the receiver has made a written determination regarding such abrogation, which shall be available to the public upon request, identify such contracts, and explain the determination that such contracts may be abrogated;

(B) may demolish and dispose of assets of the agency in accordance with section 261;

(C) where determined appropriate by the Secretary, may require the establishment of one or more new public housing agencies, to the extent permitted by State and local law; and

(D) except as provided in subparagraph (C), shall not be subject to any State or local laws relating to civil service requirements, employee rights, procurement, or financial or administrative controls that, in the determination of the receiver, substantially impede correction of the substantial default or improvement of the classification, but only if the receiver has made a written determination regarding such inapplicability, which shall be available to the public upon request, identify such inapplicable laws, and explain the determination that such laws impede such correction.

For purposes of this paragraph, the term "public housing agency" includes any developments or functions of a public housing agency under any section of this title.

(3) TERMINATION.—The appointment of a receiver pursuant to this subsection may be terminated, upon the petition of any party, when the court determines that all defaults have been cured or the public housing agency will be able to make the same amount of progress in correcting the management of the housing as the receiver.

(f) LIABILITY.—If the Secretary takes possession of an agency pursuant to subsection (b)(2) or a receiver is appointed pursuant to subsection (b)(5) for a public housing agency, the Secretary or the receiver shall be deemed to be acting in the capacity of the public housing agency (and not in the official capacity as Secretary or other official) and any liability incurred shall be a liability of the public housing agency.

(g) EFFECTIVENESS.—The provisions of this section shall apply with respect to actions taken before, on, or after the effective date of this Act and shall apply to any receivers appointed for a public housing agency before the effective date of this Act.

SEC. 546. MANDATORY TAKEOVER OF CHRONICALLY TROUBLED PHA'S.

(a) REMOVAL OF AGENCY.—Notwithstanding any other provision of this Act, not later than the expiration of the 180-day period beginning on the effective date of this Act, the Secretary shall take one of the following actions with respect to each chronically troubled public housing agency:

(1) CONTRACTING FOR MANAGEMENT.—Solicit competitive proposals for the management of the agency pursuant to section 545(b)(1) and replace the management of the agency pursuant to selection of such a proposal.

(2) TAKEOVER.—Take possession of the agency pursuant to section 545(b)(2) of such Act.

(3) PETITION FOR RECEIVER.—Petition for the appointment of a receiver for the agency pursuant to section 545(b)(5).

(b) DEFINITION.—For purposes of this section, the term "chronically troubled public housing agency" means a public housing agency that, as of the effective date of this Act, is designated under section 6(j)(2) of the United States Housing Act of 1937 (as in effect immediately before the effective date of the repeal under section 601(b) of this Act) as a troubled public housing agency and has been so designated continuously for the 3-year period ending upon the effective date of this Act; except that such term does not include any agency that owns or operates less than 1250 public housing dwelling units and that the Secretary determines can, with a reasonable amount of effort, make such improvements or remedies as may be necessary to remove its designation as troubled within 12 months.

SEC. 547. TREATMENT OF TROUBLED PHA'S.

(a) EFFECT OF TROUBLED STATUS ON CHAS.—The comprehensive housing affordability strategy (or any consolidated plan incorporating such strategy) for the State or unit of general local government in which any troubled public housing agency is located shall not be considered to comply with the requirements under section 105 of the Cranston-Gonzalez National Affordable Housing Act unless such plan in-

cludes a description of the manner in which the State or unit will assist such troubled agency in improving its operations to remove such designation.

(b) DEFINITION.—For purposes of this section, the term "troubled public housing agency" means a public housing agency that—

(1) upon the effective date of this Act, is designated under section 6(j)(2) of the United States Housing Act of 1937 (as in effect immediately before the effective date of the repeal under section 601(b) of this Act) as a troubled public housing agency; and

(2) is not a chronically troubled public housing agency, as such term is defined in section 546(b) of this Act.

SEC. 548. MAINTENANCE OF RECORDS.

Each public housing agency shall keep such records as may be reasonably necessary to disclose the amount and the disposition by the agency of the proceeds of assistance received pursuant to this Act and to ensure compliance with the requirements of this Act.

SEC. 549. ANNUAL REPORTS REGARDING TROUBLED PHA'S.

The Secretary shall submit a report to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, that—

(1) identifies the public housing agencies that are designated under section 533 as troubled or at-risk of becoming troubled and the reasons for such designation; and

(2) describes any actions that have been taken in accordance with sections 542, 543, 544, and 545.

SEC. 550. APPLICABILITY TO RESIDENT MANAGEMENT CORPORATIONS.

The Secretary shall apply the provisions of this subtitle to resident management corporations in the same manner as applied to public housing agencies.

SEC. 551. ADVISORY COUNCIL FOR HOUSING AUTHORITY OF NEW ORLEANS.

(a) ESTABLISHMENT.—The Secretary and the Housing Authority of New Orleans (in this section referred to as the "Housing Authority") shall, pursuant to the cooperative endeavor agreement in effect between the Secretary and the Housing Authority, establish an advisory council for the Housing Authority of New Orleans (in this section referred to as the "advisory council") that complies with the requirements of this section.

(b) MEMBERSHIP.—

(1) IN GENERAL.—The advisory council shall be appointed by the Secretary, not later than 90 days after the date of the enactment of this Act, and shall be composed of the following members:

(A) The Inspector General of the Department of Housing and Urban Development (or the Inspector General's designee).

(B) Not more than 7 other members, who shall be selected for appointment based on their experience in successfully reforming troubled public housing agencies or in providing affordable housing in coordination with State and local governments, the private sector, affordable housing residents, or local nonprofit organizations.

(2) PROHIBITION ON ADDITIONAL PAY.—Members of the advisory council shall serve without compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of their duties as members of the Board using amounts from the Headquarters Reserve fund pursuant to section 111(b)(4).

(c) FUNCTIONS.—The advisory council shall—

(1) establish standards and guidelines for assessing the performance of the Housing Authority in carrying out operational, asset management, and financial functions for purposes of the reports and finding under subsections (d) and (e), respectively;

(2) provide advice, expertise, and recommendations to the Housing Authority regarding the management, operation, repair, redevelopment, revitalization, demolition, and disposition of public housing developments of the Housing Authority;

(3) report to the Congress under subsection (d) regarding any progress of the Housing Authority in improving the performance of its functions; and

(4) make a final finding to the Congress under subsection (e) regarding the future of the Housing Authority.

(d) QUARTERLY REPORTS.—The advisory council shall report to the Congress and the Secretary not less than every 3 months regarding the performance of the Hous-

ing Authority and any progress of the authority in improving its performance and carrying out its functions.

(e) FINAL FINDING.—Upon the expiration of the 18-month period that begins upon the appointment under subsection (b)(1) of all members of the advisory council, the council shall make and submit to the Congress and the Secretary a finding of whether the Housing Authority has substantially improved its performance, the performance of its functions, and the overall condition of the Authority such that the Authority should be allowed to continue to operate as the manager of the public housing of the Authority. In making the finding under this subsection, the advisory council shall consider whether the Housing Authority has made sufficient progress in the demolition and revitalization of the Desire Homes development, the revitalization of the St. Thomas Homes development, the appropriate allocation of operating subsidy amounts, and the appropriate expending of modernization amounts.

(f) RECEIVERSHIP.—If the advisory council finds under subsection (e) that the Housing Authority has not substantially improved its performance such that the Authority should be allowed to continue to operate as the manager of the public housing of the Authority, the Secretary shall (notwithstanding section 545(a)) petition under section 545(b) for the appointment of a receiver for the Housing Authority, which receivership shall be subject to the provisions of section 545.

(g) EXEMPTION.—The provisions of section 546 shall not apply to the Housing Authority.

TITLE VI—REPEALS AND RELATED AMENDMENTS

Subtitle A—Repeals, Effective Date, and Savings Provisions

SEC. 601. EFFECTIVE DATE AND REPEAL OF UNITED STATES HOUSING ACT OF 1937.

(a) EFFECTIVE DATE.—

(1) IN GENERAL.—This Act and the amendments made by this Act shall take effect upon the expiration of the 6-month period beginning on the date of the enactment of this Act, except as otherwise provided in this section.

(2) EXCEPTION.—If the Secretary determines that action under this paragraph is necessary for program administration or to avoid hardship, the Secretary may, by notice in accordance with subsection (d), delay the effective date of any provision of this Act until a date not later than October 1, 1998.

(3) SPECIFIC EFFECTIVE DATES.—Any provision of this Act that specifically provides for the effective date of such provision shall take effect in accordance with the terms of the provision.

(b) REPEAL OF UNITED STATES HOUSING ACT OF 1937.—Effective upon the effective date under subsection (a)(1), the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is repealed, subject to the conditions under subsection (c). Subsection (a)(2) shall not apply to this subsection.

(c) SAVINGS PROVISIONS.—

(1) OBLIGATIONS UNDER 1937 ACT.—Any obligation of the Secretary made under authority of the United States Housing Act of 1937 shall continue to be governed by the provisions of such Act, except that—

(A) notwithstanding the repeal of such Act, the Secretary may make a new obligation under such Act upon finding that such obligation is required—

(i) to protect the financial interests of the United States or the Department of Housing and Urban Development; or

(ii) for the amendment, extension, or renewal of existing obligations; and

(B) notwithstanding the repeal of such Act, the Secretary may, in accordance with subsection (d), issue regulations and other guidance and directives as if such Act were in effect if the Secretary finds that such action is necessary to facilitate the administration of obligations under such Act.

(2) TRANSITION OF FUNDING.—Amounts appropriated under the United States Housing Act of 1937 shall, upon repeal of such Act, remain available for obligation under such Act in accordance with the terms under which amounts were made available.

(3) CROSS REFERENCES.—The provisions of the United States Housing Act of 1937 shall remain in effect for purposes of the validity of any reference to a pro-

vision of such Act in any statute (other than such Act) until such reference is modified by law or repealed.

(d) PUBLICATION AND EFFECTIVE DATE OF NOTICES OF DELAY.—

(1) SUBMISSION TO CONGRESS.—The Secretary shall submit to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a copy of any proposed notice under subsection (a)(2) or any proposed regulation, guidance, or directive under subsection (c)(1)(B).

(2) OPPORTUNITY TO REVIEW.—Such a regulation, notice, guidance, or directive may not be published for comment or for final effectiveness before or during the 15-calendar day period beginning on the day after the date on which such regulation, notice, guidance, or directive was submitted to the Congress.

(3) EFFECTIVE DATE.—No regulation, notice, guideline, or directive may become effective until after the expiration of the 30-calendar day period beginning on the day after the day on which such rule or regulation is published as final.

(4) WAIVER.—The provisions of paragraphs (2) and (3) may be waived upon the written request of the Secretary, if agreed to by the Chairmen and Ranking Minority Members of both Committees.

(e) MODIFICATIONS.—Notwithstanding any provision of this Act or any annual contributions contract or other agreement entered into by the Secretary and a public housing agency pursuant to the provisions of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act), the Secretary and the agency may by mutual consent amend, supersede, or modify any such agreement as appropriate to provide for assistance under this Act, except that the Secretary and the agency may not consent to any such amendment, supersession, or modification that substantially alters any outstanding obligations requiring continued maintenance of the low-income character of any public housing development and any such amendment, supersession, or modification shall not be given effect.

(f) SECTION 8 PROJECT-BASED ASSISTANCE.—

(1) IN GENERAL.—The provisions of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) shall remain in effect after the effectiveness of the repeal under subsection (b) with respect to all section 8 project-based assistance, pursuant to existing and future contracts, except as otherwise provided by this section.

(2) TENANT SELECTION PREFERENCES.—An owner of housing assisted with section 8 project-based assistance shall give preference, in the selection of tenants for units of such projects that become available, according to any system of local preferences established pursuant to section 223 by the public housing agency having jurisdiction for the area in which such projects are located.

(3) 1-YEAR NOTIFICATION.—Paragraphs (9) and (10) of section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)) shall not be applicable to section 8 project-based assistance.

(4) LEASE TERMS.—Leases for dwelling units assisted with section 8 project-based assistance shall comply with the provisions of paragraphs (1) and (3) of section 324 of this Act and shall not be subject to the provisions of 8(d)(1)(B) of the United States Housing Act of 1937.

(5) TERMINATION OF TENANCY.—Any termination of tenancy of a resident of a dwelling unit assisted with section 8 project-based assistance shall comply with the provisions of section 324(2) and section 325 of this Act and shall not be subject to the provisions of section 8(d)(1)(B) of the United States Housing Act of 1937.

(6) DEFINITION.—For purposes of this subsection, the term "section 8 project-based assistance" means assistance under any of the following programs:

(A) The new construction or substantial rehabilitation program under section 8(b)(2) of the United States Housing Act of 1937 (as in effect before October 1, 1983).

(B) The property disposition program under section 8(b) of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act).

(C) The loan management set-aside program under subsections (b) and (v) of section 8 of such Act.

(D) The project-based certificate program under section 8(d)(2) of such Act.

(E) The moderate rehabilitation program under section 8(e)(2) of the United States Housing Act of 1937 (as in effect before October 1, 1991).

(F) The low-income housing preservation program under Low-Income Housing Preservation and Resident Homeownership Act of 1990 or the pro-

visions of the Emergency Low Income Housing Preservation Act of 1987 (as in effect before November 28, 1990).

(G) Section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act), following conversion from assistance under section 101 of the Housing and Urban Development Act of 1965 or section 236(f)(2) of the National Housing Act.

(g) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

SEC. 602. OTHER REPEALS.

(a) IN GENERAL.—The following provisions of law are hereby repealed:

(1) ASSISTED HOUSING ALLOCATION.—Section 213 of the Housing and Community Development Act of 1974 (42 U.S.C. 1439).

(2) PUBLIC HOUSING RENT WAIVERS FOR POLICE.—Section 519 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437a–1).

(3) TREATMENT OF CERTIFICATE AND VOUCHER HOLDERS.—Subsection (c) of section 183 of the Housing and Community Development Act of 1987 (42 U.S.C. 1437f note).

(4) EXCESSIVE RENT BURDEN DATA.—Subsection (b) of section 550 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437f note).

(5) MOVING TO OPPORTUNITY FOR FAIR HOUSING.—Section 152 of the Housing and Community Development Act of 1992 (42 U.S.C. 1437f note).

(6) REPORT REGARDING FAIR HOUSING OBJECTIVES.—Section 153 of the Housing and Community Development Act of 1992 (42 U.S.C. 1437f note).

(7) SPECIAL PROJECTS FOR ELDERLY OR HANDICAPPED FAMILIES.—Section 209 of the Housing and Community Development Act of 1974 (42 U.S.C. 1438).

(8) ACCESS TO PHA BOOKS.—Section 816 of the Housing Act of 1954 (42 U.S.C. 1435).

(9) MISCELLANEOUS PROVISIONS.—Subsections (b)(1) and (d) of section 326 of the Housing and Community Development Amendments of 1981 (Public Law 97–35, 95 Stat. 406; 42 U.S.C. 1437f note).

(10) PAYMENT FOR DEVELOPMENT MANAGERS.—Section 329A of the Housing and Community Development Amendments of 1981 (42 U.S.C. 1437j–1).

(11) PROCUREMENT OF INSURANCE BY PHA'S.—In the item relating to "ADMINISTRATIVE PROVISIONS" under the heading "MANAGEMENT AND ADMINISTRATION" in title II of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1991, the penultimate undesignated paragraph of such item (Public Law 101–507; 104 Stat. 1369).

(12) PUBLIC HOUSING CHILDHOOD DEVELOPMENT.—Section 222 of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701z–6 note).

(13) INDIAN HOUSING CHILDHOOD DEVELOPMENT.—Section 518 of the Cranston-Gonzalez National Affordable Housing Act (12 U.S.C. 1701z–6 note).

(14) PUBLIC HOUSING COMPREHENSIVE TRANSITION DEMONSTRATION.—Section 126 of the Housing and Community Development Act of 1987 (42 U.S.C. 1437f note).

(15) PUBLIC HOUSING ONE-STOP PERINATAL SERVICES DEMONSTRATION.—Section 521 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437t note).

(16) PUBLIC HOUSING MINCS DEMONSTRATION.—Section 522 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437f note).

(17) PUBLIC HOUSING ENERGY EFFICIENCY DEMONSTRATION.—Section 523 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 1437g note).

(18) OMAHA HOMEOWNERSHIP DEMONSTRATION.—Section 132 of the Housing and Community Development Act of 1992 (Public Law 102–550; 106 Stat. 3712).

(19) PUBLIC AND ASSISTED HOUSING YOUTH SPORTS PROGRAMS.—Section 520 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 11903a).

(20) FROST-LELAND PROVISIONS.—Section 415 of the Department of Housing and Urban Development—Independent Agencies Appropriations Act, 1988 (Public Law 100–202; 101 Stat. 1329–213); except that, notwithstanding any other provision of law, beginning on the date of enactment of this Act, the public housing projects described in section 415 of such appropriations Act (as such section existed immediately before the date of enactment of this Act) shall be eligible for demolition—

(A) under section 14 of the United States Housing Act of 1937 (as such section existed upon the enactment of this Act); and

(B) under section 9 of the United States Housing Act of 1937.

(21) MULTIFAMILY FINANCING.—The penultimate sentence of section 302(b)(2) of the National Housing Act (12 U.S.C. 1717(b)(2)) and the penultimate sen-

tence of section 305(a)(2) of the Emergency Home Finance Act of 1970 (12 U.S.C. 1454(a)(2)).

(22) CONFLICTS OF INTEREST.—Subsection (c) of section 326 of the Housing and Community Development Amendments of 1981 (42 U.S.C. 1437f note).

(23) CONVERSION OF PUBLIC HOUSING.—Section 202 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (42 U.S.C. 1437l note) (enacted as section 101(e) of Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104–134; 110 Stat. 1321–279)).

(b) SAVINGS PROVISION.—Except to the extent otherwise provided in this Act—

(1) the repeals made by subsection (a) shall not affect any legally binding obligations entered into before the effective date of this Act; and

(2) any funds or activities subject to a provision of law repealed by subsection (a) shall continue to be governed by the provision as in effect immediately before such repeal.

Subtitle B—Other Provisions Relating to Public Housing and Rental Assistance Programs

SEC. 621. ALLOCATION OF ELDERLY HOUSING AMOUNTS.

Section 202(l) of the Housing Act of 1959 (12 U.S.C. 1701q(l)) is amended by adding at the end the following new paragraph:

"(4) CONSIDERATION IN ALLOCATING ASSISTANCE.—Assistance under this section shall be allocated in a manner that ensures that the awards of the assistance are made for projects of sufficient size to accommodate facilities for supportive services appropriate to the needs of frail elderly residents.".

SEC. 622. PET OWNERSHIP.

Section 227 of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701r–1) is amended to read as follows:

"SEC. 227. PET OWNERSHIP IN FEDERALLY ASSISTED RENTAL HOUSING.

"(a) RIGHT OF OWNERSHIP.—A resident of a dwelling unit in federally assisted rental housing may own common household pets or have common household pets present in the dwelling unit of such resident, subject to the reasonable requirements of the owner of the federally assisted rental housing and providing that the resident maintains the animals responsibly and in compliance with applicable local and State public health, animal control, and anticruelty laws. Such reasonable requirements may include requiring payment of a nominal fee and pet deposit by residents owning or having pets present, to cover the operating costs to the project relating to the presence of pets and to establish an escrow account for additional such costs not otherwise covered, respectively. Notwithstanding section 225(d) of the Housing Opportunity and Responsibility Act of 1997, a public housing agency may not grant any exemption under such section from payment, in whole or in part, of any fee or deposit required pursuant to the preceding sentence.

"(b) PROHIBITION AGAINST DISCRIMINATION.—No owner of federally assisted rental housing may restrict or discriminate against any person in connection with admission to, or continued occupancy of, such housing by reason of the ownership of common household pets by, or the presence of such pets in the dwelling unit of, such person.

"(c) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

"(1) FEDERALLY ASSISTED RENTAL HOUSING.—The term 'federally assisted rental housing' means any multifamily rental housing project that is—

"(A) public housing (as such term is defined in section 103 of the Housing Opportunity and Responsibility Act of 1997);

"(B) assisted with project-based assistance pursuant to section 601(f) of the Housing Opportunity and Responsibility Act of 1997 or under section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of the Housing Opportunity and Responsibility Act of 1997);

"(C) assisted under section 202 of the Housing Act of 1959 (as amended by section 801 of the Cranston-Gonzalez National Affordable Housing Act);

"(D) assisted under section 202 of the Housing Act of 1959 (as in effect before the enactment of the Cranston-Gonzalez National Affordable Housing Act);

"(E) assisted under title V of the Housing Act of 1949; or

"(F) insured, assisted, or held by the Secretary or a State or State agency under section 236 of the National Housing Act.

"(2) OWNER.—The term 'owner' means, with respect to federally assisted rental housing, the entity or private person, including a cooperative or public housing agency, that has the legal right to lease or sublease dwelling units in such housing (including a manager of such housing having such right).

"(d) REGULATIONS.—This section shall take effect upon the date of the effectiveness of regulations issued by the Secretary to carry out this section. Such regulations shall be issued not later than the expiration of the 1-year period beginning on the date of the enactment of the Housing Opportunity and Responsibility Act of 1997 and after notice and opportunity for public comment in accordance with the procedure under section 553 of title 5, United States Code, applicable to substantive rules (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section).".

SEC. 623. REVIEW OF DRUG ELIMINATION PROGRAM CONTRACTS.

(a) REQUIREMENT.—The Secretary of Housing and Urban Development shall investigate all security contracts awarded by grantees under the Public and Assisted Housing Drug Elimination Act of 1990 (42 U.S.C. 11901 et seq.) that are public housing agencies that own or operate more than 4,500 public housing dwelling units—

(1) to determine whether the contractors under such contracts have complied with all laws and regulations regarding prohibition of discrimination in hiring practices;

(2) to determine whether such contracts were awarded in accordance with the applicable laws and regulations regarding the award of such contracts;

(3) to determine how many such contracts were awarded under emergency contracting procedures;

(4) to evaluate the effectiveness of the contracts; and

(5) to provide a full accounting of all expenses under the contracts.

(b) REPORT.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall complete the investigation required under subsection (a) and submit a report to the Congress regarding the findings under the investigation. With respect to each such contract, the report shall (1) state whether the contract was made and is operating, or was not made or is not operating, in full compliance with applicable laws and regulations, and (2) for each contract that the Secretary determines is in such compliance issue a personal certification of such compliance by the Secretary of Housing and Urban Development.

(c) ACTIONS.—For each contract that is described in the report under subsection (b) as not made or not operating in full compliance with applicable laws and regulations, the Secretary of Housing and Urban Development shall promptly take any actions available under law or regulation that are necessary—

(1) to bring such contract into compliance; or

(2) to terminate the contract.

(d) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

SEC. 624. AMENDMENTS TO PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION ACT OF 1990.

(a) SHORT TITLE, PURPOSES, AND AUTHORITY TO MAKE GRANTS.—Chapter 2 of subtitle C of title V of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11901 et seq.) is amended by striking the chapter heading and all that follows through section 5123 and inserting the following:

"CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME

"SEC. 5121. SHORT TITLE.

"This chapter may be cited as the 'Community Partnerships Against Crime Act of 1997'.

"SEC. 5122. PURPOSES.

"The purposes of this chapter are to—

"(1) improve the quality of life for the vast majority of law-abiding public housing residents by reducing the levels of fear, violence, and crime in their communities;

"(2) broaden the scope of the Public and Assisted Housing Drug Elimination Act of 1990 to apply to all types of crime, and not simply crime that is drug-related; and

"(3) reduce crime and disorder in and around public housing through the expansion of community-oriented policing activities and problem solving.

"SEC. 5123. AUTHORITY TO MAKE GRANTS.

"The Secretary of Housing and Urban Development may make grants in accordance with the provisions of this chapter for use in eliminating crime in and around public housing and other federally assisted low-income housing projects to (1) public housing agencies, and (2) private, for-profit and nonprofit owners of federally assisted low-income housing.".

(b) ELIGIBLE ACTIVITIES.—

(1) IN GENERAL.—Section 5124(a) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11903(a)) is amended—

(A) in the matter preceding paragraph (1), by inserting "and around" after "used in";

(B) in paragraph (3), by inserting before the semicolon the following: ", including fencing, lighting, locking, and surveillance systems";

(C) in paragraph (4), by striking subparagraph (A) and inserting the following new subparagraph:

"(A) to investigate crime; and";

(D) in paragraph (6)—

(i) by striking "in and around public or other federally assisted low-income housing projects"; and

(ii) by striking "and" after the semicolon; and

(E) by striking paragraph (7) and inserting the following new paragraphs:

"(7) providing funding to nonprofit public housing resident management corporations and resident councils to develop security and crime prevention programs involving site residents;

"(8) the employment or utilization of one or more individuals, including law enforcement officers, made available by contract or other cooperative arrangement with State or local law enforcement agencies, to engage in community- and problem-oriented policing involving interaction with members of the community in proactive crime control and prevention activities;

"(9) programs and activities for or involving youth, including training, education, recreation and sports, career planning, and entrepreneurship and employment activities and after school and cultural programs; and

"(10) service programs for residents that address the contributing factors of crime, including programs for job training, education, drug and alcohol treatment, and other appropriate social services.".

(2) OTHER PHA-OWNED HOUSING.—Section 5124(b) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11903(b)) is amended—

(A) in the matter preceding paragraph (1)—

(i) by striking "drug-related crime in" and inserting "crime in and around"; and

(ii) by striking "paragraphs (1) through (7)" and inserting "paragraphs (1) through (10)"; and

(B) in paragraph (2), by striking "drug-related" and inserting "criminal".

(c) GRANT PROCEDURES.—Section 5125 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11904) is amended to read as follows:

"SEC. 5125. GRANT PROCEDURES.

"(a) PHA'S WITH 250 OR MORE UNITS.—

"(1) GRANTS.—In each fiscal year, the Secretary shall make a grant under this chapter from any amounts available under section 5131(b)(1) for the fiscal year to each of the following public housing agencies:

"(A) NEW APPLICANTS.—Each public housing agency that owns or operates 250 or more public housing dwelling units and has—

"(i) submitted an application to the Secretary for a grant for such fiscal year, which includes a 5-year crime deterrence and reduction plan under paragraph (2); and

"(ii) had such application and plan approved by the Secretary.

"(B) RENEWALS.—Each public housing agency that owns or operates 250 or more public housing dwelling units and for which—

"(i) a grant was made under this chapter for the preceding Federal fiscal year;

"(ii) the term of the 5-year crime deterrence and reduction plan applicable to such grant includes the fiscal year for which the grant under this subsection is to be made; and

"(iii) the Secretary has determined, pursuant to a performance review under paragraph (4), that during the preceding fiscal year the agency has substantially fulfilled the requirements under subparagraphs (A) and (B) of paragraph (4).

Notwithstanding subparagraphs (A) and (B), the Secretary may make a grant under this chapter to a public housing agency that owns or operates 250 or more public housing dwelling units only if the agency includes in the application for the grant information that demonstrates, to the satisfaction of the Secretary, that the agency has a need for the grant amounts based on generally recognized crime statistics showing that (I) the crime rate for the public housing developments of the agency (or the immediate neighborhoods in which such developments are located) is higher than the crime rate for the jurisdiction in which the agency operates, (II) the crime rate for the developments (or such neighborhoods) is increasing over a period of sufficient duration to indicate a general trend, or (III) the operation of the program under this chapter substantially contributes to the reduction of crime.

"(2) 5-YEAR CRIME DETERRENCE AND REDUCTION PLAN.—Each application for a grant under this subsection shall contain a 5-year crime deterrence and reduction plan. The plan shall be developed with the participation of residents and appropriate law enforcement officials. The plan shall describe, for the public housing agency submitting the plan—

"(A) the nature of the crime problem in public housing owned or operated by the public housing agency;

"(B) the building or buildings of the public housing agency affected by the crime problem;

"(C) the impact of the crime problem on residents of such building or buildings; and

"(D) the actions to be taken during the term of the plan to reduce and deter such crime, which shall include actions involving residents, law enforcement, and service providers.

The term of a plan shall be the period consisting of 5 consecutive fiscal years, which begins with the first fiscal year for which funding under this chapter is provided to carry out the plan.

"(3) AMOUNT.—In any fiscal year, the amount of the grant for a public housing agency receiving a grant pursuant to paragraph (1) shall be the amount that bears the same ratio to the total amount made available under section 5131(b)(1) as the total number of public dwelling units owned or operated by such agency bears to the total number of dwelling units owned or operated by all public housing agencies that own or operate 250 or more public housing dwelling units that are approved for such fiscal year.

"(4) PERFORMANCE REVIEW.—For each fiscal year, the Secretary shall conduct a performance review of the activities carried out by each public housing agency receiving a grant pursuant to this subsection to determine whether the agency—

"(A) has carried out such activities in a timely manner and in accordance with its 5-year crime deterrence and reduction plan; and

"(B) has a continuing capacity to carry out such plan in a timely manner.

"(5) SUBMISSION OF APPLICATIONS.—The Secretary shall establish such deadlines and requirements for submission of applications under this subsection.

"(6) REVIEW AND DETERMINATION.—The Secretary shall review each application submitted under this subsection upon submission and shall approve the application unless the application and the 5-year crime deterrence and reduction plan are inconsistent with the purposes of this chapter or any requirements established by the Secretary or the information in the application or plan is not substantially complete. Upon approving or determining not to approve an application and plan submitted under this subsection, the Secretary shall notify the public housing agency submitting the application and plan of such approval or disapproval.

"(7) DISAPPROVAL OF APPLICATIONS.—If the Secretary notifies an agency that the application and plan of the agency is not approved, not later than the expiration of the 15-day period beginning upon such notice of disapproval, the Secretary shall also notify the agency, in writing, of the reasons for the disapproval, the actions that the agency could take to comply with the criteria for approval, and the deadlines for such actions.

"(8) FAILURE TO APPROVE OR DISAPPROVE.—If the Secretary fails to notify an agency of approval or disapproval of an application and plan submitted under this subsection before the expiration of the 60-day period beginning upon the submission of the plan or fails to provide notice under paragraph (7) within the 15-day period under such paragraph to an agency whose application has been disapproved, the application and plan shall be considered to have been approved for purposes of this section.

"(b) PHA'S WITH FEWER THAN 250 UNITS AND OWNERS OF FEDERALLY ASSISTED LOW-INCOME HOUSING.—

"(1) APPLICATIONS AND PLANS.—To be eligible to receive a grant under this chapter, a public housing agency that owns or operates fewer than 250 public housing dwelling units or an owner of federally assisted low-income housing shall submit an application to the Secretary at such time, in such manner, and accompanied by such additional information as the Secretary may require. The application shall include a plan for addressing the problem of crime in and around the housing for which the application is submitted, describing in detail activities to be conducted during the fiscal year for which the grant is requested.

"(2) GRANTS FOR PHA'S WITH FEWER THAN 250 UNITS.—In each fiscal year the Secretary may, to the extent amounts are available under section 5131(b)(2), make grants under this chapter to public housing agencies that own or operate fewer than 250 public housing dwelling units and have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraph (4).

"(3) GRANTS FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In each fiscal year the Secretary may, to the extent amounts are available under section 5131(b)(3), make grants under this chapter to owners of federally assisted low-income housing that have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraphs (4) and (5).

"(4) CRITERIA FOR APPROVAL OF APPLICATIONS.—The Secretary shall determine whether to approve each application under this subsection on the basis of—

"(A) the extent of the crime problem in and around the housing for which the application is made;

"(B) the quality of the plan to address the crime problem in the housing for which the application is made;

"(C) the capability of the applicant to carry out the plan; and

"(D) the extent to which the tenants of the housing, the local government, local community-based nonprofit organizations, local tenant organizations representing residents of neighboring projects that are owned or assisted by the Secretary, and the local community support and participate in the design and implementation of the activities proposed to be funded under the application.

In each fiscal year, the Secretary may give preference to applications under this subsection for housing made by applicants who received a grant for such housing for the preceding fiscal year under this subsection or under the provisions of this chapter as in effect immediately before the date of the enactment of the Housing Opportunity and Responsibility Act of 1997.

"(5) ADDITIONAL CRITERIA FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In addition to the selection criteria under paragraph (4), the Secretary may establish other criteria for evaluating applications submitted by owners of federally assisted low-income housing, except that such additional criteria shall be designed only to reflect—

"(A) relevant differences between the financial resources and other characteristics of public housing agencies and owners of federally assisted low-income housing; or

"(B) relevant differences between the problem of crime in public housing administered by such authorities and the problem of crime in federally assisted low-income housing.".

(d) DEFINITIONS.—Section 5126 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11905) is amended—

(1) by striking paragraphs (1) and (2);

(2) in paragraph (4)(A), by striking "section" before "221(d)(4)";

(3) by redesignating paragraphs (3) and (4) (as so amended) as paragraphs (1) and (2), respectively; and

(4) by adding at the end the following new paragraph:

"(3) PUBLIC HOUSING AGENCY.—The term 'public housing agency' has the meaning given the term in section 103 of the Housing Opportunity and Responsibility Act of 1997.".

(e) IMPLEMENTATION.—Section 5127 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11906) is amended by striking "Cranston-Gonzalez National Affordable Housing Act" and inserting "Housing Opportunity and Responsibility Act of 1997".

(f) REPORTS.—Section 5128 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11907) is amended—

(1) by striking "drug-related crime in" and inserting "crime in and around"; and

(2) by striking "described in section 5125(a)" and inserting "for the grantee submitted under subsection (a) or (b) of section 5125, as applicable".

(g) FUNDING AND PROGRAM SUNSET.—Chapter 2 of subtitle C of title V of the Anti-Drug Abuse Act of 1988 is amended by striking section 5130 (42 U.S.C. 11909) and inserting the following new section:

"SEC. 5130. FUNDING.

"(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this chapter $290,000,000 for each of fiscal years 1998, 1999, 2000, 2001, and 2002.

"(b) ALLOCATION.—Of any amounts available, or that the Secretary is authorized to use, to carry out this chapter in any fiscal year—

"(1) 85 percent shall be available only for assistance pursuant to section 5125(a) to public housing agencies that own or operate 250 or more public housing dwelling units;

"(2) 10 percent shall be available only for assistance pursuant to section 5125(b)(2) to public housing agencies that own or operate fewer than 250 public housing dwelling units; and

"(3) 5 percent shall be available only for assistance to federally assisted low-income housing pursuant to section 5125(b)(3).

"(c) RETENTION OF PROCEEDS OF ASSET FORFEITURES BY INSPECTOR GENERAL.—Notwithstanding section 3302 of title 31, United States Code, or any other provision of law affecting the crediting of collections, the proceeds of forfeiture proceedings and funds transferred to the Office of Inspector General of the Department of Housing and Urban Development, as a participating agency, from the Department of Justice Assets Forfeiture Fund or the Department of the Treasury Forfeiture Fund, as an equitable share from the forfeiture of property in investigations in which the Office of Inspector General participates, shall be deposited to the credit of the Office of Inspector General for Operation Safe Home activities authorized under the Inspector General Act of 1978, as amended, to remain available until expended.".

(h) CONFORMING AMENDMENTS.—The table of contents in section 5001 of the Anti-Drug Abuse Act of 1988 (Public Law 100–690; 102 Stat. 4295) is amended—

(1) by striking the item relating to the heading for chapter 2 of subtitle C of title V and inserting the following:

"CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME";

(2) by striking the item relating to section 5122 and inserting the following new item:

"Sec. 5122. Purposes.";

(3) by striking the item relating to section 5125 and inserting the following new item:

"Sec. 5125. Grant procedures.";

and

(4) by striking the item relating to section 5130 and inserting the following new item:

"Sec. 5130. Funding.".

(i) TREATMENT OF NOFA.—The cap limiting assistance under the Notice of Funding Availability issued by the Department of Housing and Urban Development in the Federal Register of April 8, 1996, shall not apply to a public housing agency within an area designated as a high intensity drug trafficking area under section 1005(c) of the Anti-Drug Abuse Act of 1988 (21 U.S.C. 1504(c)).

(j) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date of the enactment of this Act.

Subtitle C—Limitations Relating to Occupancy in Federally Assisted Housing

SEC. 641. SCREENING OF APPLICANTS.

(a) INELIGIBILITY BECAUSE OF EVICTION.—Any household or member of a household evicted from federally assisted housing (as such term is defined in section 645) shall not be eligible for federally assisted housing—

(1) in the case of eviction by reason of drug-related criminal activity, for a period of not less than 3 years that begins on the date of such eviction, unless the evicted member of the household successfully completes a rehabilitation program; and

(2) in the case of an eviction for other serious violations of the terms or conditions of the lease, for a reasonable period of time, as determined by the public housing agency or owner of the federally assisted housing, as applicable.

The requirements of paragraphs (1) and (2) may be waived if the circumstances leading to eviction no longer exist.

(b) INELIGIBILITY OF ILLEGAL DRUG USERS AND ALCOHOL USERS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, a public housing agency or an owner of federally assisted housing, or both, as determined by the Secretary, shall establish standards that prohibit admission to the program or admission to federally assisted housing for any household with a member—

(A) who the public housing agency or owner determines is engaging in the illegal use of a controlled substance; or

(B) with respect to whom the public housing agency or owner determines that it has reasonable cause to believe that such household member's illegal use (or pattern of illegal use) of a controlled substance, or abuse (or pattern of abuse) of alcohol, would interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents.

(2) CONSIDERATION OF REHABILITATION.—In determining whether, pursuant to paragraph (1)(B), to deny admission to the program or to federally assisted housing to any household based on a pattern of illegal use of a controlled substance or a pattern of abuse of alcohol by a household member, a public housing agency or an owner may consider whether such household member—

(A) has successfully completed an accredited drug or alcohol rehabilitation program (as applicable) and is no longer engaging in the illegal use of a controlled substance or abuse of alcohol (as applicable);

(B) has otherwise been rehabilitated successfully and is no longer engaging in the illegal use of a controlled substance or abuse of alcohol (as applicable); or

(C) is participating in an accredited drug or alcohol rehabilitation program (as applicable) and is no longer engaging in the illegal use of a controlled substance or abuse of alcohol (as applicable).

(c) AUTHORITY TO DENY ADMISSION TO CRIMINAL OFFENDERS.—Except as provided in subsections (a) and (b) and in addition to any other authority to screen applicants, in selecting among applicants for admission to the program or to federally assisted housing, if the public housing agency or owner of such housing (as applicable) determines that an applicant or any member of the applicant's household is or was, during a reasonable time preceding the date when the applicant household would otherwise be selected for admission, engaged in any criminal activity (including drug-related criminal activity), the public housing agency or owner may—

(1) deny such applicant admission to the program or to federally assisted housing;

(2) consider the applicant (for purposes of any waiting list) as not having applied for the program or such housing; and

(3) after the expiration of the reasonable period beginning upon such activity, require the applicant, as a condition of admission to the program or to federally assisted housing, to submit to the public housing agency or owner evidence sufficient (as the Secretary shall by regulation provide) to ensure that the individual or individuals in the applicant's household who engaged in criminal activity for which denial was made under paragraph (1) have not engaged in any criminal activity during such reasonable period.

(d) AUTHORITY TO REQUIRE ACCESS TO CRIMINAL RECORDS.—A public housing agency and an owner of federally assisted housing may require, as a condition of providing admission to the program or admission to or occupancy in federally assisted housing, that each adult member of the household provide a signed, written authorization for the public housing agency to obtain the records described in section 644(a) regarding such member of the household from the National Crime Information Center, police departments, other law enforcement agencies, and State registration agencies referred to in such section. In the case of an owner of federally assisted housing that is not a public housing agency, the owner shall request the public housing agency having jurisdiction over the area within which the housing is located to obtain the records pursuant to section 644.

(e) ADMISSION BASED ON DISABILITY.—

(1) IN GENERAL.—Notwithstanding any other provision of law, for purposes of determining eligibility for admission to federally assisted housing, a person shall not be considered to have a disability or a handicap solely because of the prior or current illegal use of a controlled substance (as defined in section 102 of the Controlled Substances Act) or solely by reason of the prior or current use of alcohol.

(2) CONTINUED OCCUPANCY.—This subsection may not be construed to prohibit the continued occupancy of any person who is a resident in assisted housing on the effective date of this Act.

SEC. 642. TERMINATION OF TENANCY AND ASSISTANCE FOR ILLEGAL DRUG USERS AND ALCOHOL ABUSERS.

Notwithstanding any other provision of law, a public housing agency or an owner of federally assisted housing (as applicable), shall establish standards or lease provisions for continued assistance or occupancy in federally assisted housing that allow the agency or owner (as applicable) to terminate the tenancy or assistance for any household with a member—

(1) who the public housing agency or owner determines is engaging in the illegal use of a controlled substance; or

(2) whose illegal use of a controlled substance, or whose abuse of alcohol, is determined by the public housing agency or owner to interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents.

SEC. 643. LEASE REQUIREMENTS.

In addition to any other applicable lease requirements, each lease for a dwelling unit in federally assisted housing shall provide that—

(1) the owner may not terminate the tenancy except for violation of the terms or conditions of the lease, violation of applicable Federal, State, or local law, or for other good cause; and

(2) grounds for termination of tenancy shall include any criminal or other activity, engaged in by the tenant, any member of the tenant's household, any guest, or any other person under the control of the household, that—

(A) threatens the health or safety of, or right to peaceful enjoyment of the premises by, other tenant or employees of the owner or other manager of the housing;

(B) threatens the health or safety of, or right to peaceful enjoyment of their premises by, persons residing in the immediate vicinity of the premises.

SEC. 644. AVAILABILITY OF CRIMINAL RECORDS FOR TENANT SCREENING AND EVICTION.

(a) IN GENERAL.—

(1) CRIMINAL CONVICTION INFORMATION.—Notwithstanding any other provision of law other than paragraphs (3) and (4), upon the request of a public housing agency, the National Crime Information Center, a police department, and any other law enforcement agency shall provide to the public housing agency information regarding the criminal conviction records of an adult applicant for, or tenants of, federally assisted housing for purposes of applicant screening, lease enforcement, and eviction, but only if the public housing agency requests such information and presents to such Center, department, or agency a written authorization, signed by such applicant, for the release of such information to the public housing agency or other owner of the federally assisted housing.

(2) INFORMATION REGARDING CRIMES AGAINST CHILDREN.—Notwithstanding any other provision of law other than paragraphs (3) and (4), upon the request of a public housing agency, a State law enforcement agency designated as a registration agency under a State registration program under subtitle A of title XVII of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071) and any local law enforcement agency authorized by the State agency shall provide to a public housing agency the information collected under such State registration program regarding an adult applicant for, or tenant of, federally assisted housing for purposes of applicant screening, lease enforcement, and eviction, but only if the public housing agency requests such information and presents to such State registration agency or other local law enforcement agency a written authorization, signed by such applicant, for the release of such information to the public housing agency or other owner of the federally assisted housing.

(3) DELAYED EFFECTIVE DATE FOR OWNERS OTHER THAN PHA'S.—The provisions of paragraphs (1) and (2) authorizing obtaining information for owners of federally assisted housing other than public housing agencies shall not take effect before—

(A) the expiration of the 1-year period beginning on the date of enactment of this Act; and

(B) the Secretary and the Attorney General of the United States have determined that access to such information is feasible for such owners and have provided for the terms of release of such information to owners.

(4) EXCEPTION.—The information provided under paragraphs (1), (2), and (3) shall include information regarding any criminal conviction of a juvenile only to the extent that the release of such information is authorized under the law of the applicable State, tribe, or locality.

(b) CONFIDENTIALITY.—A public housing agency or owner receiving information under this section may use such information only for the purposes provided in this section and such information may not be disclosed to any person who is not an officer, employee, or authorized representative of the agency or owner and who has a job-related need to have access to the information in connection with admission of applicants, eviction of tenants, or termination of assistance. For judicial eviction proceedings, disclosures may be made to the extent necessary. The Secretary shall, by regulation, establish procedures necessary to ensure that information provided under this section to a public housing agency or owner is used, and confidentiality of such information is maintained, as required under this section.

(c) OPPORTUNITY TO DISPUTE.—Before an adverse action is taken with regard to assistance under for federally assisted housing on the basis of a criminal record, the public housing agency or owner shall provide the tenant or applicant with a copy of the criminal record and an opportunity to dispute the accuracy and relevance of that record.

(d) FEE.—A public housing agency may be charged a reasonable fee for information provided under subsection (a). A public housing agency may require an owner of federally assisted housing (that is not a public housing agency) to pay such fee for any information that the agency acquires for the owner pursuant to section 641(d) and subsection (a) of this section.

(e) RECORDS MANAGEMENT.—Each public housing agency and owner of federally assisted housing that receives criminal record information pursuant to this section shall establish and implement a system of records management that ensures that any criminal record received by the agency or owner is—

(1) maintained confidentially;

(2) not misused or improperly disseminated; and

(3) destroyed in a timely fashion, once the purpose for which the record was requested has been accomplished.

(f) PENALTY.—Any person who knowingly and willfully requests or obtains any information concerning an applicant for, or tenant of, federally assisted housing pursuant to the authority under this section under false pretenses, or any person who knowingly and willfully discloses any such information in any manner to any individual not entitled under any law to receive it, shall be guilty of a misdemeanor and fined not more than $5,000. The term "person" as used in this subsection shall include an officer, employee, or authorized representative of any public housing agency or owner.

(g) CIVIL ACTION.—Any applicant for, or tenant of, federally assisted housing affected by (1) a negligent or knowing disclosure of information referred to in this section about such person by an officer, employee, or authorized representative of any public housing agency or owner of federally assisted housing, which disclosure is not authorized by this section, or (2) any other negligent or knowing action that is inconsistent with this section, may bring a civil action for damages and such other relief as may be appropriate against any public housing agency or owner responsible for such unauthorized action. The district court of the United States in the district in which the affected applicant or tenant resides, in which such unauthorized action occurred, or in which the officer, employee, or representative alleged to be responsible for any such unauthorized action resides, shall have jurisdiction in such matters. Appropriate relief that may be ordered by such district courts shall include reasonable attorney's fees and other litigation costs.

(h) DEFINITION.—For purposes of this section, the term "adult" means a person who is 18 years of age or older, or who has been convicted of a crime as an adult under any Federal, State, or tribal law.

SEC. 645. DEFINITIONS.

For purposes of this subtitle, the following definitions shall apply:

(1) FEDERALLY ASSISTED HOUSING.—The term "federally assisted housing" means a dwelling unit—

(A) in public housing (as such term is defined in section 102);

(B) assisted with choice-based housing assistance under title III;

(C) in housing that is provided project-based assistance under section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of this Act) or pursuant to section 601(f) of this Act, including new construction and substantial rehabilitation projects;

(D) in 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);

(E) in 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;

(F) in housing that is assisted under section 811 of the Cranston-Gonzalez National Affordable Housing Act;

(G) in housing financed by a loan or mortgage insured under section 221(d)(3) of the National Housing Act that bears interest at a rate determined under the proviso of section 221(d)(5) of such Act;

(H) in housing insured, assisted, or held by the Secretary or a State or State agency under section 236 of the National Housing Act;

(I) for purposes only of subsections 641(c), 641(d), 643, and 644, in housing assisted under section 515 of the Housing Act of 1949.

(2) OWNER.—The term "owner" means, with respect to federally assisted housing, the entity or private person (including a cooperative or public housing agency) that has the legal right to lease or sublease dwelling units in such housing.

TITLE VII—AFFORDABLE HOUSING AND MISCELLANEOUS PROVISIONS

SEC. 701. RURAL HOUSING ASSISTANCE.

The last sentence of section 520 of the Housing Act of 1949 (42 U.S.C. 1490) is amended by inserting before the period the following: ", and the city of Altus, Oklahoma, shall be considered a rural area for purposes of this title until the receipt of data from the decennial census in the year 2000".

SEC. 702. TREATMENT OF OCCUPANCY STANDARDS.

The Secretary of Housing and Urban Development shall not directly or indirectly establish a national occupancy standard.

SEC. 703. IMPLEMENTATION OF PLAN.

(a) IMPLEMENTATION.—

(1) IN GENERAL.—Not later than 120 days after the date of the enactment of this Act, the Secretary shall implement the Ida Barbour Revitalization Plan of the City of Portsmouth, Virginia, in a manner consistent with existing limitations under law.

(2) WAIVERS.—In carrying out paragraph (1), the Secretary shall consider and make any waivers to existing regulations and other requirements consistent with the plan described in paragraph (1) to enable timely implementation of such plan, except that generally applicable regulations and other requirements governing the award of funding under programs for which assistance is applied for in connection with such plan shall apply.

(b) REPORT.—

(1) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act and annually thereafter through the year 2000, the city described in subsection (a)(1) shall submit a report to the Secretary on progress in implementing the plan described in that subsection.

(2) CONTENTS.—Each report submitted under this subsection shall include—

(A) quantifiable measures revealing the increase in homeowners, employment, tax base, voucher allocation, leverage ratio of funds, impact on and compliance with the consolidated plan of the city;

(B) identification of regulatory and statutory obstacles that—

(i) have caused or are causing unnecessary delays in the successful implementation of the consolidated plan; or

(ii) are contributing to unnecessary costs associated with the revitalization; and

(C) any other information that the Secretary considers to be appropriate.

SEC. 704. INCOME ELIGIBILITY FOR HOME AND CDBG PROGRAMS.

(a) HOME INVESTMENT PARTNERSHIPS.—The Cranston-Gonzalez National Affordable Housing Act is amended as follows:

(1) DEFINITIONS.—In section 104(10) (42 U.S.C. 12704(10))—

(A) by striking "income ceilings higher or lower" and inserting "an income ceiling higher";

(B) by striking "variations are" and inserting "variation is"; and

(C) by striking "high or".

(2) INCOME TARGETING.—In section 214(1)(A) (42 U.S.C. 12744(1)(A))—

(A) by striking "income ceilings higher or lower" and inserting "an income ceiling higher";

(B) by striking "variations are" and inserting "variation is"; and

(C) by striking "high or".

(3) RENT LIMITS.—In section 215(a)(1)(A) (42 U.S.C. 12745(a)(1)(A))—

(A) by striking "income ceilings higher or lower" and inserting "an income ceiling higher";

(B) by striking "variations are" and inserting "variation is"; and

(C) by striking "high or".

(b) CDBG.—Section 102(a)(20) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(20)) is amended by striking subparagraph (B) and inserting the following new subparagraph:

"(B) The Secretary may—

"(i) with respect to any reference in subparagraph (A) to 50 percent of the median income of the area involved, establish percentages of median income for any area that are higher or lower than 50 percent if the Secretary finds such variations to be necessary because of unusually high or low family incomes in such area; and

"(ii) with respect to any reference in subparagraph (A) to 80 percent of the median income of the area involved, establish a percentage of median income for any area that is higher than 80 percent if the Secretary finds such variation to be necessary because of unusually low family incomes in such area.".

SEC. 705. PROHIBITION OF USE OF CDBG GRANTS FOR EMPLOYMENT RELOCATION ACTIVITIES.

Section 105 of the Housing and Community Development Act of 1974 (42 U.S.C. 5305) is amended by adding at the end the following new subsection:

"(h) PROHIBITION OF USE OF ASSISTANCE FOR EMPLOYMENT RELOCATION ACTIVITIES.—Notwithstanding any other provision of law, no amount from a grant under section 106 made in fiscal year 1997 or any succeeding fiscal year may be used for any activity (including any infrastructure improvement) that is intended, or is likely, to facilitate the relocation or expansion of any industrial or commercial plant, facility, or operation, from one area to another area, if the relocation or expansion will result in a loss of employment in the area from which the relocation or expansion occurs.".

SEC. 706. USE OF AMERICAN PRODUCTS.

(a) PURCHASE OF AMERICAN-MADE EQUIPMENT AND PRODUCTS.—It is the sense of the Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available in this Act should be American made.

(b) NOTICE REQUIREMENT.—In providing financial assistance to, or entering into any contract with, any entity using funds made available in this Act, the head of each Federal agency, to the greatest extent practicable, shall provide to such entity a notice describing the statement made in subsection (a) by the Congress.

SEC. 707. CONSULTATION WITH AFFECTED AREAS IN SETTLEMENT OF LITIGATION.

In negotiating any settlement of, or consent decree for, any litigation regarding public housing or rental assistance (under title III of this Act or the United States Housing Act of 1937, as in effect before the effective date of the repeal under section 601(b) of this Act) that involves the Secretary and any public housing agency or any unit of general local government, the Secretary shall consult with any units of general local government and public housing agencies having jurisdictions that are adjacent to the jurisdiction of the public housing agency involved.

SEC. 708. USE OF ASSISTED HOUSING BY ALIENS.

Section 214 of the Housing and Community Development Act of 1980 (42 U.S.C. 1436a) is amended—

(1) in subsection (b)(2), by striking "Secretary of Housing and Urban Development" and inserting "applicable Secretary";

(2) in subsection (c)(1)(B), by moving clauses (ii) and (iii) 2 ems to the left;

(3) in subsection (d)—

(A) in paragraph (1)(A)—

(i) by striking "Secretary of Housing and Urban Development" and inserting "applicable Secretary"; and

(ii) by striking "the Secretary" and inserting "the applicable Secretary";

(B) in paragraph (2), in the matter following subparagraph (B)—

(i) by inserting "applicable" before "Secretary"; and

(ii) by moving such matter (as so amended by clause (i)) 2 ems to the right;

(C) in paragraph (4)(B)(ii), by inserting "applicable" before "Secretary";

(D) in paragraph (5), by striking "the Secretary" and inserting "the applicable Secretary"; and

(E) in paragraph (6), by inserting "applicable" before "Secretary";

(4) in subsection (h) (as added by section 576 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (division C of Public Law 104–208))—

(A) in paragraph (1)—

(i) by striking "Except in the case of an election under paragraph (2)(A), no" and inserting "No";

(ii) by striking "this section" and inserting "subsection (d)"; and

(iii) by inserting "applicable" before "Secretary"; and

(B) in paragraph (2)—

(i) by striking subparagraph (A) and inserting the following new subparagraph:

"(A) may, notwithstanding paragraph (1) of this subsection, elect not to affirmatively establish and verify eligibility before providing financial assistance"; and

(ii) in subparagraph (B), by striking "in complying with this section" and inserting "in carrying out subsection (d)"; and

(5) by redesignating subsection (h) (as amended by paragraph (4)) as subsection (i).

SEC. 709. EFFECTIVE DATE.

This title and the amendments made by this title shall take effect on the date of the enactment of this Act.

EXPLANATION OF THE LEGISLATION

1H.R. 2, the Housing Opportunity and Responsibility Act of 1997, fundamentally changes the public housing and Section 8 rental assistance programs, both of which are under the jurisdiction of the Department of Housing and Urban Development (HUD). This legislation represents the first step toward creating a new role for the Federal government in supporting local communities and their efforts at improvement.

The predecessor to H.R. 2 in the 104th Congress was H.R. 2406, the United States Housing Act of 1996, introduced by Chairman Lazio on September 27, 1995. The Committee on Banking and Financial Services marked up H.R. 2406 and ordered it to be reported by a vote of 27 to 18 on November 9, 1995 (Report 104–461 Part I and II). On May 9, 1996, the House of Representatives passed H.R. 2406 by a vote of 315 to 107. Although the Senate passed a companion bill S. 1260, the Public Housing Reform and Empowerment Act of 1995, on January 10, 1996, House and Senate conferees were unable to reach agreement regarding the differences between the two bills.

The House, Senate and the Administration agree on the critical need for public housing authorization legislation. Secretary Cuomo has expressed his willingness to work with Congress to craft a bill that can be passed this year. All parties are in agreement that incremental reforms currently found in annual appropriations measures are inadequate to the task of fundamental reform. The disincentives to work and self-sufficiency, the overconcentration of poverty in certain neighborhoods, and the deplorable conditions that residents live in must be changed. Moreover, by the year 2002, many programs will come under increasing budgetary constraints.

The Committee believes that in this environment of diminishing Federal resources, housing programs must change in two significant ways: they must be focused through consolidation to provide the most service for the least cost; and they must be tailored to local needs so that limited Federal funding is invested where, through local discretion, it can achieve the greatest return.

H.R. 2 replaces the United States Housing Act of 1937 (the "1937 Act"), eliminating disincentives to work currently found in the public and assisted housing programs by providing residents with a choice between income-based rents or flat rents. A resident may choose to pay a rent that shall not exceed thirty percent (30%) of their income or, a flat rent for the unit established by the public housing authority ("PHA"). In this manner, as the resident increases his or her income by working harder, they know that there will be a set rent (the flat rent) beyond which any increases in their income will not result in any concurrent rent increases. In addition, the tenant protections afforded by providing that residents shall not pay more than 30% of their income as rent are maintained in law.

In order to promote work and self sufficiency efforts on the part of residents, and for the purpose of creating an environment where individuals feel that there is a mutuality of obligation between recipients of Federal aid and the provider of such assistance, H.R. 2 requires that each non-working resident who is not elderly, disabled, or otherwise subject to local welfare work requirements, to contribute not less than eight (8) hours a month in community service to their communities. Regarding local welfare reform efforts, H.R. 2 provides for coordination at the local level by ensuring that those whose benefits are reduced due to the imposition of any welfare sanctions not get a reduction in their rent due to a decrease in income.

H.R. 2 eliminates the Federal mandates, known as "preferences", which have inadvertently created concentrated pockets of poverty that have destroyed communities and neighborhoods. Along with its rent reform provisions, H.R. 2 provides PHAs with the flexibility needed to create mixed-income communities, providing children with the proper role models and adding to the overall social capital of the neighborhood.

The existing Section 8 certificate and voucher programs are consolidated and recreated so they can be operated in a manner that more closely resembles the private housing market. Recipients are allowed to use choice-based assistance not only as rent but in conjunction with homeownership programs. Instead of only paying for their rent, the same money can be used by the recipient to achieve ownership.

H.R. 2 returns decision-making to the local level, deregulating well-run PHAs and allowing them to provide clean, safe, healthy and affordable housing to needy families in a more cost-effective and managerially-sound manner. It requires that PHAs include in their annual planning an asset management component regarding their inventory of housing units and developments, in addition to the property management planning approach that PHAs have traditionally used. This will require that PHAs behave more like asset managers in the private sector, making long-term decisions regard-

ing their inventory and how they should be allocating their resources to maximize future use. In addition, PHAs are provided with new flexibility to create mixed-finance developments, allowing localities to develop public housing in conjunction with private, non-subsidized housing units so that mixed-income communities can be created.

In order to encourage greater coordination of resources and more effective delivery of services, H.R. 2 contains provisions empowering local officials, on a voluntary basis, to address community needs by providing local flexibility in program design and administration. Title IV, the Home Rule Flexible Grant Option, requires that the Department of Housing and Urban Development (HUD) provide local government leaders the option to combine Federal housing assistance funds into a flexible grant for use in administering these locally-developed approaches to meet the housing needs of their communities. Localities that wish to take advantage will enter performance agreement contracts with HUD, not to exceed five years, with specific, measurable goals. The focus is shifted from process-oriented compliance with Federal mandates to accomplishing the goals of the programs at the local community level.

Chronically troubled PHAs, whose long-standing failure have been a hallmark of government involvement in housing and urban development, are no longer tolerated. HUD is required to take strong action and afforded several avenues to address these problem authorities, including appointment of a receiver to manage the PHA or replacement of management with professional management entities that have the expertise to meet the goals of this legislation.

FINDINGS AND PURPOSES

The purpose of this legislation is to promote safe, clean, and healthy housing that is affordable to responsible, deserving low-income families who cannot provide fully for themselves. H.R. 2 seeks to eliminate the perverse disincentives to work and self-sufficiency efforts faced by residents as a result of current law governing rent by giving residents the power of choice in how their rents are determined. This legislation gives PHAs the flexibility they need to begin to create healthy neighborhoods, where working adults serve as role models for children, and allows them to encourage mixed-income populations so that extreme concentrations of poverty are no longer tolerated.

This legislation reverses the accumulation of power at the Federal level. The Committee recognizes that it is impossible for the Federal government, through its direct action or involvement, to provide housing for every American citizen. Despite this constraint, however, the Federal government does have a responsibility to promote and protect the independent and collective actions of private citizens to develop housing and to strengthen communities. In order to develop this responsible yet appropriate Federal role while increasing the effectiveness of our efforts, decision-making and administrative freedom is returned in great part to the PHAs. The existing public housing programs are consolidated into two block grants for operating and capital costs. The current Section 8 and voucher programs are combined into one choice-based assistance program that will operate more like the private sector. In addition,

PHAs are given more authority to fight drugs and crime in their developments by evicting those residents involved in such activity.

To encourage innovation, H.R. 2 provides statutory parameters and significant flexibility to encourage local ingenuity and creativity on the part of PHAs. In return for deregulation, PHAs are expected to administer Federally assisted housing programs, perform as effective property and asset managers and operate their housing inventory in a manner that serves local needs. A PHA may, for example, decide to demolish a large, severely distressed public housing project and provide alternative housing choices to displaced residents. Likewise, the PHA might choose to enter into a joint-venture with a private sector partner and build new affordable housing using tax incentives, grants and loans. In either situation, the legislation encourages partnerships with the private sector as well as local and state governments. PHAs are given the flexibility to create mixed-finance developments so that public housing units can be developed in conjunction with private units.

The Committee recognizes that traditional monitoring techniques used by HUD must be redesigned. HUD monitoring of PHAs has become overly process-oriented, and not effective in determining true performance. As a result, the Committee bill requires that a study be conducted regarding alternative methods by which the performance of PHAs can be evaluated. At the same time, an accreditation board is established upon the enactment of the legislation so as to develop professional, non-political standards by which the performance of PHAs that accept Federal housing block grants should be judged. The accreditation board is to take into account the findings of the study regarding alternative evaluation methods.

In keeping with the Committee's goal of providing local flexibility to develop innovative and more effective ways of addressing the housing needs of our communities, Title IV gives local governments the opportunity to create and administer innovative programs designed to address more effectively the needs of their communities. Exercise of this Home Rule Flexibility Option is purely voluntary, and would have no adverse impact on the funding otherwise received by the locality under the traditional public and choice-based housing programs. The local communities would, upon HUD review and approval of their plan, be allowed to use Federal housing funds for these programs. In this manner, communities are given the incentive to work with their public housing agencies to end the economic and social isolation of many of our public housing developments, and to bring public housing residents into the mainstream of their community.

The Committee recognizes that it is not enough for families to live in soundly built houses—the family must also have access to schools, churches and grocery stores. Coordinating local strategies and encouraging local involvement will lead to greater integration of Federal resources, such as Community Development Block Grant (CDBG) and HOME funds, with affordable housing funds. The Committee believes that such integration will foster economic growth, creating economic opportunity for residents of public and assisted housing.

Finally, the Committee believes the 1937 Act is outdated and must be replaced. This Depression-era legislation was written for

a very different time, and the current Federal housing programs are faced with huge challenges that must be addressed forcefully and dramatically. In order to effectuate true change that will impact positively on the lives of the poor, the Committee believes that the time has come for a new foundation to be established in Federal housing policy. Simply amending the 1937 Act will signal to those participants in our housing programs, both providers and recipients, that change is incremental. The Committee believes that our Nation cannot continue to allow children to grow up in assisted housing where there are no role models, where work is punished, where they are subject to random and violent crime, and where they are isolated from the economic and social opportunities of mainstream communities. The Committee heard substantial testimony that not clearing the decks of outdated legislation and Federal mandates may have the unintended consequence of undermining the Committee's efforts at fundamental and sweeping reform. For purely pragmatic reasons, therefore, the Committee believes that replacement of the 1937 Act by a new model geared to the needs of future generations of children is imperative to breaking the continuing cycle of poverty.

I. BACKGROUND AND NEED FOR LEGISLATION

Most participants in the low-income housing community agree that the law authorizing the public housing and Section 8 rental assistance programs is extremely complex. In fact, the public housing program is one of the most perplexing areas of HUD's Federal mandate. Most Americans believe that public housing is a failure and a waste of their hard-earned taxpayer dollars. This perception is based largely on projects like Robert Taylor Homes in Chicago, Illinois, Hayes Homes in Newark, New Jersey, Desire in New Orleans, Louisiana, and Allen Parkway Village in Houston, Texas, all of which are in deplorable condition and are largely vacant. Unfortunately, the perception problem is bolstered by the knowledge that approximately 20% of the public housing budget has flowed to chronically troubled PHAs like Philadelphia, Chicago, Washington, D.C., and New Orleans—PHAs that have failed to carry out their missions.

Similarly, the Section 8 rental assistance program is plagued by problems. Most people confuse this privately owned housing program with public housing—a sore point for many landlords and property managers. Excessive legislative mandates, bureaucratic micromanagment, and other structural deficiencies hamper what could be an otherwise worthwhile program, and may lead to a decrease in the supply of clean, healthy, and affordable housing.

Fortunately, most people familiar with the programs—the Congress, the Administration, the low-income housing industry, and the recipients of assistance—agree they must be reformed and basic underlying principles changed. Even PHAs that manage their housing inventories effectively concur that the current construction of the public housing and Section 8 rental assistance programs must change dramatically if they are to continue to serve low-income clients.

Critical reform components include creating a new environment in which: (1) residents are expected and encouraged to become self-

sufficient; (2) PHAs are empowered to make management decisions about the viability of their stock and are rewarded for performance; (3) management failures are no longer tolerated but are dealt with swiftly, eliminating the conditions that lead to chronically-troubled authorities; and (4) local governments are encouraged to become active and innovative contributors to the Federal housing programs in their jurisdictions so that these programs are no longer isolated from the community.

H.R. 2 offers a new approach which renews the premise that the Federal government has a role to play in providing safe, healthy, and affordable housing for families of low-income, but that such a role should be responsible, effective, and appropriate. Housing assistance is not an entitlement under the Constitution. Moreover, no President or Congress has ever moved towards making public housing and low income rental assistance an entitlement by funding it at levels necessary to meet the needs of the country's eligible population. Yet since the passage of the 1937 Act, the Federal government's control of low-income housing has steadily grown, increasing year by year the mandates and requirements imposed upon localities until local decision making and policy determination were completely supplanted by Washington-knows-best approaches.

The 1937 Act itself was originally straightforward and simple. Its stated objective was to stimulate the economy, to assist business and labor, and to create jobs by stabilizing the industrial activity of the United States during the Depression. Additionally, the legislation sought to eliminate slums and provide decent homes for families who had, under the circumstances that prevailed at the time, become dependent on public aid to improve their housing conditions. When passed, the 1937 Act comprised only 12 pages of the United States Statutes at Large. The original legislation did not provide much direction about who was to receive assistance or how a local authority was to make decisions regarding everyday matters like admissions, rent structure, maintenance and capital improvements. Special programmatic set-asides did not exist, nor did the legislation contemplate providing money for operating expenses of a dwelling unit.

Federal micromanagement has increased substantially beyond what was intended by the 75th Congress. The more than 300 pages of current law are filled with prescriptive solutions that cannot be tailored to the needs of individual PHAs or the families they serve. Unrealistic policies require obsolete housing to be rehabilitated for millions of dollars even if other available forms of housing are less expensive. Local governments are precluded from making even basic decisions about how to help their constituencies. PHAs are flooded by a steady flow of mandates from Washington. Often many of these mandates infringe on local control and, ultimately, are part of ill-conceived attempts to create a "one size fits all" policy for a resource that should be tailored to widely varying local housing needs.

As Steven Goldsmith, Mayor of Indianapolis, stated before the Subcommittee on Housing and Community Opportunity in testimony on March 11, 1997, regarding H.R. 2:

> The Federal government has responded to every concern or potential mistake by creating a mountain of restrictions

> and rules. I have been told by more than one of the "best" public housing managers of the nation that it is not possible to operate a public housing agency within the rules as they exist. They tell me that they succeed because they ignore the most nonsensical rules.

Sixty years of continued amendments to the 1937 Act, hundreds of thousands of pages of Federal regulations and HUD handbooks, and the existence of a culture that has rewarded compliance with process rather than performance and innovation, lead the Committee to the conclusion that the goals of our Federal housing programs can only be achieved under a modern framework. The 1937 Act reflects the philosophy of a different era, and much of the language and ideas contained in the 1937 Act are outdated. Many programs authorized by the legislation have not been funded or utilized for years. In fact, some programs have never been implemented.

Simply amending the 1937 Act rather than repealing it outright may, in the Committee's judgment, lead to unintended consequences that slow down and possibly undermine our efforts at comprehensive reform. Regarding the need for repeal, Joseph G. Schiff, a former Assistant Secretary for Public and Indian Housing, stated on March 11, 1997, in testimony before the Subcommittee:

> I firmly believe that this is an essential step for true reform of public housing. The fact that public housing must have a different look five or ten years from now has become an accepted viewpoint concerning the program. The only thing we are still debating is what it will look like and how should we get there. I believe repealing the 1937 Act is an essential step on this journey. The sixty years of baggage this Act is mired in must be swept away. Repealing the Act is the cleanest way to do so.

Mayor Goldsmith, strongly voiced his support for repeal of the 1937 Act:

> Finally, I think the repeal of the Housing Act of 1937 may be a particularly good idea * * * The Committee has gone to great trouble to create a bill that deregulates and simplifies the current program. It expects H.R. 2 to set the parameters of public housing policy in the United States. Without a recodification of the law, then the Committee may have been less encompassing than it had intended. In my experience, and my experience is not unique, the answer to legal question about public housing seems to be based upon the opinion of the official offering the answer. Because the law has grown by accretion * * * there is a body of law that is so large and unfathomable that it seems one can find a legal requirement on both sides of any issue one would care to raise. If you add the substance of H.R. 2 to the body of law that already exists, you may find that a reluctant Administration will find ways to frustrate your intent.

The question before this Committee was whether the housing needs of our nation could be addressed by retaining the current

legal structure of public and Section 8 housing programs as embodied by the 1937 Act and all the legal precedent associated with the Act. After listening to the testimony of experts in the housing industry, the response to the question is no.

II. PURPOSE AND SUMMARY

A. Overview

Today, over 3,400 local entities, called public housing authorities (PHAs), own and operate about 13,200 public housing developments. The inventory includes 1.4 million dwelling units—high rises, garden apartments, town houses and single-family homes.[1] These homes are occupied by 4.3 million families, most of whom stay an average of seven to ten years. There are families, however, who live in public housing for generations, changing a resource from what originally was intended to be temporary assistance to a lifelong entitlement.

Resident rents are dictated by Federal rules, which require that rents be 30% of a resident's income. These strict income-rent ratios have unintentionally created disincentives to work, self sufficiency and family unification since a family's rent burden increases as they earn more income. Federal preferences, which mandate that PHAs give priority to certain populations (the homeless, the extremely low-income, and others) have unintentionally led to the creation of concentrated pockets of poverty in many of our inner cities. The result has been the destruction of neighborhoods.

The relationship between the Federal government and the PHA is contractual. PHAs own and operate public housing in their jurisdictions independently of local municipal governments. In return for Federal payment of the costs of construction, rehabilitation, modernization, and operating expenses, PHAs agree to abide by Congressional statutes and HUD regulations. Over the years, the rules have multiplied, tying in knots even well-run PHAs. In addition, the direct relationship between the Federal government and its micromanagement of every aspect of the program has led to many local governments viewing public housing developments as enclaves of the Federal government over which they have very little control or input, and to which they are loathe to devote resources.

Because of the tremendous pressure and commitment within both the Congress and the Administration to balance the Federal budget by the year 2002, many programs will come under increasing budgetary constraints. The Committee believes that in this environment of diminishing Federal resources, housing programs must change in two significant ways: they must be focused through consolidation to provide the most service for the least cost; and they must be tailored to local needs so that limited Federal funding is invested where, through local discretion, it can achieve the greatest return.

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[1] About 13 million families meet the Federal eligibility requirements for public housing. The structure of the housing programs, along with receipt of other Federal entitlements, create significant disincentives to self-sufficiency. Therefore, while one family is housed, pays low rent, and has access to many services which have nothing to do with housing, another family pays 60–80 percent of its income to rent substandard housing with no access to services.

For several years, academic experts, state and local governments, and congressional committees have exhorted the Department of Housing and Urban Development to limit growth in the number of programs and focus on those programs that complement its mission. In July 1994, under a congressional mandate, the National Academy of Public Administration (NAPA) completed its study of HUD, focusing on HUD's organization. One of NAPA's conclusions was the following:

> The Academy panel's first priority is a legislative overhaul of HUD's programs. Absent this, other changes will bring only marginal improvement in HUD operations. Congress and the executive branch must work together to redefine and consolidate HUD's assorted program menu and determine whether some programs can be eliminated. Those that remain should be organized under broad mandates that permit the nation's communities to apply the funds flexibly and reduce the administrative burdens within HUD and among its program users.

NAPA went on to recommend that HUD submit to the Office of Management and Budget (OMB) and Congress a comprehensive proposal to reorganize HUD programs and group under them individual activities. Additionally, in late 1994, HUD's Office of Inspector General (OIG) reported on its review of 240 active and inactive HUD programs. The OIG concluded that many programs warranted serious consideration of elimination, consolidation, or restructuring.

B. Rent reform

Currently, resident rent contributions are largely dictated by Federal rules. With few exceptions, residents must pay 30 percent of their adjusted income for rent. Consequently, as a family's income increases, the rent it must pay increases as well—in contrast to the private market where rents are determined by market conditions and operating costs.

Prior to 1969, PHAs were relatively financially self-sufficient and did not receive operating subsidies from the Federal government. Instead they charged rents, set at minimum and maximum levels, which allowed them to pay normal operating expenses. The rent levels were graduated between the minimum and maximum levels as appropriate for each resident. In 1969, Congress passed legislation (called the Brooke amendment for its sponsor, Senator Edward Brooke) prohibiting PHAs from charging more than 25% of a family's income for rent. The immediate effect upon PHAs was a dramatic loss in revenue. To make up for this loss, PHAs were often forced to forgo routine maintenance and properties fell into disrepair. The Federal government authorized the payment of operating subsidies to PHAs in 1972. Three years later, in 1975, virtually all PHAs required assistance and subsidies were distributed nationwide.

Hoping to curb the increasing reliance of PHAs on operating subsidies, in 1981, Congress amended the Brooke amendment and raised rental contributions to 30% of income. By itself, this amendment was not damaging. However, at the same time, Congress re-

pealed the ability of PHAs to set maximum rent "ceilings." These statutory changes contributed greatly to the destruction of the financial integrity of many PHAs. Although the motive behind these policies was to encourage everyone to pay their own way, the law had just the opposite effect. Because rents were raised each time a resident found a job or received a pay raise, residents either quit working (or never sought employment), or they left public housing.[2] As working families left public housing, the need for operating subsidies to make up lost income increased. The incentive to work was further eroded when it became apparent that, because of the combination of these laws, some families paid rents that exceeded the value of their apartment.

Under this type of rent structure, some families paid no rent at all because 30% of an income that is $0 is $0; in other words, if a family living in public housing had no income, they were not required to pay rent. Nevertheless, the PHA continued to pay the utilities of the unit, as well as other normal operating expenses such as insurance, maintenance, and security which increased the need for operating subsidies. A concurrent problem was that PHAs did not have the ability to project their rental income because it fluctuated with the income levels of the residents. This inability made it virtually impossible for PHAs to estimate their future operating subsidy requirements or to operate and manage their assets in a businesslike fashion.

Substantial evidence exists to show that continuing these rental policies will damage public housing residents both socially and economically. The Public Housing Authorities Directors Association (PHADA) has stated repeatedly that an AFDC recipient who heads a household and chooses to go to work full time at a minimum wage job faces a rent increase that contributes to an effective tax rate of anywhere from 117 to 135 percent. The Georgia Association of Housing Redevelopment Authorities has stated that:

> [D]ysfunctional Federal rent policy decisions have created powerful disincentives to employment and upward mobility. The result has transformed once thriving public housing neighborhoods into welfare ghettos—its residents robbed of opportunity and hope and its social fabric rendered inadequate to cope with challenges like drugs, crime and youth gangs.

It should be noted that working families, because rent is tied to income, must pay higher rents than their apartments would command in the private market. As a result, residents who work to become educated or who advance economically leave the developments for the private markets. These individuals provide the best

[2] Under the Brooke amendment, assisted families were penalized for working because, for every additional dollar they earned, 30 cents would be taken away in the form of increased contributions toward rent. This high marginal "tax" on earnings, when coupled with reduction or loss of other income support benefits when families increase their earnings from work, created severe disincentives to work. Residents are effectively punished for leaving welfare and trying to better provide for themselves. It is even possible that the Brooke amendment encourages fraud by forcing residents to under report income if they want to get ahead. Even worse, in the case of a low-income family trying to stay together, the Brooke amendment can destroy families by forcing a working parent out of the house because even a low-paying temporary job increases a family's rent contribution. Family members have to make the decision to either work and take the increase or leave the family.

role models, and help others find jobs. These are the very individuals that add to the social capital of a community.

H.R. 2406, passed in the 104th Congress, sought to reform significantly the rental structure of public housing, focusing on several factors: the value of the real estate, the ability of the family to pay, and the program's goal to serve low-income families. Additionally, H.R. 2406 scaled back Federal control over admissions policies and preferences so that localities can create rental systems that work in their unique circumstances.

Concerns were raised during the 1996 debate on H.R. 2406 regarding the flexibility granted to PHAs to determine rent levels. Resident groups were concerned that PHAs would increase rents precipitously. While the Committee believed that much of the public housing real estate would simply not support such rent increases, H.R. 2 addresses these concerns and maintains modified resident rent protections that are tied to the resident's income levels. However, instead of mandating that a resident pay 30% of their income as rent, a PHA can now charge an amount that shall not exceed 30% of the income of the resident.

While this modified 30% rule eliminates the requirement that a PHA raise rents on any residents that earn more income, the Committee feared that without the prior flexibility afforded PHAs under H.R. 2406 to set flat rents across their entire inventory, most PHAs in order to maximize revenues would raise the rents to the 30% level. Because Federal funding is limited in the public housing system, tying rental amounts to resident income levels is likely to lead to rent increases upon residents who earn more. While a PHA would not be required to increase rents, it could increase rents. In the current fiscal environment, the Committee believed that PHAs would increase rents. Rent-income ratios, therefore, contain the potential for continued disincentives to work and self-sufficiency.

In order to address this dilemma, residents under Section 225 of H.R. 2, the Family Choice of Rental Payment, are afforded a choice annually on whether they would prefer to pay rent based on their income (the modified 30% rule), or to pay a flat-rent for their unit, determined by the PHA. Of course, a resident would always pay the lower amount. However, the resident would know that if he or she earned more money, they would not be subject to rent increases beyond the flat rent. At that point, they could "switch over" to the flat rent. In addition, if residents were paying the flat rent amount, they would not be subject to the burdensome income reviews that PHAs must conduct annually to determine rental payments.

This rental structure essentially creates a requirement that PHAs establish a ceiling rent for each unit. Granting families the power of choice between income-based rent or the flat rent is the enforcement mechanism. The rental option places individual power into the hands of the resident, and while not perfectly analogous, starts the process by which they start thinking of real estate in similar market terms as the private sector.

PHA industry advocates argued that such a structure would be administratively burdensome. The Committee finds it difficult to understand how a landlord (the PHA) would find as administratively burdensome the simple task of assigning a rental value to a unit. Every landlord, after all, asks for rent. In the private sector,

leases are commonly renewed annually. At that time, the rent for the unit is discussed. As stated previously, PHAs currently review annually each and every resident family's income in order to determine an income-based rent. That type of annual and intrusive review of a resident's finances is certainly administratively burdensome. This Committee finds extremely unpersuasive the argument advanced by PHA groups that informing a resident of a unit's flat rent and offering that resident a choice, at the same time that income reviews are conducted, would be an administrative burden. We find it more likely that PHAs, understandably, would simply prefer to retain the freedom and flexibility to increase rents.

While it is true that private sector landlords do not have to provide their tenants with this rental choice, private sector landlords also do not have to tie their rents to the income levels of their tenants. The Committee believes the need for this choice of rent structure arises from the very fact that imposed upon the system existence are income-rent ratios. In addition, inserting a requirement that PHAs determine a flat rent for each unit in their inventory would begin the process of having these agencies behave more like true property managers by inserting a pricing mechanism into the public housing system.

Like H.R. 2406, H.R. 2 requires that residents pay a monthly minimum rental amount. H.R. 2's provisions call for a PHA to set minimum rents no lower than $25 and no higher than $50. Imposing a minimum rent has two purposes: to promote the philosophy that public housing is not an entitlement but temporary help to families during a period of trouble. Second, by allowing a minimum rent, PHAs are able to craft an operating budget that makes sense and, more importantly, is predictable—a necessary component of any well-run business.

During markup of the Committee's bill, concerns were raised that hardship exemptions were not mandated by the legislation but were discretionary with the PHA. In particular, much debate occurred on the issue of whether legal immigrants who were losing benefits in accordance with provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 should be afforded a mandatory exemption from payment of the minimum rent. Several members were sympathetic but believed that issues involving the level of benefits to legal immigrants should be discussed in a different forum by other committees of Congress with jurisdiction and expertise. Many members commented that allowing this mandatory hardship would be in effect creating two classes within public housing, since citizens who lost benefits under recent welfare reform legislation would not receive a mandatory exemption. However, it is the intent of this Committee that in granting discretionary hardship exemptions for payment of minimum rent, PHAs not discriminate against legal immigrants based solely on their citizenship status. The same standards developed by a PHA regarding the granting of hardship exemptions should be used for all residents in the PHA's inventory.

The Committee heard substantial testimony from HUD officials, public housing residents, and many public housing industry associations about how desperately rent reform is needed to encourage work and retain working families in public housing. Moreover, con-

cern was raised that current rental policies force PHAs to depend heavily on Federal operating subsidies to cover their expenses—a dependence that will only increase. A serious problem is that average tenant incomes have declined dramatically. In 1981, the median income of a tenant in public housing was approximately 30 percent of the area median. Today, the median income is approximately 16 percent. This decline also has triggered the need for increased operating subsidies from HUD to cover costs not paid for through tenant rent contributions. According to GAO testimony before the House Subcommittee on Human Resources and Intergovernmental Relations on February 22, 1995, declining tenant incomes—caused in part by the rent rules and the effect they have on concentrating poor people in public housing—have resulted in dramatic increases in operating subsidy needs over the last five to six years. Currently, the need for Federal operating subsidies for public housing is over $3 billion per year and rising.

While there has been bipartisan consensus for some time on the effect Federal rent rules have had and the need to change them, the urgency to do so is much greater this year as Congress and the Administration work toward a balanced budget. Now, rent reform is a good idea not only because it will do more to encourage public housing residents to work but also because it will be critical to enable PHAs to attract somewhat higher-income families, thereby decreasing dependence on Federal subsidies.

C. Community work: requiring responsibility and mutuality of obligation

The Committee believes housing is a fundamental component of bringing true opportunity to people and communities in need. However, as set forth in the declaration of policy, the Committee also recognizes that merely providing the means to house low-income families is not a panacea that will pull every family and individual up from poverty. For decades public housing and Section 8 housing assistance sought to alleviate housing problems; these programs operated in a vacuum with little direct involvement assessing the social and economic needs of assisted families. Assisted families received housing assistance with little or no expectation that they attempt to gain the education, job training, and work skills needed to better themselves.[3] H.R. 2 reemphasizes the need for housing assistance to be provided as part of a well thought-out approach by the PHA to enhance the economic and social well being of assisted families and, where appropriate, help break the shackles of poverty and dependence. In this regard, the bill makes several fundamental changes to the way that current housing law has promoted—or not promoted—self-sufficiency.

[3] This situation began to change in the late 1980s with two limited HUD demonstration programs—Project Self-Sufficiency and Operation Bootstrap—provided through HUD's Section 8 certificate and voucher programs. These demonstrations provided housing assistance, but as a condition of receiving such assistance, assisted families were required to enroll in programs that fostered self-sufficiency and economic independence. The FSS program, while well intentioned, was limited in scope: program size was limited to the cumulative number of incremental public housing and Section 8 certificate and vouchers received after enactment. It did not encompass the nearly 3 million families and individuals already receiving HUD rental housing assistance. Additionally, the program was bound by a plethora of rules and other guidance created by the underlying legislation and HUD rulemakers.

One fundamental shift promulgated by H.R. 2 is the belief that it is appropriate to demand that recipients of Federal assistance meet certain obligations in return for such assistance. Among the beliefs inherent in this legislation are that Federal housing assistance should be temporary assistance allowing a family to advance economically toward self-sufficiency, that there is a duty on a recipient of assistance to pursue vigorously self-sufficiency efforts, and that each recipient bears a responsibility to contribute something toward the improvement of their community as a means of giving something back for this assistance. The Committee strongly believes in the principle that there exists a mutuality of obligation between recipient of assistance and provider.

Section 105 of the bill embodies these principles. It requires that each public housing resident set a target graduation date for when they plan to graduate from Federal assistance. The provision requires that the PHA work with the resident to identify resources at the local level that may help that resident in their self-sufficiency efforts. Additionally, Section 105 requires that each adult member in a family receiving assistance through public housing or through choice-based rental housing, agree to contribute not less than 8 hours of work per month within the community in which the family resides. As an alternative, physically-able adults may agree contractually to participate in an ongoing basis in a program designed to promote economic self-sufficiency. Exemptions to this requirement are provided for the elderly, students, persons who are working or are in some sort of job training, and those who have disabilities or are otherwise physically impaired.

Concerns have been raised by some that this provision is intended to be punitive. Quite the contrary, the Committee believes that relegating many of our poor to a life of continued dependency and not expecting or demanding positive behavior is the cruelest approach to individuals. Benign neglect has not improved the lives of people in Federally-assisted housing.

David Kuo, Executive Director of The American Compass, a charitable organization dedicated to raising money for and the profile of small charities that serve the poor, testified before the Subcommittee on Housing and Community Opportunity on February 25, 1997, stating that the provisions of H.R. 2 comprise:

> * * * a unique amalgamation of diverse principles of what has come to be called "effective compassion." History and experience both suggest that efforts and programs which are at once challenging—making moral demands of both givers and recipients—personal—where people are engaged and involved in each others lives—and spiritual—treating people as though they were more than social security numbers with arms and legs—are the most effective and efficient in meeting the needs of the poor. This bill seems to embody those principles and that is profoundly exciting.

This provision was modified during markup of H.R.2 to ensure that some of the concerns raised regarding time limits on public housing, duplication with local welfare reform efforts, and exposure of PHAs to increased liability were addressed. Specifically, the in-

troduced version of H.R. 2 was revised to add language to this provision ensuring that an "employment relationship" would not be deemed by a court to have been established for purposes of State or local labor, employment compensation, or civil service or other such laws.

In authorizing the community work requirement, the Committee does not intend to adversely affect current workers or opportunities for permanent employment. It is the Committee's intent that in implementing community work requirements, public housing authorities neither directly or indirectly displace public housing employees or supplant jobs at locations where community work requirements under Section 105 are fulfilled.

The revisions to Section 105 clarify that failure by a resident to meet a target graduation date shall not be considered an event giving rise to possible eviction. The revised section exempts those individuals who are complying with self-sufficiency requirements that are a result of or in connection with local welfare reform efforts, and ensures coordination with local welfare reform efforts. For example, if a person is sanctioned by a local welfare agency for failure to comply with any conditions of assistance, than that person shall not be entitled to a decrease in their rent as a result of their reduction in income. In other words, if a person that is required by local welfare reform efforts to fulfill a work requirement as a condition of receiving welfare payments refuses to comply, and as a result of that failure to comply, their benefits get reduced, that recipient cannot go to the PHA and demand that their rent be reduced because they now have no money to pay.

The Committee bill requires that PHAs, as part of their local housing management plans, describe how the authority will coordinate with State welfare agencies to ensure that public housing residents and families assisted through choice-based housing will be provided the access to resources to assist in obtaining employment and achieving self-sufficiency. Under this provision, PHAs are given the latitude to develop initiatives and use innovative techniques to foster service delivery without detailed direction from Congress or HUD.

The Committee would like to note that the idea that individuals, in order to add to their community, should be asked to perform certain duties is not a new one. This notion of community building and of individuals working together in positive ways is at the heart of our Nation. In many cases, this notion has already taken hold in public housing developments, where resident groups have become a force for positive change. An example involves the Housing Authority of the City of Milwaukee and how it has worked with its resident groups at the Hillside Terrace development. Residents of this development are asked to sign a Lease Addendum, which states that as a condition of occupancy residents shall, among other things: (1) attend at least 6 resident council meetings per year, (2) enroll and actively participate in the neighborhood block watch program in the micro neighborhood in which they live, (3) have all minor children enrolled in at least one supervised youth activity, (4) agree to clean and maintain the common areas according to a schedule, and (5) complete at least 4 hours per month of volunteer service within the Hillside Terrace community. Because of the ac-

tive community involvement and required participation on their block watch program, the residents of Hillside Terrace have managed to effect a dramatic reduction in the crime rate that once afflicted their neighborhood.

The Committee believes that the goals of H. R. 2 of increasing the community involvement of those residents who are not employed or otherwise exempted from Section 105, so that the community benefits, is a reasonable obligation to ask of persons who are receiving a valuable and scarce public benefit. For example, Habitat for Humanity, a volunteer organization that builds homes for low-income person, requires each person who has such a home built for them to agree to volunteer in helping build a home for another. This striving toward community is not a partisan matter, nor does the Committee believe it should be. In fact, the Committee believes that the Administration's efforts in support of the Americorp program parallel to a great extent the goals of this legislation. The Committee notes that the public housing reform legislation submitted by Secretary Cuomo and introduced upon request by Mr. Lazio and Mr. Kennedy also contains a requirement that each adult member of a family residing in public or assisted housing contribute not less than 8 hours per month in community service activities.[4]

The Committee intends that PHAs, in complying with this provision, have the ability and flexibility to partner with resident councils and management corporations, local volunteer groups, and other groups doing work in the community that could incorporate and use these residents. PHAs can enter into agreements with Resident Management Corporations to conduct much of the community service work. Activities such as participating in block watch programs to help fight crime, as in Milwaukee's Hillside Terrace, working as crosswalk guards to oversee children coming home from school, and participating in graffiti clean-up projects—these are just a few examples of what can be accomplished.

D. Promoting mixed-income developments: federal preferences and income targeting

The Committee agrees with the belief that three of the key structural consequences of the existing public housing program are that (1) public housing concentrates the very poor, (2) public housing itself is concentrated in high poverty neighborhoods, and (3) Federal laws penalize public housing tenants who work.[5] The initial intent of the public housing program was to help house the working poor. Yet the Committee notes that over time, legislation and subsequent Federal regulations have forced PHAs to admit a larger proportion of very low-income persons while simultaneously creating disincentives to work and self-sufficiency. These mandates include instituting Federal preferences that require PHAs to admit to public housing certain individuals (namely the poorest of the poor) before low-income working families. Additionally, very high income targeting requirements (provisions on the percentage of public housing units that must only be used for extremely low-income persons) are imposed on PHAs. Coupled with the disincentives created by strict in-

[4] The Public Housing Management Reform Act of 1997, H.R 1447, Section 111.

[5] HUD Secretary Henry Cisneros testimony before the Senate Committee on Banking, Housing, and Urban Affairs on September 28, 1995.

come-rent ratios (the Brooke Amendment), these Federal mandates created a dynamic where higher numbers of extremely low-income individuals were admitted to public housing while working families were discouraged from remaining. As the National Commission on Severely Distressed Public Housing reported in 1992:

> Federal statute-mandated preferences, income standards, and rent-to-income ratios have effectively excluded the 'working poor' from public housing and that authorities should be allowed to admit residents based on a range of eligible income levels to promote a higher level of economic activity within public housing communities.

The overall effect of Federal policies has been to warehouse low-income families and individuals in public housing, without role models, networks, or adequate opportunities to interact with the mainstream economy—in essence creating a poverty trap. The Committee firmly believes that we must not only discontinue these policies, but that they should affirmatively and aggressively move toward reversing their effects and establish policies which lead to the creation of mixed-income communities.

Noted social policy researcher William Julius Wilson has written on the necessity to create mixed-income communities. In "The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy," he refers to the concept of mixed income as creating a "social buffer" which is:

> The presence of a sufficient number of working- and middle-class professional families to absorb the shock or cushion the effect of uneven economic growth and periodic recessions on inner-city neighborhoods * * * the removal of these [higher income] families made it more difficult to sustain the basic institutions in the inner city (including churches, stores, schools, recreational facilities, etc.) in the face of prolonged joblessness. And as the basic institutions declined, the social organization of inner-city neighborhoods (defined here to include a sense of community, positive neighborhood identification, and explicit norms and sanctions against aberrant behavior) likewise declined * * * [.]
>
> It is true that the presence of stable working- and middle-class families in the ghetto provides mainstream role models that reinforce family structures. But, in the final analysis, a far more important effect is the institutional stability that these families are able to provide in their neighborhoods because of their greater economic and educational resources, especially during periods of an economic turndown—periods in which joblessness in poor urban areas tends to substantially increase.

The Committee bill moves Federal policy in this direction by eliminating Federal preferences, changing the levels of income targeting, and providing PHAs with added flexibility in achieving these income targets.

Federal preference rules

Prior to the imposition of Federally-mandated preferences, local PHAs and project owners, at their discretion, often adopted admissions policies that gave preferences to certain applicants. At first glance, it is easy to understand why PHAs utilized preferences, particularly in the cases of natural disasters or displacement resulting from Federal actions. In 1979, however, mandatory Federal preferences were enacted and have expanded over the last decade to include applicants involuntarily displaced, living in substandard housing, or paying more than 50% of family income for rent. The result has been that certain groups of people have moved to the top of waiting lists, ahead of other local applicants for housing.[6]

Any rent reform should be coupled with the elimination of Federal housing preferences, and H.R. 2 permanently eliminates Federally-mandated preferences in favor of authorizing PHAs to develop locally-based admission preferences aimed at producing a mix of tenant incomes. During the Committee markup of H.R. 2, instituting a preference for victims of domestic violence was discussed as perhaps one preference which should be imposed by the Federal government. A proposed amendment on this issue was subsequently withdrawn when it became clear that there are many other populations with particular characteristics that might be as deserving of preferential treatment in obtaining shelter. The Committee bill instead provides for a sense of the Congress that PHAs should make some efforts to address this need at the local level. However, the language in the Committee's bill regarding this issue should not be construed as a Federal mandate, but rather a matter of local preference.

Income targeting

One of the most difficult issues the Committee faced during development of this public housing reform legislation involve the issue of the level of income targeting appropriate for targeting assistance in public housing. At odds were two very worthwhile goals: (1) encouraging the creation of mixed-income communities that offered healthy environments to residents, and (2) ensuring that the housing needs of our poorest citizens be addressed. A related and contentious issue was whether the final income targeting levels would be applied to the PHA's current profile inventory ("profile targeting") or to new entrants into the inventory ("new entrants targeting"). Profile targeting allows a PHA to diversify its population more quickly by admitting working class families; thereby moving more quickly in the direction of creating mixed-income communities. "New entrants" targeting directs public housing resources at the poorest of the poor—ensuring that these individuals also are given access to Federally-assisted housing resources.

Under the targeting provisions of H.R. 2 as introduced (which were based on profile targeting), 35% of public housing units would

[6] According to HUD's PD & R 1989 report, "Characteristics of HUD-Assisted Renters and Their Units in 1989, among families that participated in assisted housing programs in 1989, public housing residents had the lowest median household income. Only 35 percent of public housing residents reported their primary source of income was from wages/salaries. Meanwhile, almost 50 percent of residents reported that they received their primary income from welfare, Supplemental Security Income, and/or food stamps.

be occupied by those at or below 30% of area median income. For the choice-based program, the level would be 40%. Concerns were raised with using profile targeting because most PHAs already exceed these targeting levels. Consequently, many PHAs would not be required to admit those families under 30% of area median income for a significant period of time. Housing assistance would possibly be denied to the poorest families since PHAs would be moving to create mixed-income communities. Simply applying these same targeting levels to new entrants, however, was itself problematic because it would severely restrict PHAs from creating mixed-income, healthy and stable communities.

During markup of H.R. 2, Mr. Lazio, Chairman of the Subcommittee on Housing and Community Opportunity, offered a Manager's Amendment which provided a compromise on the income-targeting issue that addressed both the Committee's desire to create mixed-income communities while at the same time ensuring that the poorest are not excluded from admittance to public housing for what could have been several years. At the request of Mr. Kennedy, Ranking Member of the Subcommittee on Housing and Community Opportunity, this provision was removed from the Manager's Amendment and offered as a freestanding amendment by Mr. Lazio so that it could be debated in the context of income targeting. Mr. Lazio's amendment to H.R. 2 addressed the "profile targeting" vs. "new entrants" issue by establishing fungible targeting requirements between the public housing and choice-based programs and applying targeting levels to new entrants. This "fungibility feature" is added as a subparagraph 3 to Section 222(c) of H.R. 2.

Under current law and under the provisions of H.R.2 as introduced, distinct income targeting requirements are established for the choice-based and public housing programs. Mr. Lazio's amendment, by inserting a fungibility feature between both programs, allows a PHA to offset the targeting requirements on new entrants in its public housing stock with increased voluntary targeting in the choice-based program. For example, under H.R. 2 as amended by Mr. Lazio's fungibility feature, a PHA that in a given year has 100 units of public housing available for occupancy must offer 35 of those units (35% being H.R. 2's public housing targeting levels) to families with incomes at or below 30% of area median income. The same PHA must offer 40% of its available choice-based assistance to those at or below this level of income. However, because these targeting requirements are now fungible, a PHA can reduce the number of public housing units that it must make available to those at or below 30% of area median income by offering them choice based assistance that is additional to the choice-based assistance (40%) targeted to this group. In the example of the PHA with 100 units available for occupancy, therefore, the PHA can meet its targeting requirements by either (1) making 35 units available to families at or below 30% of area median income or (2) providing these 35 families with choice-based assistance (above the level of targeting for choice-based) and offering all 100 public housing units to families above this level of income so as to promote mixed-income developments.

Obviously, the PHA could meet its targeting levels using combinations between these two options, but the important point to note is that the same number of very poor families would have received housing assistance under either scenario. Because choice-based housing assistance is not as subject to the same concerns regarding excessive overconcentration of poverty that public housing assistance creates, PHAs should be given the flexibility to offset public housing targeting with higher levels of choice-based targeting. In this manner, a PHA that needs to create mixed-income developments will have increased flexibility to do so, as long as they provide additional resources to the poorest in their choice-based housing programs.

The Committee's bill eliminating Federal preferences and establishing new fungible income targeting requirements would go a long way toward allowing PHAs to create healthy and stable communities. These communities provide role models and a neighborhood infrastructure that enables residents to move into employment and self-sufficiency. Unemployed families in mixed-income developments can see working families as role models; the presence of working families promotes the development of needed economic and community institutions—schools, stores, churches, that comprise the social capital of a community. Without the changes in Federal housing policy found in H.R. 2, the Committee believes that another generation of our young citizens may be trapped without exposure to the proper role models, or access to the opportunities that may exist for them in their community's economic mainstream.

E. Providing local flexibility and encouraging innovation

Flexibility and decontrol for PHAs

Historically, housing authorities have been responsible for carrying out Federal public and assisted housing programs with little interaction in broader community development activities. Today, public housing policy is shaped and controlled almost exclusively by the Federal government. PHAs do not control the mix of tenants they admit because HUD regulations dictate admission preferences. Moreover, the chasm between housing authorities, the local government and the community has increased the isolation of the public housing residents themselves, and has sometimes hampered the ability of housing authorities to obtain other much-needed services for public housing residents. The Committee believes that the enactment of welfare reform and budget reductions make it increasingly necessary for local governments, the PHA, and community residents to work together using available resources to make public housing a viable part of the broader community.

In addition, the Committee believes that too many narrowly focused programs with so many set-asides result in local communities having great difficulty allocating Federal resources to respond to specific needs. In turn, limited Federal assistance for housing programs is diluted among too many programs, with the programs that provide real housing assistance receiving too little attention and funding. The HUD Inspector General's report listed 92 programs whose relationships to the Department's primary mis-

sion were questionable. Further refinement of the Inspector General's analysis by GAO showed that 27 programs from the IG's list of 92 did not provide direct housing assistance though they received $1 billion in Federal funds during 1995.

The Committee believes Federal deregulation coupled with increased accountability are the keys to transforming public housing into a viable resource for low-income families into the next century. Each year PHAs must submit volumes of data to HUD so that HUD can monitor their financial and management performance, despite the fact that the majority of PHAs are adequate performers. Deregulation involves letting PHAs manage their programs and report to HUD only when necessary. Accountability requires PHAs to achieve results, managing their housing inventory in a manner that is fiscally prudent and that provides clean, safe and healthy homes.

The Committee envisions an administrative apparatus for public housing that is leaner, simpler, and more sensible. HUD will go from issuing subsidy or grant payments for many programs—operating subsidies, modernization, drug elimination, resident programs, demolition/disposition, development, and resident initiatives, and others—to issuing just two forms of block grants. Instead of reviewing each PHA's operating budget, modernization plans, and other management-related paperwork annually during the PHMAP process, HUD will put more focus on PHAs who are found to be troubled and/or whose plans do not adequately serve the jurisdictions low-income population. At the same time, PHAs will be transformed from entities administering a program shaped, funded, and regulated by the Federal government, to entrepreneurial bodies acting as asset managers in a way that meets generally accepted professional standards.

Flexibility for small public housing authorities

The Committee approved an amendment that provides state governments with the option to request that 50% of the capital funds for all small PHAs within the state be directed to the state for distribution to those PHAs. Too often, small PHAs are frequently unable to develop reserves to meet the high costs of significant and/or capital improvements. The Committee bill establishes a procedure whereby these small PHAs may compete on a local level for much needed capital improvement funds. Specifically, a Governor may request, and HUD shall provide, that one-half of the capital improvement allocations under the public housing block grants for all small PHAs (defined as those under 100 units) located in that state be sent directly to the state. The Governor will than have the responsibility, subject to applicable state appropriation laws, to distribute all of the funds to the small PHAs, with priority given to exceptional capital improvement needs of these small PHAs. The Committee believes that this option will further empower local elected officials to better meet the needs of residents of small public housing authorities.

Flexibility for communities: The home rule flexible grant option

The Committee believes that the Federal government should rely more on the ingenuity and commitment of local elected and community leaders in developing solutions to the problems faced by our cities. The notion that Washington knows best in all matters has led to many of the problems that have arisen with our policies, such as Federal mandates and strict rent-income ratios. A major goal of H.R. 2 is to establish into law a mechanism that would encourage local communities to integrate their resources and coordinate these resources at the local level, in a concerted effort to meet the housing needs of their citizens. A balance must be achieved between the need to grant localities great flexibility while maintaining the Federal commitment to housing and ensuring that taxpayer dollars are used as effectively as possible for the purposes intended.

In order to accomplish these goals, the Committee's bill establishes a voluntary mechanism for local jurisdictions to develop their own housing programs as alternatives to the Federal assisted housing programs, subject of course to HUD approval. Title IV of H.R 2 establishes the Home Rule Flexibility Grant Option, which requires that HUD provide local government leaders the option to combine Federal housing assistance funds into a flexible seamless grant for use in meeting the housing needs of their communities. The funds must be used by these communities for purposes of providing housing for low-income families. For jurisdictions wishing to participate, there is required a submission to HUD of locally-developed proposals for using current Federal funds in more effective and meaningful ways to meet a community's needs. Upon HUD approval, local governments are given the administrative flexibility from Federal rules and regulations that is needed to make their programs work at the local level. In order to encourage innovation, jurisdictions that create alternative programs under Title IV are guaranteed the same level of funding that would have been provided under their original categorical HUD programs.

As Mayor Goldsmith of Indianapolis said in his testimony before the Subcommittee on Housing and Community Opportunity:

> I think the Home Rule option provides an opportunity for local government to respond to the triple challenges of welfare reform, expiring HUD subsidies and failed public housing. * * * Cities, PHAs, and the Federal government must respond to these issues in a holistic manner. Public housing does not exist in a vacuum. Title [IV] provides an opportunity to use the available resources to develop a program that responds to local needs and conditions.[7]

The Committee would like to emphasize the voluntary and cooperative approach envisioned by this legislation. Only local leaders who truly want to institute what they consider innovative or improved methods of solving their communities' housing problems need apply. For those who are satisfied with how Federal housing programs are working in their particular communities, or who do not believe they would have the capability to accomplish more than

[7] Testimony before the Subcommittee on Housing and Community Opportunity, March 11, 1997.

the Federal programs, the Federal low-income housing programs will continue to provide assistance to low-income persons in their communities with no adverse funding consequences.

The Committee believes that accountability in programs will be increased. Localities will enter performance agreement contracts with HUD, not to exceed five years, with specific, measurable goals. Focus is shifted from compliance with burdensome Federal rules concerned with process, to the achievement of mutually-agreed upon results.

Substantial additions and revisions were made to Title IV in response to concerns raised by the PHA industry, and the Committee believes these comments have added to and improved the concept. Delineated in the statute are specific requirements that the Secretary of HUD must review, prior to the Secretary approving any local plan. Included among these many protections are requirements that information be provided by the local jurisdiction enabling the Secretary to determine that (1) the jurisdiction has the requisite management and administrative capacity to carry out the plan; (2) that the jurisdiction's plan does not lead to excessive duplication of administrative efforts; (3) that the plan contains information demonstrating the functions and activities of the local public housing agency; and (4) that these housing funds remain separate from other city funds to ensure they are used for the purposes intended.

Further provisions added to H.R. 2 provide that local public housing authorities have adequate opportunity to comment on alternative housing plans submitted to HUD. In addition, where jurisdictional concerns regarding funding may arise, all localities must consent to the plan. Because of their very different situations, H.R.2 also allows the Secretary to establish different requirements in the case of troubled PHAs.

The Committee believes that this is the type of government structure that could lead to real reform and solutions to many of the problems facing our communities. As Secretary Cuomo stated, "the object of our efforts must be the development of self-sufficiency, not the perpetuation of programs."[8] H.R. 2 establishes into law a mechanism for encouraging innovation and fostering greater coordination of resources at the local level. The Committee does not intend by this Title to supplant PHAs or end the good work that well-run authorities accomplish. In fact, clarification is provided that nothing in Title IV requires that a city takeover or require a change in the legal status of the PHA under its jurisdiction. Quite the contrary, the Committee envisions local forces, including the PHA, joining in an effort to accomplish the goals of moving people from dependency to self-sufficiency, of creating more stable, healthier communities, without the unnecessary and overly-bureaucratic interference from agencies at the Federal level.

In order to attack the severe isolation of many of public housing developments and bring residents into the economic mainstream of the greater communities, it is imperative that local leaders take an interest in these developments rather than treating them as Fed-

[8] Testimony given at confirmation hearing before the Senate Banking Committee, January 23, 1997.

eral enclaves within their cities. The Committee believes that this level of increased commitment to developing innovative and interrelated programs—which could involve a commitment by a jurisdiction of its own scarce resources to attacking these problems, is unlikely to occur unless we allow the flexibility to fashion and administer a program that works at the local level. Based on testimony heard and the experience of Members of this Committee, local governments are hesitant to commit time or resources to these various problems because of the belief that the Federal government, through its uniform polices and through HUD, will undermine their success.

The Committee believes that only when many cities and PHAs experiment at the local level will we begin to develop workable models for ending the problems of public housing. To this end, Title IV has been drafted so as not to be overly prescriptive so that innovation can occur. In developing procedures for implementation of Title IV, it is the intent of this Committee that HUD not be prescriptive so as to frustrate its overall intent. It is the Committee's view that HUD should not only be in the role of assuring that overall Federal goals are achieved, but also be in a consultant role, helpful to localities in developing plans that address their needs adequately.

F. Evaluation and monitoring of PHA performance

The Committee notes that HUD has in the past been unable to properly evaluate the performance of program participants, including PHAs. Much of this can be attributed to the management problems endemic to HUD. According to Susan Gaffney, Inspector General of HUD, in testimony given before the Subcommittee on Housing and Community Opportunity on March 11, 1997:

> HUD does not have a very good track record when it comes to managing its programs. It has failed dismally in some cases. In fact, in 1994, the General Accounting Office (GAO) designated HUD as a "high-risk" area, the first cabinet level agency to be so designated by GAO. In subsequent testimony before Congress, GAO stated that HUD programs would continue to be at high risk in the foreseeable future.

In 1990, the Congress enacted the Public Housing Management Assessment Program (PHMAP) so that HUD could measure PHA performance in nine basic areas of their operations. The PHMAP data, collected annually by HUD, was supposed to differentiate between those PHAs that worked well ("standard" or "high" performers) and those that needed significant management improvements ("troubled" PHAs). Those PHAs that HUD determined to be troubled were subjected to closer scrutiny by HUD, often receiving technical assistance and monitoring intended to raise their scores to non-troubled status. Developments with serious and extreme social and structural problems were deemed "severely distressed" and became eligible for HOPE VI grants of up to $50 million to rehabilitate no more than 500 housing units.

Whether due to the inherent structure or design of PHMAP, management failures on the part of HUD Headquarters and Field

staff in its execution when conducting evaluations of PHAs, or perhaps due to both, this Committee is unconvinced that, in and of itself, PHMAP is an adequate tool for monitoring PHAs.

The Committee believes the PHMAP system rewards failure. The most significant attention, assistance, and additional funding a PHA can get often comes only when its condition has deteriorated to the point of being troubled or severely distressed. For example, a PHA executive director testified before this Committee that when his authority was designated as a high performer under PHMAP, he received a letter of commendation from the HUD Secretary, while a nearby, long-troubled authority was awarded a $49 million HOPE VI grant to rehabilitate its most distressed properties. Furthermore, evidence exists that the PHMAP does not encourage PHAs to engage in continuous improvement (that is, beyond what it takes them to avoid the "troubled" designation). To make things worse, high performing PHAs are subjected to the same rules, regulations, paperwork, and other reporting requirements applied to standard and poor performers.

PHMAP has also been criticized because its indicators do not measure the actual quality of housing or the living conditions provided to residents. The HUD Inspector General testified before the Subcommittee on Housing and Community Opportunity on March 11, 1997, that:

> The problem with PHMAP is that it's an incomplete system. It does not provide an all-inclusive and encompassing view of a housing authority's operations, and it's somewhat process-oriented. So what can happen under PHMAP is that a housing authority can receive a standard (or even high-performing) rating under PHMAP, yet its tenants may be residing in less than decent or deteriorating housing. The most important responsibility of housing authorities is to ensure that their residents are provided with safe and decent living conditions; yet PHMAP fails to measure the performance of housing authorities in this regard.

Furthermore, PHMAP has been criticized as being too inflexible, leaving PHA executive directors feeling that it is necessary to adapt external standards to their individual, unique operating conditions. Though HUD continues to attempt to revise the PHMAP indicators to more closely parallel private sector real estate management practices, it is the fear of this Committee that PHMAP will remain a tool with which HUD measures compliance rather than performance or improvement.

H.R. 2406, the predecessor to H.R. 2, sought to change dramatically the way oversight of public housing is conducted by establishing a system of accreditation, similar in concept to those in place for hospitals and universities, intended to reward performance and to improve public housing management. Accreditation would both eliminate the specific problems with PHMAP and would, this Committee believed, served as a better tool for fostering and providing incentives for continuous improvement in public housing management. H.R. 2406 called for the establishment of a Housing Foundation and Accreditation Board, consisting of housing and real estate management professionals who were to develop standards, evaluate

PHA performance, and provide sound technical assistance so that all PHAs could work to improve their performance.

HUD expressed concerns that establishment of an accreditation board would simply create another oversight bureaucracy outside of HUD. In contrast to H.R. 2406, H.R.2 establishes an accreditation board but does not grant it powers to begin pending completion of a study of alternative methods for evaluating the performance of PHAs. The Committee would hope that the National Academy of Public Administration conduct the study. The accreditation board is established in advance of the study for two reasons. First, the Committee believes that some form of future accreditation will benefit the public housing program. An accreditation system will develop professional standards, and provide an objective and a nonpolitical assessment of how well a PHA meets those standards. Second, the Committee would like a structure in place to implement the findings of the study. If such study concludes that an accreditation system would be unwise for the public housing program, then Congress will be in a position to either change the focus of the accreditation board in accordance with the study's findings, or simply eliminate the Board.

The Committee bill seeks to transform HUD's oversight from a bureaucratic, paperwork-heavy system focused on compliance with HUD rules and regulations into one that identifies areas where good performers can improve, and offers technical assistance to foster continuous improvement among all PHAs. Under the provisions of H.R. 2, HUD will set broad parameters within which PHAs will operate, monitor PHAs to see that they stay within those parameters, provide flexible block grants for PHAs, and address aggressively the small minority of PHAs that prove to be troubled or are at risk of becoming troubled. These new approaches will give local programs the best chance of achieving their goals. In addition, reassigning responsibilities in this manner will reduce the demands on HUD's bureaucracy. HUD will not be required to be heavily involved in day-to-day details of PHA operations. By emphasizing local development and management of operating policies and consolidation of numerous subsidy programs into two block grants for operating costs and capital costs, the bill minimizes the need for Federal bureaucracy and its administrative requirements.

In terms of increasing the power the Secretary has in addressing PHAs that have clearly failed, the Committee's bill (1) requires that HUD take over or replace the management of chronically troubled housing authorities (those large authorities that have been troubled for three or more consecutive years) or petition to appoint a receiver; (2) substantially broadens the authority of the Secretary to require remedial or disciplinary actions against PHAs that are or become troubled; and (3) gives the Secretary authority to take action when HUD determines a PHA is at risk of becoming troubled.

G. Opportunities for residents

Homeownership opportunities

One of the Committee's continued goals is to encourage homeownership by as many American families as possible. Over the past

12 years HUD has had extensive experience with public housing homeownership. H.R. 2 builds on that experience and is designed to encourage development of a wide variety of approaches to the sale of public housing to residents. The Committee's bill gives PHAs the authority to create and implement resident homeownership programs to encourage public housing families and families eligible for public housing to become owners of their own homes by purchasing existing public housing units and other housing projects available for purchase by low-income families. H.R. 2 allows PHAs to sell public housing authorities to non-profit intermediaries, for eventual resale to low-income residents.

The Committee's belief is that creative solutions to various issues associated with these resident sales can best be developed at the local level, by people most familiar with the particular situations. Therefore, the Committee bill sets forth certain basic requirements which all applicants must meet; the bill leaves most issues open to local solution. In particular, each family is required to provide not less than 1 percent of the purchase price from its own resources as a downpayment. However, a family is permitted to use grant amounts, gifts from relatives, contributions from private sources, and similar amounts as downpayment amounts. The provision also allows the authority to recapture funds from the resale of dwellings bought by a purchaser with government assistance. Purchasers who sell a dwelling after purchase are required to refund any financial gain in excess of the original purchase price they received from the sale of the property. After five years, homeowners must provide a refund for the assistance they received from the local authority.

Importantly, H.R. 2 provides a new avenue for helping low-income families achieve homeownership—allowing the use of choice-based assistance in homeownership programs. The Committee believes that it is simply wise policy to allow a person receiving an amount of Federal money to use for rent, to use that same amount as a component of a mortgage in a properly structured homeownership program.

The hope and intent of this Committee that PHAs will use the flexibility provided by this bill to create diverse homeownership programs designed to allow families to have a stake in their neighborhoods. Lease-purchase programs involving both public housing and choice-based housing, partnerships with local groups involved in homeownership, and other such proactive solutions are strongly encouraged.

Resident Opportunity Program

To further emphasize the goal of creating opportunities for residents, the Committee bill includes a Resident Opportunity Program. This provision builds upon the current Resident Management Technical Assistance and Training Program that funds resident councils, organizing efforts among public housing residents, and Resident Management Councils. As a means of improving existing living conditions in public housing developments, this program provides increased flexibility for developments that are managed by residents by permitting the retention of, and use for, certain purposes, any revenues exceeding operating and project costs.

The Committee intends that residents should be rewarded for their successes by further investing excess operating income for project purposes, including job creation.

The program is intended to build the capacity of public housing residents to participate in their own self-sufficiency and economic improvement through the organization of residents and resident councils, and is meant to broaden opportunities for public housing residents to teach job skills and widen employment opportunities, including their own small businesses.

However, the Committee is concerned with the potential waste of scarce public housing resources on questionable resident training activities and travel expenditures funded through HUD's Tenant Opportunity Program (TOP).[9] Nevertheless, the Committee is aware of numerous successful resident-managed public housing developments throughout the country. Recognizing these successes, the Committee maintains the Resident Opportunity Program as a separate program for fiscal year 1998. However, it is the Committee's intent that after fiscal year 1998, the Resident Opportunity Program become integrated with the public housing block grant authorized in Section 201. The Committee notes that Section 203 includes resident management activities as an eligible purpose of block grant funds. The program is authorized at $15 million for fiscal year 1998.

H. Troubled public housing and severely distressed developments

Troubled public housing authorities, especially large authorities, have persistently plagued HUD's public housing program. The less than 70 truly poor performing PHAs give the rest of the 3,400 housing authorities a bad reputation. Eleven of the largest housing authorities (those with 1,250 units or more) operate most of the distressed, dilapidated, and boarded up housing stock. In fact, these 11 troubled housing authorities make up approximately 200,000 units of public housing, or almost 15% of the entire public housing inventory. These 11 troubled housing authorities, many have been troubled since 1979 when HUD began keeping track of such performance. Because of the excessive cost and poor housing services associated with troubled authorities, the Committee and the Administration believe it is crucial to develop a strategy to address effectively incorrigible PHAs.

A condition that contributes significantly to a troubled authority's problems is a high vacancy rate. Although public housing vacancies nationwide average approximately 8 percent (approximately 100,000 units), the GAO reported that 27 large housing authorities account for about half of the vacant units, implying that vacancies tend to be concentrated in relatively few places. Furthermore, vacancies generally are not evenly distributed within specific housing authorities. GAO reported that at 41 housing authorities managing 70 developments with vacancy rates exceeding

[9] On November 9, 1995, the House Subcommittee on Human Resources and Intergovernmental Relations examined evidence that HUD approved TOP funds for a public housing tenant convention in a Puerto Rico resort hotel and casino billed by its sponsors as "a vacation that will be unforgettable." Evidence exists that several programs were clearly political in nature. The TOP Notice of Funding Availability clearly states in the list of eligible and ineligible activities that the TOP grant may not be used for entertainment or lobbying purposes.

70 percent, 57 of the 70 developments contained almost 1200 buildings that were completely vacant.

However, if these or other housing authorities try to demolish or sell off any of their vacant or uninhabitable buildings, without permanent public housing reform, under current law they must replace the housing units on a one-for-one basis with new or other viable housing or provide equivalent rental assistance to the tenants (this requirement has been temporarily repealed on a year-to-year basis through appropriations measures since the 1995 rescission bill). Lack of money is not the only problem. When a PHA plans to demolish or dispose of deteriorated public housing, Federal regulations require HUD approval of both the PHAs application for demolition or disposition and its plan to replace the housing. Extensive documentation and plans must be included with any such application. The approval process is lengthy and in the past has sometimes taken years.

Coupled with the one-for-one replacement rule are site and neighborhood standards, designed to ensure that minority and low-income families are provided with housing opportunities outside of housing market areas to which they have been traditionally limited. According to HUD regulations, proposed sites where public housing developments will be constructed or rehabilitated must meet strict standards. These standards present huge barriers to providing decent housing. PHAs in cities with large proportions of minority groups are effectively precluded from building new housing. PHAs in other cities cannot build because of the high cost of acquiring land that meets the standards and does not pose undue difficulties in reaching agreements with existing community groups about locating assisted persons in their neighborhoods.

In combination, these two provisions contribute to the continuation of severely distressed sites as well as to financial waste.

> The U.S. is losing millions of dollars by subsidizing vacant units in large public housing authorities because the buildings can't legally be torn down. In Philadelphia, * * * the U.S. has paid $7.9 million to maintain largely vacant units in a complex of eight buildings. In another project in that city, the debate over what to do about two vacant high-rises containing 448 units has lasted for 18 years. In Cleveland, the U.S. has paid $47 million in the last seven years to maintain vacant units, which the housing authority was losing $2.4 million a year that would have come from renting the units * * *[10]

Section 18 of the USHA of 1937, better known as the one-for-one replacement rule is an underlying cause of excessive vacancy rates. As GAO has reported, significant problems of retaining obsolete public housing are excessive operating costs and the crime and vandalism associated with vacant public housing. To substantiate these findings, HUD's Inspector General has concluded that the one-for-one requirement, along with national site and neighborhood standards that purports to protect against over-concentrations of

[10] The Wall Street Journal, p. A2, March 22, 1994.

low-income people, is responsible for the increase in vacancy rates from 5.8 percent in 1985 to today's eight percent.

Of even greater concern to the Committee, however, are the number of families that have no choice but to live under these deplorable conditions. It is inconceivable that the Federal government subsidize properties that are nothing more than slums. However, the costs to rehabilitate these properties to a point where they are safe and healthy are astronomical. In fact, a study conducted for the National Commission on Severely Distressed Public Housing stated that the backlog of modernization needs was as high as $28 billion. Some of this need can be eliminated simply by demolishing and/or selling obsolete developments.

Therefore, the Committee's bill eliminates the one-for-one replacement statute and allows PHAs to rebuild housing on existing public housing sites. Consequently, Federal funds are saved because housing authorities can begin to use finite modernization dollars to maintain viable buildings and systems rather than propping up hundreds of obsolete buildings. To the extent that high vacancies have a negative effect on the performance of many large urban housing authorities, these authorities are no longer required to maintain developments that are not cost-effective and, in fact, are draining the authorities of precious resources.

Demolition, however, cannot be accomplished indiscriminately. PHAs must prove the demolition is in accordance with the local housing management plan for the authority, discussed in Section 106 of the bill. Capricious demolition, demolition for purposes of gentrification, or demolition otherwise inconsistent with a housing authority's long-range goals, is considered unlawful under this bill.

Second, a PHA may demolish or dispose of public housing only if it satisfies one of a number of criteria which, if met, ensures that the action is necessary either to protect the residents' well-being and interests, conserve the housing authority's resources, or rid the authority of housing that is obsolete or cannot be rehabilitated cost-effectively.

These changes, in conjunction with other regulatory relief, will enable the industry to resolve the problems of funding, occupancy, maintenance, and crime before they strangle the provision of housing assistance. Housing authorities must have the authority to eliminate their most costly and distressed stock.

Finally, the Federal government must be provided an effective means of identifying chronically poor performers and denying them funding if they cannot improve their performance. In its Reinvention Blueprint, HUD requested significant new powers to handle chronically troubled PHAs. While H. R. 2 authorizes these powers, the legislation also provides significant new sanctions that HUD can invoke against those authorities that are not managing their properties appropriately. One of the most significant of these sanctions is the provision of authority to withhold Community Development Block Grant (CDBG) funds from a city government or entitlement community if that entity has substantially contributed to the troubled status of the authority.

By the clear language of the statute, the Committee does not expect this sanction to be used indiscriminately nor is it meant to subsidize the level of a PHAs block grant. However, the Committee

does intend that the Secretary consider wielding, and in appropriate cases imposing, this sanction against those entities that contribute substantially to the troubled status of a housing authority. The Committee does intend that it be clear that it is the unit of general local government that is to be the subject of the sanction, and not the community itself. The Committee intends that in cases where the Secretary imposes the sanction, CDBG funds are redirected through an alternative entity, such as a local non-profit organization or other similar agency, for the administration of funds to the community. Also, this provision is not intended to affect communities which receive CDBG funds through the county in which they are located if those communities have not contributed to the conditions at any troubled housing authorities in the county. The Secretary shall ensure that a process exists whereby communities located in a county subject to CDBG sanctions under this section may petition for continued use of CDBG funds.

Obviously, the Secretary must weigh the circumstances of each case before levying this sanction and using it to penalize bad actors. For example, evidence has been presented to this Committee that some localities did not provide adequate city services to public housing developments. Other evidence shows that promised sites did not materialize because of disagreements between the city and the PHA. These actions exacerbate the problems of a troubled authority and are unacceptable.

Finally, H. R. 2 mandates that HUD either "takeover" or contract out the management of any housing authority that has been troubled for three years or more. The Committee is pleased that recently HUD has been far more aggressive in beginning to overhaul those PHAs that are systemically troubled. Historically, however, HUD has made limited use of the authority it has to take action against troubled authorities. H. R. 2 ensures that HUD act quickly to takeover bad managers.

The legislation also allows HUD to expand the use of private and resident managers, to breakup and decentralize large troubled authorities, and to consolidate small, rural authorities. HUD may utilize competitive bidding in troubled PHAs to lower the costs of management and to stimulate an environment of competition. All of these tools are provided with the expectation that HUD use them aggressively.

The Committee chose to retain a severely distressed public housing program for two more years, that is similar to the HOPE VI Urban Revitalization Demonstration (URD) program. In its 1994 Reinvention Blueprint, HUD acknowledged that these properties contribute to the physical decline of and disinvestment in the surrounding neighborhoods and suggested major reforms to the URD program, including more widespread use of vouchers and neighborhood planning.

Section 262 affirms this concern, and provides housing authorities with far more flexibility and latitude to utilize these grants creatively. Housing authorities are encouraged to identify severely distressed properties and demolish them as quickly as possible. Displaced families may be provided with voucher assistance and the housing authority may choose whether to rebuild the property by entering into new partnerships with the private sector and local

governments. If the choice is to rebuild, PHAs must show their commitment to the redevelopment by matching the revitalization grant from HUD with an amount of no less than 5%. It is the hope of this Committee, that these reforms to the URD program will produce a healthy urban landscape and promote economic opportunities.

I. Deterring crime in public housing

Added protection against drug and alcohol abusers

Since the 1980s, public housing has become the "housing of last resort," housing the nation's very poor along with the disenfranchised. Most residents are law-abiding citizens attempting to live peacefully and seeking a healthy community life. However, increasing crime has made it extremely difficult for families in public housing to create a normal environment within which to raise their children or to live peacefully on fixed incomes. Although exact statistics are not available, according to HUD's Office of Public and Indian Housing, in many communities, public housing accounts for less than five or ten percent of the local population, but more than twice the share of the locality's crime occurs in and around public housing. Residents of public housing, whether they are young families or elderly people, find themselves victims of crimes that are frequently committed by persons abusing alcohol or drugs. Crime persists as our nation's dominant fear, and because of the increase in the crime rate in public housing, due to increases in alcohol and drug abuse, particularly crack cocaine abuse, the Committee's bill curtails the admission of drug and alcohol abusers to public housing and choice-based housing.

While crime in the most severely distressed developments makes the most lurid news, no public housing development is immune from the problems arising from alcohol and drug abuse. According to a 1988 NAHRO survey, 55 percent of public housing authorities said that they had a drug or alcohol problem. The problem was especially prevalent among the largest authorities—77 percent reported drug and alcohol problems. Forty-five percent of small PHAs reported such problems. Although this survey has not been updated, the Committee believes conditions have worsened since 1988. Public housing residents, who themselves are in need of social and support services, tend to be more vulnerable to the activities of gangs, drug dealers, and other negative elements.

Clearly, drug and alcohol-related crime has not only a profound destabilizing influence on the residents, but it also takes a toll on public housing property. Substance abusers violate the rights of other persons, intimidate them, damage property, and create the need for costly maintenance. In turn, deteriorated and dilapidated property attracts substance abusers, who occupy the property or operate their drug business from it. This behavior exacts an extraordinary physical cost in terms of increases in permanently abandoned projects, additional personnel, and greatly expanded investment in substance abuse counseling and education. Caught within this web are the victims—the public housing residents.

The cycle of substance abuse, crime, and property deterioration has escalated dramatically for more than a decade. A 1982 Presi-

dent's Commission on Housing Report does not even mention alcoholism, drug abuse, or crime in its chapter dealing with problems in public housing. Six years later in 1988, the Congress passed the Public Housing Drug Elimination Act as part of the Anti-Drug Abuse Act of 1988 (P.L. 100–690). This act authorized PHAs to evict tenants involved, either directly or indirectly, in any drug-related criminal activity on or near the public housing premises. A year later, the Congress established the National Commission on Severely Distressed Public Housing. In its 1992 report, the National Commission recognized that one of the defining characteristics of severely distressed public housing was serious crime and that crime was more often than not accompanied by drug and alcohol abuse.

The Committee is concerned that these measures, while well-intentioned, have not been sufficient to address the crime in public housing. Therefore, provisions of this legislation make it easier for PHAs to evict persons with drug or alcohol-related problems. Certain clarifying changes were made to the language at the request of Mr. Watt, but the intent of Section 642 remains to protect the majority of public housing residents—those law-abiding families and individuals seeking affordable homes that are safe, clean, and healthy—from being subjected to substance abusers.

This Committee bill allows PHAs to establish standards for occupancy in both the public housing and choice-based rental assistance programs that prohibit admission by any person that is either currently illegally using a controlled substance or whose history of drug or alcohol abuse provides reasonable cause for the authority to believe that occupancy by such person may interfere with the health, safety, or right to peaceful habitation by other residents. With this provision, the Committee also recognizes that the successfully rehabilitated individual, if eligible, also has a right to residency and may obtain admission to public housing, given proof of successful participation or completion of a supervised drug or alcohol rehabilitation program.

Because PHAs are not experts in the epidemiology of treatment of substance abuse, the Committee recommends they consult with community experts, including but not limited to public health officials, treatment specialists, social/welfare workers, mental health professionals, and safety personnel in developing their occupancy standards. These standards form the basis for determining how and when individuals can be excluded from occupancy based on their history of abuse. It is not the intent of the Committee to punish individuals with successful treatment histories; therefore, the standards should provide for consideration of appropriate treatment protocols, social and family history as well as duration of use.

Designated housing—balancing the need of elderly and disabled

Section 227 of this legislation authorizes designated housing for elderly and disabled families. PHAs may designate specific developments or portions of developments for occupancy by (a) elderly fam-

ilies only, (b) disabled families only, or (c) elderly and disabled families.[11]

Mixing disabled and elderly residents in the same living space has created numerous problems. Many elderly residents who anticipated a quiet, all-elderly environment are frightened and disturbed by younger residents who tend to have different lifestyles. Conversely, young disabled people in these elderly developments complain that their elderly neighbors treat them with suspicion and resentment.

In 1992, the GAO reported that 31 percent of non-elderly persons with mental disabilities caused moderate or serious problems to their elderly neighbors, including threatening them and having disruptive visitors. GAO also found that alcohol abuse among the non-elderly disabled people living in elderly developments was a significant problem for 20 percent of all PHAs and 40 percent of all large PHAs.

In response to these findings and other complaints, the Congress rewrote the laws regarding mixed populations in Title VI of the Housing and Community Development Act of 1992 (HCDA of 1992) [P.L. 102–550]. Under Title VI, PHAs and Federally assisted apartment owners could designate certain buildings as "elderly only" if the owners implemented a plan to provide alternative housing for those non-elderly residents who were eligible for Federally assisted housing and met the eligibility requirements of the Americans With Disabilities Act. That legislation, however, was very clear that current non-elderly residents could not be evicted without cause and that neither PHAs nor landlords could leave units vacant for excessive periods of time while seeking eligible elderly tenants. Title VI further provided that if an elderly tenant could not be found for a vacant unit after a predetermined period of time, then the unit must be filled with the next eligible disabled person on the waiting list.

According to the HUD Inspector General, both the statute and HUD's rules implementing Title VI have proven overly burdensome and complicated for PHAs attempting to receive "elderly only" designations. The Committee believes that Title VI of the HCDA of 1992 is flawed, and proposes that Section 227 rectify that flaw in several important ways. First, Section 227 grants PHAs greater flexibility in designating their developments "elderly-only", thereby allowing their elderly population to live in security and with less fear of crime or other dangers. Second, the provision permits PHAs to fill their designated elderly-only developments with near-elderly families rather than younger people with disabilities, if there are insufficient numbers of elderly families to fill all the units. Finally, the statute prohibits occupancy in designated units by individuals who currently illegally use a controlled substance or who have a history of such use so that the PHA would believe that such a person may interfere with the health, safety, and right to peaceful enjoyment of the premises by other residents. In recognition of the

[11] This provision is virtually identical to Section 10 of Public Law 104–120, "Housing Opportunity Program Extension Act of 1996" except that H.R. 2 clarifies that a PHA must establish that the designation of the project is necessary to either achieve the housing goals for the jurisdiction under the comprehensive housing affordability strategy (CHAS), or meet the housing needs of the low-income population of the jurisdiction. Current law has been interpreted to require that both conditions must be met in order for designation to occur.

desirability in many cases of providing separate housing for the elderly without diminishing the housing resources available to younger disabled people, subsection 306(b) authorizes funding for FY98 for housing authorities to provide housing for the disabled in cases where needed because the authority has designated buildings once available to the disabled as elderly only.

Availability of criminal records

The Committee is keenly aware of the concerns expressed by both PHAs and residents that public housing must provide safe and secure living environments. Therefore, Section 644 preempts State and local law and overrides other Federal laws to enable PHAs to obtain information on the criminal records of applicants for, and residents of, public housing for the purpose of applicant screening, lease enforcement, and eviction. However, access to criminal records for persons under the age of eighteen is prohibited. In addition, another valuable Federal data base—the National Crime Information Center (NCIC)—may be accessed by PHAs. Housing authorities are authorized to pay a reasonable fee for this information. Mr. Castle amended H.R. 2 to ensure that PHAs would have access to state criminal records held by a state registration agency pursuant to the provisions of title XVII of the Violent Crime Control and law Enforcement Act of 1994.

Current regulations (24 CFR Part 860) direct PHAs to avoid admitting families that have the potential to damage the social or financial stability of developments. Police departments are specifically cited in the regulations as sources of information PHAs may contact. Similarly, in 24 CFR Part 966, PHAs are directed to have lease provisions that make criminal activity grounds for eviction.

The Department has advised the Committee that these requirements are difficult to carry out. The problem is that in some localities the police departments are either uncooperative or are barred by State law and local ordinances from providing criminal records. In the State of California, for example, the only persons with access to police records are police departments and then only for law enforcement purposes.

The Committee is also mindful of the need to protect residents and applicants from the unfair actions of PHAs. Therefore, provisions pertaining to confidentiality, penalties, and civil action against the administering agency are included. Importantly, the provision also ensures the confidentiality of the identity of victims of domestic violence who reside in public housing.

Operation safe home

The Committee commends HUD and the Office of Inspector General (OIG) for the success of the Operation Safe Home Program in combating violent crime in public and assisted housing. Section 273 authorizes $20 million for Operation Safe Home from funds made available for COMPAC for fiscal years 1998 and 1999. The funds are to be used for law enforcement purposes to combat violent crime on or near the premises of public and Federally-assisted housing. The Committee bill also clarifies that of the amounts made available for choice-based housing assistance under Title III, the Secretary, in consultation with the Inspector General, shall

make such sums as may be necessary to provide housing assistance pursuant to the relocation of witnesses in connection with efforts to combat crime in public and assisted housing as requested by law enforcement and prosecuting agencies.

The Operation Safe Home strategy for combating crime in public and assisted housing entails: collaboration by the OIG and Federal, state, and local law enforcement agencies in law enforcement efforts targeted at public and assisted housing; collaboration among the OIG, law enforcement agencies, public/assisted housing managers, and public/assisted housing residents in devising methods to prevent violent crime; and HUD programmatic initiatives specifically geared to prevent violent crime in public and assisted housing.

Under the aegis of Operation Safe Home, OIG Special Agents were assigned to 129 law enforcement task forces working in operation in public housing throughout the country as of September 30, 1995. Operation Safe Home was a catalyst for formation of 99 of the 129 task forces. As of 1996, Operation Safe Home task force operations resulted in 6,826 persons arrested for crimes involving drugs and weapons, as well as confiscation of 558 weapons (including 100 assault weapons and shotguns), $1,620,158 in cash, and drugs having an estimated street value of at least $2,854,172. Additionally, over 730 search warrants have been served.

The HUD OIG also coordinates a witness relocation program in conjunction with efforts to curb crime in public and assisted housing. The HUD OIG has been instrumental in relocating 168 witnesses/families who were residents of public housing or eligible applicants and feared reprisals from criminals as a result of their testimony or other assistance they provided to law enforcement officials. Over 100 of those families were relocated during the fiscal year ending September 30, 1995.

HUD's witness relocation effort is distinct from any witness "protection" activity administered by the U.S. Marshals Service. The program is limited to relocating the witness-family from the public housing in which they were threatened to other suitable HUD-supported housing. Any physical protection of the witness remains the responsibility of the primary Federal, state or local law enforcement agency investigating the case. Lastly, OIG personnel have worked with local HUD program staff and local housing staffs to improve the safety and security of persons living in public and assisted housing.

Finally, the Committee bill also makes amendments to the Public and Assisted Housing Drug Elimination Act of 1990 by authorizing for FY 1998 through 2002 the Community Partnerships Against Crime Act of 1995. The Committee intends that this authorization is transitional allowing sufficient time for these activities to be integrated into the public housing block grant. The Committee believes that the Department, PHAs, and assisted housing managers utilize the experiences from the Operation Safe Home Program in combating violent crime in public and assisted housing.

J. More efficient rental assistance program (section 8)

Encouraging the private sector to enter the program

The Section 8 certificate and voucher programs are generally regarded as successful. A 1994 study conducted by Abt Associates for HUD concluded that 87 percent of sampled enrollees found housing with their Section 8 assistance.[12] Despite this success, however, the program has been criticized for rules that unnecessarily discourage housing owners from participating. For example, the following facts are taken from a report prepared by Abt Associates for the National Multi Housing Council/National Apartment Association:[13]

> Under the "take one, take all" provision, owners that accepted one assisted household could not refuse to rent to other tenants solely because they received Section 8 assistance.
>
> The portion of the security deposit paid by the assisted family was one month's contribution toward rent (30% of adjusted income) which created little incentive on the part of the renter to maintain the unit.[14] In addition, cumbersome procedures for the reimbursement of damages to the unit sometimes required owners to hold the unit vacant for extended periods of time, causing further loss of rental income.
>
> Owners could not get rid of troublesome tenants by refusing to renew their leases—an otherwise common practice in the private market. Rather, owners had to go through time-consuming eviction procedures.

Accordingly, the Committee bill changes the program in response to the findings of the Abt Associates report, and the "take one, take-all" provision is repealed. In addition, the "endless lease" provisions are repealed. Section 324 of H.R. 2 requires that leases be set forth in standard terms which are typically used in the local housing market area by the owner and apply generally to tenants who are not assisted through the Section 8 program.

The Committee believes that these and other revisions contained in H.R. 2 will eliminate some of the most egregious conditions that have caused owner dissatisfaction with choice-based housing, while retaining needed tenant projection. Furthermore, these changes will encourage other apartment owners to participate in the program, thereby expanding the universe of affordable housing for low-income families.

Eliminating over-regulation

In addition to the changes discussed above, H.R. 2 contains other provisions to reduce over-regulation. For example, the Committee's

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[12] "Section 8 Rental Voucher and Rental Certificate Utilization Study: Final Report," Prepared by Abt Associates, Inc. for HUD (Oct. 1994). "Final Report on Recommendations on Ways to Make the Section 8 Program More Acceptable in the Private Rental Market," Report prepared by Abt Associates, Inc., for the National Multi-Housing Council/National Apartment Association (March 1994).

[13] "Final Report on Recommendations on Ways to Make the Section 8 Program More Acceptable in the Private Rental Market," Report prepared by Abt Associates, Inc., for the National Multi-Housing Council/National Apartment Association (March 1994).

[14] Under Section 8 Conforming Rule of Summer 1995, HUD now allows security deposits to be collected in conformance with local practice.

bill eliminates the requirement that participating housing owners notify the local housing authority 90 days before terminating the lease of an assisted family. This provision may have been necessary when contract terms were for twenty years. However, contracts are now renewed annually, and this provision only serves to frighten residents of these developments.

The bill also streamlines inspection procedures. Under current program rules, before a low-income family with Section 8 assistance can occupy subsidized housing, the unit must be inspected by the local PHA to determine that it meets HUD's housing quality standards. If repairs are needed, the PHA must reinspect the unit. These inspections take time and penalize the low-income family and the housing owner. Under the Committee's bill, a PHA must inspect the unit within 15 days of a submission of a request to the PHA by the resident or owner. The performance of the PHA in meeting the 15-day deadline is to be considered in assessing the performance of the agency.

Finally, the Committee's bill merges the current certificate and housing voucher programs into one choice-based housing program. Under current law, assisted households are treated differently depending on the form of assistance they receive, and housing owners are subject to different requirements for two families if one family has a certificate and the other has a housing voucher. These differences are eliminated by merging the two programs. Although HUD has already acted to conform the requirements of the two programs in its July 1995 rulemaking the provisions in the Committee bill are necessary to complete the reform. Previous attempts to merge the certificate and voucher program have enjoyed the universal support by this Committee, owners and housing agencies, HUD, and GAO.

Choice, portability, and low-income concentration

Portability enables Section 8 recipients to seek housing wherever they wish, without regard to political jurisdictional boundaries or PHA boundaries, thereby promoting wider housing choice. At the same time, however, the Committee is aware of the bookkeeping and administrative burdens produced by portability.

Under current law, PHAs that lose Section 8 renters to another jurisdiction may make assistance payments to support that family in the other jurisdiction if the receiving PHA chooses not to absorb the family into its own program. If the family has moved to a higher rent area, the initial PHA must make up the difference in the rental cost at the expense of its own program. In addition, this billing arrangement generates a billing and accounting paperwork burden for both the losing and the receiving PHA.

Because of reported abuses, in 1992 Congress enacted legislation that somewhat limits portability of assistance. At that time, it was reported that families were "wait-list shopping;" placing their names on waiting lists for Section 8 assistance in areas with short or no waiting lists and obtaining certificates or vouchers from a local PHA, with no intention of living in the PHA's jurisdiction. After receiving assistance, the families immediately leased units in some other area, such as one with a long Section 8 waiting list. This "wait-list shopping" adversely impacted the losing PHA and

created unneeded administrative burdens for both the losing and the receiving PHA.

The Committee's bill provides flexibility for losing and gaining PHAs to deal with portability issues. Assistance is portable on a national scale. A PHA may, for a family applying for assistance that does not at the time of application live in that PHAs jurisdiction, require the family to live in the jurisdiction of the PHA for 12 months after beginning assistance to the family. Families may not receive assistance, however, if they have moved as a result of an eviction due to a lease violation.

Portability may not promote housing choice

The Section 8 certificate and voucher programs were enacted under the premise that assisted households would obtain housing of their choice that met HUD's rent and quality standards. It was hoped that families would not, as is too often the case in public housing, be warehoused in deteriorating developments at-risk for their lives and with little hope for the future. Rather, certificates and vouchers were seen as a means for families to select safe housing, located in neighborhoods that provided positive role models, and allowed increased access to jobs, education, and services.

There is increasing concern, however, that "Section 8 submarkets" are being created.[15] That is, by the programs' very design, assisted households are herded into poorer areas. This situation may occur because, as a general rule, Section 8 assistance has been limited to housing that rents at a level in which 45 percent of an area's rental housing could be obtained. The problem may be exacerbated by the reduction of the fair market rent standard to the 40th percentile in 1995.[16]

For example, HUD's June 1995 study cited above reported that:

> * * * families receiving certificates and vouchers obtain housing in areas that are generally less poor and less segregated than the neighborhoods surrounding conventional public housing projects. This finding, offers the first quantitative evidence that, even in the absence of directed counseling, HUD rental assistance yields a lower concentration of urban poverty than project-based forms of assistance.
>
> Nonetheless, the locational outcomes of recipients mirror the broad pattern of isolation experienced by many low-income and minority households in the private rental market. Despite the expanded housing choice options that their enhanced purchasing power would seem to offer, many Section 8 families continue to live in relatively segregated and economically distressed neighborhoods.

H.R. 2 addresses this issue in two ways. First, Section 353 of the bill provides that each PHA establish a payment standard for Section 8 assistance that is between 80 percent and 120 percent of the "rental indicator" established by HUD (under Section 323) for the

[15] See the previously-cited reports on (1) voucher and certificate utilization and (2) making the Section 8 program more acceptable in the private rental market, as well as another HUD report entitled "Promoting Housing Choice in HUD's Rental Assistance Programs: A Report to Congress" (Apr. 1995).

[16] HUD Fair Market Rents, 1995.

local market area.[17] This provision allows the PHA sufficient flexibility to establish a payment standard that reflects local conditions and is more conducive to providing adequate housing choice.

Second, Section 373 of the bill requires the Secretary to conduct a study of the geographic areas of the State of Illinois served by the Housing Authority of Cook County and the Chicago Housing Authority. The purpose of the study is to address and resolve issues on the adverse impact on local communities due to the geographic concentration of assisted households and ways to deconcentrate assisted households by providing broader housing choice. The report is to be completed not later than 90 days after the enactment of the Act.

Administrative fees for choice-based rental housing

Since 1975, Congress has provided funds to HUD to reimburse PHAs for costs incurring administering the Section 8 tenant-based rental housing assistance programs. This fee is composed of several components: (1) a one-time fee (up to $275) to cover the preliminary expenses involved in getting an assisted household into the Section 8 program (for example, to reimburse the PHA for costs incurred in taking applications, rent reasonableness negotiations with the housing owner, complaint handling, income recertification and unit inspections), (2) ongoing fees to cover costs over time (averaging about 7.6% of the fair-market rent (FMR) for a two-bedroom unit), and (3) for other purposes, such as for the costs to help families that experience difficulty in renting appropriate housing, costs to coordinate services for seniors and disabled families, costs for audits, and for extraordinary costs, as determined necessary by HUD.

The second component of the fee is by far the most significant for PHAs because of its linkage to the FMR and because the other two components of the fee are one-time payments. According to a 1993 HUD report, the average ongoing reimbursement (excluding the preliminary and certain other fees) equaled roughly $44 per unit per month of assistance, with a total national cost of $659 million per year.[18]

There are significant problems associated with setting administrative fees. PHA characteristics, which are different for each PHA, affect cost markedly that may lead to some PHAs being overcompensated and some undercompensated. For example, the number of certificates and vouchers administered by PHAs range from a handful to upwards of tens of thousands. Also, some PHAs serve a single city or county while others serve a multi-county or statewide area. All these factors affect the level of expenses. Determining what constitutes a reasonable payment to the 2,600 PHAs that administer these programs and developing a fee schedule that fairly compensates all of them is a difficult task.

As a first step towards making this determination, Section 305 sets the administrative fee level for FY1998 for PHAs at 7.65% of the base amount using FY 1993 and 1994 FMRs for the first 600

[17] Rental indicators established under H. R. 2 take the place of the current system of HUD-established "fair market rents."

[18] Office of Policy Development and Research, HUD, "Section 8 Administrative Fees: A Report to Congress" (June 1994).

units (for 2-bedroom units), and 7.0% of the base amount for all units in excess of 600. After FY1998, the Secretary is required to establish a fee that reflects changes in wage data or other objectively measurable data that reflects costs of administering the choice-based rental housing assistance program. The Secretary may increase this fee to reflect higher costs of administering small programs and programs operating over larger geographic areas. The Committee bill also provides for an administrative fee for (1) the costs of assisting families that have difficulty in finding appropriate housing, (2) in certain circumstances, a one-time $500 preliminary fee, and (3) amounts to cover extraordinary costs as determined by the Secretary.

K. Designing better indicators of market rents

Rental assistance provided to qualified households is currently limited by fair market rents (FMR) which are nothing more than statistically-determined indicators of appropriate, affordable rent levels for the area. HUD establishes FMRs on an annual basis for different housing market areas by type and size of dwelling units. HUD relies on metropolitan statistical areas and primary metropolitan statistical areas established by the Office of Management and Budget as the housing market on which to base FMRs because of the close correspondence that has typically existed between these areas and housing market areas. The composition of a single jurisdiction can range from a single community to numerous counties spread over several states.

In general, the FMR for an area is the amount needed to pay the gross rent (shelter plus utilities) for modest, decent, safe, and sanitary housing. In setting the FMRs, HUD tries to strike a balance between permitting the assisted households a wide selection of units and neighborhoods, and serving as many households as possible. Specifically, beginning in fiscal year 1996, FMRs were set at the 40th percentile of a defined housing market area's rental housing; that is, the level at which about 40 percent of a market area's rental housing can be obtained. HUD establishes FMRs annually for about 2,700 market areas—over 350 metropolitan areas and nearly 2,400 nonmetropolitan counties. Most recipients of Federally-assisted housing reside in metropolitan areas.

Problems with rent setting standards

Despite its best efforts, HUD's FMRs do not always accurately reflect true market rents for certain areas and submarkets within broadly defined areas. In fact, the description most often made of FMRs is that they are neither fair nor market. Therefore, H.R. 2 has changed the name of FMRs to "rental indicators" in an attempt to reflect their actual purpose. When FMRs are inaccurate—a significant problem in the past—subsidies may be too high for prevailing rents in some submarkets and too low in others.[19]

For example, in areas where either situation exists, a metropolitan area-wide FMR makes less than 40 percent of the housing stock available to assisted households in more expensive submar-

[19] In 1993, over 1,200 market areas appealed HUD's FMRs with the result that more than 600 communities had FMRs adjusted upward to accurately reflect the local market rents.

kets. Conversely, in areas with rents that are below the metropolitan area-wide FMR, assisted households have access to more than 40 percent of the available housing stock in that area. In addition, areas where rents are high and the subsidy is low, assisted families become concentrated in areas that are at the lower end of the market—a situation that has occurred in the past and is inconsistent with the statutory objective of mobility and full access to the market.

Further, within any market area, rents vary because of the units' age, quality of construction and maintenance, location, and differences in amenities. Unless, and perhaps even if, an area were defined as a few square blocks, rent variations would remain and could be significant. Finally, establishing an FMR for smaller areas could be too time-consuming and costly for HUD. GAO recently estimated that the cost of collecting additional data to establish an FMR for an individual public housing agency's jurisdiction could range from $5 million to more than $750 million a year, depending on the level of accuracy and reliability desired.[20]

Establishing variable payment standards

Under the Committee's bill, HUD is responsible for establishing rental indicators that account for the various sizes and types of dwelling units within a given housing market area. PHAs may establish payment standards for their locality between 80 to 120 percent of the rental indicator. This flexibility enables local authorities to set rent ranges that are based on factors like a unit's age, location, amenities, quality of construction and maintenance, and the provision of local public services, such as employment opportunities and transportation—detailed information that HUD does not have access to when establishing the FMR.

Authorities with apartments located in a suburban or rural area may assign a lower payment standard if the comparable rents in the area are below the housing market area's rental indicator. Conversely, the authorities are able to set the payment standard above the rental indicator to meet the rental costs of a high rent market.

L. Other general provisions

Pet ownership

The Committee bill continues to recognize the benefits that pet ownership provides individuals and families and which has been substantiated by scientific studies. Residents of Federally-assisted rental housing are allowed to keep common household pets in their dwelling units, subject to the reasonable requirements of the owner. Those requirements may include the payment by the resident of a nominal fee, and a security "pet" deposit to cover costs associated with the presence of pets. A nominal monthly fee should not exceed $10. Any deposit should be kept in an interest bearing escrow account by the local housing and management authority or the property manager. Deposit moneys only should be used to pay for the reasonable and extraordinary expenses related to the resident/depositor's pet. Remaining deposit money should be returned

[20] Rental Housing: Use of Smaller Market Areas to Set Rent Subsidy Levels Has Drawbacks (GAO/RCED-94-122, June 24, 1994).

to the resident/depositor in a timely fashion once the resident/depositor has vacated the facility or no longer owns a pet.

Additionally, in allowing pets in Federally-assisted rental housing, the Committee recognizes that, at times, it is necessary to accommodate residents whose allergies or other medical conditions are exacerbated by the presence of animals. Such remedies should be appropriate to the needs of the resident(s) and the property, including but not limited to pet free areas, and consistent with the goals of Section 622.

Owners are prohibited from discriminating against persons in connection with admission to or occupancy of Federally-assisted rental housing only because of the presence of common household pets in the dwelling unit of that person.

Review of drug elimination program contracts

Section 623 requires the Secretary to investigate all security contracts of PHAs owning and operating more than 4,500 units and that were awarded by grantees under the Public and Assisted Housing Drug Elimination Act of 1990. In particular, the Committee is concerned with security firms affiliated with the Nation of Islam which have received over $20 million in contracts awarded by HUD. Members of this Committee are concerned about allegations that such firms have benefited from flagrant violations of procurement procedures, engaged in anti-discriminatory hiring practices, and permitted their employees to proselytize while on duty. In spite of requests from Members of this Committee to the Secretary for details on these contracts, and of possible non-compliance with Federal hiring and employment requirements by some firms, HUD has failed to provide this information.

In an effort to obtain information about the contractual relationship between Nation of Islam affiliated firms and HUD, the House Banking Subcommittee on General Oversight and Investigations held a hearing on March 2, 1995. In spite of HUD's repeated assurances that documents would be provided to the Subcommittee, HUD has failed to secure for the Subcommittee documentation of the hiring practices of such firms.

The failure of HUD to uphold its oversight and enforcement responsibilities of the security contracts of PHAs has compelled the Committee to act legislatively. As a result, the Committee bill calls for HUD to provide a thorough accounting of its contractual relationship with security companies, and a requirement that HUD either bring existing public housing security contracts into full compliance with appropriate requirements, or terminate them.

Effect of repeal of USHA of 1937 on PHA payment of outstanding debt and existing contracts

Despite the repeal of the USHA of 1937, the Committee realizes that the financial records of numerous PHAs continue to reflect debt that is held by the Secretary, generally in the form of Advance Notes. The Committee does not intend that such debt obstruct the ability of PHAs to seek other forms of financial assistance from private market sources. Therefore, the Secretary is encouraged to continue to forgive this debt as it comes due.

Furthermore, the legislation should not affect the continuing obligation of the Federal government to make annual contributions, in amounts not exceeding the sum PHAs annually require to pay principal and interest on obligations incurred under the USHA of 1937, and issued with the full faith and credit of the United States. Individuals and institutions holding such instruments should reasonably expect that the United States will continue to honor its obligations.

Section 601(c) makes clear that repealing the USHA of 1937 does not affect any legally binding obligation entered into under such laws, and that any provision of law repealed by the new Act shall continue to govern funds or activities subject to the Act.

Occupancy standards

Section 702 of the Committee bill prohibits the Secretary from establishing a national occupancy standard. Occupancy standards are guidelines set by a housing provider or states on the number of people permitted to live in a housing unit. This section was designed in response to efforts by HUD to require housing providers to house substantially more people than is widely considered appropriate and reasonable. HUD's current guidelines and manuals state that 2 persons per bedroom is generally the occupancy standard for its public and assisted housing programs. During markup of the Committee bill, certain paragraphs from Section 702 (as introduced) that dealt with a default occupancy standard for States without their own provisions were deleted. The Committee is concerned that efforts to change this would result in severe overcrowding in many rental communities, depleting the stock of affordable housing and having a detrimental effect on the quality of life for residents in the housing units.[21]

Excess federal property

Although H.R. 2 as introduced included a section to allow self-help housing programs the same eligibility for surplus Federal property transfers as homeless providers enjoy, the Committee deleted the provision in the managers amendment. The Committee understands that the Committee on Government Reform and Oversight, which has jurisdiction over the "overall economy, efficiency and management of government operations and activities, including Federal procurement" will be considering legislation relevant to excess Federal property in the very near future.

Departmental reorganization

Although H.R. 2 deals with the reforms in public housing, the committee is also concerned with the capacity of HUD to implement public housing and other comprehensive reforms, including community and economic development. In particular, HUD plans to

[21] Section 702 is not intended to annul the continuing effect of the Keating Memorandum, which was and is recognized by Congress in P.L. 104–134 as the appropriate guidance for HUD to use in any enforcement actions with respect to a complaint of discrimination under the Fair Housing Act (42 U.S.C. Sec. 3601 et seq.) on the basis of familial status and which involves an occupancy standard established by a housing provider (the "Keating Memorandum" refers to the March 20, 1991 Memorandum from the General Counsel of the Department of Housing and Urban Development to all regional counsel regarding fair housing enforcement policy in occupancy areas).

reduce overall Department staffing to 7,500 over the next several years. The Committee believes that the Congress should be consulted before implementation of a reorganization plan. The Committee will consult with HUD to provide a consultation process, without the necessity of statutory requirements. Additionally, the Committee is concerned that any staff reorganization consider the primary focus of the Department, including "urban development" and provide a Departmental presence in the largest metropolitan areas, where HUD can facilitate and partner to effectuate economic and community opportunities.

H.R. 2—THE HOUSING OPPORTUNITY AND RESPONSIBILITY ACT OF 1997—AUTHORIZATION OF APPROPRIATIONS

[In millions of dollars]

Programs	Fiscal years—		
	1997 enacted	1998–2002—H.R. 2 [as passed by Committee]	1998 administration budget
Title II—Public Housing:			
Operation Safe Home	[10]	[20]	[20]
Demolition, Site Revitalization, Replacement	550	[1] 500	524
Capital Fund	2,500	2,500	2,500
Operating Fund	2,900	2,900	2,900
Relocation of Victims of Domestic Violence	([2])	([3])	([2])
Title III—Choice-Based Housing:			
Tenant Based Assistance	([2])	1,862	([2])
Ass't for Disabled	[50]	[50]	[50]
Title V—Repealers and Conforming:			
Public Housing Agency Performance Study	([2])	[.5]	([2])
Drug Elimination	290	290	290
Total for FY1998		8,052	

[1] Fiscal years 1998–2000.
[2] Not applicable.
[3] Such sums not more than $.7.

CONSTITUTIONAL AUTHORITY

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the constitutional authority for Congress to enact this legislation is derived from the general welfare clause (Article I, Sec. 8).

HEARINGS

The Subcommittee on Housing and Community Opportunity held three hearings on the "Housing Opportunity and Responsibility Act of 1997."

The first hearing was held on February 25, 1997. Testifying before the Subcommittee were: Dr. Ira Harkavy, Executive Director, Center for Community Partnerships at the University of Pennsylvania; Mr. David Kuo, Executive Director of American Compass in Washington, D.C.; Mr. Abdur Rahman Farrakhan, Executive Director of the Oceanhill Brownsville Tenants Association in Brooklyn, New York; and, Mr. Howard Husock, Executive Director of the Case Program at the John F. Kennedy School of Government, Harvard University.

The second hearing was held on March 6, 1997. Testifying before the Subcommittee were: Secretary Andrew Cuomo, Department of Housing and Urban Development; Mr. John Hiscox, Executive Director of the Macon (Georgia) Housing Authority on behalf of the Public Housing Authorities Directors Association; Mr. Rick Gentry, President of the National Association of Housing and Redevelopment Officials; Ms. Sunia Zaterman, Executive Director of the Council of Large Public Housing Authorities; Mr. Harold Sole, Director of Leased Housing, New York City Housing Authority, on behalf of National Leased Housing Association; Mr. Jack Murray, Managing Director of Insignia Residential Group, on behalf of the National Multi-Housing Council; Mr. Benson Roberts, Vice-President for Policy of the Local Initiatives Support Corporation in Washington, D.C.; Mr. Bob Moore, President of the Development Corporation of Columbia Heights in Washington, D.C.; Ms. Paulette Turner, President of the Massachusetts Union of Public Housing Tenants; Ms. Mary Rone, President of the New Jersey Association of Public and Assisted Housing Residents; Ms. Cushing Dolbeare, Board of Directors Member of the National Low-Income Housing Coalition; and Mr. David Bryson, Acting Director of the National Housing Law Project.

The third hearing was held on March 11, 1997. Testifying before the Subcommittee were: Mr. Steven Goldsmith, Mayor of Indianapolis, Indiana; HUD Inspector General Susan Gaffney; Mr. Joseph Schiff, former HUD Assistant Secretary for Public and Assisted Housing and President of the Schiff Group in Washington, D.C.; and, Mr. Ned Epstein, of Housing Partners, Inc. in Boston, Massachusetts.

COMMITTEE CONSIDERATION AND VOTES (RULE XI, CLAUSE 2(L)(2)(B))

The Committee met in open session to mark up H.R. 2, "Housing Opportunity and Responsibility Act of 1997" on April 15, 16, 17 and 23, 1997. The Committee considered the original text introduced by Mr. Lazio for purposes of amendments.

During the markup, the Committee approved 40 amendments including a managers amendment and an en bloc amendment by voice vote. The Committee also defeated three (3) amendments by voice vote. Sixteen amendments were withdrawn. The Committee defeated, by recorded vote, 17 amendments. Pursuant to the provisions of clause 2(1)(2)(B) of rule XI of the House of Representatives, the results of each roll call vote and the motion to report, together with the names of those voting for and those against are printed below:

ROLLCALL NO. 1

Date: April 16, 1997.

Measure: Housing Opportunity and Responsibility Act of 1997.

Motion by: Mr. Kennedy.

Description of motion: Substitute amendment to Lazio (targeting) Amendment to allow a PHA to offset certain targeting requirements of the public housing program if the PHA voluntarily choos-

es to increase the targeting of choice-based assistance to those people with incomes under 30 percent of the area median income.

Results: Rejected 25 to 26.

YEAS	NAYS
Mr. Gonzalez	Mr. Leach
Mr. LaFalce	Mr. McCollum
Mr. Vento	Mrs. Roukema
Mr. Schumer	Mr. Bereuter
Mr. Frank	Mr. Baker
Mr. Kennedy	Mr. Lazio
Mr. Flake	Mr. Bachus
Ms. Waters	Mr. Castle
Mr. Sanders	Mr. King
Mrs. Maloney	Mr. Campbell
Mr. Gutierrez	Mr. Royce
Ms. Roybal-Allard	Mr. Lucas
Mr. Barrett	Mr. Metcalf
Ms. Velazquez	Mr. Ney
Mr. Watt	Mr. Ehrlich
Mr. Hinchey	Mr. Barr
Mr. Ackerman	Mrs. Kelly
Mr. Bentsen	Dr. Paul
Mr. Jackson	Mr. Ryun
Ms. McKinney	Mr. Cook
Ms. Kilpatrick	Mr. Snowbarger
Mr. Maloney	Mr. Riley
Ms. Hooley	Mr. Hill
Ms. Carson	Mr. LaTourette
Mr. Torres	Mr. Manzullo
	Mr. Jones

ROLLCALL NO. 2

Date: April 16, 1997.

Measure: Housing Opportunity and Responsibility Act of 1997.

Motion by: Mr. Metcalf.

Description of motion: Amendment to Sanders Amendment to provide all the savings from the elimination of the mortgage interest deduction towards the reduction of the federal deficit.

Results: Rejected 11 to 34.

YEAS	NAYS
Mr. Metcalf	Mr. Leach
Ms. Waters	Mr. McCollum
Mr. Sanders	Mrs. Roukema
Ms. Roybal-Allard	Mr. Bereuter
Mr. Barrett	Mr. Baker
Mr. Watt	Mr. Lazio
Mr. Hinchey	Mr. Bachus
Mr. Jackson	Mr. King
Ms. McKinney	Mr. Campbell
Ms. Kilpatrick	Mr. Royce
Ms. Carson	Mr. Lucas
	Mr. Ney
	Mr. Ehrlich

Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Paul
Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Sessions
Mr. LaTourette
Mr. Manzullo
Mr. Foley
Mr. Jones
Mr. Gonzalez
Mr. Vento
Mr. Kanjorski
Mr. Flake
Mr. Bentsen
Mr. Maloney
Ms. Hooley

ROLLCALL NO. 3

Date: April 16, 1997.
Measure: Housing Opportunity and Responsibility Act of 1997.
Motion by: Mr. Jackson.
Description of motion: Deletes work requirement, graduation date from self-sufficiency contracts, and binding lease terms and exemption in Title I, Section 105.
Result: Defeated 19to 26.

YEAS	NAYS
Mr. Bachus	Mr. Leach
Mr. Campbell	Mr. McCollum
Mr. LaTourette	Mrs. Roukema
Mr. Gonzalez	Mr. Bereuter
Mr. Vento	Mr. Baker
Mr. Frank	Mr. Lazio
Mr. Kennedy	Mr. King
Ms. Waters	Mr. Royce
Mr. Sanders	Mr. Lucas
Mrs. Maloney	Mr. Metcalf
Ms. Roybal-Allard	Mr. Ney
Mr. Barrett	Mr. Ehrlich
Mr. Watt	Mr. Barr
Mr. Hinchey	Mrs. Kelly
Mr. Bentsen	Dr. Paul
Mr. Jackson	Dr. Weldon
Ms. Kilpatrick	Mr. Ryun
Ms. Hooley	Mr. Cook
Ms. Carson	Mr. Snowbarger
	Mr. Riley
	Mr. Sessions
	Mr. Manzullo

Mr. Foley
Mr. Jones
Mr. Ackerman
Mr. Maloney

ROLLCALL NO. 4

Date: April 16, 1997.
Measure: Housing Opportunity and Responsibility Act of 1997.
Motion by: Mr. Jackson.
Description of motion: To provide that nothing in the self-sufficiency and community work agreement constitutes a binding lease term in Title I, Section 105(a), (c).
Results: Rejected 14 to 26.

YEAS	NAYS
Mr. LaTourette	Mr. Leach
Mr. Vento	Mrs. Roukema
Mr. Kanjorski	Mr. Bereuter
Mr. Kennedy	Mr. Baker
Mr. Sanders	Mr. Lazio
Mr. Gutierrez	Mr. Bachus
Ms. Roybal-Allard	Mr. King
Mr. Barrett	Mr. Royce
Mr. Watt	Mr. Lucas
Mr. Hinchey	Mr. Metcalf
Mr. Bentsen	Mr. Ney
Mr. Jackson	Mr. Ehrlich
Ms. Kilpatrick	Mr. Fox
Ms. Hooley	Mrs. Kelly
	Dr. Paul
	Dr. Weldon
	Mr. Ryun
	Mr. Cook
	Mr. Snowbarger
	Mr. Riley
	Mr. Hill
	Mr. Sessions
	Mr. Manzullo
	Mr. Foley
	Mr. Jones
	Mr. Maloney

ROLLCALL NO. 5

Date: April 17, 1997.
Motion by: Mr. Jackson.
Measure: Housing Opportunity and Responsibility Act of 1997.
Description of motion: To provide that Section 105 shall be effective only to the extent that Congress appropriates funds to specifically cover costs to the Housing Authorities for implementation, enforcement, liability, and other costs arising from such agreements.
Results: Rejected 17 to 23.

YEAS	NAYS
Mr. Vento	Mr. Leach

Mr. Frank
Mr. Kennedy
Mr. Flake
Ms. Waters
Mr. Sanders
Mrs. Maloney
Mr. Gutierrez
Ms. Roybal-Allard
Mr. Barrett
Ms. Velazquez
Mr. Watt
Mr. Bentsen
Mr. Jackson
Ms. Kilpatrick
Mr. Maloney
Ms. Hooley

Mrs. Roukema
Mr. Baker
Mr. Lazio
Mr. Royce
Mr. Lucas
Mr. Metcalf
Mr. Ney
Mr. Ehrlich
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Paul
Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. Sessions
Mr. Manzullo
Mr. Foley
Mr. Jones

ROLLCALL NO. 6

Date: April 17, 1997.
Measure: Housing Opportunity and Responsibility Act of 1997.
Motion by: Ms. Waters and Ms. Kilpatrick.
Description of motion: To strike provisions regarding administrative grievance procedures concerning evictions from public housing and retains current law.
Results: Rejected 17 to 24.

YEAS

Mr. Gonzalez
Mr. Vento
Mr. Frank
Mr. Kanjorski
Mr. Flake
Ms. Waters
Mr. Sanders
Mr. Gutierrez
Ms. Roybal-Allard
Mr. Barrett
Ms. Velazquez
Mr. Watt
Mr. Bentsen
Mr. Jackson
Ms. Kilpatrick
Mr. Maloney
Ms. Hooley

NAYS

Mr. Leach
Mrs. Roukema
Mr. Bereuter
Mr. Baker
Mr. Lazio
Mr. Royce
Mr. Lucas
Mr. Metcalf
Mr. Ney
Mr. Ehrlich
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Paul
Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. Sessions

Mr. LaTourette
Mr. Manzullo
Mr. Jones

ROLLCALL NO. 7

Date: April 17, 1997.
Measure: Housing Opportunity and Responsibility Act of 1997.
Motion by: Mr. Frank.
Description of motion: Provides Public Housing Authority with discretionary authority to implement community work requirements in Title I, Section 105.
Results: Rejected 13 to 24.

YEAS	NAYS
Mr. Gonzalez	Mr. Leach
Mr. Frank	Mrs. Roukema
Mr. Flake	Mr. Bereuter
Ms. Waters	Mr. Baker
Mr. Sanders	Mr. Lazio
Ms. Roybal-Allard	Mr. Bachus
Mr. Barrett	Mr. Castle
Ms. Velazquez	Mr. Lucas
Mr. Watt	Mr. Metcalf
Mr. Bentsen	Mr. Ney
Mr. Jackson	Mr. Barr
Mr. Maloney	Mr. Fox
Ms. Hooley	Mrs. Kelly
	Dr. Paul
	Dr. Weldon
	Mr. Ryun
	Mr. Cook
	Mr. Snowbarger
	Mr. Riley
	Mr. Hill
	Mr. Sessions
	Mr. LaTourette
	Mr. Manzullo
	Mr. Jones

ROLLCALL NO. 8

Date: April 17, 1997.
Measure: Housing Opportunity and Responsibility Act of 1997.
Description of motion: Strikes community work requirement in Title I, Section 105.
Results: Rejected 15 to 27.

YEAS	NAYS
Mr. LaTourette	Mr. Leach
Mr. Gonzalez	Mr. McCollum
Mr. Vento	Mrs. Roukema
Mr. Flake	Mr. Bereuter
Ms. Waters	Mr. Baker
Mr. Sanders	Mr. Lazio
Mr. Gutierrez	Mr. Bachus

Ms. Roybal-Allard
Mr. Barrett
Ms. Velazquez
Mr. Watt
Mr. Bentsen
Mr. Jackson
Ms. Kilpatrick
Ms. Hooley

Mr. Castle
Mr. Royce
Mr. Lucas
Mr. Metcalf
Mr. Ney
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Paul
Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. Sessions
Mr. Manzullo
Mr. Foley
Mr. Jones
Mr. Maloney

ROLLCALL NO. 9

Date: April 17, 1997.
Measure: Housing Opportunity and Responsibility Act of 1997.
Motion by: Ms. Velazquez.
Description of motion: To amend Title II, Section 225 to allow minimum rents from $0 to $25.
Results: Rejected 16 to 22.

YEAS

Mr. Gonzalez
Mr. Vento
Mr. Kennedy
Mr. Flake
Ms. Waters
Mr. Gutierrez
Ms. Roybal-Allard
Mr. Barrett
Ms. Velazquez
Mr. Watt
Mr. Bentsen
Mr. Jackson
Ms. Kilpatrick
Mr. Maloney
Ms. Hooley
Mr. Torres

NAYS

Mr. Leach
Mr. Bereuter
Mr. Lazio
Mr. Bachus
Mr. Castle
Mr. Royce
Mr. Lucas
Mr. Ney
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Paul
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. Sessions
Mr. LaTourette
Mr. Manzullo
Mr. Foley
Mr. Jones

ROLLCALL NO. 10

Date: April 17, 1997.

Measure: Housing Opportunity and Responsibility Act of 1997.

Description of motion: To insure that housing units built on land formerly used for public housing include not less than ⅓ of such units for low-income housing.

Results: Rejected 19 to 20.

YEAS	NAYS
Mr. Gonzalez	Mr. Leach
Mr. Vento	Mr. Bereuter
Mr. Frank	Mr. Lazio
Mr. Kennedy	Mr. Bachus
Mr. Flake	Mr. Royce
Ms. Waters	Mr. Metcalf
Mr. Sanders	Mr. Ehrlich
Mrs. Maloney	Mr. Fox
Mr. Gutierrez	Mrs. Kelly
Ms. Roybal-Allard	Dr. Paul
Mr. Barrett	Mr. Ryun
Mr. Watt	Mr. Cook
Mr. Bentsen	Mr. Snowbarger
Mr. Jackson	Mr. Riley
Ms. Kilpatrick	Mr. Hill
Mr. Maloney	Mr. Sessions
Ms. Hooley	Mr. LaTourette
Ms. Carson	Mr. Manzullo
Mr. Torres	Mr. Foley
	Mr. Jones

ROLLCALL NO. 11

Date: April 17, 1997.

Measure: Housing Opportunity and Responsibility Act of 1997.

Description of motion: Authorizes full funding of the Operating Fund reflected in the Local Housing Management Plans.

Results: Rejected 20 to 25.

YEAS	NAYS
Mr. Gonzalez	Mr. Leach
Mr. Vento	Mr. McCollum
Mr. Frank	Mr. Bereuter
Mr. Kennedy	Mr. Lazio
Mr. Flake	Mr. Bachus
Ms. Waters	Mr. King
Mr. Sanders	Mr. Royce
Mrs. Maloney	Mr. Lucas
Mr. Gutierrez	Mr. Metcalf
Ms. Roybal-Allard	Mr. Ney
Mr. Barrett	Mr. Ehrlich
Mr. Watt	Mr. Barr
Mr. Ackerman	Mr. Fox
Mr. Bentsen	Mrs. Kelly
Mr. Jackson	Dr. Weldon
Ms. Kilpatrick	Mr. Ryun

Mr. Maloney
Ms. Hooley
Ms. Carson
Mr. Torres

Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. Sessions
Mr. LaTourette
Mr. Manzullo
Mr. Foley
Mr. Jones

ROLLCALL NO. 12

Date: April 23, 1997.
Motion by: Mr. Vento.
Measure: Housing Opportunity and Responsibility Act of 1997.
Description: Provides for hardship exemption from minimum rent requirements, included in the legislation, of $25–$50 where a legal alien has lost public benefits because of the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.
Result: Rejected 13 to 25.

YEAS	NAYS
Mr. Gonzalez	Mr. Leach
Mr. LaFalce	Mrs. Roukema
Mr. Vento	Mr. Baker
Mr. Frank	Mr. Lazio
Ms. Waters	Mr. King
Mr. Gutierrez	Mr. Royce
Mr. Barrett	Mr. Lucas
Mr. Watt	Mr. Metcalf
Mr. Ackerman	Mr. Ney
Mr. Jackson	Mr. Ehrlich
Mr. Maloney	Mr. Barr
Ms. Carson	Mrs. Kelly
Mr. Torres	Dr. Paul
	Dr. Weldon
	Mr. Ryun
	Mr. Cook
	Mr. Snowbarger
	Mr. Riley
	Mr. Hill
	Mr. Sessions
	Mr. LaTourette
	Mr. Manzullo
	Mr. Foley
	Mr. Jones
	Ms. Hooley

ROLLCALL NO. 13

Date: April 23, 1997.
Motion by: Mrs. Kelly.
Measure: Housing Opportunity and Responsibility Act of 1997.
Description: Previous Question on the Debate of Mr. Vento's motion strike language imposing CDBG sanctions on CDBG entitle-

ment communities that substantially contribute to their Public Housing Authority's "troubled" designation status.

Result: Accepted 23 to 19 with one pass.

YEAS	NAYS
Mr. Leach	Mr. Cook
Mrs. Roukema	Mr. Gonzalez
Mr. Baker	Mr. Vento
Mr. Lazio	Mr. Kennedy
Mr. King	Mr. Flake
Mr. Royce	Ms. Waters
Mr. Lucas	Mr. Sanders
Mr. Metcalf	Mrs. Maloney
Mr. Ney	Mr. Gutierrez
Mr. Ehrlich	Ms. Roybal-Allard
Mr. Barr	Mr. Barrett
Mr. Fox	Mr. Watt
Mrs. Kelly	Mr. Ackerman
Dr. Paul	Mr. Bentsen
Dr. Weldon	Mr. Jackson
Mr. Ryun	Mr. Maloney
Mr. Snowbarger	Ms. Hooley
Mr. Riley	Ms. Carson
Mr. Hill	Mr. Torres
Mr. LaTourette	
Mr. Manzullo	
Mr. Foley	
Mr. Jones	

ROLLCALL NO. 14

Date: April 23, 1997.

Motion by: Mr. Vento.

Measure: Housing Opportunity and Responsibility Act of 1997.

Description: Strike language imposing CDBG sanctions on CDBG entitlement communities that substantially contribute to their Public Housing Authority's "troubled" designation status.

Result: Rejected 19 to 26.

YEAS	NAYS
Mr. Gonzalez	Mr. Leach
Mr. LaFalce	Mrs. Roukema
Mr. Vento	Mr. Bereuter
Mr. Kennedy	Mr. Baker
Mr. Flake	Mr. Lazio
Ms. Waters	Mr. Castle
Mr. Sanders	Mr. King
Mrs. Maloney	Mr. Royce
Mr. Gutierrez	Mr. Lucas
Ms. Roybal-Allard	Mr. Metcalf
Mr. Barrett	Mr. Ney
Mr. Watt	Mr. Ehrlich
Mr. Ackerman	Mr. Barr
Mr. Bentsen	Mr. Fox
Mr. Jackson	Mrs. Kelly
Mr. Maloney	Dr. Paul

Ms. Hooley
Ms. Carson
Mr. Torres

Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. LaTourette
Mr. Manzullo
Mr. Foley
Mr. Jones

ROLLCALL NO. 15

Date: April 23, 1997.
Motion by: Mr. Kennedy.
Measure: Housing Opportunity and Responsibility Act of 1997.
Description: Strike Title IV—Home Rule Flexible Grant Option. Title IV would allow local governments, on a voluntary basis, to petition HUD to merge public housing programs with other local governmental programs in order to address comprehensive neighborhood problems.
Result: Rejected 19 to 29.

YEAS

Mr. Gonzalez
Mr. LaFalce
Mr. Vento
Mr. Frank
Mr. Kennedy
Mr. Flake
Ms. Waters
Mr. Sanders
Mrs. Maloney
Mr. Gutierrez
Ms. Roybal-Allard
Mr. Barrett
Mr. Watt
Mr. Hinchey
Mr. Ackerman
Mr. Jackson
Mr. Maloney
Ms. Hooley
Ms. Carson

NAYS

Mr. Leach
Mr. McCollum
Mrs. Roukema
Mr. Bereuter
Mr. Baker
Mr. Lazio
Mr. Bachus
Mr. Castle
Mr. King
Mr. Royce
Mr. Lucas
Mr. Metcalf
Mr. Ney
Mr. Ehrlich
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Paul
Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. LaTourette
Mr. Manzullo
Mr. Foley
Mr. Jones
Mr. Bentsen

ROLLCALL NO. 16

Date: April 23, 1997.

Motion by: Mr. Gutierrez.

Measure: Housing Opportunity and Responsibility Act of 1997.

Description: Strike Title VII, Section 704 that would provide the HUD Secretary with authority only to raise income eligibility levels for the HOME and CDBG programs, and not lower them to a national average.

Result: Rejected 14 to 27.

YEAS	NAYS
Mr. Kanjorski	Mr. Leach
Mr. Kennedy	Mr. McCollum
Mr. Flake	Mrs. Roukema
Mr. Sanders	Mr. Bereuter
Mr. Gutierrez	Mr. Baker
Ms. Roybal-Allard	Mr. Lazio
Mr. Barrett	Mr. Bachus
Mr. Watt	Mr. Castle
Mr. Bentsen	Mr. King
Mr. Jackson	Mr. Campbell
Ms. McKinney	Mr. Royce
Mr. Maloney	Mr. Lucas
Ms. Hooley	Mr. Metcalf
Ms. Carson	Mr. Ney
	Mr. Ehrlich
	Mr. Barr
	Mr. Fox
	Mrs. Kelly
	Dr. Paul
	Dr. Weldon
	Mr. Ryun
	Mr. Cook
	Mr. Snowbarger
	Mr. Riley
	Mr. Manzullo
	Mr. Foley
	Mr. Jones

A motion to adopt H.R. 2 and favorably report H.R. 2 as amended to the House was approved 28–19 on April 23, 1997. The Committee then passed by voice vote to authorize the Chairman to make any technical or conforming amendments.

YEAS	NAYS
Mr. Leach	Dr. Paul
Mr. McCollum	Mr. Gonzalez
Mrs. Roukema	Mr. Vento
Mr. Bereuter	Mr. Schumer
Mr. Baker	Mr. Kanjorski
Mr. Lazio	Mr. Kennedy
Mr. Bachus	Mr. Flake
Mr. Castle	Ms. Waters
Mr. King	Mr. Sanders
Mr. Campbell	Mrs. Maloney

Mr. Lucas
Mr. Metcalf
Mr. Ney
Mr. Ehrlich
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Weldon
Mr. Ryun
Mr. Cook
Mr. Snowbarger
Mr. Riley
Mr. LaTourette
Mr. Manzullo
Mr. Foley
Mr. Jones
Mr. Ackerman
Mr. Bentsen
Mr. Gutierrez
Ms. Roybal-Allard
Mr. Barrett
Mr. Watt
Mr. Jackson
Ms. McKinney
Mr. Maloney
Ms. Hooley
Ms. Carson

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS

No findings and recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 2(l)(3)(D) of rule XI and clause 4(c)(2) of rule X of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority for increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATES

The cost estimate pursuant to Clause 2(l)(3)(C) of rule XI, of the Rules of the House of Representatives and Section 403 of the Congressional Budget Act of 1974 has been requested, but had not been prepared as of the filing of Part I of this report. The estimate will be included in Part II of this report to be filed at a future date.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of Section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONGRESSIONAL ACCOUNTABILITY ACT

The reporting requirement under Section 102(b)(3) of the Congressional Accountability Act (P.L. 104–1) is inapplicable because

this legislation does not relate to terms and conditions of employment or access to public services or accommodations.

CONGRESSIONAL BUDGET OFFICE FEDERAL MANDATE COST ESTIMATE

The cost estimate pursuant to Section 424 of the Unfunded Mandates Reform Act (P.L. 104–4) has been requested, but had not been prepared as of the filing of this report. The estimate will be filed in Part II of this report to be filed at a future date.

SECTION-BY-SECTION

SECTION 1—SHORT TITLE AND TABLE OF CONTENTS

This Act may be cited as the "Housing Opportunity and Responsibility Act of 1997."

SECTION 2—DECLARATION OF POLICY TO RENEW AMERICAN NEIGHBORHOODS

States that the federal government:

(1) has a responsibility to promote the general welfare of the nation (a) by using federal resources to aid families and individuals seeking affordable homes that are safe, clean, and healthy, and in particular, assisting responsible, deserving citizens who cannot provide fully for themselves because of temporary circumstances or factors beyond their control; (b) by working to ensure a thriving national economy and a strong private housing market; and (c) by developing effective partnerships among the federal government, state and local governments, and private entities that allow government to accept responsibility for fostering the development of a healthy marketplace, and allow families to prosper and thrive without government involvement in their day-to-day activities;

(2) cannot through its direct action or involvement provide for the housing of every American citizen, or even a majority of its citizens, but it is the responsibility of government to promote and protect the independent and collective actions of private citizens to develop housing and strengthen their own neighborhoods;

(3) should act only where there is a serious need that private citizens or groups cannot or are not addressing responsibly, and that by merely providing physical structures to house the poor, will not pull generations up from poverty.

This section also states that it is the goal of our Nation that all citizens have decent and affordable housing.

TITLE I—GENERAL PROVISIONS

SECTION 101—STATEMENT OF PURPOSE.

States that the purpose of the Housing Opportunity and Responsibility Act of 1997 (the "Act") is to promote safe, clean and healthy housing, and affordable housing opportunities to low-income families by (1) deregulating public housing agencies ("PHAs"); (2) providing for more flexible use of Federal assistance; (3) facilitating mixed income communities; (4) increasing accountability and rewarding effective management of PHAs; (5) creating incentives to

work for residents of dwelling units assisted by PHAs; and (6) recreating the existing rental assistance voucher program to more closely resemble the private housing market.

SECTION 102—DEFINITIONS

Defines various terms for the purpose of this Act.

SECTION 103—ORGANIZATION OF PUBLIC HOUSING AGENCIES

Defines "public housing agency" and "agency." Requires that the board of directors of a PHA include at least one elected public housing resident, except where the PHA: (1) is a State or local governing body; (2) oversees less than 250 public housing dwelling units; or (3) is required by State law to have a salaried, full-time Board of Directors.

SECTION 104—DETERMINATION OF ADJUSTED INCOME AND MEDIAN INCOME

Defines "adjusted income" as the difference between the income of the members of the family residing in a dwelling unit (or the person on the lease) and the amount of any income exclusions—some of which are mandatory. Mandatory exclusions are for: (1) $400 for elderly or disabled families; (2) unreimbursed medical expenses over 3 percent of the family's annual income; (3) reasonable child care expenses necessary for enabling a person to work; (4) any earned income of minors residing in the household; and (5) certain child support payments.

SECTION 105—COMMUNITY WORK AND FAMILY SELF-SUFFICIENCY AGREEMENTS

Requires adult residents of public housing or choice-based assistance to enter into a self-sufficiency program, contribute no less than eight hours of work per month within the community in which the adult resides or participate on an ongoing basis in a program designed to promote economic self-sufficiency, and set a target date by which the family hopes to move out of public housing. Exceptions to this requirement include working families, senior citizens, disabled families, persons attending school or vocational training, or physically impaired persons. In addition, persons complying with work or economic self-sufficiency program requirements, under welfare or public assistance programs, are exempt from the work requirement. Compliance with target date requirements shall not be construed by a PHA as grounds for eviction.

Ensures that a resident whose public assistance was decreased as a result of inability to find work despite compliance with welfare requirements will receive a rent reduction according to current calculations of residential rental payments. However, those who do not comply with welfare regulations will not receive a reduction in rent if their public assistance is decreased.

SECTION 106—LOCAL HOUSING MANAGEMENT PLANS

Requires each PHA to submit a local housing management plan, composed of an initial five-years showing the PHA's statement of needs and goals for that period (updated every five years), and a

more detailed operating plan, which shall be submitted annually. The contents of the plan (which may be submitted as part of a comprehensive housing affordability strategy) must include, among other things, information on the housing needs of the locality, population served, method of rent determination, operations, capital improvements, unmet housing needs of families with incomes less than 30 percent of median, homeownership efforts, and efforts to coordinate the program with local welfare agencies and providers. The plan must also establish safety measures in consultation with police officers. The plan must be submitted to local elected officials for review and approval. Each PHA must also make its plan and any amendment thereto available to the public in a manner that affords affected public housing residents, assisted families, and other interested parties an opportunity to examine its content and to submit comments. The Secretary may grant waivers from some of these requirements for PHAs managing less than 250 units.

SECTION 107—REVIEW OF PLANS

Discusses standards by which the Secretary may review Local Housing Management Plans.

SECTION 108—REPORTING REQUIREMENTS

Each PHA is required to submit annually a performance and evaluation report on the use of funds provided under this Act and how such use coincides with the needs of the community as identified in the PHA's plan.

SECTION 109—PET OWNERSHIP

Allows ownership of pets in federally-assisted housing pursuant to Section 227 of the Housing and Urban-Rural Recovery Act of 1983 (see Section 622).

SECTION 110—ADMINISTRATIVE GRIEVANCE PROCEDURE

Requires each PHA to establish a grievance procedure that provides due process for residents, except that a PHA does not need to use such grievance procedure involving an eviction or termination of tenancy wherein the tenant is entitled to a court hearing which affords due process.

SECTION 111—HEADQUARTERS RESERVE FUND

Authorizes the Secretary to retain not more than 2 percent of funds appropriated under Title II for use in connection with the provision of assistance in the case of natural disasters, emergencies, settlement of litigation, or actions taken by the Secretary regarding PHAs that are designated as "troubled" or "at risk" PHAs (as defined in Section 533 of this Act).

SECTION 112—LABOR STANDARDS

Provides that grants or sales under the Act are subject to prevailing wages under Davis-Bacon, except for volunteers.

SECTION 113—NONDISCRIMINATION

Requires PHAs and their contractors to comply with nondiscrimination and civil rights laws.

SECTION 114—PROHIBITION ON USE OF FUNDS

Prohibits use of funds for indemnification of contractors or subcontractors for losses associated with judgments involving infringement of intellectual property rights.

SECTION 115—INAPPLICABILITY TO INDIAN HOUSING

Makes the Act inapplicable to Indian PHAs, which are now subject to the provisions of the Native American Housing Assistance and Self-Determination Act of 1996 (Public Law: 104–330).

SECTION 116—REGULATIONS

Permits the Secretary to issue appropriate regulations.

TITLE II—PUBLIC HOUSING

Subtitle A—Block Grants

SECTION 201—BLOCK GRANT CONTRACTS

Provides general parameters for block grant contracts to be entered into between the Secretary and the PHAs. The PHAs must agree to provide safe, clean, and healthy housing that is affordable in return for assistance.

SECTION 202—GRANT AUTHORITY, AMOUNT, AND ELIGIBILITY

Requires the Secretary to establish two funds for provision of block grants to PHAs: a capital fund for capital improvements, and an operating fund for the costs of PHA operations. A PHA shall have the ability to use up to 20 percent of its capital grant for PHA operations. In return for receiving federal assistance, the PHA is required to have entered into a local cooperation agreement with the local government. Allows the Secretary to provide grants to an ineligible PHA, but only for a period necessary to secure an alternative management entity.

Allows a PHA that owns or operates less than 250 units flexibility to use amounts from grants under this Title for any eligible activities under Section 203. Allows the Secretary to recapture grants from PHA's capital funds if the amounts are not used or obligated 24 months after distribution. Allows a governor to request 50 percent of the capital funds for PHAs with less than 100 units be directed to the state for distribution by the governor.

The amount of the grant is to be determined pursuant to a formula, developed pursuant to Section 204.

SECTION 203—ELIGIBLE AND REQUIRED ACTIVITIES

Authorizes capital grant uses for production and modernization of public housing, and operating grant uses for the costs of administering the program and certain other activities.

Contains a mandatory conversion provision requiring PHAs to provide housing assistance in the form of vouchers in lieu of con-

tinuing to subsidize certain distressed developments under certain circumstances, including where a cost analysis shows that using vouchers would be less expensive than continuing to operate the development as public housing. Requires notification of tenants in public housing developments subject to conversion and provides them choice-based housing assistance or occupancy in a unit operated or assisted by the PHA.

Authorizes the Secretary to determine whether a PHA has failed to comply with this subsection and, in such case, to withdraw funding from the development.

SECTION 204—DETERMINATION OF GRANT ALLOCATION

Provides for interim allocations to PHAs pending the development of a permanent grant formula for allocating capital funds and a permanent grant formula for allocating operating funds. Each formula is to be developed using a negotiated rulemaking procedure and should reward performance.

Prescribes that chronically vacant (six months or more) units are ineligible to receive subsidy except to the extent of paying utilities. Provides incentives to encourage PHAs to increase nonrental income. Allows that any benefit of increase in income will not result in a decrease of grants provided under this Title. An agency may retain full benefit of income, except in specific circumstances.

SECTION 205—SANCTIONS FOR IMPROPER USE OF AMOUNTS

Allows the Secretary to terminate, withhold, reduce, or limit the availability of payments under this Act if the PHA does not comply with its requirements.

Subtitle B—Admissions and Occupancy Requirements

SECTION 221—LOW-INCOME HOUSING REQUIREMENTS

Requires public housing produced under this Act (or the 1937 Act) to be operated as public housing for a 40-year period and limits the sale or disposition of any public housing if the property has received an operating subsidy within 10 years of the sale date. Permits the use of assistance for creating mixed-income developments.

SECTION 222—FAMILY ELIGIBILITY

Limits occupancy of public housing to families who, at the time of the initial occupancy, qualify as low-income. PHAs may create a selection criteria for incoming residents that are aimed at creating an income mix that reflects the eligible population of that jurisdiction provided at least 35 percent of the units made available for incoming occupancy are occupied by families whose income does not exceed 30 percent of area median income. PHAs are prohibited from concentrating or restricting very-low income families in particular developments. Certain income and eligibility restrictions may be waived by the PHA in order to provide units to police officers, law enforcement, and security personnel. Allows fungibility for choice-based housing assistance such that a PHA may meet the targeting level of 35 percent by providing choice-based certificates to residents with income levels below 30 percent of median income.

SECTION 223—PREFERENCES FOR OCCUPANCY

Authorizes PHAs to establish local preferences based on local housing needs and priorities. Provides a sense of the Congress that PHAs should adopt preferences for individuals who are victims of domestic violence.

SECTION 224—ADMISSION PROCEDURES

Authorizes a PHA to ensure that each family residing in a public housing development owned or managed by the PHA has been admitted in accordance with this Title. Applicants who are denied admission must be granted a hearing. Allows PHAs to create site-based waiting lists for admissions to individual developments. Requires PHAs to maintain the confidentiality of victims of domestic violence. Requires procedures to comply with applicable civil rights laws.

SECTION 225—FAMILY CHOICE OF RENTAL PAYMENT

A family will be given a choice, to be exercised annually, of paying as rent either (1) an amount that shall not exceed 30 percent of their adjusted income, or (2) a flat rent, which the PHA is to determine for each unit in its inventory. In making these rent determinations, PHAs shall strive to develop rent structures that do not create disincentives to work and self-sufficiency. Regardless of income, every family shall pay a minimum monthly rental which shall be determined by the PHA in an amount between $25 and $50, except in cases of severe financial hardship and certain other circumstances. The amount a tenant pays for utilities will be included as payment toward the minimum rent. The income of newly employed individuals is disallowed for an 18-month period after the beginning date of employment.

Any monthly contribution increase greater than 30 percent of the monthly contribution amount that would have been paid by a family for an assisted housing unit under the provisions of the Housing Act of 1937 immediately prior to the effective date of this Title, unless resulting from the requirement to pay the minimum rent, shall be phased in equally over a period of three years.

SECTION 226—LEASE REQUIREMENTS

Requires a PHA to utilize leases that do not contain unreasonable terms or conditions, that require the PHA to comply with housing quality standards, and that obligate the PHA to give adequate written notice of termination. Leases must also grant residents the right to review relevant documents related to any termination or eviction procedures instituted against them.

SECTION 227—DESIGNATED HOUSING FOR ELDERLY AND DISABLED FAMILIES

Permits a PHA to designate all or part of a development as being for only elderly, only disabled, or only elderly and disabled, provided the designation is part of the PHA's Local Housing Management Plan. A PHA must establish that designation of a development is necessary to meet certain goals and needs, and must include information regarding the supportive services and other as-

sets that will be provided to serve the residents, including those adversely affected by the designation.

Allows a PHA to admit "near-elderly" applicants (those who are aged 55 years or more) to elderly developments with excessive vacancies. A PHA may not evict a resident because of the designation under this section of a development where that resident's unit is located. A resident who agrees to relocate as a result of the designation, however, shall receive notice of and an explanation of available relocation benefits as soon as practicable, access to comparable housing, and payment of actual, reasonable moving expenses.

Subtitle C—Management

SECTION 231—MANAGEMENT PROCEDURES

Requires PHAs to ensure sound management and authorizes them to contract with other entities to perform management functions.

SECTION 232—HOUSING QUALITY REQUIREMENTS

Requires PHAs to maintain public housing pursuant to the local jurisdiction's laws, regulations, standards, or codes regarding habitability or, in the absence of such local codes, in accordance with the housing quality standards promulgated by the Secretary pursuant to subparagraph (b) of this Section. Requires annual inspections by the PHAs. Inspection results must be retained and submitted upon request to the Secretary, to the HUD Inspector General, or to any auditor conducting an audit pursuant to Section 541.

SECTION 233—EMPLOYMENT OF RESIDENTS

Sets forth conforming amendments to Section 3 of the Housing and Urban Development Act of 1968, which allows PHAs to employ residents in any capacity and requires that contractors and subcontractors must use their best efforts to employ and train residents of public housing.

SECTION 234—RESIDENT COUNCILS AND RESIDENT MANAGEMENT CORPORATIONS

Authorizes formation of resident councils by residents of a public housing development to consider issues relating to resident interests and to consult with the PHA. A council shall be representative of the residents, adopt written procedures for the election of officers, and have a democratically elected governing board.

Authorizes residents to create resident management corporations (RMC) for purposes of assuming management functions or purchasing developments. A RMC must be organized under state law, have as its sole voting members the residents of the development, and be supported by the resident council or, in the absence of a resident council, by a majority of the households of the development.

SECTION 235—MANAGEMENT BY RESIDENT MANAGEMENT CORPORATION

Allows a PHA to contract with a RMC to manage one or more developments. The contract must require the corporation to follow the relevant rules and laws of this Act, and may include specific terms relevant to all other management issues. The RMC must provide the PHA with bonding or insurance related to loss, theft, embezzlement, or fraudulent acts on the part of the RMC or its employees. Sets forth the requirements for each contract regarding funding of the RMC by the PHA.

SECTION 236—TRANSFER OF MANAGEMENT OF CERTAIN HOUSING TO INDEPENDENT MANAGER AT REQUEST OF RESIDENTS

Permits the Secretary, at the request of the residents, to transfer the management of any portion of a development, including an entire development, to an independent management entity in certain, specified circumstances. Requires that transfers of management be approved by a majority of the resident council.

SECTION 237—RESIDENT OPPORTUNITY PROGRAM

Reauthorizes for one year at $15 million the Resident Opportunity Program which encourages, among other things, the formation of resident management entities. Requires a report from the Secretary assessing the program three years after the date of enactment of this Act.

Subtitle D—Homeownership

SECTION 251—RESIDENT HOMEOWNERSHIP PROGRAMS

Authorizes PHAs to design homeownership programs for sale of public housing units to public housing residents, to entities for resale to residents or other low-income persons, or directly to low-income persons. There is a downpayment requirement of one percent of the purchase price of any unit, to be provided by the purchasing family. Resale restrictions are imposed on purchasers for five years after sale to prevent purely speculative purchases. Homeownership programs under this section are not subject to the demolition or disposition requirements of Section 261 of this Act. Allows high-performing PHAs to use proceeds from disposition of scatter-site public housing to purchase replacement scattered-site housing which will be considered public housing.

Subtitle E—Disposition, Demolition, and Revitalization of Developments

SECTION 261—REQUIREMENTS FOR DEMOLITION AND DISPOSITION OF DEVELOPMENTS

Eliminates the requirement that a PHA replace, on a one-for-one basis, every unit of public housing that the PHA disposes of or demolishes. However, if housing units are provided in property that was previously public housing and subsequently was demolished, the PHA shall seek to ensure that 25 percent of the new units will be reserved for low-income families.

Provides PHAs with the parameters by which they may demolish or dispose of certain nonviable or nonmarketable developments consistent with their community improvement plan. Included are developments that are located in unsuitable locations, severely distressed or obsolete, financially infeasible for rehabilitation or operation, and developments retention of which are not in the best interests of the PHA. Parameters exist for partial disposition of demolition of a development, as well as for disposition of undeveloped property.

Requires the Local Housing Management Plan to include details relating to most aspects of any proposal to demolish or dispose of property, including the purpose of the action, how proceeds will be used, and plans for relocation of any displaced residents. Requires 2 independent appraisals for land valued over $100,000 before demolition or disposition of public housing development. In emergency circumstances PHAs may demolish or dispose of units not included in the plan.

Requires the PHA to consult with local officials and residents of the development. Resident organizations and resident management organizations are given special notice of disposition and a special right to purchase the project. Requires notification to tenants in public housing developments subject to demolition or disposition, and requires counseling for displaced families. Other relocation procedures for displaced families are defined.

The permitted uses of any proceeds from disposition include payment of project costs and other obligations, providing additional housing assistance, job training, child care, or supportive services, and inducing private commercial enterprises on public housing sites.

SECTION 262—DEMOLITION, SITE REVITALIZATION, REPLACEMENT HOUSING, AND CHOICE-BASED ASSISTANCE GRANTS FOR DEVELOPMENTS

Authorizes grants for fiscal years 1998, 1999, and 2000 of $500 million for each year, to be used to demolish obsolete or severely distressed public housing developments, to revitalize sites, to decrease overdue concentrations of poverty, and to provide choice-based housing in connection with any of these efforts. A PHA must contribute 5 percent of the grant amount. Eligible activities include provision of services to residents, but expenditures for services must not exceed 10 percent of the grant amount. The Secretary is to issue cost limits on eligible activities. If a PHA does not use the funds provided in a timely manner, the Secretary has the power to withdraw the funds and redirect the amounts to other entities. The Secretary is required to provide an annual report on activities taken under this section.

SECTION 263—VOLUNTARY VOUCHER SYSTEM FOR PUBLIC HOUSING

Enables a PHA, in its discretion, to convert a public housing development to a housing voucher system. The PHA must submit a conversion assessment plan which shows the consistency of such conversion with the local housing management plan, describes the future use of the public housing development, and shows that the cost of such conversion is less expensive than continuing assistance

as public housing. The Secretary has discretionary authority to waive these requirements or provide for a streamlined assessment. Requires tenant notification and counseling for displaced families. Provides choice-based assistance and reasonable relocation expenses to displaced families.

Subtitle F—Mixed-Finance Public Housing

SECTION 265—AUTHORITY

Allows the Secretary to authorize a PHA to use grant amounts under Section 262 or amounts from the capital fund to produce mixed-finance housing developments or replace or revitalize existing public housing units connected with mixed-finance housing developments.

SECTION 266—MIXED-FINANCE HOUSING DEVELOPMENTS

Provides definition of mixed-finance housing. Allows mixed-finance housing developments to be produced, or revitalized and owned by (1) a PHA or entity affiliated with a PHA, (2) a partnership, a limited liability company or entity in which the PHA is a general partner, managing member or participant in activities of the entity or (3) any entity that grants to the PHA the option to purchase the project under certain provisions.

SECTION 267—MIXED-FINANCE HOUSING PLAN

Provides that the Secretary only approve a mixed-finance housing plan if the PHA or approved entity has the ability to use the amounts provided under the plan effectively, the plan provides permanent financing commitments from a sufficient number of sources, the plan provides for use of amounts provided under Section 265 for financing mixed-income housing, and the plan complies with any other criteria set forth by the Secretary.

SECTION 268—RENT LEVELS FOR HOUSING FINANCED WITH LOW-INCOME HOUSING TAX CREDIT

With respect to any dwelling unit in a mixed-finance housing development that is assisted pursuant to the Low-Income Housing Tax Credit, the rents charged to residents of such unit shall not exceed rents allowed under laws governing Low-Income Housing Tax Credit.

SECTION 269—CARRY-OVER OF ASSISTANCE FOR REPLACED HOUSING

Provides that in the case of a mixed-finance housing development that is replacement housing for public housing demolished or disposed of, or is the result of the revitalization of existing public housing, the share of assistance received from the capital and operating funds by the PHA that owner or operated the demolished, disposed, or revitalized housing shall not be reduced due to such actions, except in certain circumstances.

Subtitle G—General Provisions

SECTION 271—PAYMENT OF NON-FEDERAL SHARE

Allows that the use value of public housing buildings developed or maintained by federal assistance may be used as the non-federal share of federal programs requiring non-federal participation in programs assisting residents.

SECTION 272—AUTHORIZATION OF APPROPRIATIONS FOR BLOCK GRANTS

Allocates grants for each fiscal year up to and including 2002 of $2.5 billion for the capital fund and $2.9 billion for the operating fund.

SECTION 273—FUNDING FOR OPERATION SAFE HOME

Allows not more than $20 million of the amounts made available for each fiscal year 1998 and 1999 for carrying out the Community Partnerships Against Crime Act of 1997be available each fiscal year for use under the Operating Safe Home Program.

SECTION 274—FUNDING FOR RELOCATION OF VICTIMS OF DOMESTIC VIOLENCE

Allows not more than $700,000 of the amounts made available each fiscal year up to and including 2002 for choice-based housing assistance under Title III be made available for relocating residents of public housing who have been subject to domestic violence and for whom the assistance is likely to reduce or eliminate the threat of subsequent violence to members of the family.

TITLE III—CHOICE-BASED RENTAL HOUSING AND HOME-OWNERSHIP ASSISTANCE FOR LOW-INCOME FAMILIES

Subtitle A—Allocation

SECTION 301—AUTHORITY TO PROVIDE HOUSING ASSISTANCE AMOUNTS

Authorizes the Secretary to enter into contracts with PHAs to provide assistance under this Title.

SECTION 302—CONTRACTS WITH PHA'S

Authorizes contracts with PHAs for one fiscal year. PHAs are required to enforce the relevant housing quality standards pursuant to Section 351(c)(4)and to establish a grievance procedure for residents who allege non-compliance with such quality standards.

SECTION 303—ELIGIBILITY OF PHA'S FOR ASSISTANCE AMOUNTS

Provides that assistance may be allocated pursuant to a formula (Section 304) only to those PHAs that: (1) have submitted a Local Housing Management Plan for the fiscal year; (2) have not received any notification from the Secretary that such plan is not in compliance with all requirements; (3) have no members on the Board that have been convicted of a felony; and (4) have not been disqualified for assistance under Title IV of this Act.

SECTION 304—ALLOCATION OF AMOUNTS

Requires the Secretary to develop a formula, pursuant to negotiated rulemaking, for allocating assistance based, in part, on census data, the various needs of the community, and its comprehensive housing affordability strategy. The Secretary may recapture up to 50 percent of any funds that remain unobligated by a PHA for a period of eight months or more after receipt of the funds.

Requires the Secretary to determine the set-aside for an Indian tenant-based program.

SECTION 305—ADMINISTRATIVE FEES

Sets administrative fees for PHAs at 7.5 percent of their grant amount for the first 600 units and 7.0 percent of the grant amount for all units in excess of 600. The Secretary may increase this fee in certain circumstances.

The Secretary shall ensure that, in cases where more than one PHA has jurisdiction over an area where a recipient of choice-based assistance resides, the PHA actually administering the assistance shall receive the fee.

SECTION 306—AUTHORIZATIONS OF APPROPRIATIONS

Authorizes $1,861,668,000 grant under this Title as the appropriation level for each fiscal year through 2002, including $50 million for nonelderly, disabled families for each fiscal year. The Secretary and Inspector General shall make money available out of choice-based housing assistance for relocation of witnesses in connection with efforts to combat crime in public and assisted housing.

SECTION 307—CONVERSION OF SECTION 8 ASSISTANCE

Requires conversion of section 8 assistance that remains unused as of the effective date of this Act to choice-based assistance under this Title, unless the Secretary determines such conversion would be inconsistent with existing commitments.

SECTION 308—RECAPTURE AND REUSE OF ANNUAL CONTRACT PROJECT RESERVES UNDER CHOICE-BASED HOUSING ASSISTANCE AND SECTION 8 TENANT-BASED ASSISTANCE PROGRAMS

Requires the HUD Secretary to recapture excess Section 8 contract reserves, from both project-based and tenant-based assistance contracts, to hold until needed to enter into, amend, or renew Section 8 contracts.

Subtitle B—Choice-Based Housing Assistance for Eligible Families

SECTION 321—ELIGIBLE FAMILIES AND PREFERENCES FOR ASSISTANCE

Requires that assistance under this Title be provided to families who are low-income families or otherwise qualified by federal law. Not less than 40 percent of the families receiving assistance under this Title shall have incomes not exceeding 30 percent of area median income. Income reviews shall take place annually. Local preferences may be established by a PHA after a public hearing and an opportunity for interested parties to comment.

Assistance is portable on a national scale. Families may not receive assistance, however, if they have moved as a result of an eviction due to a lease violation. A PHA may, for a family applying for assistance under this Title that does not at the time of application live in that PHA's jurisdiction, require such family to live in the jurisdiction of the PHA for twelve months after beginning assistance to the family. Confidentiality is provided for victims of domestic violence. Provides a sense of the Congress that PHAs should adopt preferences for individuals who are victims of domestic violence.

SECTION 322—RESIDENT CONTRIBUTION

Provides that an assisted family shall pay as rent no more than (i) 30 percent of the adjusted income of the family, (ii) 10 percent of the monthly income of the family, or (iii) that portion of a welfare payment designated as housing assistance, provided, however, that every family shall pay a minimum rental amount to be established by the PHA. Minimum rent shall not be less than $25 nor more than $50, with certain hardship exemptions provided. Monthly contribution increases for a family greater than $15 per month which result from provisions of this Act (except as a result of imposition of the minimum rent requirement) shall be implemented in phases.

SECTION 323—RENTAL INDICATORS

Requires the Secretary to establish and to publish annually rental indicators for a market area that may vary depending on the size and type of the dwelling unit. The rental indicators shall be adjusted annually based on the most recent available data.

SECTION 324—LEASE TERMS

Allows the owner of property to utilize leases that are of twelve months duration, restricted only in accordance with Section 325 (concerning termination), and that are in the standard form of leases used in the local housing market.

SECTION 325—TERMINATION OF TENANCY

Allows owners to terminate leases for any criminal activity on the part of the tenants, including drug crimes. Requires that leases include provisions notifying residents that cause for termination includes any such acts within a resident's unit. An owner must terminate tenancy in accordance with applicable State or local laws, including any notice provisions as required by law.

SECTION 326—ELIGIBLE OWNERS

Prescribes that eligible owners include individuals or entities that have not been debarred from participating in Federal programs.

SECTION 327—SELECTION OF DWELLING UNITS

Permits the assisted family to make the determination of which dwelling unit they will lease provided the dwelling unit does not violate local deed restrictions.

SECTION 328—ELIGIBLE DWELLING UNITS

Limits eligible dwelling units to those that are not located in a nursing home, penal, reformatory, medical, mental, or similar public or private institution. Each unit must be maintained to the extent required by the local jurisdiction's laws, regulations, standards, or codes regarding habitability or, if the local jurisdiction does not have such laws, regulations, standards, or codes, than the unit must be maintained at a standard to be set by the Secretary.

Requires the PHA to inspect each dwelling unit at least annually and to retain records or inspection by the Secretary, the Inspector General, or any auditor conducting an audit under Section 541 of this Act.

SECTION 329—HOMEOWNERSHIP OPTION

Allows a PHA to use funds under this Title to assist low-income families in achieving homeownership. Eligible families must have sufficient income from employment or sources other than public assistance and must meet initial and continuing requirements established by the PHA. A PHA may establish a minimum downpayment requirement, with certain restrictions.

SECTION 330—ASSISTANCE FOR RENTAL OF MANUFACTURED HOMES

Provides that a PHA may provide assistance to low-income families under this Title for rental of manufactured housing. Sets forth requirements for entering into housing assistance contracts for those families who own the manufactured home but pay rent to the owner of land on which the home is located.

Subtitle C—Payment of Housing Assistance on Behalf of Assisted Families

SECTION 351—HOUSING ASSISTANCE PAYMENTS CONTRACTS

Allows PHAs to enter into contracts with owners by which owners screen residents and provide units for eligible families, and for which the PHAs make payments directly to the owners on behalf of eligible families. A PHA may enter into a contract with itself for units it manages or owns. The term of the contract shall be not more than 12 months, and a lease pursuant to such a contract must conform with Sections 324, 325, 328(a)(2), 642 and 643 of this Act.

SECTION 352—AMOUNT OF MONTHLY ASSISTANCE PAYMENT

Provides that the monthly payment for assistance under this Title shall be (a) in the case of a unit with gross rent that exceeds the payment standard under section 353, the payment standard less the resident's contribution, and (b) in the case of a unit with gross rent that is less than the payment standard under section 353, the amount by which the gross rent exceeds the resident's contribution (gross rent less the resident's contribution). In the case of (b), 50 percent of the difference between the payment standard and the gross rent shall be escrowed on behalf of the tenant; the remainder is returned to the U.S. Treasury.

SECTION 353—PAYMENT STANDARDS

Permits each PHA providing assistance under this Title to establish payment standards for varying size and type dwelling units in their local market areas. The payment standard shall be an amount that is not less than 80 percent and not greater than 120 percent of the rental indicators for the area as established under Section 323 of this Title.

SECTION 354—REASONABLE RENTS

Permits the rent to be set at levels based upon a negotiation between the owner and the renter. The PHA, however, shall determine whether the rent negotiated exceeds the rent charged for comparable units. If the PHA determines that the rent negotiated exceeds comparable rents, it shall notify the renter and may refuse to provide the payments for such units.

SECTION 355—PROHIBITION OF ASSISTANCE FOR VACANT RENTAL UNITS

Prohibits payments to units vacated by residents, beginning on the first month after the resident vacates the unit.

Subtitle D—General and Miscellaneous Provisions

SECTION 371—DEFINITIONS

Sets forth definitions of terms used in the Act.

SECTION 372—RENTAL ASSISTANCE FRAUD RECOVERIES

Permits PHAs to retain the greater of 50 percent of the amounts recaptured from renters who abuse the program or expenses of the collection effort. The PHAs must use the proceeds within the assistance program.

SECTION 373—STUDY REGARDING GEOGRAPHIC CONCENTRATION OF ASSISTED FAMILIES

Requires the Secretary to conduct a study which addresses and resolves the problems associated with the concentration of assisted families in Cook County, Illinois.

SECTION 374—STUDY REGARDING RENTAL ASSISTANCE

Requires the HUD Secretary to conduct a nationwide study of the choice-based housing assistance program and the Section 8 tenant-based rental assistance regarding: housing providers, the physical and demographic conditions of assisted housing, total number of units for which assistance is provided, duration families remain on waiting lists before receiving assistance, and an assessment of the extent and quality of housing owners participation in relation to local housing market including availability and quality of housing. The Secretary shall submit the report to Congress no later than two years from date of enactment of this Act.

TITLE IV—HOME RULE FLEXIBLE GRANT OPTION

SECTION 401—PURPOSE

States purpose as providing local governments with greater flexibility in designing and administering federal housing assistance so that they may give incentives for self-sufficiency, cost reduction, expansion of housing choices, or reduction of geographic concentrations of poverty.

SECTION 402—FLEXIBLE GRANT PROGRAM

Provides that a jurisdiction may, upon review and approval of the Secretary, combine federal housing assistance that would otherwise have gone to the jurisdiction (public housing, choice-based). The jurisdiction is required to enter into a performance contract with HUD upon approval of the proposed program. Provides that the amount of assistance to a jurisdiction shall not be decreased because of its participation under this Title.

SECTION 403—COVERED HOUSING ASSISTANCE

Assistance available to be combined includes operating assistance provided to a PHA (operating subsidy), modernization funds, choice-based rental assistance under Title III, and Section 8 housing vouchers (Section 8 project-based assistance, which is subject to existing contracts, is not included).

SECTION 404—PROGRAM REQUIREMENTS

Assistance must be provided to low-income families. Rental policies must be reasonable and designed to encourage employment and self-sufficiency. Not less than substantially the same number of families must be assisted, and the provision of assistance must be consistent with local welfare reform efforts.

SECTION 405—APPLICABILITY OF CERTAIN PROVISIONS

Retains applicability of provisions governing demolition and disposition of public housing (Section 261) and labor standards (Section 112).

SECTION 406—APPLICATION

Jurisdictions wishing to participate must submit applications to the Secretary, and shall be limited to periods of one to five years. The PHA is to provide for citizen participation in the development of the plan, to propose performance standards that would enable HUD to monitor the PHA's performance, and to show how the goals set forth by the jurisdiction in the plan are to be achieved. The Secretary shall review each application, establish performance standards, and be responsible for approving or disapproving each jurisdiction's proposal. The application must also include information so the Secretary can determine that the jurisdiction has the management capacity, the plan does not lead to excessive duplication of administrative efforts, and that the housing funds will remain separate for other city funds to ensure that they are used for the purpose intended. Allows affected PHAs to review application and submit written comments.

SECTION 407—TRAINING

The Secretary shall, in consultation with industry groups, provide for technical assistance. Detailed evaluations of thirty jurisdictions shall be conducted for purposes of providing program models that can be replicated.

SECTION 408—ACCOUNTABILITY

The Secretary shall monitor the performance of each jurisdiction under its plan. Sets forth reporting requirements for participating jurisdictions.

SECTION 409—DEFINITIONS.

Provides definitions for terms used in this Title, including "participating jurisdictions".

TITLE V—ACCOUNTABILITY AND OVERSIGHT OF PUBLIC HOUSING AUTHORITIES

Subtitle A—Study of Alternative Methods for Evaluating Public Housing Agencies

SECTION 501—IN GENERAL

States that the Secretary shall provide that a study be conducted regarding various alternative methods of evaluating the performance of PHAs.

SECTION 502—PURPOSES

States that the purpose of the study is to identify ineffective or inefficient evaluation methods currently used by HUD and to identify and examine various methods of evaluating and improving the performance of PHAs as alternatives to HUD oversight.

SECTION 503—EVALUATION OF VARIOUS PERFORMANCE EVALUATION SYSTEMS

Lists several approaches and methods of evaluating PHA performance that the study must assess and for which it must provide conclusions. These include the current system of HUD monitoring, accreditation models, performance-based models, local review options, and the use of private contractors to conduct evaluations.

SECTION 504—CONSULTATION

The entity chosen to conduct the study shall consult with individuals and organizations knowledgeable about public housing, representatives of State and local governments, and others.

SECTION 505—CONTRACT TO CONDUCT STUDY

Authorizes the Secretary to enter into a contract with a private entity capable of conducting this study, preferably the National Academy of Public Administration.

SECTION 506—REPORT

An interim report to Congress is due six months after the date of enactment of this Act, and a final report is due twelve months after enactment.

SECTION 507—FUNDING

Authorizes $500,000 for the study from funds appropriated for HUD's Office of Policy Development and Research.

SECTION 508—EFFECTIVE DATE

This subtitle takes effect upon date of enactment of the Act.

Subtitle B—Housing Evaluation and Accreditation Board

SECTION 521—ESTABLISHMENT

Establishes a Housing Evaluation and Accreditation Board (the "Board"). The Board is without power to act until Congress repeals this section and provides the Board with specific powers. This section is intended to allow Congress time to review the evaluation study conducted pursuant to Sections 501–508 regarding accreditation models, while creating a duty to take future action regarding the already established Board—either abolishing it if appropriate or setting forth its powers.

SECTION 522—MEMBERSHIP

Requires the President, not later than 180 days after enactment, to appoint 12 members to the Board: four individuals of 10 recommended by the Secretary; four individuals of 10 recommended by the Chairman and Ranking Minority Member of the Committee on Banking, Housing, and Urban Affairs of the Senate; and four individuals of 10 recommended by the Chairman and Ranking Minority Member of the Committee on Banking and Financial Services of the House of Representatives.

Requires the membership of the Board to include two members of Section 8 or public housing, two members who are executive directors of PHAs, one who is a member of the Institute of Real Estate Managers, and one member who is the owner of a multifamily housing project which receives assistance from HUD. Moreover, the Board shall at all times have members with extensive experience in the following areas: residential real estate finance; the operations of a nonprofit involved in providing affordable housing; construction of multifamily housing; and management of community development corporations. No more than six members of the Board may be of the same political party.

Mandates that members will serve one four year term, that is staggered, with the original appointees receiving terms of one, two, three, or four years. Standard appointment, resignation, election of a chairperson, and other governing rules are stated. Provides only for expenses to be reimbursed.

SECTION 523—FUNCTIONS

Requires the Board to establish performance benchmarks for PHAs and to establish a procedure for the accreditation of PHAs.

SECTION 524—POWERS

Allows the Board to hold hearings when and where it deems appropriate. The Board may determine and adopt rules governing its operations. The Board shall have access to any information it needs from other federal government sources and any information from PHAs to the same extent as the Secretary. The Administrator of the General Services Administration shall provide necessary reimbursable support services. HUD shall provide, at the discretion of the Secretary, nonreimbursable personnel to the Board.

Provides the Board with authority to contract for services with any entity. The staff of the Board shall include an executive director and other personnel.

SECTION 525—FEES

The Board may charge PHAs reasonable accreditation fees for their accreditation, which funds are to be used to pay the costs of operation of the Board. The funds will be deposited in the U.S. Treasury and shall be available to the Board to the extent provided in appropriation Acts.

SECTION 526—GAO AUDIT

Activities of the Board are subject to audit by the General Accounting Office of the United States.

Subtitle C—Interim Applicability of Public Housing Management Assessment Program

SECTION 531—INTERIM APPLICABILITY

The Public Housing Management Assessment Program (PHMAP) set forth in this subtitle C shall be effective until standards are issued by the Board pursuant to Section 523.

SECTION 532—MANAGEMENT ASSESSMENT INDICATORS

Requires the Secretary to publish in the Federal Register performance measurements or indicators to assess the management of PHAs. Included shall be indicators on vacancies, unexpended obligated funds, housing conditions, percentage of rent collections, energy consumption, and other such performance measures. Sets forth certain specific considerations to be taken into account by HUD in evaluating PHAs (such as the level of management difficulty of particular developments).

SECTION 533—DESIGNATION OF PHA'S

Requires designation of PHAs as: (a) troubled; (b) troubled only in terms of their capital or modernization programs; (c) agencies at risk of becoming troubled ("at-risk PHAs"), and (d) exemplary PHAs. Requires designation of troubled to any PHA that does not provide acceptable basic housing conditions. The Secretary shall establish appeal procedures for PHAs designated as troubled.

SECTION 534—ON-SITE INSPECTION OF TROUBLED PHA'S

Upon designation of a PHA as troubled, an independent, on-site assessment of the agency shall be conducted by a team of knowledgeable individuals chosen by the Secretary.

SECTION 535—ADMINISTRATION

To be administered in substantially the same manner as the Public Housing Management Assessment Program established under Section 6(j) of the Housing Act of 1937, as in effect immediately before the passage of this Act.

Subtitle D—Accountability and Oversight Standards and Procedures

SECTION 541—AUDITS

Provides certain government auditing agencies with access to a PHA's books and records. Requires an annual audit of each PHA with over 250 units in its inventory. The Secretary may withhold funds if a PHA fails to comply with this requirement.

SECTION 542—PERFORMANCE AGREEMENTS FOR AUTHORITIES AT RISK OF BECOMING TROUBLED

Requires the Secretary, upon designation of a PHA as an "at-risk" agency, to seek to enter into an agreement with the PHA providing for the improvement of the management of the agency.

Authorizes the Secretary to prevent the PHA from falling into troubled status by soliciting competitive proposals from other PHAs or private management entities to take over management of certain functions or developments.

SECTION 543—PERFORMANCE AGREEMENTS AND CDBG SANCTIONS FOR TROUBLED PHAS

Requires the Secretary, upon designation of a PHA as troubled, to enter into a "performance agreement" with the PHA for improving the management of the agency. Such performance agreement shall contain specific performance targets to be achieved by the PHA. If after twelve months the PHA has failed to comply with the performance agreement, in the determination of the Secretary, then the Secretary shall take action under Section 545 governing removal of ineffective PHAs.

Authorizes the Secretary to redirect or withhold CDBG funds for the geographical jurisdiction of the troubled PHA if the Secretary determines that the local government has substantially contributed to the PHA's status as troubled.

SECTION 544—OPTION TO DEMAND CONVEYANCE OF TITLE TO OR POSSESSION OF PUBLIC HOUSING

Contracts under Title II may provide that, upon a substantial default by a PHA under the contract, the Secretary may obligate the PHA to convey title of any development, in any case necessary to achieve the purposes of this Act, or to deliver to the Secretary possession of the development to which such contract relates. If the contract permits the preceding action, it also shall provide that the

Secretary shall be obligated to reconvey the asset to the PHA, or its successor-in-interest, as soon as practicable after (1) the Secretary is satisfied that all defaults under the contract have been cured and (2) the PHA is able to operate in accordance with all provisions of the contract.

SECTION 545—REMOVAL OF INEFFECTIVE PHA'S

Authorizes the Secretary to (a) solicit proposals from other entities to manage all or part of the PHA's assets, (b) take possession of all or part of the PHA's assets, (c) require the PHA to make other arrangements to manage its assets, or (d) petition for the appointment of a receiver for the PHA. Any such action can be taken only upon a substantial default by the PHA under its contract, or under an agreement entered into pursuant to Section 543 of this Title, or submission to the Secretary of a petition by the residents. The Secretary may provide emergency assistance to a successor entity of a PHA.

Authorizes the Secretary to abrogate contracts, demolish and dispose of assets pursuant to this Title, provide for the establishment of additional PHAs to manage the assets, or consolidate the assets into another consenting PHA's inventory. When a contract is abrogated, the determination and basis for determination shall be made public. The Secretary shall have the maximum amount of authority and scope of powers as available to a receiver appointed by a federal district court.

SECTION 546—MANDATORY TAKEOVER OF CHRONICALLY TROUBLED PHA'S

Requires the Secretary to take-over each chronically troubled PHA not later than 180 days after the effective date of this Act. A "chronically troubled public housing agency" is defined as a PHA that has been classified as troubled for three years or more. The Secretary may either solicit proposals and take the necessary actions to replace management of the agency pursuant to section 535(b)(1), take possession of the agency pursuant to section 545(b)(2), or petition for appointment of a receiver for the agency pursuant to Section 545(b)(5).

SECTION 547—TREATMENT OF TROUBLED PHA'S

Requires the local government with jurisdiction over a troubled PHA to describe in its comprehensive housing affordability strategy or consolidated plan how it intends to assist the agency.

SECTION 548—MAINTENANCE OF RECORDS

Requires each PHA to maintain appropriate records. The Secretary and the Comptroller General of the United States shall have access to such records.

SECTION 549—ANNUAL REPORTS REGARDING TROUBLED PHA'S

Requires the Secretary to submit a report to Congress that identifies PHAs that are troubled or at-risk of becoming troubled and any action taken pursuant to Sections 542, 543, 544, and 545.

SECTION 550—APPLICABILITY TO RESIDENT MANAGEMENT CORPORATIONS

Applies this subtitle's provisions to resident management corporations.

SECTION 551—ADVISORY COUNCIL FOR THE HOUSING AUTHORITY OF NEW ORLEANS

Establishes an advisory council for the Housing Authority of New Orleans (HANO) composed of the Inspector General of HUD (or a designee) and not more than seven appointed members. Provides payment of expenses but not compensation for council members.

The council shall provide advice, expertise and recommendations to HANO. In addition, the council shall establish standards and guidelines for assessing the performance of HANO in carrying out operational, asset management and financial functions for quarterly reports and a final findings report submitted to Congress and the Secretary after 18 months of enactment of this Act. The final finding report shall assess whether HANO should continue to operate as manager of public housing given the progress it has made in performance and overall conditions.

TITLE VI—REPEALS AND RELATED AMENDMENTS

Subtitle A—Repeals, Effective Date, and Savings Provision

SECTION 601—EFFECTIVE DATE AND REPEAL OF UNITED STATES HOUSING ACT OF 1937

The effective date of the Act is the date which is six months after the date of enactment of the Act. This is done so that any unforeseen consequences arising from the repeal of the 1937 Act may be addressed. In addition, the Secretary may, by notice to Congress, delay the effective date of any provision of this Act until a later date (no later than October 1, 1998) in order to avoid hardship or if necessary for program administration. A savings provision is included to govern prior obligations made under the provisions of the 1937 Act. Excludes Section 8 project-based assistance from the provisions of this Act. Eliminates the requirement that owners grant one year notice to tenants prior to termination of a Section 8 contract.

SECTION 602—OTHER REPEALS

Repeals specific provisions of various housing legislation (i.e. Public Housing One-Stop Perinatal Services Demonstration, Public Housing Energy Efficiency Demonstration, etc.).

Subtitle B—Other Provisions Relating to Public Housing and Rental Assistance Programs

SECTION 621—ALLOCATION OF ELDERLY HOUSING AMOUNTS

Amends Section 202(l) of the Housing Act of 1959, to require that funds available under such section shall be allocated so that the awards go to projects of sufficient size to accommodate facilities for supportive services for the frail elderly.

SECTION 622—PET OWNERSHIP

Provides that a resident of a federally-assisted dwelling unit may own common household pets, subject to reasonable requirements of the owner of the facility. Provides that a PHA may not exempt any resident from paying any deposit required in connection with the resident's ownership of a pet. This section applies to public housing, Section 8 project-based housing under the 1937 Act, elderly housing under Section 202 of the Housing Act of 1959, and certain other housing programs. The Secretary shall issue regulations to carry out this section within one year of enactment.

SECTION 623—REVIEW OF DRUG ELIMINATION PROGRAM CONTRACTS

The Secretary is to review all security contracts awarded under the Public Housing and Assisted Housing Drug Elimination Act of 1990 to determine whether the contractors under such contracts have complied with federal anti-discrimination laws and other requirements.

SECTION 624—AMENDMENTS TO PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION ACT OF 1990

Amends certain provisions of the Anti-Drug Abuse Act of 1988, and inserts a new chapter entitled the "Community Partnerships Against Crime Act of 1997," which broadens the scope of the Public Housing Drug Elimination Act of 1990 to apply to all types of crime, and not simply drug-related crimes. The Secretary may make grants for use in eliminating crime in and around public housing and other federally assisted low-income housing projects.

Requires that the Secretary provide a grant for each PHA with over 250 units that applies, as long as in the application, the PHA demonstrates that it has need of the grant amounts based on crime statistics showing (I) the crime rate in or around the public housing development is higher than for the jurisdiction in which the agency operates, (II) the crime rate for the development is increasing over a period to indicate a general trend, and (III) the operation of the program under this chapter contributes to the reduction in crime.

A five-year crime deterrence and reduction plan must be included with each grant application. The amount of the grant shall be a pro rata amount of the funds appropriated, to be determined based on the number of units of the PHA as compared to the total number of units of all PHAs over 250 units which apply for the grants. PHAs with less than 250 units and owners of federally-assisted low-income housing are subject to different requirements.

An authorization of $290 million is provided for each of fiscal years 1998 through 2002, to be used as follows: 85 percent for PHAs with 250 units or more; 10 percent for PHAs with less than 250 units; and 5 percent for owners of federally-assisted housing. Requires proceeds of forfeiture that are transferred to the Office of the IG of HUD to be credited to Operation Safe Home activities.

Subtitle C—Limitations Relating to Occupancy in Federally Assisted Housing

SECTION 641—SCREENING OF APPLICANTS

Provides that a family is ineligible for federally-assisted housing for three years if evicted by reason of drug-related criminal activity or for a reasonable time (as may be determined by the PHA) for other criminal activity. A PHA or owner of federally-assisted housing shall establish standards prohibiting admission of persons or families who the PHA reasonably determines to be using an illegal substance or whose use of illegal substances or alcohol would interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents.

A PHA or owner of federally-assisted housing may deny admission to any applicant household that, during a reasonable period prior to applying for housing assistance, had engaged in any criminal activity. A PHA or federally-assisted housing owner may require that an applicant household prior to admission authorize the PHA to obtain any relevant criminal records from the National Crime Information Center, police departments, and other law enforcement agencies.

For purposes of determining eligibility for housing assistance, a person shall not be considered to have a disability or handicap solely because of the prior or current use of an illegal substance or alcohol.

SECTION 642—TERMINATION OF TENANCY AND ASSISTANCE FOR ILLEGAL DRUG USERS AND ALCOHOL ABUSERS

Requires a PHA or owner of federally-assisted housing to establish safeguards and lease provisions allowing termination of assistance to residents who the PHA or owner determines to be engaging in the use of a controlled substance or whose illegal use of a controlled substance interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents.

SECTION 643—LEASE REQUIREMENTS

Provides that leases shall contain provisions setting forth grounds for termination that include criminal activity and activity which threaten the health and safety of other residents.

SECTION 644—AVAILABILITY OF CRIMINAL RECORDS FOR TENANT SCREENING AND EVICTION

Provides that the National Crime Information Center, police departments, state law enforcement agencies designated as registration agencies under a state registration program, or other law enforcement agencies shall provide to the PHA upon its request information regarding the criminal background of an adult applicant for housing assistance. An applicant must be given an opportunity to dispute any such information. PHAs may be charged a reasonable fee for provision of the information.

SECTION 645—DEFINITIONS

Sets forth definitions of certain terms used in this subtitle.

TITLE VII—AFFORDABLE HOUSING AND MISCELLANEOUS PROVISIONS

SECTION 701—RURAL HOUSING ASSISTANCE

Designates the city of Altus, Oklahoma as a rural area until receipt of data from the decennial census in the year 2000.

SECTION 702—TREATMENT OF OCCUPANCY STANDARDS

Prohibits HUD from establishing, directly or indirectly, a national occupancy standard.

SECTION 703—IMPLEMENTATION OF PLAN

Orders the Secretary to implement the Ida Barbour Revitalization Plan of the City of Portsmouth, Virginia, within 120 days after the date of enactment of this Act.

SECTION 704—INCOME ELIGIBILITY FOR HOME AND CDBG PROGRAMS

Amends the National Affordable Housing Act to prevent HUD from lowering income eligibility levels for individual communities.

SECTION 705—PROHIBITION OF USE OF CDBG GRANTS FOR EMPLOYMENT RELOCATION ACTIVITIES

Amends Section 105 of the Housing and Community Development Act to prevent a locality from using CDBG funds to facilitate relocation of a business to that locality from another community.

SECTION 706—USE OF AMERICAN PRODUCTS

States a sense of the Congress that all equipment and products purchased with funds made available under this Act be American made.

SECTION 707—CONSULTATION WITH AFFECTED AREAS IN SETTLEMENT OF LITIGATION

Requires HUD to consult with the unit of local government before entering into a settlement agreement regarding public housing or rental assistance within the jurisdiction of that unit of local government.

SECTION 708—USE OF ASSISTED HOUSING BY ALIENS

Makes certain technical drafting corrections to the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (the Immigration Reform Act). The corrections are necessary to prevent a PHA from having the option not to enforce the provisions of the Immigration Reform Act contrary to the intent of Congress.

SECTION 709—EFFECTIVE DATE

The effective date of this Title is upon enactment of the Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

SEC. 3. ECONOMIC OPPORTUNITIES FOR LOW- AND VERY LOW-INCOME PERSONS.

(a) FINDINGS.—The Congress finds that—

* * * * * * *

(c) EMPLOYMENT.—

(1) PUBLIC AND INDIAN HOUSING PROGRAM.—

(A) IN GENERAL.—The Secretary shall require that [public and Indian housing agencies] *public housing agencies and recipients of grants under the Native American Housing Assistance and Self-Determination Act of 1996*, 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 section 5 of the United States Housing Act of 1937, operating assistance provided pursuant to section 9 of that Act, and modernization grants provided pursuant to section 14 of that Act.] *assistance provided under title II of the Housing Opportunity and Responsibility Act of 1997 and used for the housing production, operation, or capital needs.*

(B) PRIORITY.—The efforts required under subparagraph (A) shall be directed in the following order of priority:

(i) * * *

(ii) To residents of other developments [managed by the public or Indian housing agency] *assisted by the public housing agency or the recipient of a grant under the Native American Housing Assistance and Self-Determination Act of 1996* that is expending the assistance.

* * * * * * *

(d) CONTRACTING.—

(1) PUBLIC AND INDIAN HOUSING PROGRAM.—

(A) IN GENERAL.—The Secretary shall require that [public and Indian housing agencies] *public housing agencies and recipients of grants under the Native American Housing Assistance and Self-Determination Act of 1996*, and their contractors and subcontractors, make their best efforts, consistent with existing Federal, State, and local laws and regulations, to award contracts for work to be performed in connection with [development assistance provided pursuant to section 5 of the United States Housing Act of 1937, operating assistance provided pursuant to section 9 of that Act, and modernization grants provided pursuant to section 14 of that Act] *assistance provided under title II of the Housing Opportunity and Responsibility Act of 1997 and used for the housing production, operation, or*

capital needs, to business concerns that provide economic opportunities for low- and very low-income persons.

(B) PRIORITY.—The efforts required under subparagraph (A) shall be directed in the following order of priority:

(i) * * *

(ii) To business concerns that provide economic opportunities for residents of other housing developments [operated by the public and Indian housing agency] *assisted by the public housing agency or the recipient of a grant under the Native American Housing Assistance and Self-Determination Act of 1996* that is providing the assistance.

* * * * * * *

UNITED STATES HOUSING ACT OF 1937

[TITLE I—GENERAL PROGRAM OF ASSISTED HOUSING

[SHORT TITLE

[SECTION 1. This Act may be cited as the "United States Housing Act of 1937".

[DECLARATION OF POLICY

[SEC. 2. It is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income and, consistent with the objectives of this Act, to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs. No person should be barred from serving on the board of directors or similar governing body of a local public housing agency because of his tenancy in a low-income housing project.

[RENTAL PAYMENTS; DEFINITIONS

[SEC. 3. (a)(1) Dwelling units assisted under this Act shall be rented only to families who are low-income families at the time of their initial occupancy of such units. Reviews of family income shall be made at least annually. Except as provided in paragraph (2), a family shall pay as rent for a dwelling unit assisted under this Act (other than a family assisted under section 8(o) or (y) or paying rent under section 8(c)(3)(B)) the highest of the following amounts, rounded to the nearest dollar:

[(A) 30 per centum of the family's monthly adjusted income;

[(B) 10 per centum of the family's monthly income; or

[(C) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's

housing costs, the portion of such payments which is so designated.

[(2) Notwithstanding paragraph (1), a public housing agency may—

[(A) adopt ceiling rents that reflect the reasonable market value of the housing, but that are not less than the monthly costs—

[(i) to operate the housing of the agency; and

[(ii) to make a deposit to a replacement reserve (in the sole discretion of the public housing agency); and

[(B) allow families to pay ceiling rents referred to in subparagraph (A), unless, with respect to any family, the ceiling rent established under this paragraph would exceed the amount payable as rent by that family under paragraph (1).

[(b) When used in this Act:

[(1) The term "low-income housing" means decent, safe, and sanitary dwellings assisted under this Act. The term "public housing" means low-income housing, and all necessary appurtenances thereto, assisted under this Act other than under section 8. When used in reference to public housing, the term "low-income housing project" or "project" means (A) housing developed, acquired, or assisted by a public housing agency under this Act, and (B) the improvement of any such housing.

[(2) The term "low-income families" means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low family incomes. The term "very low-income families" means low-income families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes. Such ceilings shall be established in consultation with the Secretary of Agriculture for any rural area, as defined in section 520 of the Housing Act of 1949, taking into account the subsidy characteristics and types of programs to which such ceilings apply. In determining median incomes (of persons, families, or households) for an area or establishing any ceilings or limits based on income under this Act, the Secretary shall determine or establish area median incomes and income ceilings and limits for Westchester County, in the State of New York, as if such county were an area not contained within the metropolitan statistical area in which it is located. In determining such area median incomes or establishing such income ceilings or limits for the portion of such metropolitan statistical area that does not include Westchester County, the Secretary shall determine or establish area median incomes and income ceilings and limits as if such portion included Westchester County.

[(3) PERSONS AND FAMILIES.—

[(A) SINGLE PERSONS.—The term "families" includes families consisting of a single person in the case of (i) an elderly person, (ii) a disabled person, (iii) a displaced person, (iv) the remaining member of a tenant family, and (v) any other single persons. In no event may any single person under clause (v) of the first sentence be provided a housing unit assisted under this Act of 2 or more bedrooms. In determining priority for admission to housing under this Act, the Secretary shall give preference to single persons who are elderly, disabled, or displaced persons before single persons who are eligible under clause (v) of the first sentence.

[(B) FAMILIES.—The term "families" includes families with children and, in the cases of elderly families, near-elderly families, and disabled families, means families whose heads (or their spouses), or whose sole members, are elderly, near-elderly, or persons with disabilities, respectively. The term includes, in the cases of elderly families, near-elderly families, and disabled families, 2 or more elderly persons, near-elderly persons, or persons with disabilities living together, and 1 or more such persons living with 1 or more persons determined under the regulations of the Secretary to be essential to their care or well-being.

[(C) ABSENCE OF CHILDREN.—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.

[(D) ELDERLY PERSON.—The term "elderly person" means a person who is at least 62 years of age.

[(E) PERSON WITH DISABILITIES.—The term "person with disabilities" means a person who—

[(i) has a disability as defined in section 223 of the Social Security Act,

[(ii) is determined, pursuant to regulations issued by the Secretary, to have a physical, mental, or emotional impairment which (I) is expected to be of long-continued and indefinite duration, (II) substantially impedes his or her ability to live independently, and (III) is of such a nature that such ability could be improved by more suitable housing conditions, or

[(iii) has a developmental disability as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act.

Such term shall not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome.

[(F) DISPLACED PERSON.—The term "displaced person" means 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.

[(G) NEAR-ELDERLY PERSON.—The term "near-elderly person" means a person who is at least 50 years of age but below the age of 62.

[(4) The term "income" means income from all sources of each member of the household, as determined in accordance with criteria prescribed by the Secretary, in consultation with the Secretary of Agriculture, except that any amounts not actually received by the family and any amounts which would be eligible for exclusion under section 1613(a)(7) of the Social Security Act (42 U.S.C. 1382b(a)(7)) may not be considered as income under this paragraph.

[(5) The term "adjusted income" means the income which remains after excluding—

[(A) $550 for each member of the family residing in the household (other than the head of the household or his spouse) who is under 18 years or age or who is 18 years of age or older and is disabled or handicapped or a full-time student;

[(B) $400 for any elderly or disabled family;

[(C) the amount by which the aggregate of the following expenses of the family exceeds 3 percent of annual family income: (i) medical expenses for any family; and (ii) reasonable attendant care and auxiliary apparatus expenses for each handicapped member of any family, to the extent necessary to enable any member of such family (including such handicapped member) to be employed;

[(D) child care expenses to the extent necessary to enable another member of the family to be employed or to further his or her education;

[(E) 10 percent of the earned income of the family;

[(F) any payment made by a member of the family for the support and maintenance of any child, spouse, or former spouse who does not reside in the household, except that the amount excluded under this subparagraph shall not exceed the lesser of (i) the amount that such family member has a legal obligation to pay; or (ii) $550 for each individual for whom such payment is made;

[(G) excessive travel expenses, not to exceed $25 per family per week, for employment- or education-related travel, except that this subparagraph shall apply only to families assisted by Indian housing authorities.

[(H) for public housing, any other adjustments to earned income established by the public housing agency. If a public housing agency adopts other adjustments to income pursuant to subparagraph (H), the Secretary shall not take into account any reduction of or increase in the public housing agency's per unit dwelling rental income resulting from those adjustments when calculating the contributions under section 9 for the public housing agency for the operation of the public housing.

[(6) The term "public housing agency" means any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or

assist in the development or operation of low-income housing. The term includes any Indian housing authority.

[(7) The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, the Trust Territory of the Pacific Islands, and Indian tribes.

[(8) The term "Secretary" means the Secretary of Housing and Urban Development.

[(9) The term "Indian" means any person recognized as being an Indian or Alaska Native by an Indian tribe, the Federal Government, or any State.

[(10) The term "Indian area" means the area within which an Indian housing authority is authorized to provide low-income housing.

[(11) The term "Indian housing authority" means any entity that—

[(A) is authorized to engage in or assist in the development or operation of low-income housing for Indians; and

[(B) is established—

[(i) by exercise of the power of self-government of an Indian tribe independent of State law; or

[(ii) by operation of State law providing specifically for housing authorities for Indians, including regional housing authorities in the State of Alaska.

[(12) The term "Indian tribe" means any tribe, band, pueblo, group, community, or nation of Indians or Alaska Natives.

[(c) When used in reference to public housing:

[(1) The term "development" means any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, in connection with a low-income housing project. The term "development cost" comprises the costs incurred by a public housing agency in such undertakings and their necessary financing (including the payment of carrying charges), and in otherwise carrying out the development of such project. Construction activity in connection with a low-income housing project may be confined to the reconstruction, remodeling, or repair of existing buildings.

[(2) The term "operation" means any or all undertakings appropriate for management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a low-income housing project. The term also means the financing of tenant programs and services for families residing in low-income housing projects, particularly where there is maximum feasible participation of the tenants in the development and operation of such tenant programs and services. As used in this paragraph, the term "tenant programs and services" includes the development and maintenance of tenant organizations which participate in the management of low-income housing projects; the training of tenants to manage and operate such projects and the utilization of their services in project management and operation; counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and re-

ferral to appropriate agencies in the community when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

[(3) The term "acquisition cost" means the amount prudently required to be expended by a public housing agency in acquiring property for a low-income housing project.

[The earnings of and benefits to any public housing resident resulting from participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, section 22 of this Act, or any comparable Federal, State, or local law shall not be considered as income for the purposes of determining a limitation on the amount of rent paid by the resident during—

[(1) the period that the resident participates in such program; and

[(2) the period that—

[(A) begins with the commencement of employment of the resident in the first job acquired by the person after completion of such program that is not funded by assistance under this Act; and

[(B) ends on the earlier of—

[(i) the date the resident ceases to continue employment without good cause as the Secretary shall determine; or

[(ii) the expiration of the 18-month period beginning on the date referred to in subparagraph (A).

[LOANS FOR LOWER INCOME HOUSING PROJECTS

[SEC. 4. (a) The Secretary may make loans or commitments to make loans to public housing agencies to help finance or refinance the development, acquisition, or operation of low-income housing projects by such agencies. Any contract for such loans and any amendment to a contract for such loans shall provide that such loans shall bear interest at a rate specified by the Secretary which shall not be less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus one-eighth of 1 per centum. Such loans shall be secured in such manner and shall be repaid within such period not exceeding forty years, or not exceeding forty years from the date of the bonds evidencing the loan, as the Secretary may determine. The Secretary may require loans or commitments to make loans under this section to be pledged as security for obligations issued by a public housing agency in connection with a low-income housing project.

[(b) The Secretary may issue and have outstanding at any one time notes and other obligations for purchase by the Secretary of the Treasury in an amount which will not, unless authorized by the President, exceed $1,500,000,000. For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one

time pursuant to loan agreements then outstanding with public housing agencies. Such notes or other obligations shall be in such forms and denominations and shall be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. The notes or other obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any notes or other obligations of the Secretary issued hereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under such chapter are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

[(c)(1) At such times as the Secretary may determine, and in accordance with such accounting and other procedures as the Secretary may prescribe, each loan made by the Secretary under subsection (a) that has any principal amount outstanding or any interest amount outstanding or accrued shall be forgiven; and the terms and conditions of any contract, or any amendment to a contract, for such loan with respect to any promise to repay such principal and interest shall be canceled. Such cancellation shall not affect any other terms and conditions of such contract, which shall remain in effect as if the cancellation had not occurred. This paragraph shall not apply to any loan the repayment of which was not to be made using annual contributions, or to any loan all or part of the proceeds of which are due a public housing agency from contractors or others.

[(2)(A) On the date of the enactment of the Housing and Community Development Reconciliation Amendments of 1985, each note or other obligation issued by the Secretary to the Secretary of the Treasury pursuant to subsection (b), together with any promise to repay the principal and unpaid interest that has accrued on each note or obligation, shall be forgiven; and any other term or condition specified by each such obligation shall be canceled.

[(B) On September 30, 1986, and on any subsequent September 30, each such note or other obligation issued by the Secretary to the Secretary of the Treasury pursuant to subsection (b) during the fiscal year ending on such date, together with any promise to repay the principal and unpaid interest that has accrued on each note or obligation, shall be forgiven; and any other term or condition specified by each such obligation shall be canceled.

[(3) Any amount of budget authority (and contract authority) that becomes available during any fiscal year as a result of the forgiveness of any loan, note, or obligation under this subsection shall be rescinded.

[CONTRIBUTIONS FOR LOWER INCOME HOUSING PROJECTS

[SEC. 5. (a)(1) The Secretary may make annual contributions to public housing agencies to assist in achieving and maintaining the lower income character of their projects. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment. The contribution payable annually under this section shall in no case exceed a sum equal to the annual amount of principal and interest payable on obligations issued by the public housing agency to finance the development or acquisition cost of the lower income project involved. Annual contributions payable under this section shall be pledged, if the Secretary so requires, as security for obligations issued by a public housing agency to assist the development or acquisition of the project to which annual contributions relate and shall be paid over a period not to exceed 40 years.

[(2) The Secretary may make contributions (in the form of grants) to public housing agencies to cover the development cost of public housing projects. The contract under which such contributions shall be made shall specify the amount of capital contributions required for each project to which the contract pertains, and that the terms and conditions of such contract shall remain in effect for a 40-year period.

[(3) The amount of contributions that would be established for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established under this section for a project by such public housing agency that would provide housing for the comparable number, sizes, and kinds of families through the acquisition and rehabilitation, or use under lease, of structures that are suitable for low-income housing use and obtained in the local market.

[(b) The Secretary may prescribe regulations fixing the maximum contributions available under different circumstances, giving consideration to cost, location, size, rent-paying ability of prospective tenants, or other factors bearing upon the amounts and periods of assistance needed to achieve and maintain low rentals. Such regulations may provide for rates of contribution based upon development, acquisition, or operation costs, number of dwelling units, number of persons housed, interest charges, or other appropriate factors.

[(c)(1) The Secretary may enter into contracts for annual contributions aggregating not more than $7,875,049,000 per annum, which amount shall be increased by $1,494,400,000 on October 1, 1980, and by $906,985,000 on October 1, 1981. The additional authority to enter into such contracts provided on or after October 1, 1980, shall be effective only in such amounts as may be approved in appropriation Acts. In addition, the aggregate amount which may be obligated over the duration of the contracts may not exceed $31,200,000 with respect to the additional authority provided on October 1, 1980, and $18,087,370,000 with respect to the additional authority provided on October 1, 1981.

[(2) The Secretary shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling

units for which contracts for annual contributions may be entered into.

[(3) The full faith and credit of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there are hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments.

[(4) All payments of annual contributions pursuant to this section shall be made out of any funds available for purposes of this Act when such payments are due, except that funds obtained through the issuance of obligations pursuant to section 4(b) (including repayments or other realizations of the principal of loans made out of such funds) shall not be available for the payment of such annual contributions.

[(5) During such period as the Secretary may prescribe for starting construction, the Secretary may approve the conversion of public housing development authority for use under section 14 or for use for the acquisition and rehabilitation of property to be used in public housing, if the public housing agency, after consultation with the unit of local government, certifies that such assistance would be more effectively used for such purpose, and if the total number of units assisted will not be less than 90 per centum of the units covered by the original reservation.

[(6) The aggregate amount of budget authority which may be obligated for contracts for annual contributions and for grants under section 17 is increased by $9,912,928,000 on October 1, 1983, and by such sums as may be approved in appropriation Acts on October 1, 1984. The aggregate amount of budget authority that may be obligated for contracts for annual contributions for assistance under section 8, for contracts referred to in paragraphs (7)(A)(iv) and (7)(B)(iv), for grants for public housing, for comprehensive improvement assistance, and for amendments to existing contracts, is increased (to the extent approved in appropriation Acts) by $7,167,000,000 on October 1, 1987, and by $7,300,945,000 on October 1, 1988. The aggregate amount of budget authority that may be obligated for assistance referred to in paragraph (7) is increased (to the extent approved in appropriation Acts) by $16,194,000,000 on October 1, 1990, and by $14,709,400,000 on October 1, 1991. The aggregate amount of budget authority that may be obligated for assistance referred to in paragraph (7) is increased (to the extent approved in appropriation Acts) by $14,710,990,520 on October 1, 1992, and by $15,328,852,122 on October 1993.

[(7)(A) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1993, the Secretary shall, to the extent approved in appropriation Acts, reserve authority to enter into obligations aggregating—

[(i) for public housing grants under subsection (a)(2), not more than $830,900,800, of which amount not more than $257,320,000 shall be available for Indian housing;

[(ii) for assistance under section 8, not more than $1,977,662,720, of which $20,000,000 shall be available for 15-year contracts for project-based assistance to be used for a

multicultural tenant empowerment and homeownership project located in the District of Columbia, except that assistance provided for such project shall not be considered for purposes of the percentage limitations under section 8(i)(2); except that not more than 49 percent of any amounts appropriated under this clause may be used for vouchers under section 8(o);

[(iii) for comprehensive improvement assistance grants under section 14(k), not more than $3,100,000,000;

[(iv) for assistance under section 8 for property disposition, not more than $93,032,000;

[(v) for assistance under section 8 for loan management, not more than $202,000,000;

[(vi) for extensions of contracts expiring under section 8, not more than $6,746,135,000, which shall be for 5-year contracts for assistance under section 8 and for loan management assistance under such section;

[(vii) for amendments to contracts under section 8, not more than $1,350,000,000;

[(viii) for public housing lease adjustments and amendments, not more than $83,055,000;

[(ix) for conversions from leased housing contracts under section 23 of this Act (as in effect immediately before the enactment of the Housing and Community Development Act of 1974) to assistance under section 8, not more than $12,767,000; and

[(x) for grants under section 24 for revitalization of severely distressed public housing, not more than $300,000,000.

[(B) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1994, the Secretary shall, to the extent approved in appropriation Acts, reserve authority to enter into obligations aggregating—

[(i) for public housing grants under subsection (a)(2), not more than $865,798,634, of which amount not more than $268,127,440 shall be available for Indian housing;

[(ii) for assistance under section 8, not more than $2,060,724,554, of which $20,000,000 shall be available for 15-year contracts for project-based assistance to be used for a multicultural tenant empowerment and homeownership project located in the District of Columbia, except that assistance provided for such project shall not be considered for purposes of the percentage limitations under section 8(i)(2); except that not more than 49 percent of any amounts appropriated under this clause may be used for vouchers under section 8(o);

[(iii) for comprehensive improvement assistance grants under section 14(k), not more than $3,230,200,000;

[(iv) for assistance under section 8 for property disposition, not more than $96,939,344;

[(v) for assistance under section 8 for loan management, not more than $210,484,000;

[(vi) for extensions of contracts expiring under section 8, not more than $7,029,472,670, which shall be for 5-year contracts for assistance under section 8 and for loan management assistance under such section;

[(vii) for amendments to contracts under section 8, not more than $1,406,700,000;

[(viii) for public housing lease adjustments and amendments, not more than $86,543,310;

[(ix) for conversions from leased housing contracts under section 23 of this Act (as in effect immediately before the enactment of the Housing and Community Development Act of 1974) to assistance under section 8, not more than $13,303,214; and

[(x) for grants under section 24 for revitalization of severely distressed public housing, not more than $312,600,000.

[(C)(i) Any amount available for the conversion of a project to assistance under section 8(b)(1), if not required for such purpose, shall be used for assistance under section 8(b)(1).

[(ii) Any amount available for assistance under section 8 for property disposition, if not required for such purpose, shall be used for assistance under section 8(b)(1).

[(8) Any amount available for Indian housing under subsection (a) that is recaptured shall be used only for such housing.

[(d) Any contract for loans or annual contributions, or both, entered into by the Secretary with a public housing agency, may cover one or more than one low-income housing project owned by such public housing agency; in the event the contract covers two or more projects, such projects may, for any of the purposes of this Act and of such contract (including, but not limited to, the determination of the amount of the loan, annual contributions, or payments in lieu of taxes, specified in such contract), be treated collectively as one project.

[(e) In recognition that there should be local determination of the need for low-income housing to meet needs not being adequately met by private enterprise—

[(1) the Secretary shall not make any contract with a public housing agency for preliminary loans (all of which shall be repaid out of any moneys which become available to such agency for the development of the projects involved) for surveys and planning in respect to any low-income housing projects (i) unless the governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan; and (ii) unless the public housing agency has demonstrated to the satisfaction of the Secretary that there is need for such low-income housing which is not being met by private enterprise; and

[(2) the Secretary shall not make any contract for loans (other than preliminary loans) or for contributions pursuant to this Act unless the governing body of the locality involved has entered into an agreement with the public housing agency providing for the local cooperation required by the Secretary pursuant to this Act.

[(f) Subject to the specific limitations or standards in this Act governing the terms of sales, rentals, leases, loans, contracts for annual contributions, or other agreements, the Secretary may, whenever he deems it necessary or desirable in the fulfillment of the purposes of this Act, consent to the modification, with respect to rate of interest, time of payment of any installment of principal

or interest, security, amount of annual contribution, or any other term, of any contract or agreement of any kind to which the Secretary is a party. When the Secretary finds that it would promote economy or be in the financial interest of the Federal Government or is necessary to assure or maintain the lower income character of the project or projects involved, any contract heretofore or hereafter made for annual contributions, loans, or both, may be amended or superseded by a contract entered into by mutual agreement between the public housing agency and the Secretary. Contracts may not be amended or superseded in a manner which would impair the rights of the holders of any outstanding obligations of the public housing agency involved for which annual contributions have been pledged. Any rule of law contrary to this provision shall be deemed inapplicable.

[(g) In addition to the authority of the Secretary under subsection (a) to pledge annual contributions as security for obligations issued by a public housing agency, the Secretary is authorized to pledge annual contributions as a guarantee of payment by a public housing agency of all principal and interest on obligations issued by it to assist the development or acquisition of the project to which the annual contributions relate, except that no obligation shall be guaranteed under this subsection if the income thereon is exempt from Federal taxation.

[(h) Notwithstanding any other provision of law, a public housing agency may sell a low-income housing project to its lower income tenants, on such terms and conditions as the agency may determine, without affecting the Secretary's commitment to pay annual contributions with respect to that project, but such contributions shall not exceed the maximum contributions authorized under subsection (a) of this section.

[(i) In entering into contracts for assistance with respect to newly constructed or substantially rehabilitated projects under this section (other than for projects assisted pursuant to section 8), the Secretary shall require the installation of a passive or active solar energy system in any such project where the Secretary determines that such installation would be cost effective over the estimated life of the system.

[(j)(1) After September 30, 1987, in providing assistance under this Act to a public housing agency for public housing (other than for Indian families), the Secretary shall reserve funds for the development of public housing only if—

[(A) the Secretary determines that additional amounts are required to complete the development of dwelling units for which amounts are obligated on or before such date;

[(B) the public housing agency certifies to the Secretary that 85 percent of the public housing dwelling units of the public housing agency—

[(i) are maintained in substantial compliance with the housing quality standards established by the Secretary under section 8(o)(6);

[(ii) will be so maintained upon completion of modernization for which funding has been awarded; or

[(iii) will be so maintained upon completion of modernization for which applications are pending that have

been submitted in good faith under section 14 (or a comparable State or local government program) and that there is a reasonable expectation, as determined by the Secretary in writing, that the applications would be approved;

[(C) the public housing agency certifies that such development—

[(i) will replace dwelling units that are disposed of or demolished by the public housing agency, including dwelling units disposed of or lost through sale to tenants or through units redesign; or

[(ii) is required to comply with court orders or directions of the Secretary;

[(D) the public housing agency certifies that it has demands for family housing not satisfied by the rental assistance programs established in subsection (b) or (o) of section 8 for which it plans to construct or acquire projects of not more than 100 units; or

[(E) the Secretary makes such reservation under paragraph (2).

[(F) in the case of an application for development of projects (or portions of projects) designated under section 7(a)(1) for occupancy for elderly families, only if the agency certifies to the Secretary that the use of such assistance will assist in expanding the housing available for eligible persons with disabilities identified in the allocation plan for the agency submitted under section 7(f); and

[(2)(A) Notwithstanding any other provision of law, the Secretary may reserve not more than 20 percent of any amounts appropriated for development of public housing in each fiscal year for the substantial redesign, reconstruction, or redevelopment of existing obsolete public housing projects or buildings and for the costs of improving the management and operation of projects undergoing redesign, reconstruction, or redevelopment under this paragraph (to the extent that such improvement is necessary to maintain the physical improvements resulting from such redesign, reconstruction, or redevelopment).

[(B) For purposes of this paragraph, the term "obsolete public housing project or building" means a public housing project or building (i) having design or marketability problems resulting in vacancy in more than 25 percent of the units, or (ii)(I) for which the costs for redesign, reconstruction, or redevelopment (including any costs for lead-based paint abatement activities) exceed 70 percent of the total development cost limits for new construction of similar units in the area, and (II) which has an occupancy density or a building height that is significantly in excess of that which prevails in the neighborhood in which the project is located, a bedroom configuration that could be altered to better serve the needs of families seeking occupancy to dwellings of the public housing agency, significant security problems in and around the project, or significant physical deterioration or inefficient energy and utility systems.

[(C) The Secretary shall allocate amounts reserved under this section to public housing agencies on the basis of a competition

among public housing agencies applying for such amounts. The competition shall be based on—

[(ii) the expected term of the useful life of the project or building after redesign, reconstruction or redevelopment; and

[(iii) the likelihood of achieving full occupancy within the projects or buildings of the agency that are to be assisted under this paragraph.

[(D) The Secretary shall establish limitations on the total costs of any project or building receiving amounts under this paragraph for redesign, reconstruction, and redevelopment. The cost limitations shall not be related to the total development cost system for new development or to the cost limits for modernization and shall recognize the higher direct costs of such work.

[(E) Assistance may not be provided under this paragraph for any project or building assisted under section 14.

[(F)(i) For each fiscal year for which amounts are reserved or appropriated for the purposes of this paragraph, the Secretary shall establish performance goals to evaluate the effectiveness of the use of such amounts. The goals shall—

[(I) be designed to maximize the effectiveness of the expenditures in a quantifiable manner; and

[(II) describe the number of units to be redesigned, redeveloped, and reconstructed with such amounts and improvements in the management of projects so assisted to be accomplished with such amounts.

[(ii) Not later than 60 days after the end of each such fiscal year, the Secretary shall submit a report to the Congress, which shall describe the performance goals established for the fiscal year, the activities carried out with such amounts, and a statement of whether the performance goals were met. If the performance goals were not met, the report shall t shall contain—

[(I) an explanation of why the goals were not met and a description of any managerial deficiencies or legal problems that contributed to not meeting such goals;

[(II) plans and a schedule for achieving the level of performance under such performance goals;

[(III) recommendations for legislative or regulatory changes necessary to achieve the performance goals or improve performance; and

[(IV) a statement of whether the performance goals established for the fiscal year were impractical or infeasible, and, if so, the factors that contributed and resulted in establishing such impractical or infeasible goals and recommendations of actions to meet such goals, which may include changing the goals or altering or eliminating the program under this paragraph for major reconstruction of projects.

[(G)(i) In fiscal years 1993 and 1994, the Secretary shall commit for use under clause (ii) not less than 5 percent of any amounts reserved under subparagraph (A) for each such fiscal year.

[(ii) The amounts referred to in clause (i) shall be available to public housing agencies only for use for projects (or portions of projects) designated for occupancy under section 7(a)(1) and (e) by disabled families.

[(iii) In allocating amounts reserved under this subparagraph among public housing agencies, the Secretary shall consider the need for any such amounts as identified in the allocation plans submitted by agencies under section 7(f).

[(3)(A) In fiscal years 1993 and 1994, the Secretary shall reserve for use under subparagraph (B) not less than 5 percent of any amounts approved in appropriation Acts for each such fiscal year for public housing grants under subsection (a)(2) that are not designated under such Acts for use under paragraph (2) of this subsection for the substantial redesign, reconstruction, or redevelopment of existing public housing projects, buildings, or units.

[(B) Any amount reserved under subparagraph (A) shall be available only to public housing agencies that have designated projects (or portions of projects) for occupancy under section 7(a)(1) for use only for the costs of development or acquisition of public housing projects or buildings designated for occupancy under section 7(a)(1) and (e) by disabled families. A building so assisted may not contain more than 25 dwelling units, except that the Secretary may (in the discretion of the Secretary) waive such limitation for a building.

[(C) The Secretary shall carry out a competition for budget authority reserved under subparagraph (A) among eligible public housing agencies and shall allocate such budget authority to public housing agencies pursuant to the competition, based on (i) the need of the agency for such assistance (taking into consideration the allocation plans submitted under section 7(f) by agencies), and (ii) the extent to which the public housing projects and buildings to be developed or assisted meet the requirements of section 7(e).

[(k) After the reservation of public housing development funds to a public housing agency, the Secretary may not recapture any of the amounts included in such reservation due to the failure of a public housing agency to begin construction or rehabilitation, or to complete acquisition, during the 30-month period following the date of such reservation. During such 30-month period, the public housing agency shall be permitted to change the site of the public housing project or reformulate the project, if not less than the original number of dwelling units are to be constructed, rehabilitated, or acquired. There shall be excluded from the computation of such 30-month period any delay in the beginning of construction or rehabilitation of such project caused by (1) the failure of the Secretary to process such project within a reasonable period of time; (2) any environmental review requirement; (3) any legal action affecting such project; or (4) any other factor beyond the control of the public housing agency.

[(l) The Secretary may not use as a criterion for distributing assistance under this section the progress made by an Indian public housing agency in collecting rents owed by tenants unless—

[(1) such criterion is used as 1 of several criteria that are weighted proportionally and is established by regulations issued after public notice and opportunity to comment in accordance with section 553 of title 5, United States Code; or

[(2) the Secretary determines that the Indian public housing agency has demonstrated a pattern of substantial noncompliance with requirements governing the collection of rents.

[CONTRACT PROVISIONS AND REQUIREMENTS

[SEC. 6. (a) The Secretary may include in any contract for loans, contributions, sale, lease, mortgage, or any other agreement or instrument made pursuant to this Act, such covenants, conditions, or provisions as he may deem necessary in order to insure the lower income character of the project involved. Any such contract may contain a condition requiring the maintenance of an open space or playground in connection with the housing project involved if deemed necessary by the Secretary for the safety or health of children. Any such contract shall require that, except in the case of housing predominantly for elderly or disabled families, high-rise elevator projects shall not be provided for families with children unless the Secretary makes a determination that there is no practical alternative.

[(b)(1) Each contract for loans (other than preliminary loans) or contributions for the development, acquisition, or operation of public housing and public housing for Indians and Alaska Natives in accordance with the Indian Housing Act of 1988 shall provide that the total development cost of the project on which the computation of any annual contributions under this Act may be based may not exceed the amount determined under paragraph (2) (for the appropriate structure type) unless the Secretary provides otherwise, and in any case may not exceed 110 per centum of such amount unless the Secretary for good cause determines otherwise.

[(2) For purposes of paragraph (1), the Secretary shall determine the total development cost by multiplying the construction cost guideline for the project (which shall be determined by averaging the current construction costs, as listed by not less than 2 nationally recognized residential construction cost indices, for publicly bid construction of a good and sound quality) by—

[(A) in the case of elevator type structures, 1.6; and

[(B) in the case of nonelevator type structures, 1.75.

[(c) Every contract for contributions shall provide that—

[(1) the Secretary may require the public housing agency to review and revise its maximum income limits if the Secretary determines that changed conditions in the locality make such revision necessary in achieving the purposes of this Act;

[(2) the public housing agency shall determine, and so certify to the Secretary, that each family in the project was admitted in accordance with duly adopted regulations and approved income limits; and the public housing agency shall review the incomes of families living in the project no less frequently than annually;

[(3) the public housing agency shall promptly notify (i) any applicant determined to be ineligible for admission to the project of the basis for such determination and provide the applicant upon request, within a reasonable time after the determination is made, with an opportunity for an informal hearing on such determination, and (ii) any applicant determined to be eligible for admission to the project of the approximate date of occupancy insofar as such date can be reasonably determined;

[(4) the public housing agency shall comply with such procedures and requirements as the Secretary may prescribe to as-

sure that sound management practices will be followed in the operation of the project, including requirements pertaining to—

[(A) the establishment, after public notice and an opportunity for public comment, of a written system of preferences for admission to public housing, if any, that is not inconsistent with the comprehensive housing affordability strategy under title I of the Cranston-Gonzalez National Affordable Housing Act;

[(E) except in the case of agencies not receiving operating assistance under section 9, the establishment and maintenance of a system of accounting for rental collections and costs (including administrative, utility, maintenance, repair and other operating costs) for each project or operating cost center (as determined by the Secretary), which collections and costs shall be made available to the general public and submitted to the appropriate local public official (as determined by the Secretary); except that the Secretary may permit agencies owning or operating less than 500 units to comply with the requirements of this subparagraph by accounting on an agency-wide basis; and

[(F) requiring the public housing agency to ensure and maintain compliance with subtitle C of title VI of the Housing and Community Development Act of 1992 and any regulations issued under such subtitle.

[(d) Every contract for contributions with respect to a low-income housing project shall provide that no contributions by the Secretary shall be made available for such project unless such project (exclusive of any portion thereof which is not assisted by contributions under this Act) is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and such contract shall require the public housing agency to make payments in lieu of taxes equal to 10 per centum of the sum of the shelter rents charged in such project, or such lesser amount as (i) is prescribed by State law, or (ii) is agreed to by the local governing body in its agreement for local cooperation with the public housing agency required under section 5(e)(2) of this Act, or (iii) is due to failure of a local public body or bodies other than the public housing agency to perform any obligation under such agreement. If any such project is not exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision, such contract shall provide, in lieu of the requirement for tax exemption and payments in lieu of taxes, that no contributions by the Secretary shall be made available for such project unless and until the State, city, county, or other political subdivision in which such project is situated shall contribute, in the form of cash or tax remission, the amount by which the taxes paid with respect to the project exceed 10 per centum of the shelter rents charged in such project.

[(e) Every contract for contributions shall provide that whenever in any year the receipts of a public housing agency in connection with a low-income housing project exceed its expenditures (including debt service, operation, maintenance, establishment of reserves, and other costs and charges), an amount equal to such excess shall

be applied, or set aside for application, to purposes which, in the determination of the Secretary, will effect a reduction in the amount of subsequent annual contributions.

[(g) Every contract for contributions (including contracts which amend or supersede contracts previously made) may provide that—

[(1) upon the occurrence of a substantial default in respect to the covenants or conditions to which the public housing agency is subject (as such substantial default shall be defined in such contract), the public housing agency shall be obligated at the option of the Secretary either to convey title in any case where, in the determination of the Secretary (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act, or to deliver to the Secretary possession of the project, as then constituted, to which such contract relates; and

[(2) the Secretary shall be obligated to reconvey or redeliver possession of the project, as constituted at the time of reconveyance or redelivery, to such public housing agency or to its successor (if such public housing agency or a successor exists) upon such terms as shall be prescribed in such contract, and as soon as practicable (i) after the Secretary is satisfied that all defaults with respect to the project have been cured, and that the project will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or (ii) after the termination of the obligation to make annual contributions available unless there are any obligations or covenants of the public housing agency to the Secretary which are then in default. Any prior conveyances and reconveyances or deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the project to the Secretary pursuant to subparagraph (1) upon the subsequent occurrence of a substantial default.

Whenever such a contract for annual contributions includes provisions which the Secretary in such contract determines are in accordance with this subsection, and the portion of the annual contribution payable for debt service requirements pursuant to such contract has been pledged by the public housing agency as security for the payment of the principal and interest on any of its obligations, the Secretary (notwithstanding any other provisions of this Act) shall continue to make such annual contributions available for the project so long as any of such obligations remain outstanding, and may covenant in such contract that in any event such annual contributions shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the project for the purpose at the time such annual contribution is made, will suffice for the payment of all installments, falling due within the next succeeding twelve months, of principal and interest on the obligations for which the annual contributions provided for in the contract shall have been pledged as security. In no case shall such annual contributions be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

[(h) On or after October 1, 1983, the Secretary may enter into a contract involving new construction only if the public housing agency demonstrates to the satisfaction of the Secretary that the cost of new construction in the neighborhood where the public housing agency determines the housing is needed is less than the cost of acquisition or acquisition and rehabilitation in such neighborhood, including any reserve fund under subsection (i), would be.

[(i) The Secretary may, upon application by a public housing agency in connection with the acquisition of housing for use as public housing, establish and set aside a reserve fund in an amount not to exceed 30 per centum of the acquisition cost which shall be available for use for major repairs to such housing.

[(j)(1) The Secretary shall develop and publish in the Federal Register indicators to assess the management performance of public housing agencies and resident management corporations. The indicators shall be established by rule under section 553 of title 5, United States Code. Such indicators shall enable the Secretary to evaluate the performance of public housing agencies and resident management corporations in all major areas of management operations. The Secretary shall, in particular, use the following indicators:

[(A) The number and percentage of vacancies within an agency's inventory, including the progress that an agency has made within the previous 3 years to reduce such vacancies.

[(B) The amount and percentage of funds obligated to the public housing agency under section 14 of this Act which remain unexpended after 3 years.

[(C) The percentage of rents uncollected.

[(D) The energy consumption (with appropriate adjustments to reflect different regions and unit sizes).

[(E) The average period of time that an agency requires to repair and turn-around vacant units.

[(F) The proportion of maintenance work orders outstanding, including any progress that an agency has made during the preceding 3 years to reduce the period of time required to complete maintenance work orders.

[(G) The percentage of units that an agency fails to inspect to ascertain maintenance or modernization needs within such period of time as the Secretary deems appropriate (with appropriate adjustments, if any, for large and small agencies).

[(H) Any other factors as the Secretary deems appropriate.

[(2)(A)(i) The Secretary shall, under the rulemaking procedures under section 553 of title 5, United States Code, establish procedures for designating troubled public housing agencies, which procedures shall include identification of serious and substantial failure to perform as measured by the performance indicators specified under paragraph (1) and such other factors as the Secretary may deem to be appropriate. The Secretary shall also designate, by rule under section 553 of title 5, United States Code, agencies that are troubled with respect to the program under section 14.

[(ii) The Secretary may also, in consultation with national organizations representing public housing agencies and public officials (as the Secretary determines appropriate), identify and commend

public housing agencies that meet the performance standards established under paragraph (1) in an exemplary manner.

[(iii) The Secretary shall establish procedures for public housing agencies to appeal designation as a troubled agency (including designation as a troubled agency for purposes of the program under section 14), to petition for removal of such designation, and to appeal any refusal to remove such designation.

[(B)(i) Upon designating a public housing agency as troubled pursuant to subparagraph (A) and determining that an assessment under this subparagraph will not duplicate any review conducted under section 14(p), the Secretary shall provide for an on-site, independent assessment of the management of the agency.

[(ii) To the extent the Secretary deems appropriate (taking into account an agency's performance under the indicators specified under paragraph (1)), the assessment team shall also consider issues relating to the agency's resident population and physical inventory, including the extent to which (I) the agency's comprehensive plan prepared pursuant to section 14 adequately and appropriately addresses the rehabilitation needs of the agency's inventory, (II) residents of the agency are involved in and informed of significant management decisions, and (III) any projects in the agency's inventory are severely distressed and eligible for assistance pursuant to section 24.

[(iii) An independent assessment under this subparagraph shall be carried out by a team of knowledgeable individuals selected by the Secretary (referred to in this section as the "assessment team") with expertise in public housing and real estate management. In conducting an assessment, the assessment team shall consult with the residents and with public and private entities in the jurisdiction in which the public housing is located. The assessment team shall provide to the Secretary and the public housing agency a written report, which shall contain, at a minimum, recommendations for such management improvements as are necessary to eliminate or substantially remedy existing deficiencies.

[(C) The Secretary shall seek to enter into an agreement with each troubled public housing agency, after reviewing the report submitted pursuant to subparagraph (B) and consulting with the agency's assessment team.

To the extent the Secretary deems appropriate (taking into account an agency's performance under the indicators specified under paragraph (1)), such agreement shall also set forth a plan for enhancing resident involvement in the management of the public housing agency. Such agreement shall set forth—

[(i) targets for improving performance as measured by the performance indicators specified under paragraph (1) and other requirements within a specified period of time;

[(ii) strategies for meeting such targets, including a description of the technical assistance that the Secretary will make available to the agency; and

[(iii) incentives or sanctions for effective implementation of such strategies, which may include any constraints on the use of funds that the Secretary determines are appropriate.

The Secretary and the public housing agency shall, to the maximum extent practicable, seek the assistance of local public and private entities in carrying out the agreement.

[(D) The Secretary shall apply the provisions of this paragraph to resident management corporations as well as public housing agencies.

[(3)(A) Notwithstanding any other provision of law or of any contract for contributions, upon the occurrence of events or conditions that constitute a substantial default by a public housing agency with respect to the covenants or conditions to which the public housing agency is subject or an agreement entered into under paragraph (2), the Secretary may—

[(i) solicit competitive proposals from other public housing agencies and private housing management agents (which may be selected by existing tenants through administrative procedures established by the Secretary) in the eventuality that these agents may be needed for managing all, or part, of the housing administered by a public housing agency;

[(ii) petition for the appointment of a receiver (which may be another public housing agency or a private management corporation) of the public housing agency to any district court of the United States or to any court of the State in which the real property of the public housing agency is situated, that is authorized to appoint a receiver for the purposes and having the powers prescribed in this subsection;

[(iii) solicit competitive proposals from other public housing agencies and private entities with experience in construction management in the eventuality that such agencies or firms may be needed to oversee implementation of assistance made available under section 14 for the housing; and

[(iv) require the agency to make other arrangements acceptable to the Secretary and in the best interests of the public housing residents for managing all, or part of, such housing.

Residents of a public housing agency designated as troubled pursuant to paragraph (2)(A) may petition the Secretary in writing to take 1 or more of the actions referred to in this subparagraph. The Secretary shall respond to such petitions in a timely manner with a written description of the actions, if any, the Secretary plans to take and, where applicable, the reasons why such actions differ from the course proposed by the residents.

[(B) The Secretary may make available to receivers and other entities selected or appointed pursuant to this paragraph such assistance as is necessary to remedy the substantial deterioration of living conditions in individual public housing developments or other related emergencies that endanger the health, safety and welfare of the residents.

[(C) In any proceeding under subparagraph (A)(ii), upon a determination that a substantial default has occurred, and without regard to the availability of alternative remedies, the court shall appoint a receiver to conduct the affairs of the public housing agency in a manner consistent with this Act and in accordance with such further terms and conditions as the court may provide. The court shall have power to grant appropriate temporary or preliminary relief pending final disposition of the petition by the Secretary.

[(D) The appointment of a receiver pursuant to this subsection may be terminated, upon the petition of any party, when the court determines that all defaults have been cured and the housing operated by the public housing agency will thereafter be operated in accordance with the covenants and conditions to which the public housing agency is subject.

[(4) The Secretary shall submit to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, a report that—

[(A) identifies the public housing agencies that have been designated as troubled under paragraph (2);

[(B) describes the grounds on which such public housing agencies were designated as troubled and continue to be so designated;

[(C) describes the agreements that have been entered into with such agencies under such paragraph;

[(D) describes the status of progress under such agreements;

[(E) describes any action that has been taken in accordance with paragraph (3); and

[(F) describes the status of any public housing agency designated as troubled with respect to the program under section 14 and specifies the amount of assistance the agency received under section 14 and any credits accumulated by the agency under section 14(k)(5)(D).

[(k) The Secretary shall by regulation require each public housing agency receiving assistance under this Act to establish and implement an administrative grievance procedure under which tenants will—

[(1) be advised of the specific grounds of any proposed adverse public housing agency action;

[(2) have an opportunity for a hearing before an impartial party upon timely request within any period applicable under subsection (l);

[(3) have an opportunity to examine any documents or records or regulations related to the proposed action;

[(4) be entitled to be represented by another person of their choice at any hearing;

[(5) be entitled to ask questions of witnesses and have others make statements on their behalf; and

[(6) be entitled to receive a written decision by the public housing agency on the proposed action.

For any grievance concerning an eviction or termination of tenancy that involves any activity that threatens the health, safety, or right to peaceful enjoyment of the premises of other tenants or employees of the public housing agency or any drug-related criminal activity on or off such premises, the agency may (A) establish an expedited grievance procedure as the Secretary shall provide by rule under section 553 of title 5, United States Code, or (B) exclude from its grievance procedure any such grievance, in any jurisdiction which requires that prior to eviction, a tenant be given a hearing in court which the Secretary determines provides the basic elements of due process (which the Secretary shall establish by rule under section 553 of title 5, United States Code). Such elements of due process shall not include a requirement that the tenant be pro-

vided an opportunity to examine relevant documents within the possession of the public housing agency. The agency shall provide to the tenant a reasonable opportunity, prior to hearing or trial, to examine any relevant documents, records, or regulations directly related to the eviction or termination.

[(l) Each public housing agency shall utilize leases which—

[(1) do not contain unreasonable terms and conditions;

[(2) obligate the public housing agency to maintain the project in a decent, safe, and sanitary condition;

[(3) require the public housing agency to give adequate written notice of termination of the lease which shall not be less than—

[(A) a reasonable time, but not to exceed 30 days, when the health or safety of other tenants or public housing agency employees is threatened;

[(B) 14 days in the case of nonpayment of rent; and

[(C) 30 days in any other case;

[(4) require that the public housing agency may not terminate the tenancy except for serious or repeated violation of the terms or conditions of the lease or for other good cause;

[(5) provide that any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants or any drug-related criminal activity on or off such premises, engaged in by a public housing tenant, any member of the tenant's household, or any guest or other person under the tenant's control, shall be cause for termination of tenancy;

[(6) specify that with respect to any notice of eviction or termination, notwithstanding any State law, a public housing tenant shall be informed of the opportunity, prior to any hearing or trial, to examine any relevant documents, records or regulations directly related to the eviction or termination; and

[(7) provide that it shall be cause for immediate termination of the tenancy of a public housing tenant if such tenant—

[(A) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

[(2) is violating a condition of probation or parole imposed under Federal or State law.

For purposes of paragraph (5), the term "drug-related criminal activity" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)).

[(m) The Secretary shall not impose any unnecessarily duplicative or burdensome reporting requirements on tenants or public housing agencies assisted under this Act.

[(n) When a public housing agency evicts an individual or family from a dwelling unit for engaging in criminal activity, including drug-related criminal activity, the public housing agency shall no-

tify the local post office serving that dwelling unit that such individual or family is no longer residing in the dwelling unit.

[(o) Subject to the written system of preferences for selection established pursuant to subsection (c)(4)(A), in providing housing in low-income housing projects, each public housing agency may coordinate with any local public agencies involved in providing for the welfare of children to make available dwelling units to—

[(1) families identified by the agencies as having a lack of adequate housing that is a primary factor—

[(A) in the imminent placement of a child in foster care; or

[(B) in preventing the discharge of a child from foster care and reunification with his or her family; and

[(2) youth, upon discharge from foster care, in cases in which return to the family or extended family or adoption is not available.

[(p) With respect to amounts available for obligation on or after October 1, 1991, the criteria established under section 213(d)(5)(B) of the Housing and Community Development Act of 1974 for any competition for assistance for new construction, acquisition, or acquisition and rehabilitation of public housing shall give preference to applications for housing to be located in a local market area that has an inadequate supply of housing available for use by very low-income families. The Secretary shall establish criteria for determining that the housing supply of a local market area is inadequate, which shall require—

[(1)(A) information regarding housing market conditions showing that the supply of rental housing affordable by very low-income families is inadequate, taking into account vacancy rates in such housing and other market indicators; and

[(B) evidence that significant numbers of families in the local market area holding certificates and vouchers under section 8 are experiencing significant difficulty in leasing housing meeting program and family-size requirements; or

[(2) evidence that the proposed development would provide increased housing opportunities for minorities or address special housing needs.

[(q) AVAILABILITY OF RECORDS.—

[(1) IN GENERAL.—

[(A) PROVISION OF INFORMATION.—Notwithstanding any other provision of law, except as provided in subparagraph (B), the National Crime Information Center, police departments, and other law enforcement agencies shall, upon request, provide information to public housing agencies regarding the criminal conviction records of adult applicants for, or tenants of, public housing for purposes of applicant screening, lease enforcement, and eviction.

[(B) EXCEPTION.—A law enforcement agency described in subparagraph (A) shall provide information under this paragraph relating to any criminal conviction of a juvenile only to the extent that the release of such information is authorized under the law of the applicable State, tribe, or locality.

[(2) OPPORTUNITY TO DISPUTE.—Before an adverse action is taken with regard to assistance under this title on the basis of a criminal record, the public housing agency shall provide the tenant or applicant with a copy of the criminal record and an opportunity to dispute the accuracy and relevance of that record.

[(3) FEE.—A public housing agency may be charged a reasonable fee for information provided under paragraph (1).

[(4) RECORDS MANAGEMENT.—Each public housing agency shall establish and implement a system of records management that ensures that any criminal record received by the public housing agency is—

[(A) maintained confidentially;

[(B) not misused or improperly disseminated; and

[(C) destroyed, once the purpose for which the record was requested has been accomplished.

[(5) DEFINITION.—For purposes of this subsection, the term "adult" means a person who is 18 years of age or older, or who has been convicted of a crime as an adult under any Federal, State, or tribal law.

[(r) INELIGIBILITY BECAUSE OF EVICTION FOR DRUG-RELATED ACTIVITY.—Any tenant evicted from housing assisted under this title by reason of drug-related criminal activity (as that term is defined in section 8(f)) shall not be eligible for housing assistance under this title during the 3-year period beginning on the date of such eviction, unless the evicted tenant successfully completes a rehabilitation program approved by the public housing agency (which shall include a waiver of this subsection if the circumstances leading to eviction no longer exist).

[DESIGNATED HOUSING FOR ELDERLY AND DISABLED FAMILIES

[SEC. 7. (a) AUTHORITY TO PROVIDE DESIGNATED HOUSING.—

[(1) IN GENERAL.—Subject only to provisions of this section and notwithstanding any other provision of law, a public housing agency for which a plan under subsection (d) is in effect may provide public housing projects (or portions of projects) designated for occupancy by (A) only elderly families, (B) only disabled families, or (C) elderly and disabled families.

[(2) PRIORITY FOR OCCUPANCY.—In determining priority for admission to public housing projects (or portions of projects) that are designated for occupancy as provided in paragraph (1), the public housing agency may make units in such projects (or portions) available only to the types of families for whom the project is designated.

[(3) ELIGIBILITY OF NEAR-ELDERLY FAMILIES.—If a public housing agency determines that there are insufficient numbers of elderly families to fill all the units in a project (or portion of a project) designated under paragraph (1) for occupancy by only elderly families, the agency may provide that near-elderly families may occupy dwelling units in the project (or portion).

[(b) STANDARDS REGARDING EVICTIONS.—Except as provided in section 16(e)(1)(B), any tenant who is lawfully residing in a dwelling unit in a public housing project may not be evicted or otherwise required to vacate such unit because of the designation of the

project (or portion of a project) pursuant to this section or because of any action taken by the Secretary or any public housing agency pursuant to this section.

[(c) RELOCATION ASSISTANCE.—A public housing agency that designates any existing project or building, or portion thereof, for occupancy as provided under subsection (a)(1) shall provide, to each person and family who agrees to be relocated in connection with such designation—

[(1) notice of the designation and an explanation of available relocation benefits, as soon as is practicable for the agency and the person or family;

[(2) access to comparable housing (including appropriate services and design features), which may include tenant-based rental assistance under section 8, at a rental rate paid by the tenant that is comparable to that applicable to the unit from which the person or family has vacated; and

[(3) payment of actual, reasonable moving expenses.

[(d) REQUIRED PLAN.—A plan under this subsection for designating a project (or portion of a project) for occupancy under subsection (a)(1) is a plan, prepared by the public housing agency for the project and submitted to the Secretary, that—

[(1) establishes that the designation of the project is necessary—

[(A) to achieve the housing goals for the jurisdiction under the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act; and

[(B) to meet the housing needs of the low-income population of the jurisdiction; and

[(2) includes a description of—

[(A) the project (or portion of a project) to be designated;

[(B) the types of tenants for which the project is to be designated;

[(C) any supportive services to be provided to tenants of the designated project (or portion);

[(D) how the design and related facilities (as such term is defined in section 202(d)(8) of the Housing Act of 1959) of the project accommodate the special environmental needs of the intended occupants; and

[(E) any plans to secure additional resources or housing assistance to provide assistance to families that may have been housed if occupancy in the project were not restricted pursuant to this section.

For purposes of this subsection, the term "supportive services" means services designed to meet the special needs of residents.

[(e) REVIEW OF PLANS.—

[(1) REVIEW AND NOTIFICATION.—The Secretary shall conduct a limited review of each plan under subsection (d) that is submitted to the Secretary to ensure that the plan is complete and complies with the requirements of subsection (d). The Secretary shall notify each public housing agency submitting a plan whether the plan complies with such requirements not later than 60 days after receiving the plan. If the Secretary does not notify the public housing agency, as required under

this paragraph or paragraph (2), the plan shall be considered, for purposes of this section, to comply with the requirements under subsection (d) and the Secretary shall be considered to have notified the agency of such compliance upon the expiration of such 60-day period.

[(2) NOTICE OF REASONS FOR DETERMINATION OF NONCOMPLIANCE.—If the Secretary determines that a plan, as submitted, does not comply with the requirements under subsection (d), the Secretary shall specify in the notice under paragraph (1) the reasons for the noncompliance and any modifications necessary for the plan to meet such requirements.

[(3) STANDARDS FOR DETERMINATION OF NONCOMPLIANCE.—The Secretary may determine that a plan does not comply with the requirements under subsection (d) only if—

[(A) the plan is incomplete in significant matters required under such subsection; or

[(B) there is evidence available to the Secretary that challenges, in a substantial manner, any information provided in the plan.

[(4) TREATMENT OF EXISTING PLANS.—Notwithstanding any other provision of this section, a public housing agency shall be considered to have submitted a plan under this subsection if the agency has submitted to the Secretary an application and allocation plan under this section (as in effect before the date of the enactment of the Housing Opportunity Program Extension Act of 1996) that have not been approved or disapproved before such date of enactment.

[(f) EFFECTIVENESS.—

[(1) 5-YEAR EFFECTIVENESS OF ORIGINAL PLAN.—A plan under subsection (d) shall be in effect for purposes of this section during the 5-year period that begins upon notification under subsection (e)(1) of the public housing agency that the plan complies with the requirements under subsection (d).

[(2) RENEWAL OF PLAN.—Upon the expiration of the 5-year period under paragraph (1) or any 2-year period under this paragraph, an agency may extend the effectiveness of the designation and plan for an additional 2-year period (that begins upon such expiration) by submitting to the Secretary any information needed to update the plan. The Secretary may not limit the number of times a public housing agency extends the effectiveness of a designation and plan under this paragraph.

[(3) TRANSITION PROVISION.—Any application and allocation plan approved under this section (as in effect before the date of the enactment of the Housing Opportunity Program Extension Act of 1996) before such date of enactment shall be considered to be a plan under subsection (d) that is in effect for purposes of this section for the 5-year period beginning upon such approval.

[(g) INAPPLICABILITY OF UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITIONS POLICY ACT OF 1970.—No tenant of a public housing project shall be considered to be displaced for purposes of the Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970 because of the designation of any ex-

isting project or building, or portion thereof, for occupancy as provided under subsection (a) of this section.

[(h) INAPPLICABILITY TO INDIAN HOUSING.—The provisions of this section shall not apply with respect to low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[LOWER INCOME HOUSING ASSISTANCE

[SEC. 8. (a) For the purpose of aiding lower-income families in obtaining a decent place to live and of promoting economically mixed housing, assistance payments may be made with respect to existing housing in accordance with the provisions of this section. A public housing agency may contract to make assistance payments to itself (or any agency or instrumentality thereof) as the owner of dwelling units if such agency is subject to the same program requirements as are applied to other owners. In such cases, the Secretary may establish initial rents within applicable limits.

[(b) RENTAL CERTIFICATES AND OTHER EXISTING HOUSING PROGRAMS.—(1) The Secretary is authorized to enter into annual contributions contracts with public housing agenices pursuant to which such agencies may enter into contracts to make assistance payments to owners of existing dwelling units in accordance with this section. The Secretary shall enter into a separate annual contributions contract with each public housing agency to obligate the authority approved each year, beginning with the authority approved in appropriations Acts for fiscal year 1988 (other than amendment authority to increase assistance payments being made using authority approved prior to the appropriations Acts for fiscal year 1988), and such annual contributions contract (other than for annual contributions under subsection (o)) shall bind the Secretary to make such authority, and any amendments increasing such authority, available to the public housing agency for a specified period. In areas where no public housing agency has been organized or where the Secretary determines that a public housing agency is unable to implement the provisions of this section, the Secretary is authorized to enter into such contracts and to perform the other functions assigned to a public housing agency by this section.

[(2) The Secretary is authorized to enter into annual contributions contracts with public housing agencies for the purpose of replacing public housing transferred in accordance with title III of this Act. Each contract entered into under this subsection shall be for a term of not more than 60 months.

[(c)(1) An assistance contract entered into pursuant to this section shall establish the maximum monthly rent (including utilities and all maintenance and management charges) which the owner is entitled to receive for each dwelling unit with respect to which such assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this section, except that the maximum monthly rent may exceed the fair market rental (A) by more than 10 but not more than 20 per centum where the Secretary determines that

special circumstances warrant such higher maximum rent or that such higher rent is necessary to the implementation of a housing strategy as defined in section 105 of the Cranston-Gonzalez National Affordable Housing Act, or (B) by such higher amount as may be requested by a tenant and approved by the public housing agency in accordance with paragraph (3)(B). In the case of newly constructed and substantially rehabilitated units, the exception in the preceding sentence shall not apply to more than 20 per centum of the total amount of authority to enter into annual contributions contracts for such units which is allocated to an area and obligated with respect to any fiscal year beginning on or after October 1, 1980. Proposed fair market rentals for an area shall be published in the Federal Register with reasonable time for public comment, and shall become effective upon the date of publication in final form in the Federal Register. Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section. Notwithstanding any other provision of this section, after the date of enactment of the Housing and Community Development Act of 1977, the Secretary shall prohibit high-rise elevator projects for families with children unless there is no practical alternative. The Secretary shall establish separate fair market rentals under this paragraph for Westchester County in the State of New York. The Secretary shall also establish separate fair market rentals under this paragraph for Monroe County in the Commonwealth of Pennsylvania. In establishing fair market rentals for the remaining portion of the market area in which Monroe County is located, the Secretary shall establish the fair market rentals as if such portion included Monroe County. If units assisted under this section are exempt from local rent control while they are so assisted or otherwise, the maximum monthly rent for such units shall be reasonable in comparison with other units in the market area that are exempt from local rent control.

[(2)(A) The assistance contract shall provide for adjustment annually or more frequently in the maximum monthly rents for units covered by the contract to reflect changes in the fair market rentals established in the housing area for similar types and sizes of dwelling units or, if the Secretary determines, on the basis of a reasonable formula. However, where the maximum monthly rent, for a unit in a new construction, substantial rehabilitation, or moderate rehabilitation project, to be adjusted using an annual adjustment factor exceeds the fair market rental for an existing dwelling unit in the market area, the Secretary shall adjust the rent only to the extent that the owner demonstrates that the adjusted rent would not exceed the rent for an unassisted unit of similar quality, type, and age in the same market area, as determined by the Secretary. The immediately foregoing sentence shall be effective only during fiscal year 1995, fiscal year 1996 prior to April 26, 1996, and fiscal year 1997. Except for assistance under the certificate program, for any unit occupied by the same family at the time of the last annual

rental adjustment, where the assistance contract provides for the adjustment of the maximum monthly rent by applying an annual adjustment factor and where the rent for a unit is otherwise eligible for an adjustment based on the full amount of the factor, 0.01 shall be subtracted from the amount of the factor, except that the factor shall not be reduced to less than 1.0. In the case of assistance under the certificate program, 0.01 shall be subtracted from the amount of the annual adjustment factor (except that the factor shall not be reduced to less than 1.0), and the adjusted rent shall not exceed the rent for a comparable unassisted unit of similar quality, type, and age in the market area. The immediately foregoing two sentences shall be effective only during fiscal year 1995, fiscal year 1996 prior to April 26, 1996, and fiscal year 1997.

[(B) The contract shall further provide for the Secretary to make additional adjustments in the maximum monthly rent for units under contract to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs which are not adequately compensated for by the adjustment in the maximum monthly rent authorized by subparagraph (A). The Secretary shall make additional adjustments in the maximum monthly rent for units under contract (subject to the availability of appropriations for contract amendments) to the extent the Secretary determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units that have resulted from the expiration of a real property tax exemption. Where the Secretary determines that a project assisted under this section is located in a community where drug-related criminal activity is generally prevalent and the project's operating, maintenance, and capital repair expenses have been substantially increased primarily as a result of the prevalence of such drug-related activity, the Secretary may (at the discretion of the Secretary and subject to the availability of appropriations for contract amendments for this purpose), on a project by project basis, provide adjustments to the maximum monthly rents, to a level no greater than 120 percent of the project rents, to cover the costs of maintenance, security, capital repairs, and reserves required for the owner to carry out a strategy acceptable to the Secretary for addressing the problem of drug-related criminal activity. Any rent comparability standard required under this paragraph may be waived by the Secretary to so implement the preceding sentence. The Secretary may (at the discretion of the Secretary and subject to the availability of appropriations for contract amendments), on a project by project basis for projects receiving project-based assistance, provide adjustments to the maximum monthly rents to cover the costs of evaluating and reducing lead-based paint hazards, as defined in section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992.

[(C) Adjustments in the maximum rents under subparagraphs (A) and (B) shall not result in material differences between the rents charged for assisted units and unassisted units of similar quality, type, and age in the same market area, as determined by the Secretary. In implementing the limitation established under

the preceding sentence, the Secretary shall establish regulations for conducting comparability studies for projects where the Secretary has reason to believe that the application of the formula adjustments under subparagraph (A) would result in such material differences. The Secretary shall conduct such studies upon the request of any owner of any project, or as the Secretary determines to be appropriate by establishing, to the extent practicable, a modified annual adjustment factor for such market area, as the Secretary shall designate, that is geographically smaller than the applicable housing area used for the establishment of the annual adjustment factor under subparagraph (A). The Secretary shall establish such modified annual adjustment factor on the basis of the results of a study conducted by the Secretary of the rents charged, and any change in such rents over the previous year, for assisted units and unassisted units of similar quality, type, and age in the smaller market area. Where the Secretary determines that such modified annual adjustment factor cannot be established or that such factor when applied to a particular project would result in material differences between the rents charged for assisted units and unassisted units of similar quality, type, and age in the same market area, the Secretary may apply an alternative methodology for conducting comparability studies in order to establish rents that are not materially different from rents charged for comparable unassisted units. If the Secretary or appropriate State agency does not complete and submit to the project owner a comparability study not later than 60 days before the anniversary date of the assistance contract under this section, the automatic annual adjustment factor shall be applied. The Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section (including projects assisted under this section as in effect prior to November 30, 1983), unless the project has been refinanced in a manner that reduces the periodic payments of the owner. Any maximum monthly rent that has been reduced by the Secretary after April 14, 1987, and prior to the enactment of this sentence shall be restored to the maximum monthly rent in effect on April 15, 1987. For any project which has had its maximum monthly rents reduced after April 14, 1987, the Secretary shall make assistance payments (from amounts reserved for the original contract) to the owner of such project in an amount equal to the difference between the maximum monthly rents in effect on April 15, 1987, and the reduced maximum monthly rents, multiplied by the number of months that the reduced maximum monthly rents were in effect.

[(3)(A) The amount of the monthly assistance payment with respect to any dwelling unit shall be the difference between the maximum monthly rent which the contract provides that the owner is to receive for the unit and the rent the family is required to pay under section 3(a) of this Act. Reviews of family income shall be made no less frequently than annually.

[(B)(i) A family receiving tenant-based rental assistance under subsection (b)(1) may pay a higher percentage of income than that specified under section 3(a) of this Act if—

[(I) the family notifies the local public housing agency of its interest in a unit renting for an amount which exceeds the permissible maximum monthly rent established for the market area under paragraph (1), and

[(II) such agency determines that the rent for the unit and the rental payments of the family are reasonable, after taking into account other family expenses (including child care, unreimbursed medical expenses, and other appropriate family expenses).

[(ii) A public housing agency shall not approve such excess rentals for more than 10 percent of its annual allocation of incremental rental assistance under subsection (b)(1). A public housing agency that approves such excess rentals for more than 5 percent of its annual allocation shall submit a report to the Secretary not later than 30 days following the end of the fiscal year. The report shall be submitted in such form and in accordance with such procedures as the Secretary shall establish and shall describe the public housing agency's reasons for making the exceptions, including any available evidence that the exceptions were made necessary by problems with the fair market rent established for the area. The Secretary shall ensure that each report submitted in accordance with this clause is readily available for public inspection for a period of not less than 3 years, beginning not less than 30 days following the date on which the report is submitted to the Secretary.

[(iii) The Secretary shall, not later than 3 months following the end of each fiscal year, submit a report to Congress that identifies the public housing agencies that have submitted reports for such fiscal year under clause (ii), summarizes and assesses such reports, and includes recommendations for such legislative or administrative actions that the Secretary deems appropriate to correct problems identified in such reports.

[(4) The assistance contract shall provide that assistance payments may be made only with respect to a dwelling unit under lease for occupancy by a family determined to be a lower income family at the time it initially occupied such dwelling unit or by a family that qualifies to receive assistance under subsection (b) pursuant to section 223 or 226 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990, except that such payments may be made with respect to unoccupied units for a period not exceeding sixty days (A) in the event that a family vacates a dwelling unit before the expiration date of the lease for occupancy or (B) where a good faith effort is being made to fill an unoccupied unit, and, subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project.

[(5) Assistance payments may be made with respect to up to 100 per centum of the dwelling units in any structure upon the application of the owner or prospective owner. Within the category of projects containing more than fifty units and designed for use primarily for nonelderly and nonhandicapped persons which are not subject to mortgages purchased under section 305 of the National Housing Act, the Secretary may give preference to applications for assistance involving not more than 20 per centum of the dwelling units in a project. In according any such preference, the Secretary shall compare applications received during distinct time periods not exceeding sixty days in duration.

[(6) The Secretary shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

[(7) To the extent authorized in contracts entered into by the Secretary with a public housing agency, such agency may purchase any structure containing one or more dwelling units assisted under this section for the purpose of reselling the structure to the tenant or tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale may be made on the terms and conditions prescribed under section 5(h) and subject to the limitation contained in such section.

[(8) Each contract under this section (other than a contract for assistance under the certificate or voucher program) shall provide that the owner will notify tenants at least 90 days prior to the expiration of the contract of any rent increase which may occur as a result of the expiration of such contract.

[(9) Not less than 1 year prior to terminating any contract under which assistance payments are received under this section, other than a contract under the certificate or voucher program, an owner shall provide written notice to the Secretary and the tenants involved of the proposed termination, specifying the reasons for the termination with sufficient detail to enable the Secretary to evaluate whether the termination is lawful and whether there are additional actions that can be taken by the Secretary to avoid the termination. The owner's notice shall include a statement that the owner and the Secretary may agree to a renewal of the contract, thus avoiding the termination. The Secretary shall review the owner's notice, shall consider whether there are additional actions that can be taken by the Secretary to avoid the termination, and shall ensure a proper adjustment of the contract rents for the project in conformity with the requirements of paragraph (2). The Secretary shall issue a written finding of the legality of the termination and the reasons for the termination, including the actions considered or taken to avoid the termination. Within 30 days of the Secretary's finding, the owner shall provide written notice to each tenant of the Secretary's decision. For purposes of this paragraph, the term "termination" means the expiration of the assistance contract or an

owner's refusal to renew the assistance contract, and such term shall include termination of the contract for business reasons.

[(10) If an owner provides notice of proposed termination under paragraph (9) and the contract rent is lower than the maximum monthly rent for units assisted under subsection (b)(1), the Secretary shall adjust the contract rent based on the maximum monthly rent for units assisted under subsection (b)(1) and the value of the low-income housing after rehabilitation.

[(d)(1) Contracts to make assistance payments entered into by a public housing agency with an owner of existing housing units shall provide (with respect to any unit) that—

[(A) the selection of tenants shall be the function of the owner, subject to the provisions of the annual contributions contract between the Secretary and the agency, except that for the certificate and moderate rehabilitation programs only, for the purpose of selecting families to be assisted, the public housing agency may establish, after public notice and an opportunity for public comment, a written system of preferences for selection that is not inconsistent with the comprehensive housing affordability strategy under title I of the Cranston-Gonzalez National Affordable Housing Act;

[(B)(i) the lease between the tenant and the owner shall be for at least one year or the term of such contract, whichever is shorter, and shall contain other terms and conditions specified by the Secretary;

[(ii) during the term of the lease, the owner shall not terminate the tenancy except for serious or repeated violation of the terms and conditions of the lease, for violation of applicable Federal, State, or local law, or for other good cause;

[(iii) during the term of the lease, any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants, any criminal activity that threatens the health, safety, or right to peaceful enjoyment of their residences by persons residing in the immediate vicinity of the premises, or any drug-related criminal activity on or near such premises, engaged in by a tenant of any unit, any member of the tenant's household, or any guest or other person under the tenant's control, shall be cause for termination of tenancy;

[(iv) any termination of tenancy shall be preceded by the owner's provision of written notice to the tenant specifying the grounds for such action; and

[(v) it shall be cause for termination of the tenancy of a tenant if such tenant—

[(I) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

[(II) is violating a condition of probation or parole imposed under Federal or State law;

[(C) maintenance and replacement (including redecoration) shall be in accordance with the standard practice for the building concerned as established by the owner and agreed to by the agency; and

[(D) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them.

[(2)(A) Each contract for an existing structure entered into under this section shall be for a term of not less than one month nor more than one hundred and eighty months. The Secretary shall permit public housing agencies to enter into contracts for assistance payments of less than 12 months duration in order to avoid disruption in assistance to eligible families if the annual contributions contract is within 1 year of its expiration date. Where the Secretary enters into an annual contributions contract with a public housing agency pursuant to which the agency will enter into a contract for assistance payments with respect to an existing structure, the contract for assistance payments may not be attached to the structure unless (i) the Secretary and the public housing agency approve such action, and (ii) the owner agrees to rehabilitate the structure other than with assistance under this Act and otherwise complies with the requirements of this section, except that the Secretary shall permit the public housing agency to approve such attachment with respect to not more than 15 percent of the assistance provided by the public housing agency if the requirements of clause (ii) are met. Notwithstanding any other provision of this section, a public housing agency and an applicable State agency may, on a priority basis, attach to structures not more than an additional 15 percent of the assistance provided by the public housing agency or the applicable State agency only with respect to projects assisted under a State program that permits the owner of the projects to prepay a State assisted or subsidized mortgage on the structure, except that attachment of assistance under this sentence shall be for the purpose of (i) providing incentives to owners to preserve such projects for occupancy by lower and moderate income families (for the period that assistance under this sentence is available), and (ii) to assist lower income tenants to afford any increases in rent that may be required to induce the owner to maintain occupancy in the project by lower and moderate income tenants.

[(B) The Secretary shall permit any public housing agency to approve the attachment of assistance under subsection (b)(1) with respect to any newly constructed structure if—

[(i) the owner or prospective owner agrees to construct the structure other than with assistance under this Act and otherwise complies with the requirements of this section; and

[(ii) the aggregate assistance provided by the public housing agency pursuant to this subparagraph and the last sentence of subparagraph (A) does not exceed 15 percent of the assistance provided by the public housing agency.

[(C) In the case of a contract for assistance payments that is attached to a structure under this paragraph, a public housing agency shall enter into a contract with an owner, contingent upon the

future availability of appropriations for the purpose of renewing expiring contracts for assistance payments as provided in appropriations Acts, to extend the term of the underlying contract for assistance payments for such period or periods as the Secretary determines to be appropriate to achieve long-term affordability of the housing. The contract shall obligate the owner to have such extensions of the underlying contract for assistance payments accepted by the owner and the owner's successors in interest. To the extent assistance is used as provided in the penultimate sentence of subparagraph (A), the contract for assistance may, at the option of the public housing agency, have an initial term not exceeding 15 years.

[(D) Where a contract for assistance payments is attached to a structure, the owner shall adopt written tenant selection procedures that are satisfactory to the Secretary as (i) consistent with the purpose of improving housing opportunities for very low-income families; and (ii) reasonably related to program eligibility and an applicant's ability to perform the obligations of the lease. An owner shall promptly notify in writing any rejected applicant of the grounds for any rejection.

[(E) The Secretary shall annually survey public housing agencies to determine which public housing agencies have, in providing assistance in such year, reached the 15 percent limitations contained in subparagraphs (A) and (B), and shall report to the Congress on the results of such survey.

[(F)(i) In determining the amount of assistance provided under an assistance contract for project-based assistance under this paragraph or a contract for assistance for housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of this Act (as such section existed immediately before October 1, 1983), the Secretary may consider and annually adjust, with respect to such project, for the cost of employing or otherwise retaining the services of one or more service coordinators under section 661 of the Housing and Community Development Act of 1992 to coordinate the provision of any services within the project for residents of the project who are elderly or disabled families.

[(ii) The budget authority available under section 5(c) for assistance under this section is authorized to be increased by $15,000,000 on or after October 1, 1992, and by $15,000,000 on or after October 1, 1993. Amounts made available under this subparagraph shall be used to provide additional amounts under annual contributions contracts for assistance under this section which shall be made available through assistance contracts only for the purpose of providing service coordinators under clause (i) for projects receiving project-based assistance under this paragraph and to provide additional amounts under contracts for assistance for projects constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of this Act (as such section existed immediately before October 1, 1983) only for such purpose.

[(G) An assistance contract for project-based assistance under this paragraph shall provide that the owner shall ensure and maintain compliance with subtitle C of title VI of the Housing and Community Development Act of 1992 and any regulations issued under such subtitle.

[(H) An owner of a covered section 8 housing project (as such term is defined in section 659 of the Housing and Community Development Act of 1992) may give preference for occupancy of dwelling units in the project, and reserve units for occupancy, in accordance with subtitle D of title VI of the Housing and Community Development Act of 1992.

[(3) Notwithstanding any other provision of law, with the approval of the Secretary the public housing agency administering a contract under this section with respect to existing housing units may exercise all management and maintenance responsibilities with respect to those units pursuant to a contract between such agency and the owner of such units.

[(4) A public housing agency that serves more than one unit of general local government may, at the discretion of the agency, in allocating assistance under this section, give priority to disabled families that are not elderly families.

[(e)(1) Nothing in this Act shall be deemed to prohibit an owner from pledging, or offering as security for any loan or obligation, a contract for assistance payments entered into pursuant to this section: *Provided,* That such security is in connection with a project constructed or rehabilitated pursuant to authority granted in this section, and the terms of the financing or any refinancing have been approved by the Secretary.

[(f) As used in this section—

[(1) the term "owner" means any private person or entity, including a cooperative, an agency of the Federal Government, or a public housing agency, having the legal right to lease or sublease dwelling units;

[(2) the terms "rent" or "rental" mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative;

[(3) the term "debt service" means the required payments for principal and interest made with respect to a mortgage secured by housing assisted under this Act;

[(4) the term "participating jurisdiction" means a State or unit of general local government designated by the Secretary to be a participating jurisdiction under title II of the Cranston-Gonzalez National Affordable Housing Act;

[(5) the term "drug-related criminal activity" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use, of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802));

[(6) the term "project-based assistance" means rental assistance under subsection (b) that is attached to the structure pursuant to subsection (d)(2); and

[(7) the term "tenant-based assistance" means rental assistance under subsection (b) or (o) that is not project-based assistance.

[(g) Notwithstanding any other provision of this Act, assistance payments under this section may be provided, in accordance with regulations prescribed by the Secretary, with respect to some or all of the units in any project approved pursuant to section 202 of the Housing Act of 1959.

[(h) Sections 5(e) and 6 and any other provisions of this Act which are inconsistent with the provisions of this section shall not apply to contracts for assistance entered into under this section.

[(i) The Secretary may not consider the receipt by a public housing agency of assistance under section 811(b)(1) of the Cranston-Gonzalez National Affordable Housing Act, or the amount received, in approving assistance for the agency under this section or determining the amount of such assistance to be provided.

[(j)(1) The Secretary may enter into contracts to make assistance payments under this subsection to assist low-income families by making rental assistance payments on behalf of any such family which utilizes a manufactured home as its principal place of residence. Such payments may be made with respect to the rental of the real property on which there is located a manufactured home which is owned by any such family or with respect to the rental by such family of a manufactured home and the real property on which it is located. In carrying out this subsection, the Secretary may—

[(A) enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property, or

[(B) enter into such contracts directly with the owners of such real property.

[(2)(A) A contract entered into pursuant to this paragraph shall establish the maximum monthly rent (including maintenance and management charges) which the owner is entitled to receive for the space on which a manufactured home is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this paragraph.

[(B) The amount of any monthly assistance payment with respect to any family which rents real property which is assisted under this paragraph, and on which is located a manufactured home which is owned by such family shall be the difference between the rent the family is required to pay under section 3(a) of this Act and the sum of—

[(i) the monthly payment made by such family to amortize the cost of purchasing the manufactured home;

[(ii) the monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

[(iii) the maximum monthly rent permitted with respect to the real property which is rented by such family for the purpose of locating its manufactured home;

except that in no case may such assistance exceed the total amount of such maximum monthly rent.

[(3)(A) Contracts entered into pursuant to this paragraph shall establish the maximum monthly rent permitted with respect to the manufactured home and the real property on which it is located and with respect to which assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per cen-

tum the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of a manufactured home and the real property on which it is located suitable for occupancy by families assisted under this paragraph, except that the maximum monthly rent may exceed the fair market rental by more than 10 but not more than 20 per centum where the Secretary determines that special circumstances warrant such higher maximum rent.

[(B) The amount of any monthly assistance payment with respect to any family which rents a manufactured home and the real property on which it is located and which is assisted under this paragraph shall be the difference between the rent the family is required to pay under section 3(a) of this Act and the sum of—

[(i) the monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

[(ii) the maximum monthly rent permitted with respect to the manufactured home and real property on which it is located.

[(4) The provisions of subsection (c)(2) of this section shall apply to the adjustments of maximum monthly rents under the subsection.

[(5) Each contract entered into under the subsection shall be for a term of not less than one month and not more than 180 months, except that in any case in which the manufactured home park is substantially rehabilitated or newly constructed, such term may not be less than 240 months, nor more than the maximum term for a manufactured home loan permitted under section 2(b) of the National Housing Act.

[(6) The Secretary may carry out this subsection without regard to whether the manufactured home park is existing, substantially rehabilitated, or newly constructed.

[(7) In the case of any substantially rehabilitated or newly constructed manufactured home park containing spaces with respect to which assistance is made under this subsection, the principal amount of the mortgage attributable to the rental spaces within the park may not exceed an amount established by the Secretary which is equal to or less than the limitation for manufactured home parks described in section 207(c)(3) of the National Housing Act, and the Secretary may increase such limitation in high cost areas in the manner described in such section.

[(8) The Secretary may prescribe other terms and conditions which are necessary for the purpose of carrying out the provisions of this subsection and which are consistent with the purposes of this subsection.

[(k) The Secretary shall establish procedures which are appropriate and necessary to assure that income data provided to public housing agencies and owners by families applying for or receiving assistance under this section is complete and accurate. In establishing such procedures, the Secretary shall randomly, regularly, and periodically select a sample of families to authorize the Secretary to obtain information on these families for the purpose of income verification, or to allow those families to provide such information themselves. Such information may include, but is not limited to, data concerning unemployment compensation and Federal

income taxation and data relating to benefits made available under the Social Security Act, the Food Stamp Act of 1977, or title 38, United States Code. Any such information received pursuant to this subsection shall remain confidential and shall be used only for the purpose of verifying incomes in order to determine eligibility of families for benefits (and the amount of such benefits, if any) under this section.

[(n) In making assistance available under subsections (b)(1) and (e)(2), the Secretary may provide assistance with respect to residential properties in which some or all of the dwelling units do not contain bathroom or kitchen facilities, if—

[(1) the property is located in an area in which there is a significant demand for such units, as determined by the Secretary;

[(2) the unit of general local government in which the property is located and the local public housing agency approve of such units being utilized for such purpose; and

[(3) in the case of assistance under subsection (b)(1), the unit of general local government in which the property is located and the local public housing agency certify to the Secretary that the property complies with local health and safety standards.

The Secretary may waive, in appropriate cases, the limitation and preference described in the second and third sentences of section 3(b)(3) with respect to the assistance made available under this subsection.

[(o) RENTAL VOUCHERS.—(1) The Secretary may provide assistance using a payment standard in accordance with this subsection. The payment standard shall be used to determine the monthly assistance which may be paid for any family, as provided in paragraph (2) of this subsection, and shall be based on the fair market rental established under subsection (c).

[(2) The monthly assistance payment for any family shall be the amount by which the payment standard for the area exceeds 30 per centum of the family's monthly adjusted income, except that such monthly assistance payment shall not exceed the amount by which the rent for the dwelling unit (including the amount allowed for utilities in the case of a unit with separate utility metering) exceeds 10 per centum of the family's monthly income.

[(3)(A) Assistance payments may be made only for (i) a family determined to be a very low-income family at the time it initially receives assistance, (ii) a family previously assisted under this Act, (iii) a family that is determined to be a low-income family at the time it initially receives assistance and that is displaced by activities under section 17(c), (iv) a family that qualifies to receive a voucher in connection with a homeownership program approved under title IV of the Cranston-Gonzalez National Affordable Housing Act, or (v) a family that qualifies to receive a voucher under section 223 or 226 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990.

[(B) For the purpose of selecting families to be assisted under this subsection, the public housing agency may establish, after public notice and an opportunity for public comment, a written system of preferences for selection that is not inconsistent with the com-

prehensive housing affordability strategy under title I of the Cranston-Gonzalez National Affordable Housing Act.

[(4) If a family vacates a dwelling unit before the expiration of a lease term, no assistance payment may be made with respect to the unit after the month during which the unit was vacated.

[(5) A contract with a public housing agency for annual contributions under this subsection shall be for an initial term of sixty months. The Secretary shall require (with respect to any unit) that (A) the public housing agency inspect the unit before any assistance payment may be made to determine that it meets housing quality standards for decent, safe, and sanitary housing established by the Secretary for the purpose of this section, and (B) the public housing agency make annual or more frequent inspections during the contract term. No assistance payment may be made for a dwelling unit which fails to meet such quality standards, unless any such failure is promptly corrected by the owner and the correction verified by the public housing agency.

[(6)(A) The amount of assistance payments under this subsection may, in the discretion of the public housing agency, be adjusted annually where necessary to assure continued affordability. The aggregate amount of adjustments pursuant to the preceding sentence may not exceed the amount of any excess of the annual contributions provided for in the contract over the amount of assistance payments actually paid (including amounts which otherwise become available during the contract period).

[(B) For the purpose of subparagraph (A), each contract with a public housing agency for annual contributions under this subsection shall provide annual contributions equal to 115 per centum of the estimated aggregate amount of assistance required during the first year of the contract.

[(C) Any amounts not needed for adjustments under subparagraph (A) may be used to provide assistance payments for additional families.

[(7) A public housing agency may utilize authority available under this subsection to provide assistance with respect to cooperative or mutual housing which has a resale structure which maintains affordability for low-income families where the agency determines such action will assist in maintaining the affordability of such housing for such families.

[(8) The Secretary may set aside up to 5 percent of the budget authority available under this subsection as an adjustment pool. The Secretary shall use amounts in the adjustment pool for adjustments pursuant to paragraph (6)(A) to ensure continued affordability where the Secretary determines additional assistance for this purpose is necessary, based on documentation submitted by a public housing agency.

[(9) The Secretary is authorized to enter into contracts with public housing agencies to provide rental vouchers for the purpose of replacing public housing transferred in accordance with title III of this Act. Each contract entered into under this paragraph shall be for a term of not more than 60 months.

[(10)(A) The rent for units assisted under this subsection shall be reasonable in comparison with rents charged for comparable units in the private unassisted market or assisted under section

(b). A public housing agency shall, at the request of a family assisted under this subsection, assist such family in negotiating a reasonable rent with an owner. A public housing agency shall review all rents for units under consideration by families assisted under this subsection (and all rent increases for units under lease by families assisted under this subsection) to determine whether the rent (or rent increase) requested by an owner is reasonable. If a public housing agency determines that the rent (or rent increase) for a unit is not reasonable, the agency may disapprove a lease for such unit.

[(11)(A) The Secretary may enter into contracts to make assistance payments under this paragraph to assist low-income families by making rental assistance payments on behalf of any such family which utilizes a manufactured home as its principal place of residence. Such payments may be made with respect to the rental of the real property on which there is located a manufactured home which is owned by any such family. In carrying out this paragraph the Secretary shall enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make such assistance payments to the owners of such real property.

[(B)(i) A contract entered into pursuant to this subparagraph shall establish the rent (including maintenance and management charges) for the space on which a manufactured home is located and with respect to which assistance payments are to be made. The public housing agency shall establish a payment standard based on the fair market rental established by the Secretary periodically (but not less than annually) with respect to the market area for the rental of real property suitable for occupancy by families assisted under this subparagraph.

[(ii) The amount of any monthly assistance payment with respect to any family which rents real property which is assisted under this subparagraph and on which is located a manufactured home which is owned by such family shall be the amount by which 30 percent of the family's monthly adjusted income is exceeded by the sum of—

[(I) the monthly payment made by such family to amortize the cost of purchasing the manufactured home;

[(II) the monthly utility payments made by such family, subject to reasonable limitations prescribed by the Secretary; and

[(III) the payment standard with respect to the real property which is rented by such family for the purpose of locating its manufactured home;

except that in no case may such assistance exceed the amount by which the rent for the property exceeds 10 percent of the family's monthly income.

[(C) The provisions of paragraph (6)(A) shall apply to the adjustments of maximum monthly rents under this paragraph.

[(D) The Secretary may carry out this paragraph without regard to whether the manufactured home park is existing, substantially rehabilitated, or newly constructed.

[(E) In the case of any substantially rehabilitated or newly constructed manufactured home park containing spaces with respect to which assistance is made under this paragraph, the principal

amount of the mortgage attributable to the rental spaces within the park may not exceed an amount established by the Secretary which is equal to or less than the limitation for manufactured home parks described in section 207(c)(3) of the National Housing Act, and the Secretary may increase such limitation in high cost areas in the manner described in such section.

[(F) The Secretary may prescribe other terms and conditions which are necessary for the purpose of carrying out the provisions of this paragraph and which are consistent with the purposes of this paragraph.

[(p) In order to assist elderly families (as defined in section 3(b)(3)) who elect to live in a shared housing arrangement in which they benefit as a result of sharing the facilities of a dwelling with others in a manner that effectively and efficiently meets their housing needs and thereby reduces their costs of housing, the Secretary shall permit assistance provided under the existing housing and moderate rehabilitation programs to be used by such families in such arrangements. In carrying out this subsection, the Secretary shall issue minimum habitability standards for the purpose of assuring decent, safe, and sanitary housing for such families while taking into account the special circumstances of shared housing.

[(q)(1) The Secretary shall establish a fee for the costs incurred in administering the certificate and housing voucher programs under subsections (b) and (o). The amount of the fee for each month for which a dwelling unit is covered by an assistance contract shall be 8.2 percent of the fair market rental established under subsection (c)(1) for a 2-bedroom existing rental dwelling unit in the market area of the public housing agency. The Secretary may increase the fee if necessary to reflect the higher costs of administering small programs and programs operating over large geographic areas.

[(2)(A) The Secretary shall also establish reasonable fees (as determined by the Secretary) for—

[(i) the costs of preliminary expenses (not to exceed $275) that the public housing agency documents it has incurred in connection with new allocations of assistance under the certificate and housing voucher programs under subsections (b) and (o);

[(ii) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the programs; and

[(iii) extraordinary costs approved by the Secretary.

[(B) The method used to calculate fees under subparagraph (A) shall be the same for the certificate and housing voucher programs under subsections (b) and (o) and shall take into account local cost differences.

[(3)(A) Fees under this subsection may be used for the costs of employing or otherwise retaining the services of one or more service coordinators under section 661 of the Housing and Community Development Act of 1992 to coordinate the provision of supportive services for elderly families and disabled families on whose behalf tenant-based assistance is provided under this section or section 811(b)(1). Such service coordinators shall have the same responsibilities with respect to such families as service coordinators of

covered federally assisted housing projects have under section 661 of such Act with respect to residents of such projects.

[(B) To the extent amounts are provided in appropriation Acts under subparagraph (C), the Secretary shall increase fees under this subsection to provide for the costs of such service coordinators for public housing agencies.

[(C) The budget authority available under section 5(c) for assistance under this section is authorized to be increased by $5,000,000 on or after October 1, 1992, and by $5,000,000 on or after October 1, 1993. Amounts made available under this subparagraph shall be used to provide additional amounts under annual contributions contracts for increased fees under this subsection, which shall be used only for the purpose of providing service coordinators for public housing agencies described in subparagraph (A).

[(4) The Secretary may establish or increase a fee in accordance with this subsection only to such extent or in such amounts as are provided in appropriation Acts.

[(r)(1) Any family assisted under subsection (b) or (o) may receive such assistance to rent an eligible dwelling unit if the dwelling unit to which the family moves is within the same State, or the same or a contiguous metropolitan statistical area as the metropolitan statistical area within which is located the area of jurisdiction of the public housing agency approving such assistance; except that any family not living within the jurisdiction of a public housing agency at the time that such family applies for assistance from such agency shall, during the 12-month period beginning upon the receipt of any tenant-based rental assistance made available on behalf of the family, use such assistance to rent an eligible dwelling unit located within the jurisdiction served by such public housing agency.

[(2) The public housing agency having authority with respect to the dwelling unit to which a family moves under this subsection shall have the responsibility of carrying out the provisions of this subsection with respect to the family. If no public housing agency has authority with respect to the dwelling unit to which a family moves under this subsection, the public housing agency approving the assistance shall have such responsibility.

[(3) In providing assistance under subsection (b) or (o) for any fiscal year, the Secretary shall give consideration to any reduction in the number of resident families incurred by a public housing agency in the preceding fiscal year as a result of the provisions of this subsection.

[(4) The provisions of this subsection may not be construed to restrict any authority of the Secretary under any other provision of law to provide for the portability of assistance under this section.

[(s) In selecting families for the provision of assistance under this section (including subsection (o)), a public housing agency may not exclude or penalize a family solely because the family resides in a public housing project.

[(u) In the case of low-income families living in rental projects rehabilitated under section 17 of this Act or section 533 of the Housing Act of 1949 before rehabilitation—

[(1) certificates or vouchers under this section shall be made for families who are required to move out of their units be-

cause of the physical rehabilitation activities or because of overcrowding;

[(2) at the discretion of each public housing agency or other agency administering the allocation of assistance, certificates or vouchers under this section may be made for families who would have to pay more than 30 percent of their adjusted income for rent after rehabilitation whether they choose to remain in, or to move from, the project; and

[(3) the Secretary shall allocate assistance for certificates or vouchers under this section to ensure that sufficient resources are available to address the physical or economic displacement, or potential economic displacement, of existing tenants pursuant to paragraphs (1) and (2).

[The Secretary may extend expiring contracts entered into under this section for project-based loan management assistance to the extent necessary to prevent displacement of low-income families receiving such assistance as of September 30, 1996.

[(w) RENEWAL OF EXPIRING CONTRACTS.—Not later than 30 days after the beginning of each fiscal year, the Secretary shall publish in the Federal Register a plan for reducing, to the extent feasible, year-to-year fluctuations in the levels of budget authority that will be required over the succeeding 5-year period to renew expiring rental assistance contracts entered into under this section since the enactment of the Housing and Community Development Act of 1974. To the extent necessary to carry out such plan and to the extent approved in appropriations Acts, the Secretary is authorized to enter into annual contributions contracts with terms of less than 60 months.

[(x) FAMILY UNIFICATION.—

[(1) INCREASE IN BUDGET AUTHORITY.—The budget authority available under section 5(c) for assistance under section 8(b) is authorized to be increased by $100,000,000 on or after October 1, 1992, and by $104,200,000 on or after October 1, 1993.

[(2) USE OF FUNDS.—The amounts made available under this subsection shall be used only in connection with housing certificate assistance under section 8 on behalf of any family (A) who is otherwise eligible for such assistance, and (B) who the public child welfare agency for the jurisdiction has certified is a family for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child or children in out-of-home care or the delayed discharge of a child or children to the family from out-of-home care.

[(3) ALLOCATION.—The amounts made available under this subsection shall be allocated by the Secretary through a national competition among applicants based on demonstrated need for assistance under this subsection. To be considered for assistance, an applicant shall submit to the Secretary a written proposal containing a report from the public child welfare agency serving the jurisdiction of the applicant that describes how a lack of adequate housing in the jurisdiction is resulting in the initial or prolonged separation of children from their families, and how the applicant will coordinate with the public child welfare agency to identify eligible families and provide the families with assistance under this subsection.

[(4) DEFINITIONS.—For purposes of this subsection:

[(A) APPLICANT.—The term "applicant" means a public housing agency or any other agency responsible for administering assistance under section 8.

[(B) PUBLIC CHILD WELFARE AGENCY.—The term "public child welfare agency" means the public agency responsible under applicable State law for determining that a child is at imminent risk of placement in out-of-home care or that a child in out-of-home care under the supervision of the public agency may be returned to his or her family.

[(y) HOMEOWNERSHIP OPTION.—

[(1) USE OF ASSISTANCE FOR HOMEOWNERSHIP.—A family receiving tenant-based assistance under this section may receive assistance for occupancy of a dwelling owned by one or more members of the family if the family—

[(A) is a first-time homeowner;

[(B)(i) participates in the family self-sufficiency program under section 23 of the public housing agency providing the assistance; or

[(ii) 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);

[(C) except as provided by the Secretary, demonstrates at the time the family initially receives tenant-based assistance under this subsection that one or more adult members of the family have achieved employment for the period as the Secretary shall require;

[(D) participates in a homeownership and housing counseling program provided by the agency; and

[(E) meets any other initial or continuing requirements established by the public housing agency in accordance with requirements established by the Secretary.

[(2) MONTHLY ASSISTANCE PAYMENT.—

[(A) IN GENERAL.—Notwithstanding any other provisions of this section governing determination of the amount of assistance payments under this section on behalf of a family, the monthly assistance payment for any family assisted under this subsection shall be the amount by which the fair market rental for the area established under subsection (c)(1) exceeds 30 percent of the family's monthly adjusted income; except that the monthly assistance payment shall not exceed the amount by which the monthly homeownership expenses, as determined in accordance with requirements established by the Secretary, exceeds 10 percent of the family's monthly income.

[(B) EXCLUSION OF EQUITY FROM INCOME.—For purposes of determining the monthly assistance payment for a family, the Secretary shall not include in family income an amount imputed from the equity of the family in a dwelling occupied by the family with assistance under this subsection.

[(3) RECAPTURE OF CERTAIN AMOUNTS.—Upon sale of the dwelling by the family, the Secretary shall recapture from any net proceeds the amount of additional assistance (as determined in accordance with requirements established by the Secretary) paid to or on behalf of the eligible family as a result of paragraph (2)(B).

[(4) DOWNPAYMENT REQUIREMENT.—Each public housing agency providing assistance under this subsection shall ensure that each family assisted shall provide from its own resources not less than 80 percent of any downpayment in connection with a loan made for the purchase of a dwelling. Such resources may include amounts from any escrow account for the family established under section 23(d). 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.

[(5) INELIGIBILITY UNDER OTHER PROGRAMS.—A family may not receive assistance under this subsection during any period when assistance is being provided for the family under other Federal homeownership assistance programs, as determined by the Secretary, including assistance under the HOME Investment Partnerships Act, the Homeownership and Opportunity Through HOPE Act, title II of the Housing and Community Development Act of 1987, and section 502 of the Housing Act of 1949.

[(6) INAPPLICABILITY OF CERTAIN PROVISIONS.—Assistance under this subsection shall not be subject to the requirements of the following provisions:

[(A) Subsection (c)(3)(B) of this section.

[(B) Subsection (d)(1)(B)(i) of this section.

[(C) Any other provisions of this section governing maximum amounts payable to owners and amounts payable by assisted families.

[(D) Any other provisions of this section concerning contracts between public housing agencies and owners.

[(E) Any other provisions of this Act that are inconsistent with the provisions of this subsection.

[(7) REVERSION TO RENTAL STATUS.—

[(A) FHA-INSURED MORTGAGES.—If a family receiving assistance under this subsection for occupancy of a dwelling defaults under a mortgage for the dwelling insured by the Secretary under the National Housing Act, the family may not continue to receive rental assistance under this section unless the family (i) transfers to the Secretary marketable title to the dwelling, (ii) moves from the dwelling within the period established or approved by the Secretary, and (iii) agrees that any amounts the family is required to pay to reimburse the escrow account under section 23(d)(3) may be deducted by the public housing agency from the assistance payment otherwise payable on behalf of the family.

[(B) OTHER MORTGAGES.—If a family receiving assistance under this subsection defaults under a mortgage not insured under the National Housing Act, the family may

not continue to receive rental assistance under this section unless it complies with requirements established by the Secretary.

[(C) ALL MORTGAGES.—A family receiving assistance under this subsection that defaults under a mortgage may not receive assistance under this subsection for occupancy of another dwelling owned by one or more members of the family.

[(8) DEFINITION OF FIRST-TIME HOMEOWNER.—For purposes of this subsection, the term "first-time homeowner" means—

[(A) 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 under this subsection; and

[(B) any other family, as the Secretary may prescribe.

[(aa) REFINANCING INCENTIVE.—

[(1) IN GENERAL.—The Secretary may pay all or a part of the up front costs of refinancing for each project that—

[(A) is constructed, substantially rehabilitated, or moderately rehabilitated under this section;

[(B) is subject to an assistance contract under this section; and

[(C) was subject to a mortgage that has been refinanced under section 223(a)(7) or section 223(f) of the National Housing Act to lower the periodic debt service payments of the owner.

[(2) SHARE FROM REDUCED ASSISTANCE PAYMENTS.—The Secretary may pay the up front cost of refinancing only—

[(A) to the extent that funds accrue to the Secretary from the reduced assistance payments that results from the refinancing; and

[(B) after the application of amounts in accordance with section 1012 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

[(z) TERMINATION OF SECTION 8 CONTRACTS AND REUSE OF RECAPTURED BUDGET AUTHORITY.—

[(1) GENERAL AUTHORITY.—The Secretary may reuse any budget authority, in whole or part, that is recaptured on account of termination of a housing assistance payments contract (other than a contract for tenant-based assistance) only for one or more of the following:

[(A) TENANT-BASED ASSISTANCE.—Pursuant to a contract with a public housing agency, to provide tenant-based assistance under this section to families occupying units formerly assisted under the terminated contract.

[(B) PROJECT-BASED ASSISTANCE.—Pursuant to a contract with an owner, to attach assistance to one or more structures under this section, for relocation of families occupying units formerly assisted under the terminated contract.

[(2) FAMILIES OCCUPYING UNITS FORMERLY ASSISTED UNDER TERMINATED CONTRACT.—Pursuant to paragraph (1), the Secretary shall first make available tenant- or project-based as-

sistance to families occupying units formerly assisted under the terminated contract. The Secretary shall provide project-based assistance in instances only where the use of tenant-based assistance is determined to be infeasible by the Secretary.

[(3) EFFECTIVE DATE.—This subsection shall be effective for actions initiated by the Secretary on or before September 30, 1995.

[(bb) TRANSFER OF BUDGET AUTHORITY.—If an assistance contract under this section, other than a contract for tenant-based assistance, is terminated or is not renewed, or if the contract expires, the Secretary shall, in order to provide continued assistance to eligible families, including eligible families receiving the benefit of the project-based assistance at the time of the termination, transfer any budget authority remaining in the contract to another contract. The transfer shall be under such terms as the Secretary may prescribe.

[ANNUAL CONTRIBUTIONS FOR OPERATION OF LOWER INCOME HOUSING PROJECTS

[SEC. 9. (a)(1)(A) In addition to the contributions authorized to be made for the purposes specified in section 5 of this Act, the Secretary may make annual contributions to public housing agencies for the operation of low-income housing projects. The contributions payable annually under this section shall not exceed the amounts which the Secretary determines are required (i) to assure the lower income character of the projects involved, (ii) to achieve and maintain adequate operating services and reserve funds, and (iii) with respect to housing projects developed under the Indian and Alaskan Native housing program assisted under this Act, to provide funds (in addition to any other operating costs contributions approved by the Secretary under this section) as determined by the Secretary to be required to cover the administrative costs to an Indian housing authority during the development period of a project approved pursuant to section 5 and until such time as the project is occupied. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment subject to the availability of funds, and such contract shall provide that no disposition of the low-income housing project, with respect to which the contract is entered into, shall occur during and for ten years after the period when contributions were made pursuant to such contract unless approved by the Secretary. If the Secretary determines that a public housing agency has failed to take the actions required to submit an acceptable audit on a timely basis in accordance with chapter 75 of title 31, United States Code, the Secretary may arrange for, and pay the costs of, the audit. In such circumstances, the Secretary may withhold, from assistance otherwise payable to the agency under this section, amounts sufficient to pay for the reasonable costs of conducting an acceptable audit, including, when appropriate, the reasonable costs of accounting services necessary to place the agency's books and records in auditable condition.

[(B)(i) Annual contributions under this section to any public housing agency for any project with a sufficient number of resi-

dents who are frail elderly or persons with disabilities may be used, with respect to such project, for (I) the cost of a management staff member to coordinate the provision of any services within the project provided through any agency of the Federal Government or any other public or private department, agency, or organization to residents of the project who are frail elderly or persons with disabilities to enable such residents to live independently and prevent placement in nursing homes or institutions; and (II) expenses for the provision of services for such residents of the project to enable such residents to live independently and prevent placement in nursing homes or institutions, which may include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services, except that not more than 15 percent of the cost of the provision of such services may be provided under this section. For purposes of this clause, the term "frail elderly" shall have the meaning given the term under section 202(d) of the Housing Act of 1959, except that such term does not include any person receiving assistance provided under the Congregate Housing Services Act of 1978 or section 802 of the Cranston-Gonzalez National Affordable Housing Act, and the term "persons with disabilities" shall have the meaning given the term under section 811 of the Cranston-Gonzalez National Affordable Housing Act.

[(ii) Annual contributions under this section to any public housing agency for any project may be used, with respect to such project, for (I) the cost of employing or otherwise retaining the services of one or more service coordinators under section 661 of the Housing and Community Development Act of 1992 to coordinate the provision of any supportive services within the project for residents of the project who are elderly families and disabled families, and (II) expenses for the provision of such services for such residents of the project. Not more than 15 percent of the cost of the provision of such services may be provided under this section. Services may not be provided under this clause for any person receiving assistance under the Congregate Housing Services Act of 1978 or section 802 of the Cranston-Gonzalez National Affordable Housing Act. The budget authority available under section 5(c) for assistance under this section is authorized to be increased by $30,000,000 on or after October 1, 1992, and by $30,000,000 on or after October 1, 1993. Amounts made available under this clause shall be used to provide additional annual contributions to public housing agencies only for the purpose of providing service coordinators and services under this clause for public housing projects.

[(2) The Secretary may not make assistance available under this section for any low-income housing project unless such project is one developed pursuant to a contributions contract authorized by section 5 but not subject to section 8, except that after the duration of any such contributions contract with respect to a low-income housing project, the Secretary may provide assistance under this section with respect to such project as long as the lower income nature of such project is maintained.

[(3)(A) For purposes of making payments under this section (except for payments under paragraph (1)(B)), the Secretary shall utilize a performance funding system that is substantially based on

the system defined in regulations and in effect on the date of the enactment of the Housing and Community Development Act of 1987 (as modified by this paragraph), and that establishes standards for costs of operation and reasonable projections of income, taking into account the character and location of the project and the characteristics of the families served, in accordance with a formula representing the operations of a prototype well-managed project. Such performance funding system shall be established in consultation with public housing agencies and their associations, be contained in a regulation promulgated by the Secretary prior to the start of any fiscal year to which it applies, and remain in effect for the duration of such fiscal year without change. Notwithstanding the preceding sentences, the Secretary shall revise the performance funding system by June 15, 1988, to accurately reflect the increase in insurance costs incurred by public housing agencies. Notwithstanding sections 583(a) and 585(a) of title 5, United States Code (as added by section 3(a) of the Negotiated Rulemaking Act of 1990), any proposed regulation providing for amendment, alteration, adjustment, or other change to the performance funding system relating to vacant public housing units shall be issued pursuant to a negotiated rulemaking procedure under subchapter IV of chapter 5 of such title (as added by section 3(a) of the Negotiated Rulemaking Act of 1990), and the Secretary shall establish a negotiated rulemaking committee for development of any such proposed regulations.

[(B) Under the performance funding system established under this paragraph—

[(i) in the first year that the reductions occur, any public housing agency shall share equally with the Secretary any cost reductions due to the differences between projected and actual utility rates attributable to actions taken by the agency which lead to such reductions, and in subsequent years, if the energy savings are cost-effective, the Secretary may continue the sharing arrangement with the public housing agency;

[(ii) in the case of any public housing agency that receives financing (from a person other than the Secretary) or enters into a performance contract to undertake energy conservation improvements in a public housing project, under which payment does not exceed the cost of the energy saved as a result of the improvements during a negotiated contract period of not more than 12 years that is approved by the Secretary—

[(I) the public housing agency shall retain 100 percent of any cost avoidance due to differences between projected and actual utility consumption (adjusted for heating degree days) attributable to the improvements, until the term of the financing agreement is completed, at which time the annual utility expense level 3-year rolling base procedures shall be applied using—

[(a) in the first year following the end of the contract period, the energy use during the 2 years prior to installation of the energy conservation improvements and the last contract year;

[(b) in the second year following the end of the contract period, the energy use during the 1 year prior to

installation of the energy conservation improvements and the 2 years following the end of the contract period; and

[(c) in the third year following the end of the contract period, the energy use in the 3 years following the end of the contract period; or

[(II) the Secretary shall provide an additional operating subsidy above the current allowable utility expense level equivalent to the cost of the energy saved as a result of the improvements and sufficient to cover payments for the improvements through the term of the contract or agreement;

[(iii) there shall be a formal review process for the purpose of providing such revisions (either increases or reductions) to the allowable expense level of a public housing agency as necessary—

[(I) to correct inequities and abnormalities that exist in the base year expense level of such public housing agency;

[(II) to accurately reflect changes in operating circumstances since the initial determination of such base year expense level; and

[(III) to ensure that the allowable expense limit accurately reflects the higher cost of operating the project in an economically distressed unit of local government and the lower cost of operating the project in an economically prosperous unit of local government;

[(iv) if a public housing agency redesigns or substantially rehabilitates a public housing project so that 2 or more dwelling units are combined to create a single larger dwelling unit, the payments received under this section shall not be reduced solely because of the resulting reduction in the number of dwelling units if not less than the same number of individuals will reside in the new larger dwelling unit as resided in the dwelling units that were combined to form such larger dwelling unit; and

[(v) if a public housing agency renovates, converts, or combines one or more dwelling units in a public housing project to create congregate space to accommodate the provision of supportive services in accordance with section 22 of this Act and section 802 of the Cranston-Gonzalez National Affordable Housing Act, the payments received under this section shall not be reduced because of the resulting reduction in the number of dwelling units.

[(4) Adjustments to a public housing agency's operating subsidy made by the Secretary under this section shall reflect actual changes in rental income collections resulting from the application of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

[(b) The aggregate rentals required to be paid in any year by families residing in the dwelling units administered by a public housing agency receiving annual contributions under this section shall not be less than an amount equal to one-fifth of the sum of the incomes of all such families.

[(c)(1) There are authorized to be appropriated for purposes of providing annual contributions under this section $2,282,436,000 for fiscal year 1993 and $2,378,298,312 for fiscal year 1994.

[(2) There are also authorized to be appropriated to provide annual contributions under this section, in addition to amounts under paragraph (1), such sums as may be necessary for each of fiscal years 1993 and 1994, to provide each public housing agency with the difference between (A) the amount provided to the agency from amounts appropriated pursuant to paragraph (1), and (B) all funds for which the agency is eligible under the performance funding system without adjustments for estimated or unrealized savings.

[(3) In addition to amounts under paragraphs (1) and (2), there are authorized to be appropriated for annual contributions under this section to provide for the costs of the adjustments to income and adjusted income under the amendments made by sections 573(b) and (c) of the Cranston-Gonzalez National Affordable Housing Act such sums as may be necessary for fiscal years 1993 and 1994.

[(d) If, in any fiscal year beginning after September 30, 1979, any funds which have been appropriated for such year remain after applying the provisions of the second and fourth sentences of subsection (a)(1), the Secretary shall distribute such funds to low-income housing projects which incurred excessive costs which were beyond their control and the full extent of which was not taken into account in the original distribution of funds for such fiscal year.

[(e) In the case of any public housing agency that submits its budget for any fiscal year of such agency to the Secretary in a timely manner in accordance with the regulations issued by the Secretary under this section, assistance to be provided to such agency under this section for such fiscal year shall commence not later than the 1st month of such fiscal year, and shall be paid in accordance with such payment schedule as may be agreed upon by the Secretary and such agency.

[GENERAL PROVISIONS

[SEC. 10. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Secretary, notwithstanding the provisions of any other law, shall—

[(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

[(2) maintain an integral set of accounts which may be audited by the General Accounting Office as provided by chapter 91 of title 31, United States Code.

[(b) All receipts and assets of the Secretary under this Act shall be available for the purposes of this Act until expended.

[(c) The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for the Secretary in the general exercise of his powers under this Act, and the Secretary may reimburse any such bank for its services in such manner as may be agreed upon.

[FINANCING LOWER INCOME HOUSING PROJECTS

[SEC. 11. (a) Obligations issued by a public housing agency in connection with low-income housing projects which (1) are secured (A) by a pledge of a loan under any agreement between such public housing agency and the Secretary, or (B) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Secretary, or (C) by a pledge of both annual contributions under an annual contributions contract and a loan under an agreement between such public housing agency and the Secretary, and (2) bear, or are accompanied by, a certificate of the Secretary that such obligations are so secured, shall be incontestable in the hands of a bearer and 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.

[(b) Except as provided in section 5(g), obligations, including interest thereon, issued by public housing agencies in connection with low-income housing projects shall be exempt from all taxation now or hereafter imposed by the United States whether paid by such agencies or by the Secretary. The income derived by such agencies from such projects shall be exempt from all taxation now or hereafter imposed by the United States.

[LABOR STANDARDS

[SEC. 12. (a) Any contract for loans, contributions, sale, or lease pursuant to this Act shall contain a provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary, shall be paid to all architects, technical engineers, draftsmen, and technicians employed in the development, and all maintenance laborers and mechanics employed in the operation, of the low-income housing project involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved (including a project with nine or more units assisted under section 8 of this Act, where the public housing agency or the Secretary and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and the Secretary shall require certification as to compliance with the provisions of this section prior to making any payment under such contract.

[(b) Subsection (a) and the provisions relating to wages (pursuant to subsection (a)) in any contract for loans, annual contributions, sale, or lease pursuant to this Act, shall not apply to any individual that—

[(1) performs services for which the individual volunteered;

[(2)(A) does not receive compensation for such services; or

[(B) is paid expenses, reasonable benefits, or a nominal fee for such services; and

[(3) is not otherwise employed at any time in the construction work.

[ENERGY CONSERVATION

[SEC. 13. The Secretary shall, to the maximum extent practicable, require that newly constructed and substantially rehabilitated projects assisted under this Act with authority provided on or after October 1, 1979, shall be equipped with heating and cooling systems selected on the basis of criteria which include a life-cycle cost analysis of such systems.

[PUBLIC AND INDIAN HOUSING MODERNIZATION

[SEC. 14. (a) It is the purpose of this section to provide assistance—

[(1) to improve the physical condition of existing public housing projects; and

[(2) to upgrade the management and operation of such projects;

in order to assure that such projects continue to be available to serve low-income families.

[(b)(1) The Secretary may make available and contract to make available financial assistance (in such amounts as are authorized pursuant to section 5(c) and as may be approved in appropriations Acts) to public housing agencies for the purpose of improving the physical condition of existing low-rent public housing projects and for upgrading the management and operation of such projects to the extent necessary to maintain such physical improvements.

[(2) The Secretary may make contributions (in the form of grants) to public housing agencies under this section. The contract under which the contributions shall be made shall specify that the terms and conditions of the contract shall remain in effect for a 20-year period for any project receiving the benefit of a grant under the contract.

[(c) Assistance under subsection (b) may be made available only for buildings of low-rent housing projects—

[(1) which projects are owned by public housing agencies;

[(2) which projects are operated as rental housing projects and assisted under section 5 or section 9 of this Act;

[(3) which projects are not assisted under section 8 of this Act;

[(4) which buildings are not assisted under section 5(j)(2); and

[(5) which projects meet such other requirements consistent with the purposes of this section as the Secretary may prescribe.

[(d) Except as provided in subsection (f)(4), no assistance may be made available under subsection (b) to a public housing agency that owns or operates less than 250 public housing dwelling units unless the Secretary has approved an application from the public housing agency which has been developed in consultation with appropriate local officials and with tenants of the housing projects for which assistance is requested. Such application shall contain at least—

[(1) a comprehensive assessment of (A) the current physical condition of each project for which assistance is requested, and (B) the physical improvements necessary for each such project

to meet the standards established by the Secretary pursuant to subsection (j);

[(2) a comprehensive assessment of the improvements needed to upgrade the management and operation of each such project so that decent, safe, and sanitary living conditions will be provided in such projects; such assessment shall include at least an identification of needs related to—

[(A) the management, financial, and accounting control systems of the public housing agency which are related to each project eligible for assistance under this section;

[(B) the adequacy and qualifications of personnel employed by such public housing agency (in the management and operation of such projects) for each category of employment; and

[(C) the adequacy and efficacy of—

[(i) tenant programs and services in such projects;

[(ii) the security of each such project and its tenants;

[(iii) policies and procedures of the public housing agency for the selection and eviction of tenants in such projects; and

[(iv) other policies and procedures of such agency relating to such projects, as specified by the Secretary; and

[(3) a plan for making the improvements and for meeting the needs, described in paragraphs (1) and (2); such plan shall include at least—

[(A) a schedule of those actions which are to be completed, over a period of not greater than 5 years from the date of approval of such application by the Secretary, within each 12-month period covered by such plan and which are necessary—

[(i) to make the improvements, described in paragraph (1)(B), for each project for which assistance is requested, and

[(ii) to upgrade the management and operation of such projects as described in paragraph (3); and

[(B) the estimated cost of each of the actions described in subparagraph (A).

[(e)(1) No financial assistance may be made available under this section to a public housing agency that owns or operates 250 or more public housing dwelling units unless the Secretary approves (or has approved before the effective date of this subsection) a 5-year comprehensive plan submitted by the public housing agency, except that the Secretary may provide such assistance if it is necessary to correct conditions that constitute an immediate threat to the health or safety of tenants. The comprehensive plan shall contain—

[(A) a comprehensive assessment of—

[(i) the current physical condition of each public housing project owned or operated by the public housing agency;

[(ii) the physical improvements necessary for each such project to permit the project—

[(I) to be rehabilitated to a level at least equal to the modernization standards specified in the Modernization Handbook of the Department of Housing and Urban Development in effect on the date of the enactment of the Housing and Community Development Act of 1987, as well as the modernization standards established by the Secretary and in effect at the time of the preparation of the comprehensive plan; and

[(II) to comply with life-cycle cost-effective energy conservation performance standards established by the Secretary to reduce operating costs over the estimated life of the building; and

[(iii) the replacement needs of equipment systems and structural elements that will be required to be met (assuming routine and timely maintenance is performed) during the 5-year period covered by the comprehensive plan;

[(B) a comprehensive assessment of the improvements needed to upgrade the management and operation of the public housing agency and of each such project so that decent, safe, and sanitary living conditions will be provided such projects, which assessment shall include at least an identification of needs related to—

[(i) the management, financial, and accounting control systems of the public housing agency that are related to such projects;

[(ii) the adequacy and qualifications of personnel appropriate to be employed by the public housing agency (in the management and operation of such projects) for each significant category of employment; and

[(iii) the improvement of the efficacy of—

[(I) tenant programs and services in such projects;

[(II) the security of each such project and its tenants;

[(III) policies and procedures of the public housing agency for the selection and eviction of tenants in such projects; and

[(IV) other policies and procedures of the public housing agency relating to such projects, as specified by the Secretary;

[(C) an analysis, made on a project-by-project basis in accordance with standards and criteria prescribed by the Secretary, demonstrating that completion of the improvements and replacements identified under subparagraphs (A) and (B) will reasonably ensure the long-term physical and social viability of each such project at a reasonable cost;

[(D) an action plan for making the improvements and replacements identified under subparagraphs (A) and (B) that are determined under the analysis described in subparagraph (C) to reasonably ensure long-term viability of each such project at a reasonable cost, which action plan shall include at least a schedule, in order of priority established by the public housing agency, of the actions that are to be completed over a period of 5 years from the date of approval of the comprehen-

sive plan by the Secretary (or any longer period reasonably needed to make the improvements and replacements, considering the scope of the improvements and replacements and the amount of funding provided) and that are necessary—

[(i) to make the improvements and replacements identified under subparagraph (A) for each project expected to receive capital improvements or replacements (with priority to improvements and replacements required to correct any life threatening condition); and

[(ii) to upgrade the management and operation of the public housing agency and its public housing projects as described in subparagraph (B);

[(E) a statement, to be signed by the chief local government official (or Indian tribal official, if appropriate), certifying that—

[(i) the comprehensive plan was developed by the public housing agency in consultation with appropriate local government officials (or Indian tribal officials) and with tenants of the housing projects (or tenants of the Indian housing projects) eligible for assistance under this section, which shall include at least one public hearing that shall be held prior to the initial adoption of any plan by the public housing agency for use of such assistance, and afford tenants and interested parties an opportunity to summarize their priorities and concerns, to ensure their due consideration in the planning process of the public housing agency; and

[(ii) the comprehensive plan is consistent with the assessment of the community of its low-income housing needs and that the unit of general local government (or Indian tribe) will cooperate in the provision of tenant programs and services (as defined in section 3(c)(2));

[(F) a statement, to be signed by the chief public housing official, certifying that the public housing agency will carry out the comprehensive plan in conformity with title VI of the Civil Rights Act of 1964, title VIII of the Act of April 11, 1968 (commonly known as the Civil Rights Act of 1968), and section 504 of the Rehabilitation Act of 1973;

[(G) a preliminary estimate of the total cost of the items identified in subparagraphs (A) and (B), including a preliminary estimate of the funds that will be required during each year covered by the comprehensive plan to accomplish the work pursuant to the action plan; and

[(H) such other information as the Secretary may require.

[(2)(A) The Secretary shall approve a comprehensive plan unless—

[(i) the comprehensive plan is incomplete in significant matters;

[(ii) on the basis of available significant facts and data pertaining to the physical and operational condition of the public housing projects of the public housing agency or the management and operations of the public housing agency, the Secretary determines that the identification by the public housing

agency of needs is plainly inconsistent with such facts and data;

[(iii) on the basis of the comprehensive plan, the Secretary determines that the action plan described in paragraph (1)(D) is plainly inappropriate to meeting the needs identified in the comprehensive plan, or that the public housing agency has failed to demonstrate that completion of improvements and replacements identified under subparagraphs (A) and (B) of paragraph (1) will reasonably ensure long-term viability of one or more public housing projects to which they relate at a reasonable cost; or

[(iv) there is evidence available to the Secretary that tends to challenge in a substantial manner any certification contained in the comprehensive plan.

[(B) The comprehensive plan shall be considered to be approved, unless the Secretary notifies the public housing agency in writing within 75 calendar days of submission that the Secretary has disapproved the comprehensive plan as submitted, indicating the reasons for disapproval and modifications required to make the comprehensive plan approvable.

[(3)(A) Each public housing agency that owns or operates 250 or more public housing dwelling units shall, after being advised by the Secretary of the estimated assistance it will receive under this section in any fiscal year, submit to the Secretary, at a date determined by the Secretary, an annual statement of the activities and expenditures projected to be undertaken, in whole or in part, by such assistance during the 12-month period immediately following the execution of the contract for such assistance. As long as the activities and expenditures are consistent with the approved plan, the public housing agency shall have total discretion in expending assistance for any activity or work set forth in the plan. The annual statement shall include a certification by the public housing agency that the proposed activities and expenditures are consistent with the approved comprehensive plan of the public housing agency. The annual statement also shall include a certification that the public housing agency has provided the tenants of the public housing affected by the planned activities the opportunity to review the annual statement and comment on it, and that such comments have been taken into account in formulating the annual statement as submitted to the Secretary.

[(B) A public housing agency may propose an amendment to its comprehensive plan under paragraph (1) in any annual statement. Any such proposed amendment shall be reviewed in accordance with paragraph (2), and shall include a certification that (i) the proposed amendment has been made publicly available for comment prior to its submission; (ii) affected tenants have been given sufficient time to review and comment on it; and (iii) such comments have been taken into consideration in the preparation and submission of the amendment. A public housing agency shall have a right to amend its comprehensive plan and related statements to extend the time for performance whenever the Secretary has not provided the amount of assistance set forth in the plan or has not provided the assistance in a timely manner.

[(C) The Secretary shall approve the annual statement and any amendment to it or the comprehensive plan unless the Secretary determines that the statement or amendment is plainly inconsistent with the activities specified in the comprehensive plan. The statement or amendment shall be considered to be approved, unless the Secretary notifies the public housing agency in writing before the expiration of the 75-day period following its submission that the Secretary has disapproved it as submitted, indicating the reasons for disapproval and the modifications required to make it approvable.

[(4)(A) Each public housing agency that owns or operates 250 or more public housing dwelling units shall submit to the Secretary, on a date determined by the Secretary, a performance and evaluation report concerning the use of funds made available under this section. The report of the public housing agency shall include an assessment by the public housing agency of the relationship of such use of funds made available under this section, as well as the use of other funds, to the needs identified in the comprehensive plan of the public housing agency and to the purposes of this section. The public housing agency shall certify that the report has been made available for review and comment by affected tenants prior to its submission to the Secretary.

[(B) The Secretary shall, at least on an annual basis, make such reviews as may be necessary or appropriate to determine whether each public housing agency receiving assistance under this section—

[(i) has carried out its activities under this section in a timely manner and in accordance with its comprehensive plan;

[(ii) has a continuing capacity to carry out its comprehensive plan in a timely manner;

[(iii) has satisfied, or has made reasonable progress towards satisfying, such performance standards as shall be prescribed by the Secretary, and has made reasonable progress in carrying out modernization projects approved under this section.

[(C) Each public housing agency that owns or operates 250 or more public housing dwelling units and receives assistance under this section shall have an audit made in accordance with chapter 75 of title 31, United States Code. The Secretary, the Inspector General of the Department of Housing and Urban Development, and the Comptroller General of the United States shall have access to all books, documents, papers, or other records that are pertinent to the activities carried out under this section in order to make audit examinations, excerpts, and transcripts.

[(D) The comprehensive plan, any amendments to the comprehensive plan, and the annual statement shall, once approved by the Secretary, be binding upon the Secretary and the public housing agency. The Secretary may order corrective action only if the public housing agency does not comply with subparagraph (A) or (B) or if an audit under subparagraph (C) reveals findings that the Secretary reasonably believes require such corrective action. The Secretary may withhold funds under this section only if the public housing agency fails to take such corrective action after notice and a reasonable opportunity to do so. In administering this section, the Secretary shall, to the greatest extent possible, respect the pro-

fessional judgment of the administrators of the public housing agency.

[(f)(1) The amount of financial assistance made available under subsection (b) to any public housing agency that owns or operates less than 250 public housing dwelling units with respect to any year may not exceed the sum of—

[(A) an amount determined by the Secretary to be necessary to undertake the actions specified for such year in the schedule submitted pursuant to subsection (d)(3)(A);

[(B) the amount determined necessary by the Secretary to reimburse the public housing agency for the cost of developing the plan described pursuant to subsection (d)(3), less any amount which has been provided such public housing agency with respect to such year under paragraph (4); and

[(C) in the case of a public housing agency which meets such criteria of financial distress as are established by the Secretary and which has submitted the information described in paragraphs (1) and (2) of subsection (d), the amount determined necessary by the Secretary to enable such agency to develop the plan described pursuant to subsection (d)(3);

except that not more than 5 per centum of the total amount utilized for contributions contracts under subsection (b) in any year shall be made available for the purposes described in paragraphs (3) and (4).

[(2) A public housing agency that owns or operates 250 or more public housing dwelling units may use financial assistance received under subsection (b) only—

[(A) to undertake activities described in its approved comprehensive plan under subsection (e)(1) or its annual statement under subsection (e)(3);

[(B) to correct conditions that constitute an immediate threat to the health or safety of tenants, whether or not the need for such correction is indicated in its comprehensive plan or annual statement; and

[(C) to prepare a comprehensive plan under subsection (e)(1), including reasonable costs that may be necessary to assist tenants in participating in the planning process in a meaningful way, an annual statement under subsection (e)(3), an annual performance and evaluation report under subsection (e)(4)(A), and an audit under subsection (e)(4)(C).

[(g) No assistance shall be made available to a public housing agency pursuant to subsection (b) for any year subsequent to the first year for which such assistance is made available to such agency unless the Secretary has determined that such agency has made substantial efforts to meet the objectives for the preceding year under the plan described in subsection (d)(3) or (e) and approved by the Secretary.

[(h) In making assistance available under subsection (b) to a public housing agency that owns or operates fewer than 250 public housing dwelling units, the Secretary shall give preference to public housing agencies—

[(1) which request assistance for projects (A) having conditions which threaten the health or safety of the tenants, or (B) having a significant number of vacant, substandard units; and

[(2) which have demonstrated a capability of carrying out the activities proposed in the plan submitted by the agency pursuant to subsection (d)(3) and approved by the Secretary.

[(i)(1) In addition to assistance made available under subsection (b) to a public housing agency that owns or operates fewer than 250 public housing dwelling units, the Secretary may, without regard to the requirements of subsection (c), (d), (f), (g), or (h), make available and contract to make available financial assistance (in such amounts as are authorized pursuant to section 5(c) and as approved in appropriation Acts) to any public housing agency in an amount which the Secretary determines is necessary to meet emergency or special purpose needs, especially emergency and special purpose needs which relate to fire safety standards. Such needs shall be limited to—

[(A) correcting conditions which threaten the health or safety of the tenants of any project (i) which is described in subsection (c), and (ii) with respect to which an application for assistance pursuant to subsection (d) has not been approved by the Secretary;

[(B) correcting conditions (i) which threaten the health or safety of the tenants of any project with respect to which an application for assistance pursuant to subsection (d) has been approved, and (ii) which were unanticipated at the time of the development of such application;

[(C) correcting conditions which threaten the health or safety of the occupants of any low-income housing project not described in subsection (c) and not assisted pursuant to section 8;

[(D)(i) physical improvements needs which (I) would not otherwise be eligible for assistance under this section, and (II) pertain to any low-income housing project other than a project assisted under section 8; and

[(ii) physical improvement needs eligible under this subparagraph shall include replacing or repairing major equipment systems or structural elements, upgrading security, increasing accessibility for elderly and disabled families (as such terms are defined in section 3(b)(3)), reducing the number of vacant substandard units, and increasing the energy efficiency of the units, except that the Secretary may make financial assistance available under this clause only if the Secretary determines that the physical improvements are necessary and sufficient to extend substantially the useful life of the project; or

[(E) management improvement needs which (i) would not otherwise be eligible for assistance under this section, and (ii) pertain to any low-income housing project other than a project assisted under section 8.

[(2) The Secretary may issue such rules and regulations as may be necessary to carry out this subsection.

[(j)(1) The Secretary may issue such rules and regulations as may be necessary to carry out the provisions and purposes of this section.

[(2) The Secretary shall issue rules and regulations establishing standards which provide for decent, safe, and sanitary living conditions in low-rent public housing projects and for energy conserving

improvements in such projects and which, to the extent practicable, are consistent with the Minimum Property Standards for Multi-Family Housing as they reasonably would be applied to existing housing, except that the Secretary may establish higher standards on a project-by-project basis in such cases where the Secretary deems such higher standards appropriate for furthering the purposes of this section.

[(k)(1) From amounts approved in appropriation Acts for grants under this section for fiscal year 1992 and each fiscal year thereafter, and to the extent provided by such Acts, the Secretary shall reserve not more than $75,000,000 (including unused amounts reserved during previous fiscal years), which shall be available for modernization needs resulting from natural and other disasters and from emergencies. Amounts provided for emergencies shall be repaid by public housing agencies from future allocations of assistance under paragraph (2), where available.

[(2)(A) After determining the amounts to be reserved under paragraphs (1) and (5)(D)(iv), the Secretary shall allocate the amount remaining pursuant to a formula contained in a regulation prescribed by the Secretary, which shall be designed to measure the relative needs of public housing agencies. The formula shall take into account amounts previously made available by the Secretary for modernization under this section and for major reconstruction of obsolete projects, to the extent determined appropriate by the Secretary.

[(B) The Secretary shall allocate half of the amount allocated under this paragraph based on the relative backlog needs of public housing agencies, determined—

[(i) for individual public housing agencies with 250 or more units and for the aggregate of agencies with fewer than 250 units, where the data are statistically reliable, on the basis of the most recently available, statistically reliable data regarding the (I) backlog of needed repairs and replacements of existing physical systems in public housing projects, (II) items that must be added to projects to meet the modernization standards of the Secretary (referred to in subsection (e)(1)(A)(ii)(I)) and State and local codes, and (III) items that are necessary or highly desirable for the long-term viability of a project; or

[(ii) for individual public housing agencies with 250 or more units, where such data are not statistically reliable, on the basis of estimates of the categories of backlog specified in clause (i) using the most recently available data on the backlog, and objectively measurable data on public housing agency, community, and project characteristics regarding—

[(I) the average number of bedrooms in the units in a project;

[(II) the proportion of units in a project available for occupancy by very large families;

[(III) the extent to which units for families are in high-rise elevator projects;

[(IV) the age of the projects;

[(V) in the case of a large agency, as determined by the Secretary, the number of units with 2 or more bedrooms;

[(VI) the cost of rehabilitating property in the area;

[(VII) for family projects, the extent of population decline in the unit of general local government determined on the basis of the 1970 and 1980 censuses; and

[(VIII) any other factors the Secretary determines are appropriate.

The Secretary may not establish or amend any criteria regarding the backlog needs of public housing agencies under this subparagraph, except by rule as provided under section 553 of title 5, United States Code.

[(C) The Secretary shall allocate the other half of the amount allocated under this paragraph based on the relative accrued needs of public housing agencies for the categories of need specified in subparagraphs (B)(i) (I) and (II), determined—

[(i) for individual public housing agencies with 250 or more units and for the aggregate of agencies with fewer than 250 units, where the data are statistically reliable, on the basis of the needs that are estimated to have accrued since the date of the last objective measurement of backlog needs under subparagraph (B); or

[(ii) for individual public housing agencies with 250 or more units, where the estimates under clause (i) are not statistically reliable, on the basis of estimates of accrued need using the most recently available data on the backlog, and objectively measurable data on public housing agency, community, and project characteristics regarding—

[(I) the average number of bedrooms of the units in a project;

[(II) the proportion of units in a project available for occupancy by very large families;

[(III) the age of the projects;

[(IV) the extent to which the buildings in projects of an agency average fewer than 5 units;

[(V) the cost of rehabilitating property in the area;

[(VI) the total number of units of each agency that owns or operates 250 or more units; and

[(VII) any other factors the Secretary determines are appropriate.

The Secretary may not establish or amend any criteria regarding the accrual needs of public housing agencies under this subparagraph, except by rule as provided under section 553 of title 5, United States Code.

[(D)(i) In determining how many units an agency owns or operates and the relative modernization needs of agencies, the Secretary shall, except as otherwise agreed by the Secretary and the agency, count each existing unit under the annual contributions contract, except that an existing unit under the turnkey III and the mutual help programs may be counted as less than one unit, to take into account the responsibility of families for the costs of certain maintenance and repair. For purposes of this section, an agency that qualifies to receive a formula grant under paragraph (4) may elect to continue to qualify to receive a formula grant if it owns or operates at least 200 public housing units.

[(ii) Where an existing unit under a contract is demolished or disposed of, the Secretary shall not adjust the amount the agency

receives under the formula unless more than one percent of the units are affected on a cumulative basis. Where more than one percent of the units are demolished or disposed of, the Secretary shall reduce the formula amount for the agency over a 3-year period to reflect removal of the units from the contract.

[(iii) The Secretary shall determine whether the data under subparagraphs (B) and (C) are statistically reliable.

[(3) The amount determined under the formula for agencies with fewer than 250 units shall be allocated in accordance with subsection (d).

[(4) The amount determined under the formula for each agency that owns or operates 250 or more units shall be allocated to each qualifying agency in accordance with subsection (e).

[(5)(A) With respect to any agency that is designated as a troubled agency with respect to the program under this section upon the initial designation of such troubled agencies under section 6(j)(2)(A)(i), the Secretary shall limit the total amount of funding under this section for the agency for fiscal year 1992 and any fiscal year thereafter, if the agency remains designated as a troubled agency, to the sum of—

[(i) the average of the amount that the troubled agency received for modernization activities under this section and for major reconstruction of obsolete projects for each of fiscal years 1989, 1990, and 1991, which average shall be adjusted to take into account changes in the cost of rehabilitating property; plus

[(ii) 25 percent of the difference between the amount determined under clause (i) and the amount that would be allocated to the agency in such fiscal year if the agency were not designated as a troubled agency.

[(B) In any fiscal year the Secretary may, pursuant to the request of a troubled agency, increase the amount allocated to the agency under subparagraph (A) to an amount not exceeding the amount that would be allocated to the agency in such fiscal year if the agency were not a troubled agency. An increase under this subparagraph shall be based on the agency's progress toward meeting the performance indicators under section 6(j)(1). The Secretary shall render a decision in writing on each such request not later than 75 days after receipt of the request and any necessary supporting documentation.

[(C) For any fiscal year, any amounts that would have been allocated to an agency under the formula under paragraph (2) that are not allocated to the agency because the agency receives the amount provided under subparagraph (A) of this paragraph, shall be allocated in such year pursuant to the formula to other agencies with 500 or more units.

[(D) The Secretary shall carry out a credit system under this subparagraph to provide agencies that receive allocations under subparagraph (A) with additional assistance under this section after the agency is determined not to be a troubled agency, to compensate for amounts not received because of the troubled agency designation. The credit system shall be subject to the following requirements:

[(i) Any agency that receives assistance pursuant to subparagraph (A) for any fiscal year shall receive credits for the

difference between the amount that the agency would have been allocated in such year if it were not designated a troubled agency and the amount allocated for the agency for such year under subparagraph (A).

[(ii) An agency may not receive credits under this subparagraph for more than 3 consecutive fiscal years.

[(iii) After a 3-year period during which an agency has accrued credits, the credits accrued by the agency shall be—

[(I) decreased by 10 percent of the total credits accumulated if the designation as a troubled agency is not removed before the conclusion of the first fiscal year after such 3-year period of accrual of credits;

[(II) decreased by an additional 20 percent of the original total accumulated credits if the designation as a troubled agency is not removed before the conclusion of the second fiscal year after such 3-year accrual period;

[(III) decreased by an additional 30 percent of the original total accumulated credits if the designation as a troubled agency is not removed before the conclusion of the third fiscal year after such 3-year accrual period; and

[(IV) eliminated if the designation as a troubled agency is not removed before the conclusion of the fourth fiscal year after such 3-year accrual period.

[(iv) After a determination by the Secretary that an agency is not a troubled agency, the Secretary shall provide the agency with amounts made available under this clause in accordance with the amount of credits accumulated by the agency (subject to the reductions under clause (iii)). Such amounts shall be provided in addition to the amounts allocated to the agency pursuant to the formula under paragraph (2). In each fiscal year, the Secretary shall reserve from amounts available for allocation under paragraph (2)(A) the amount necessary to provide assistance pursuant to such credits, except that the reserved amount may not exceed 5 percent of the total amount available for allocation under such paragraph.

[(v) In making payments for accrued credits in accordance with clause (iv), the Secretary may take into account the ability of the agency to expeditiously expend amounts received for credits.

[(E) The Secretary shall, by regulation, establish special rules for limiting the amount of assistance provided under this section to agencies that become troubled after the date of the initial designation of troubled agencies under section 6(j)(2)(A)(i). The rules may provide for a credit system based on the system established under this paragraph.

[(6) Any amounts (A) allocated under paragraph (4) that become available for reallocation because an agency does not qualify to receive all or a part of its formula allocation due to failure to comply with the requirements of this section (other than because of designation as a troubled agency), and (B) recaptured by the Secretary for good cause, shall (subject to approval in appropriations Acts) be reallocated by the Secretary in the next fiscal year to other housing agencies that own or operate 250 or more units, based on their rel-

ative needs. The relative needs of agencies shall be measured by the formula established pursuant to paragraph (2)(A).

[(7) A public housing agency may appeal the amount of its allocation determined under the formula on the basis of unique circumstances or on the basis that the objectively measurable data regarding the agency, community, and project characteristics used for determining the formula amount were not correct.

[(8) Amounts allocated to a public housing agency under paragraph (3) or (4) may be used for any eligible activity in accordance with this section, notwithstanding that the allocation amount is determined by allocating half based on relative backlog needs and half based on relative accrued needs of agencies.

[(l) The Secretary shall include in the annual report under section 8 of the Department of Housing and Urban Development Act—

[(1) a description of the allocation, distribution, and use of assistance under this section on a regional basis and on the basis of public housing agency size; and

[(2) a national compilation of the total funds requested in comprehensive plans for all public housing agencies owning or operating 250 or more public housing dwelling units.

[(m) Subject to subsection (k)(1), the Secretary may issue any regulations that are necessary to carry out this section.

[(n) LIMITATION.—The Secretary shall not make assistance under this section available with respect to a property transferred under title III.

[(o) Any amount that the Secretary has obligated to a public housing agency under this section other than pursuant to the program established under subsection (e), shall be used for the purposes for which such amount was provided, or for purposes consistent with an action plan submitted by the agency under subsection (e) and approved by the Secretary, as the agency determines to be appropriate.

[(p)(1) The Secretary shall require any public housing agency that has a vacancy rate among dwelling units owned or operated by the agency that exceeds twice the average vacancy rate among all agencies, that is designated as a troubled agency under section 6(j), or for which a receiver has been appointed pursuant to section 6(j)(3), to participate in the vacancy reduction program under this subsection.

[(2) Each public housing agency participating in the program under this subsection shall develop and submit to the Secretary a vacancy reduction plan regarding vacancies in units owned or operated by the agency. The plan shall include statements (A) identifying vacant dwelling units administered by the agency and explaining the reasons for the vacancies, (B) describing the actions to be taken by the agency during the following 5 years to eliminate the vacancies, (C) identifying any impediments that will prevent elimination of the vacancies within the 5-year period, (D) identifying any vacant units subject to comprehensive modernization, major reconstruction, demolition, and disposition activities that have been funded or approved, (E) identifying any vacant dwelling units that are eligible for comprehensive modernization, major reconstruction, demolition, or disposition but have not been funded or approved for such activities and are not likely to be funded or ap-

proved for at least 3 years and estimating the amount of assistance necessary to complete the comprehensive modernization, major reconstruction, demolition, or disposition of such units, (F) identifying any vacant units not identified under subparagraphs (E) and (F) and describing any appropriate activities relating to elimination of the vacancies in such units and estimating the amount of assistance necessary to carry out the activities, and (G) setting forth an agenda for implementation of management improvements (including, as appropriate, improvements recommended by the assessment team pursuant to paragraph (3)(C)) during the first fiscal year beginning after submission of the plan and including an estimate of the amount of assistance necessary to implement the improvements.

[(3)(A) Upon the expiration of the 24-month period beginning upon the receipt of assistance under paragraph (5) by a public housing agency, the Secretary shall, after reviewing the progress made in complying with the plan, reserve from the annual contribution attributable to each unit vacant for the 24-month period an amount determined by the Secretary but not exceeding 80 percent of such contribution. The Secretary may not reserve any amounts under this subparagraph for any vacant dwelling unit that is vacant because of modernization, reconstruction, or lead-based paint reduction activities.

[(B) The Secretary shall deposit any amounts reserved under subparagraph (A) in a separate account established on behalf of the public housing agency, and such amounts shall be available to the agency only for the purpose of carrying out activities in compliance with the vacancy reduction plan of the agency.

[(C) If, after the expiration of the 24-month period beginning upon the reservation under subparagraph (A) of amounts for a public housing agency, the Secretary determines that the agency has not made significant progress to comply with the provisions of the vacancy reduction plan of the agency, the amount remaining in the account for the agency established under subparagraph (B) shall be recaptured by the Secretary.

[(4)(A) In cooperation with each agency participating in the program under this subsection, the Secretary shall provide for onsite assessment of the vacancy situation of the agency by a team of knowledgeable observers. The assessment team shall include representatives of the Department of Housing and Urban Development, an equal number of independent experts knowledgeable with respect to vacancy problems and management issues relating to public housing, and officials of the public housing agency, all of whom shall be selected by the Secretary. The assessment team shall assess the vacancy situation of the agency to determine the causes of the vacancies, including any management deficiencies or modernization activities.

[(B) The assessment team shall also examine indicators of the management performance of the agency relating to vacancy, which shall include consideration of the performance of the agency as measured by the indicators under subparagraphs (A) and (E) of section 6(j)(1).

[(C) The assessment team shall submit to the agency and the Secretary written recommendations for management improvements

to eliminate or alleviate management deficiencies, and may assist the agency in preparing the vacancy reduction plan under paragraph (2), including determining appropriate actions to eliminate vacancies.

[(D) The Secretary may use amounts made available under paragraph (6) for any travel and administrative expenses of assessment teams under this paragraph.

[(5) The Secretary shall, subject to the availability of amounts under paragraph (6), provide assistance under this subsection to public housing agencies submitting vacancy reduction plans for reasonable costs of—

[(A) implementing management improvements;

[(B) rehabilitating vacant dwelling units identified in the statement under paragraph (2), except that the Secretary may provide assistance to a public housing agency designated as a troubled agency for the purposes under this subparagraph only if the Secretary determines that the agency is making substantial progress in remedying management deficiencies, if any, or that the agency has provided reasonable assurances that such progress will be made; and

[(C) carrying out vacancy reduction activities described in the statement under paragraph (2).

[(6)(A) Of any amounts available under this section in each of fiscal years 1993 and 1994 (after amounts are reserved pursuant to subsection (k)(1)), an amount equal to 4 percent of such remaining funds shall be available in each such fiscal year for the purposes under subparagraph (B).

[(B) Of such amounts available under subparagraph (A) in each such fiscal year—

[(i) 20 percent shall be available only for carrying out activities under section 6(j); and

[(ii) 80 percent shall be available for carrying out this subsection.

[(q)(1) In addition to the purposes enumerated in subsections (a) and (b), a public housing agency may use modernization assistance provided under section 14, and development assistance provided under section 5(a) that was not allocated, as determined by the Secretary, for priority replacement housing, for any eligible activity authorized by this section, by section 5, or by applicable Appropriations Acts for a public housing agency, including the demolition, rehabilitation, revitalization, and replacement of existing units and projects and, for up to 10 percent of its allocation of such funds in any fiscal year, for any operating subsidy purpose authorized in section 9. Except for assistance used for operating subsidy purposes under the preceding sentence, assistance provided to a public housing agency under this section shall principally be used for the physical improvement, replacement of public housing, other capital purposes, and for associated management improvements, and such other extraordinary purposes as may be approved by the Secretary. Low-income and very low-income units assisted under this paragraph shall be eligible for operating subsidies, unless the Secretary determines that such units or projects do not meet other requirements of this Act.

[(2) A public housing agency may provide assistance to developments that include units, other than units assisted under this Act (except for units assisted under section 8 hereof) ("mixed income developments"), in the form of a grant, loan, operating assistance, or other form of investment which may be made to—

[(A) a partnership, a limited liability company, or other legal entity in which the public housing agency or its affiliate is a general partner, managing member, or otherwise participates in the activities of such entity; or

[(B) any entity which grants to the public housing agency the option to purchase the development within 20 years after initial occupancy in accordance with section 42(i)(7) of the Internal Revenue Code of 1986, as amended.

[Units shall be made available in such developments for periods of not less than 20 years, by master contract or by individual lease, for occupancy by low-income and very low-income families referred from time to time by the public housing agency. The number of such units shall be:

[(i) in the same proportion to the total number of units in such development that the total financial commitment provided by the public housing agency bears to the value of the total financial commitment in the development, or

[(ii) not be less than the number of units that could have been developed under the conventional public housing program with the assistance involved, or

[(iii) as may otherwise be approved by the Secretary.

[(3) A mixed income development may elect to have all units subject only to the applicable local real estate taxes, notwithstanding that the low-income units assisted by public housing funds would otherwise be subject to section 6(d) of the Housing Act of 1937.

[(4) If an entity that owns or operates a mixed-income project under this subsection enters into a contract with a public housing agency, the terms of which obligate the entity to operate and maintain a specified number of units in the project as public housing units in accordance with the requirements of this Act for the period required by law, such contractual terms may provide that, if, as a result of a reduction in appropriations under section 9, or any other change in applicable law, the public housing agency is unable to fulfill its contractual obligations with respect to those public housing units, that entity may deviate, under procedures and requirements developed through regulations by the Secretary, from otherwise applicable restrictions under this Act regarding rents, income eligibility, and other areas of public housing management with respect to a portion or all of those public housing units, to the extent necessary to preserve the viability of those units while maintaining the low-income character of the units, to the maximum extent practicable.

[PAYMENT OF NONFEDERAL SHARE

[SEC. 15. Any of the following may be used as the non-Federal share required in connection with activities undertaken under Federal grant-in-aid programs which provide social, educational, em-

ployment, and other services to the tenants in a project assisted under this Act, other than under section 8:

[(1) annual contributions under this Act for operation of the project; or

[(2) rental or use-value of buildings or facilities paid for, in whole or in part, from development, modernization, or operation cost financed under this Act.

[ELIGIBILITY FOR ASSISTED HOUSING6

[SEC. 16. (a) Not more than 25 per centum of the dwelling units which were available for occupancy under public housing annual contributions contracts and section 8 housing assistance payments contracts under this Act before the effective date of the Housing and Community Development Amendments of 1981, and which will be leased on or after such effective date shall be available for leasing by low-income families other than very low-income families.

[(b)(1) Not more than 15 percent of the dwelling units which become available for occupancy under public housing contributions contracts and section 8 housing assistance payments contracts under this Act on or after the effective date of the Housing and Community Development Amendments of 1981 shall be available for leasing by low-income families other than very low-income families.

[(2) Not more than 25 percent of the dwelling units in any project of any agency shall be available for occupancy by low-income families other than very low-income families. The limitation shall not apply in the case of any project in which, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act, such low-income families occupy more than 25 percent of the dwelling units.

[(c) In developing admission procedures implementing subsection (b), the Secretary may not totally prohibit admission of low-income families other than very low-income families and shall establish an appropriate specific percentage of low-income families other than very-low-income families that may be assisted in each assisted housing program that, when aggregated, will achieve the overall percentage limitation contained in subsection (b). In developing such admission procedures, the Secretary shall prohibit project owners from selecting families for residence in an order different from the order on the waiting list for the purpose of selecting relatively higher income families for residence; except that such prohibition shall not apply with respect to families selected for occupancy in public housing under the written system of preferences for selection established by the public housing agency pursuant to section 6(c)(4)(A). The Secretary shall issue regulations to carry out this subsection not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987.

[(d)(1) The limitations established in subsection (b) shall not apply to dwelling units made available under section 8 housing assistance contracts for the purpose of preventing displacement, or ameliorating the effects of displacement, including displacement caused by rents exceeding 30 percent of monthly adjusted family income, of low-income families from projects being rehabilitated with assistance from rehabilitation grants under section 17 and the

Secretary shall not otherwise unduly restrict the use of payments under section 8 housing assistance contracts for this purpose.

[(2) The limitations established in subsections (a) and (b) shall not apply to dwelling units assisted by Indian public housing agencies, to scattered site public housing dwelling units sold or intended to be sold to public housing tenants under section 5(h) of this title..

[(e) INELIGIBILITY OF ILLEGAL DRUG USERS AND ALCOHOL ABUSERS.—

[(1) IN GENERAL.—Notwithstanding any other provision of law, a public housing agency shall establish standards for occupancy in public housing dwelling units and assistance under section 8—

[(A) that prohibit occupancy in any public housing dwelling unit by, and assistance under section 8 for, any person—

[(i) who the public housing agency determines is illegally using a controlled substance; or

[(ii) if the public housing agency determines that it has reasonable cause to believe that such person's illegal use (or pattern of illegal use) of a controlled substance, or abuse (or pattern of abuse) of alcohol, may interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents of the project; and

[(B) that allow the public housing agency to terminate the tenancy in any public housing unit of, and the assistance under section 8 for, any person—

[(i) who the public housing agency determines is illegally using a controlled substance; or

[(ii) whose illegal use of a controlled substance, or whose abuse of alcohol, is determined by the public housing agency to interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents of the project.

[(2) CONSIDERATION OF REHABILITATION.—In determining whether, pursuant to paragraph (1), to deny occupancy or assistance to any person based on a pattern of use of a controlled substance or a pattern of abuse of alcohol, a public housing agency may consider whether such person—

[(A) has successfully completed a supervised drug or alcohol rehabilitation program (as applicable) and is no longer engaging in the illegal use of a controlled substance or abuse of alcohol (as applicable);

[(B) has otherwise been rehabilitated successfully and is no longer engaging in the illegal use of a controlled substance or abuse of alcohol (as applicable); or

[(C) is participating in a supervised drug or alcohol rehabilitation program (as applicable) and is no longer engaging in the illegal use of a controlled substance or abuse of alcohol (as applicable).

[(3) INAPPLICABILITY TO INDIAN HOUSING.—This subsection does not apply to any dwelling unit assisted by an Indian housing authority.

[DEMOLITION AND DISPOSITION OF PUBLIC HOUSING

[SEC. 18. (a) The Secretary may not approve an application by a public housing agency for permission, with or without financial assistance under this Act, to demolish or dispose of a public housing project or a portion of a public housing project unless the Secretary has determined that—

[(1) in the case of an application proposing demolition of a public housing project or a portion of a public housing project, the project or portion of the project is obsolete as to physical condition, location, or other factors, making it unusable for housing purposes, and no reasonable program of modifications is feasible to return the project or portion of the project to useful life; or in the case of an application proposing the demolition of only a portion of a project, the demolition will help to assure the useful life of the remaining portion of the project;

[(2) in the case of an application proposing disposition of real property of a public housing agency by sale or other transfer—

[(A)(i) the property's retention is not in the best interests of the tenants or the public housing agency because developmental changes in the area surrounding the project adversely affect the health or safety of the tenants or the feasible operation of the project by the public housing agency, because disposition allows the acquisition, development, or rehabilitation of other properties which will be more efficiently or effectively operated as low-income housing projects and which will preserve the total amount of low-income housing stock available in the community, or because of other factors which the Secretary determines are consistent with the best interests of the tenants and public housing agency and which are not inconsistent with other provisions of this Act; and

[(ii) for property other than dwelling units, the property is excess to the needs of a project or the disposition is incidental to, or does not interfere with, continued operation of a project; and

[(B) the net proceeds of the disposition will be used for (i) the payment of development cost for the project and for the retirement of outstanding obligations issued to finance original development or modernization of the project, which, in the case of scattered-site housing of a public housing agency, shall be in an amount that bears the same ratio to the total of such costs and obligations as the number of units disposed of bears to the total number of units of the project at the time of disposition, and (ii) to the extent that any proceeds remain after the application of proceeds in accordance with clause (i), the provision of housing assistance for low-income families through such measures as modernization of low-income housing, or the acquisition, development, or rehabilitation of other properties to operate as low-income housing; or

[(3) in the case of an application proposing demolition or disposition of any portion of a public housing project, assisted at any time under section 5(j)(2)—

[(A) such assistance has not been provided for the portion of the project to be demolished or disposed within the 10-year period ending upon submission of the application; or

[(B) the property's retention is not in the best interest of the tenants or the public housing agency because of extraordinary changes in the area surrounding the project or other extraordinary circumstances of the project.

[(b) The Secretary may not approve an application or furnish assistance under this section or under this Act unless—

[(1) the application from the public housing agency has been developed in consultation with tenants and tenant councils, if any, who will be affected by the demolition or disposition, and the tenant councils, resident management corporation, and tenant cooperative of the project or portion of the project covered by the application, if any, have been given appropriate opportunities to purchase the project or portion of the project covered by the application, and contains a certification by appropriate local government officials that the proposed activity is consistent with the applicable housing assistance plan; and

[(2) all tenants to be displaced as a result of the demolition or disposition will be given assistance by the public housing agency and are relocated to other decent, safe, sanitary, and affordable housing, which is, to the maximum extent practicable, housing of their choice, including housing assisted under section 8 of this Act, and the public housing agency provides for the payment of the relocation expenses of each tenant to be displaced, ensures that the rent paid by the tenant following relocation will not exceed the amount permitted under this Act and shall not commence demolition or disposition of any unit until the tenant of the unit is relocated.

[(c) Notwithstanding any other provision of law, the Secretary is authorized to make available financial assistance for applications approved under this section using available contributions authorized under section 5.

[(d) A public housing agency shall not take any action to demolish or dispose of a public housing project or a portion of a public housing project without obtaining the approval of the Secretary and satisfying the conditions specified in subsections (a) and (b): *Provided,* That nothing in this section shall prevent a public housing agency from consolidating occupancy within or among buildings of a public housing project, or among projects, or with other housing for the purpose of improving the living conditions of or providing more efficient services to its tenants.

[(e)(1) In each of fiscal years 1993 and 1994, the Secretary may reserve from any budget authority appropriated for such year for assistance under section 8 that is available for families not currently receiving such assistance not more than 10 percent of such budget authority for providing replacement housing under subsection (b)(3)(A) for units demolished or disposed of pursuant to this section.

[(2) In each of fiscal years 1993 and 1994, the Secretary may reserve from any budget authority appropriated for such year for development of public housing under section 5(a)(2) not more than

the lesser of 30 percent of such budget authorization or $150,000,000, for providing replacement housing under subsection (b)(3)(A) for units demolished or disposed of pursuant to this section.

[(f) Notwithstanding any other provision of law, replacement housing units for public housing units demolished may be built on the original public housing site or in the same neighborhood if the number of such replacement units is significantly fewer than the number of units demolished. No one may rely on the preceding sentence as the basis for reconsidering a final order of a court issued, or a settlement approved, by a court.

[(g) The provisions of this section shall not apply to the disposition of a public housing project in accordance with an approved homeownership program under title III of this Act.

[FINANCING LIMITATIONS

[SEC. 19. On and after October 1, 1983, the Secretary—

[(1) may only enter into contracts for annual contributions regarding obligations financing public housing projects authorized by section 5(c) if such obligations are exempt from taxation under section 11(b), or if such obligations are issued under section 4 and such obligations are exempt from taxation; and

[(2) may not enter into contracts for periodic payments to the Federal Financing Bank to offset the costs to the Bank of purchasing obligations (as described in the first sentence of section 16(b) of the Federal Financing Bank Act of 1973) issued by local public housing agencies for purposes of financing public housing projects authorized by section 5(c) of this Act.

[PUBLIC HOUSING RESIDENT MANAGEMENT

[SEC. 20. (a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing projects, as a means of improving existing living conditions in public housing projects, by providing increased flexibility for public housing projects that are managed by residents by—

[(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

[(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term "public housing project" includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

[(b) PROGRAM REQUIREMENTS.—

[(1) RESIDENT COUNCIL.—As a condition of entering into a resident management program, the elected resident council of a public housing project shall approve the establishment of a resident management corporation. When such approval is made by the elected resident council of a building or row house area, the resident management program shall not interfere with the rights of other families residing in the project or harm

the efficient operation of the project. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council. The corporation shall be a nonprofit corporation organized under the laws of the State in which the project is located, and the tenants of the project shall be the sole voting members of the corporation. If there is no elected resident council, a majority of the households of the public housing project shall approve the establishment of a resident council to determine the feasibility of establishing a resident management corporation to manage the project.

[(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing project, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the project.

[(3) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing project, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements of the Secretary and the public housing agency. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

[(4) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, shall enter into a contract with the public housing agency establishing the respective management rights and responsibilities of the corporation and the public housing agency. Such contract shall be consistent with the requirements of this Act applicable to public housing projects and may include specific terms governing management personnel and compensation, access to public housing project records, submission of and adherence to budgets, rent collection procedures, tenant income verification, tenant eligibility determinations, tenant eviction, the acquisition of supplies and materials and such other matters as may be appropriate. The contract shall be treated as a contracting out of services and shall be subject to any provision of a collective bargaining agreement regarding contracting out to which the public housing agency is subject.

[(5) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing project shall be audited annually by a certified public accountant. A written report of each audit shall be forwarded to the public housing agency and the Secretary.

[(c) COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing projects managed by resident management corporations may be

provided with comprehensive improvement assistance under section 14 for purposes of renovating such projects in accordance with such section. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the public housing agency involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

[(d) WAIVER OF FEDERAL REQUIREMENTS.—

[(1) WAIVER OF REGULATORY REQUIREMENTS.—Upon the request of any resident management corporation and public housing agency, and after notice and an opportunity to comment is afforded to the affected tenants, the Secretary may waive (for both the resident management corporation and the public housing agency) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing project.

[(2) WAIVER TO PERMIT EMPLOYMENT.—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargaining agreements, permit residents of such project to volunteer a portion of their labor.

[(3) REPORT ON ADDITIONAL WAIVERS.—Not later than 6 months after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall submit to the Congress a report setting forth any additional waivers of Federal law that the Secretary determines are necessary or appropriate to carry out the provisions of this section. In preparing the report, the Secretary shall consult with resident management corporations and public housing agencies.

[(4) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 16, rental payments under section 3(a), tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

[(e) OPERATING SUBSIDY AND PROJECT INCOME.—

[(1) CALCULATION OF OPERATING SUBSIDY.—Notwithstanding any provision of section 9 or any regulation under such section, and subject to the exception provided in paragraph (3), the portion of the operating subsidy received by a public housing agency under section 9 that is allocated to a public housing project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis.

[(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing project entered into by a public housing agency and a resident management corporation shall specify the amount of income expected to be derived from the project itself (from sources such as rents and charges) and the amount of income funds to be provided to the project from the other sources of income of the public housing agency (such as operating subsidy under section 9, interest income, administrative fees, and rents).

[(3) CALCULATION OF TOTAL INCOME.—

[(A) Subject to subparagraph (B), the amount of funds provided by a public housing agency to a public housing project managed by a resident management corporation may not be reduced during the 3-year period beginning on the date of enactment of the Housing and Community Development Act of 1987 or on any later date on which a resident management corporation is first established for the project.

[(B) If the total income of a public housing agency (including the operating subsidy provided to the public housing agency under section 9) is reduced or increased, the income provided by the public housing agency to a public housing project managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the public housing agency, except that any reduction in operating subsidy that occurs as a result of fraud, waste, or mismanagement by the public housing agency shall not affect the funds provided to the resident management corporation.

[(4) RETENTION OF EXCESS REVENUES.—

[(A) Any income generated by a resident management corporation of a public housing project that exceeds the income estimated for purposes of this subsection shall be excluded in subsequent years in calculating (i) the operating subsidies provided to the public housing agency under section 9; and (ii) the funds provided by the public housing agency to the resident management corporation.

[(B) Any revenues retained by a resident management corporation under subparagraph (A) shall be used for purposes of improving the maintenance and operation of the public housing project, for establishing business enterprises that employ residents of public housing, or for acquiring additional dwelling units for low-income families.

[(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

[(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available for section 14, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing projects, and the securing of such support.

[(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing project may not exceed $100,000.

[(3) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection $4,750,000 for fiscal year 1993 and $4,949,500 for fiscal year 1994.

[(4) LIMITATION REGARDING ASSISTANCE UNDER HOPE GRANT PROGRAM.—The Secretary may not provide financial assistance

under this subsection to any resident management corporation or resident council with respect to which assistance for the development or formation of such entity is provided under title III.

[(g) ASSESSMENT AND REPORT BY THE SECRETARY.—Not later than 3 years after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

[(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

[(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate.

[(h) APPLICABILITY.—Any management contract between a public housing agency and a resident management corporation that is entered into after the date of the enactment of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 shall be subject to this section and the regulations issued to carry out this section.

[PUBLIC HOUSING HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES

[SEC. 21. (a) HOMEOWNERSHIP OPPORTUNITIES IN GENERAL.—Lower income families residing in a public housing project shall be provided with the opportunity to purchase the dwelling units in the project through a qualifying resident management corporation as follows:

[(1) FORMATION OF RESIDENT MANAGEMENT CORPORATION.—As a condition for public housing homeownership—

[(A) the adult residents of a public housing project shall have formed a resident management corporation in accordance with regulations and requirements of the Secretary prescribed under this section and section 20;

[(B) the resident management corporation shall have entered into a contract with the public housing agency establishing the respective management rights and responsibilities of the resident management corporation and the public housing agency; and

[(C) the resident management corporation shall have demonstrated its ability to manage public housing effectively and efficiently for a period of not less than 3 years.

[(2) HOMEOWNERSHIP ASSISTANCE.—

[(A) The Secretary may provide comprehensive improvement assistance under section 14 to a public housing project in which homeownership activities under this section are conducted.

[(B) The Secretary may provide financial assistance to public housing agencies, resident management corporations, or resident councils that obtain, by contract or otherwise, training, technical assistance, and educational assistance as the Secretary determines to be necessary to promote homeownership opportunities under this section.

[(C) This paragraph shall not have effect after February 4, 1991. The Secretary may not provide financial assist-

ance under subparagraph (B), after such date, unless the Secretary determines that such assistance is necessary for the development of a homeownership program that was initiated, as determined by the Secretary, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act.

[(3) CONDITIONS OF PURCHASE BY A RESIDENT MANAGEMENT CORPORATION.—

[(A) A resident management corporation may purchase from a public housing agency one or more multifamily buildings in a public housing project following a determination by the Secretary that—

[(i) the resident management corporation has met the conditions of paragraph (1);

[(ii) the resident management corporation has applied for and is prepared to undertake the ownership, management, and maintenance of the building or buildings with continued assistance from the Secretary;

[(iii) the public housing agency has held one or more public hearings to obtain the views of citizens regarding the proposed purchase and, in consultation with the Secretary, has certified that the purchase will not interfere with the rights of other families residing in public housing, will not harm the efficient operation of other public housing, and is in the interest of the community;

[(iv) the public housing agency has certified that it has and will implement a plan to replace public housing units sold under this section within 30 months of the sale, which plan shall provide for replacement of 100 percent of the units sold under this section by—

[(I) production, acquisition, or rehabilitation of vacant public housing units by the public housing agency; and

[(II) acquisition by the resident management corporation of nonpublicly owned, decent, and affordable housing units, which the resident management corporation shall operate as rental housing subject to tenant income and rent limitations comparable to the limitations applicable to public housing; and

[(v) the building or buildings meet the minimum safety and livability standards applicable under section 14, and the physical condition, management, and operation of the building or buildings are sufficient to permit affordable homeownership by the families residing in the project.

[(B) The price of a building purchased under the preceding sentence shall be approved by the Secretary, in consultation with the public housing agency and resident management corporation, taking into account the fair market value of the property, the ability of resident families to afford and maintain the property, and such other factors

as the Secretary determines to be consistent with increasing the supply of dwelling units affordable to very low income families.

[(C) This paragraph shall not have effect after February 4, 1991. The authority for a resident management corporation to purchase 1 or more multifamily buildings in a public housing project from a public housing agency shall terminate after such date, unless the Secretary determines that such purchase is necessary for the development of a homeownership program that was initiated, as determined by the Secretary, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act.

[(4) CONDITIONS OF RESALE.—

[(A)(i) A resident management corporation may sell a dwelling unit or ownership rights in a dwelling unit only to a lower income family residing in, or eligible to reside in, public housing and only if the Secretary determines that the purchase will not interfere with the rights of other families residing in the housing project or harm the efficient operation of the project, and the family will be able to purchase and maintain the property.

[(ii) The sale of dwelling units or ownership rights in dwelling units under clause (i) shall be made to families in the following order of priority:

[(I) a lower income family residing in the public housing project in which the dwelling unit is located;

[(II) a lower income family residing in any public housing project within the jurisdiction of the public housing agency having jurisdiction with respect to the project in which the dwelling unit is located;

[(III) a lower income family receiving Federal housing assistance and residing in the jurisdiction of such public housing agency; and

[(IV) a lower income family on the waiting list of such public housing agency for public housing or assistance under section 8, with priority given in the order in which the family appears on the waiting list.

[(iii) Each resident management corporation shall provide each family described in clause (ii) with a notice of the eligibility of the family to purchase a dwelling unit under this paragraph.

[(B) A purchase under subparagraph (A) may be made under any of the following arrangements:

[(i) Limited dividend cooperative ownership.

[(ii) Condominium ownership.

[(iii) Fee simple ownership.

[(iv) Shared appreciation with a public housing agency providing financing under paragraph (6).

[(v) Any other arrangement determined by the Secretary to be appropriate.

[(C) Property purchased under this section shall be resold only to the resident management corporation, a lower income family residing in or eligible to reside in public

housing or housing assisted under section 8, or to the public housing agency.

[(D) In no case may the owner receive consideration for his or her interest in the property that exceeds the total of—

[(i) the contribution to equity paid by the owner;

[(ii) the value, as determined by such means as the Secretary shall determine through regulation, of any improvements installed at the expense of the owner during the owner's tenure as owner; and

[(iii) the appreciated value determined by an inflation allowance at a rate which may be based on a cost of living index, an income index, or market index as determined by the Secretary through regulation and agreed to by the purchaser and the resident management corporation or the public housing agency, whichever is appropriate, at the time of initial sale, and applied against the contribution to equity; the resident management corporation or the public housing agency may, at the time of initial sale, enter into an agreement with the owner to set a maximum amount which this appreciation may not exceed.

[(E) Upon sale, the resident management corporation or the public housing agency, whichever is appropriate, shall ensure that subsequent owners are bound by the same limitations on resale and further restrictions on equity appreciation.

[(5) USE OF PROCEEDS.—Notwithstanding any other provision of this Act or other law to the contrary, proceeds from the sale of a building or buildings under paragraph (3) and amounts recaptured under paragraph (4) shall be paid to the public housing agency and shall be retained and used by the public housing agency only to increase the number of public housing units available for occupancy. The resident management corporation shall keep and make available to the public housing agency and the Secretary all records necessary to calculate accurately payments due the local housing agency under this section. The Secretary shall not reduce or delay payments under other provisions of law as a result of amounts made available to the local housing agency under this section.

[(6) FINANCING.—When financing for the purchase of the property is not otherwise available for purposes of assisting any purchase by a family or resident management corporation under this section, the public housing agency involved may make a loan on the security of the property involved to the family or resident management corporation at a rate of interest that shall not be lower than 70 percent of the market interest rate for conventional mortgages on the date on which the loan is made.

[(7) ANNUAL CONTRIBUTIONS.—Notwithstanding the purchase of a building in a public housing project under this section, the Secretary shall continue to pay annual contributions with respect to the project. Such contributions may not exceed the maximum contributions authorized in section 5(a).

[(8) OPERATING SUBSIDIES.—Operating subsidies shall not be available with respect to a building after the date of its sale by the public housing agency.

[(b) PROTECTION OF NONPURCHASING FAMILIES.—

[(1) EVICTION PROHIBITION.—No family residing in a dwelling unit in a public housing project may be evicted by reason of the sale of the project to a resident management corporation under this section.

[(2) TENANTS RIGHTS.—Families renting a dwelling unit purchased by a resident management corporation shall have all rights provided to tenants of public housing under this Act.

[(3) RENTAL ASSISTANCE.—If any family resides in a dwelling unit in a building purchased by a resident management corporation, and the family decides not to purchase the dwelling unit, the Secretary shall offer to provide to the family (at the option of the family) a certificate under section 8(b)(1) or a housing voucher under section 8(o) for as long as the family continues to reside in the building. The Secretary may adjust the fair market rent for such certificate to take into account conditions under which the building was purchased.

[(4) RENTAL AND RELOCATION ASSISTANCE.—If any family resides in a dwelling unit in a public housing project in which other dwelling units are purchased under this section, and the family decides not to purchase the dwelling unit, the Secretary shall offer (to be selected by the family, at its option)—

[(A) to assist the family in relocating to a comparable appropriate sized dwelling unit in another public housing project, and to reimburse the family for their cost of relocation; and

[(B) to provide to the family the financial assistance necessary to permit the family to stay in the dwelling unit or to move to another comparable dwelling unit and to pay no more for rent than required under subparagraph (A), (B), or (C) of section 3(a)(1).

[(c) FINANCIAL ASSISTANCE FOR PUBLIC HOUSING AGENCIES.—The Secretary shall provide to public housing agencies such financial assistance as is necessary to permit such agencies to carry out the provisions of this section.

[(d) ADDITIONAL HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES.—This section shall not apply to the turnkey III, the mutual help, or any other homeownership program established under section 5(h) or section 6(c)(4)(D) and in existence before the date of the enactment of the Housing and Community Development Act of 1987.

[(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section. Such regulations may establish any additional terms and conditions for homeownership or resident management under this section that are determined by the Secretary to be appropriate.

[(g) LIMITATION.—Any authority of the Secretary under this section to provide financial assistance, or to enter into contracts to provide financial assistance, shall be effective only to such extent or in such amounts as are or have been provided in advance in an appropriation Act.

[FAMILY INVESTMENT CENTERS

[SEC. 22. (a) PURPOSE.—The purpose of this section is to provide families living in public housing with better access to educational and employment opportunities to achieve self-sufficiency and independence by—

[(1) developing facilities in or near public housing for training and support services;

[(2) mobilizing public and private resources to expand and improve the delivery of such services;

[(3) providing funding for such essential training and support services that cannot otherwise be funded; and

[(4) improving the capacity of management to assess the training and service needs of families with children, coordinate the provision of training and services that meet such needs, and ensure the longterm provision of such training and services.

[(b) GRANT AUTHORITY.—

[(1) IN GENERAL.—The Secretary may make grants to public housing agencies to adapt public housing to help families living in the public housing gain better access to educational and job opportunities to achieve self-sufficiency and independence. Assistance under this section may be made available only to public housing agencies that demonstrate to the satisfaction of the Secretary that supportive services (as such term is defined under subsection (j)) will be made available. Facilities assisted under this section shall be in or near the premises of public housing.

[(2) SUPPLEMENTAL GRANT SET-ASIDE.—The Secretary may reserve not more than 5 percent of the amounts available in each fiscal year under this section to supplement grants awarded to public housing agencies under this section when, in the determination of the Secretary, such supplemental adjustments are required to maintain adequate levels of services to eligible residents.

[(c) USE OF AMOUNTS.—Amounts received from a grant under this section may only be used for—

[(1) the renovation, conversion, or combination of vacant dwelling units in a public housing project to create common areas to accommodate the provision of supportive services;

[(2) the renovation of existing common areas in a public housing project to accommodate the provision of supportive services;

[(3) the renovation of facilities located near the premises of 1 or more public housing projects to accommodate the provision of supportive services;

[(4) the provision of not more than 15 percent of the cost of any supportive services (which may be provided directly to eligible residents by the public housing agency or by contract or lease through other appropriate agencies or providers) only if the public housing agency demonstrates to the satisfaction of the Secretary that—

[(A) the supportive services are appropriate to improve the access of eligible residents to employment and educational opportunities; and

[(B) the public housing agency has made diligent efforts to use or obtain other available resources to fund or provide such services; and

[(5) the employment of service coordinators subject to such minimum qualifications and standards that the Secretary may establish to ensure sound management, who may be responsible for—

[(A) assessing the training and service needs of eligible residents;

[(B) working with service providers to coordinate the provision of services and tailor such services to the needs and characteristics of eligible residents;

[(C) mobilizing public and private resources to ensure that the supportive services identified pursuant to subsection (e)(1) can be funded over the time period identified under such subsection;

[(B) monitoring and evaluating the impact and effectiveness of any supportive service program receiving capital or operating assistance under this section; and

[(V) performing such other duties and functions that the Secretary determines are appropriate to provide families living in public housing with better access to educational and employment opportunities.

[(d) ALLOCATION OF GRANT AMOUNTS.—Assistance under this section shall be allocated by the Secretary among approvable applications submitted by public housing agencies.

[(e) APPLICATIONS.—Applications for assistance under this section shall be submitted in such form and in accordance with such procedures as the Secretary shall establish. Each application for assistance shall contain—

[(1) a description of the supportive services that are to be provided over a 5-year period (or such longer period that the Secretary determines to be appropriate if assistance is provided for activities under subsection (c) that involve substantial rehabilitation);

[(2) a firm commitment of assistance from 1 or more sources ensuring that the supportive services will be provided for not less than 1 year following the completion of activities assisted under subsection (c);

[(3) a description of public or private sources of assistance that can reasonably be expected to fund or provide supportive services for the entire period specified under paragraph (1), including evidence of any intention to provide assistance expressed by State and local governments, private foundations, and other organizations (including profit and nonprofit organizations);

[(4) certification from the appropriate State or local agency (as determined by the Secretary) that—

[(A) the provision of supportive services described in paragraph (1) is well designed to provide resident families

better access to educational and employment opportunities; and

[(B) there is a reasonable likelihood that such services will be funded or provided for the entire period specified in paragraph (1);

[(5) a description of assistance for which the public housing agency is applying under this section; and

[(6) any other information or certifications that the Secretary determines are necessary or appropriate to achieve the purposes of this section.

[(f) SELECTION.—The Secretary shall establish selection criteria for grants under this section, which shall take into account—

[(1) the ability of the public housing agency or a designated service provider to provide the supportive services identified under subsection (e)(1);

[(2) the need for such services in the public housing project;

[(3) the extent to which the envisioned renovation, conversion, and combination activities are appropriate to facilitate the provision of such services;

[(4) the extent to which the public housing agency has demonstrated that such services will be provided for the period identified under subsection (e)(1);

[(5) the extent to which the public housing agency has a good record of maintaining and operating public housing; and

[(6) any other factors that the Secretary determines to be appropriate to ensure that amounts made available under this section are used effectively.

[(g) REPORTS.—

[(1) TO SECRETARY.—Each public housing agency receiving a grant under this section shall submit to the Secretary, in such form and at such time as the Secretary shall prescribe, an annual progress report describing and evaluating the use of grant amounts received under this section.

[(2) TO CONGRESS.—The Secretary shall submit to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, an evaluation of the effectiveness of activities carried out with grants under this section in such fiscal year. Such report shall summarize the progress reports submitted pursuant to paragraph (1).

[(h) EMPLOYMENT OF PUBLIC HOUSING RESIDENTS.—Each public housing agency shall, to the maximum extent practicable, employ public housing residents to provide the services assisted under this section or from other sources. Such persons shall be paid at a rate not less than the highest of—

[(1) the minimum wage that would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 6(a)(1) of such Act applied to the resident and if the resident were not exempt under section 13 of such Act;

[(2) the State or local minimum wage for the most nearly comparable covered employment; or

[(3) the prevailing rates of pay for persons employed in similar public occupations by the same employer.

[(i) TREATMENT OF INCOME.—No service provided to a public housing resident under this section may be treated as income for the purpose of any other program or provision of State or Federal law.

[(j) DEFINITION OF SUPPORTIVE SERVICES.—For purpose of this section, the term "supportive services" means new or significantly expanded services that the Secretary determines are essential to providing families living with children in public housing with better access to educational and employment opportunities. Such services may include—

[(1) child care;

[(2) employment training and counseling;

[(3) literacy training;

[(4) computer skills training;

[(5) assistance in the attainment of certificates of high school equivalency; and

[(6) other appropriate services.

[(k) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $25,000,000 for fiscal year 1993 and $26,050,000 for fiscal year 1994.

SEC. 23. FAMILY SELF-SUFFICIENCY PROGRAM.

[(a) PURPOSE.—The purpose of the Family Self-Sufficiency program established under this section is to promote the development of local strategies to coordinate use of public housing and assistance under the certificate and voucher programs under section 8 with public and private resources, to enable eligible families to achieve economic independence and self-sufficiency.

[(b) ESTABLISHMENT OF PROGRAM.—

[(1) REQUIRED PROGRAMS.—Except as provided in paragraph (2), the Secretary shall carry out a program under which each public housing agency that administers assistance under subsection (b) or (o) of section 8 or makes available new public housing dwelling units—

[(A) may, during fiscal years 1991 and 1992, carry out a local Family Self-Sufficiency program under this section; and

[(B) effective on October 1, 1992, the Secretary shall require each such agency to carry out a local Family Self-Sufficiency program under this section.

Each local program shall, subject to availability of supportive services, include an action plan under subsection (g) and shall provide comprehensive supportive services for families electing to participate in the program. In carrying out the self-sufficiency program under this section, the Secretary shall consult with the heads of other appropriate Federal agencies and provide for cooperative actions and funding agreements with such agencies. Each public housing agency administering an approved local program may employ a service coordinator to administer the local program.

[(2) EXCEPTION.—The Secretary shall not require a public housing agency to carry out a local program under subsection (a) if the public housing agency provides certification (as such term is defined under title I of the Cranston-Gonzalez National Affordable Housing Act) to the Secretary, that the establish-

ment and operation of the program is not feasible because of local circumstances, which may include—

[(A) lack of supportive services accessible to eligible families, which shall include insufficient availability of resources for programs under the Job Training Partnerships Act or the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act;

[(B) lack of funding for reasonable administrative costs;

[(C) lack of cooperation by other units of State or local government; or

[(D) any other circumstances that the Secretary may consider appropriate.

In allocating assistance available for reservation under this Act, the Secretary may not refuse to provide assistance or decrease the amount of assistance that would otherwise be provided to any public housing agency because the agency has provided a certification under this paragraph or because, pursuant to a certification, the agency has failed to carry out a self-sufficiency program.

[(3) SCOPE.—Each public housing agency required to carry out a local program under this section shall make the following housing assistance available under the program in each fiscal year:

[(A) Certificate and voucher assistance under section 8(b) and (o), in an amount equivalent to the increase for such year in the number of families so assisted by the agency (as compared to the preceding year).

[(B) Public housing dwelling units, in the number equal to the increase for such year in units made available by the agency (as compared to the preceding year).

[Each such public housing agency shall continue to operate a local program for the number of families determined under this paragraph subject only to the availability under appropriations Acts of sufficient amounts for assistance.

[(4) NONPARTICIPATION.—Assistance under the certificate or voucher programs under section 8 for a family that elects not to participate in a local program shall not be delayed by reason of such election.

[(c) CONTRACT OF PARTICIPATION.—

[(1) IN GENERAL.—Each public housing agency carrying out a local program under this section shall enter into a contract with each leaseholder receiving assistance under the certificate and voucher programs of the public housing agency under section 8 or residing in public housing administered by the agency, that elects to participate in the self-sufficiency program under this section. The contract shall set forth the provisions of the local program, shall establish specific interim and final goals by which compliance with and performance of the contract may be measured, and shall specify the resources and supportive services to be made available to the participating family pursuant to paragraph (2) and the responsibilities of the participating family. The contract shall provide that the public housing agency may terminate or withhold assistance under section 8 and services under paragraph (2) of this subsection

if the public housing agency determines, through an administrative grievance procedure in accordance with the requirements of section 6(k), that the family has failed to comply with the requirements of the contract without good cause (which may include a loss or reduction in access to supportive services, or a change in circumstances that makes the family or individual unsuitable for participation).

[(2) SUPPORTIVE SERVICES.—A local program under this section shall provide appropriate supportive services under this paragraph to each participating family entering into a contract of participation under paragraph (1). The supportive services shall be provided during the period the family is receiving assistance under section 8 or residing in public housing, and may include—

[(A) child care;

[(B) transportation necessary to receive services;

[(C) remedial education;

[(D) education for completion of high school;

[(E) job training and preparation;

[(F) substance abuse treatment and counseling;

[(G) training in homemaking and parenting skills;

[(H) training in money management;

[(I) training in household management; and

[(J) any other services and resources appropriate to assist eligible families to achieve economic independence and self-sufficiency.

[(3) TERM AND EXTENSION.—Each family participating in a local program shall be required to fulfill its obligations under the contract of participation not later than 5 years after entering into the contract. The public housing agency shall extend the term of the contract for any family that requests an extension, upon a finding of the agency of good cause.

[(4) EMPLOYMENT AND COUNSELING.—The contract of participation shall require the head of the participating family to seek suitable employment during the term of the contract. The public housing agency may, during such period, provide counseling for the family with respect to affordable rental and homeownership opportunities in the private housing market and money management counseling.

[(d) INCENTIVES FOR PARTICIPATION.—

[(1) MAXIMUM RENTS.—During the term of the contract of participation, the amount of rent paid by any participating family whose monthly adjusted income does not exceed 50 percent of the area median income for occupancy in the public housing unit or dwelling unit assisted under section 8 may not be increased on the basis of any increase in the earned income of the family, unless the increase results in an income exceeding 50 percent of the area median income. The Secretary shall provide for increased rents for participating families whose incomes are between 50 and 80 percent of the area median income, so that any family whose income increases to 80 percent or more of the area median income pays 30 percent of the family's monthly adjusted income for rent. Upon completion of the contract of participation, if the participating family continues

to qualify for and reside in a dwelling unit in public housing or housing assisted under section 8, the rent charged the participating family shall be increased (if applicable) to 30 percent of the monthly adjusted income of the family.

[(2) ESCROW SAVINGS ACCOUNTS.—For each participating family whose monthly adjusted income is less than 50 percent of the area median income, the difference between 30 percent of the adjusted income of the participating family and the amount of rent paid by a participating family shall be placed in an interest-bearing escrow account established by the public housing agency on behalf of the participating family. For families with incomes between 50 and 80 percent of the area median income, the Secretary shall provide for escrow of the difference between 30 percent of the family income and the amount paid by the family for rent as determined by the Secretary under paragraph (1). The Secretary shall not escrow any amounts for any family whose adjusted income exceeds 80 percent of the area median income. Amounts in the escrow account may be withdrawn by the participating family after the family ceases to receive income assistance under Federal or State welfare programs, upon successful performance of the obligations of the family under the contract of participation entered into by the family under subsection (c), as determined according to the specific goals and terms included in the contract, and under other circumstances in which the Secretary determines an exception for good cause is warranted. A public housing agency establishing such escrow accounts may make certain amounts in the accounts available to the participating families before full performance of the contract obligations based on compliance with, and completion of, specific interim goals included in the contract; except that any such amounts shall be used by the participating families for purposes consistent with the contracts of participation, as determined by the public housing agency.

[(3) PLAN.—Each public housing agency carrying out a local program under this section shall establish a plan to offer incentives to families to encourage families to participate in the program. The plan shall require the establishment of escrow savings accounts under paragraph (2) and may include any other incentives designed by the public housing agency.

[(3) USE OF ESCROW SAVINGS ACCOUNTS FOR SECTION 8 HOMEOWNERSHIP.—Notwithstanding paragraph (3), a family that uses assistance under section 8(y) to purchase a dwelling may use up to 50 percent of the amount in its escrow account established under paragraph (3) for a downpayment on the dwelling. In addition, after the family purchases the dwelling, the family may use any amounts remaining in the escrow account to cover the costs of major repair and replacement needs of the dwelling. If a family defaults in connection with the loan to purchase a dwelling and the mortgage is foreclosed, the remaining amounts in the escrow account shall be recaptured by the Secretary.

[(e) EFFECT OF INCREASES IN FAMILY INCOME.—Any increase in the earned income of a family during the participation of the family

in a local program established under this section may not be considered as income or a resource for purposes of eligibility of the family for other benefits, or amount of benefits payable to the family, under any program administered by the Secretary, unless the income of the family equals or exceeds 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families).

[(f) PROGRAM COORDINATING COMMITTEE.—

[(1) FUNCTIONS.—Each public housing agency shall, in consultation with the chief executive officer of the unit of general local government, develop an action plan under subsection (g), carry out activities under the local program, and secure commitments of public and private resources through a program coordinating committee established by the public housing agency under this subsection.

[(2) MEMBERSHIP.—The program coordinating committee may consist of representatives of the public housing agency, the unit of general local government, the local agencies (if any) responsible for carrying out programs under the Job Training Partnership Act and the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act, and other organizations, such as other State and local welfare and employment agencies, public and private education or training institutions, nonprofit service providers, and private businesses. The public housing agency may, in consultation with the chief executive officer of the unit of general local government, utilize an existing entity as the program coordinating committee if it meets the requirements of this subsection.

[(g) ACTION PLAN.—

[(1) REQUIRED SUBMISSION.—The Secretary shall require each public housing agency participating in the self-sufficiency program under this section to submit to the Secretary, for approval by the Secretary, an action plan under this subsection in such form and in accordance with such procedures as the Secretary shall require.

[(2) DEVELOPMENT OF PLAN.—In developing the plan, the public housing agency shall consult with the chief executive officer of the applicable unit of general local government, the program coordinating committee established under subsection (f), representatives of residents of the public housing, any local agencies responsible for programs under the Job Training Partnership Act and the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act, other appropriate organizations (such as other State and local welfare and employment or training institutions, child care providers, nonprofit service providers, and private businesses), and any other public and private service providers affected by the operation of the local program.

[(3) CONTENTS OF PLAN.—The Secretary shall require that the action plan contain at a minimum—

[(A) a description of the size, characteristics, and needs of the population of the families expected to participate in the local self-sufficiency program;

[(B) a description of the number of eligible participating families who can reasonably be expected to receive supportive services under the program, based on available and anticipated Federal, State, local, and private resources;

[(C) a description of the services and activities under subsection (c)(2) to be provided to families receiving assistance under this section through the section 8 and public housing programs, which shall be provided by both public and private resources;

[(D) a description of the incentives pursuant to subsection (d) offered by the public housing agency to families to encourage participation in the program;

[(E) a description of how the local program will deliver services and activities according to the needs of the families participating in the program;

[(F) a description of both the public and private resources that are expected to be made available to provide the activities and services under the local program;

[(G) a timetable for implementation of the local program;

[(H) assurances satisfactory to the Secretary that development of the services and activities under the local program has been coordinated with the Job Opportunities and Basic Skills Training Program under part F of title IV of the Social Security Act and program under the Job Training Partnership Act and any other relevant employment, child care, transportation, training, and education programs in the applicable area, and that implementation will continue to be coordinated, in order to avoid duplication of services and activities; and

[(I) assurances satisfactory to the Secretary that nonparticipating families will retain their rights to public housing or section 8 assistance notwithstanding the provisions of this section.

[(h) ALLOWABLE PUBLIC HOUSING AGENCY ADMINISTRATIVE FEES AND COSTS.—

[(1) SECTION 8 FEES.—The Secretary shall establish a fee under section 8(q) for the costs incurred in administering the provision of certificate and voucher assistance under section 8 through the self-sufficiency program under this section. The fee shall be the fee in effect under such section on June 1, 1990, except that for purposes of the fee under this paragraph the applicable dollar amount for preliminary expenses under section 8(q)(2)(A)(i) shall, subject to approval in appropriations Acts, be $300. Upon the submission by the Comptroller General of the United States of the report required under section 554(b) of the Cranston-Gonzalez National Affordable Housing Act, the Secretary shall revise the fee under this paragraph, taking into consideration the report of the Comptroller General.

[(2) PERFORMANCE FUNDING SYSTEM.—Notwithstanding any provision of section 9, the Secretary shall provide for inclusion under the performance funding system under section 9 of reasonable and eligible administrative costs (including the costs of

employing a full-time service coordinator) incurred by public housing agencies carrying out local programs under this section. The Secretary shall include an estimate of the administrative costs likely to be incurred by participating public housing agencies in the annual budget request for the Department of Housing and Urban Development for public housing operating assistance under section 9 and shall include a request for such amounts in the budget request. Of any amounts appropriated under section 9(c) for fiscal year 1993, $25,000,000 is authorized to be used for costs under this paragraph, and of any amounts appropriated under such section for fiscal year 1994, $25,900,000 is authorized to be used for costs under this paragraph.

[(i) PUBLIC HOUSING AGENCY INCENTIVE AWARD ALLOCATION.—

[(1) IN GENERAL.—The Secretary shall carry out a competition for budget authority for certificate and voucher assistance under section 8 and public housing development assistance under section 5(a)(2) reserved under paragraph (4) and shall allocate such budget authority to public housing agencies pursuant to the competition.

[(2) CRITERIA.—The competition shall be based on successful and outstanding implementation by public housing agencies of a local self-sufficiency program under this section. The Secretary shall establish perfomance criteria for public housing agencies carrying out such local programs and the Secretary shall cause such criteria to be published in the Federal Register.

[(3) USE.—Each public housing agency that receives an allocation of budget authority under this subsection shall use such authority to provide assistance under the local self-sufficiency program established by the public housing agency under this section.

[(4) RESERVATION OF BUDGET AUTHORITY.—Notwithstanding section 213(d) of the Housing and Community Development Act of 1974, the Secretary shall reserve for allocation under this subsection not less than 10 percent of the portion of budget authority appropriated in each of fiscal years 1991 and 1992 for section 8 that is available for purposes of providing assistance under the existing housing certificate and housing voucher programs for families not currently receiving assistance, and not less than 10 percent of the public housing development assistance available in such fiscal years for the purpose under section 5(a)(2) (excluding amounts for major reconstruction of obsolete projects).

[(j) ON-SITE FACILITIES.—Each public housing agency carrying out a local program may, subject to the approval of the Secretary, make available and utilize common areas or unoccupied public housing units in public housing projects administered by the agency for the provision of supportive services under the local program. The use of the facilities of a public housing agency under this subsection shall not affect the amount of assistance provided to the agency under section 9.

[(k) FLEXIBILITY.—In establishing and carrying out the self-sufficiency program under this section, the Secretary shall allow public

housing agencies, units of general local government, and other organizations discretion and flexibility, to the extent practicable, in developing and carrying out local programs.

[(l) REPORTS.—

[(1) TO SECRETARY.—Each public housing agency that carries out a local self-sufficiency program approved by the Secretary under this section shall submit to the Secretary, not less than annually a report regarding the program. The report shall include—

[(A) a description of the activities carried out under the program;

[(B) a description of the effectiveness of the program in assisting families to achieve economic independence and self-sufficiency;

[(C) a description of the effectiveness of the program in coordinating resources of communities to assist families to achieve economic independence and self-sufficiency; and

[(D) any recommendations of the public housing agency or the appropriate local program coordinating committee for legislative or administrative action that would improve the self-sufficiency program carried out by the Secretary and ensure the effectiveness of the program.

[(2) HUD ANNUAL REPORT.—The Secretary shall submit to the Congress annually, as a part of the report of the Secretary under section 8 of the Department of Housing and Urban Development Act, a report summarizing the information submitted by public housing agencies under paragraph (1). The report under this paragraph shall also include any recommendations of the Secretary for improving the effectiveness of the self-sufficiency program under this section.

[(m) GAO REPORT.—The Comptroller General of the United States may submit to the Congress reports under this subsection evaluating and describing the Family Self-Sufficiency program carried out by the Secretary under this section.

[(n) DEFINITIONS.—As used in this section:

[(1) The term "contract of participation" means a contract under subsection (c) entered into by a public housing agency carrying out a local program under this section and a participating family.

[(2) The term "earned income" means income from wages, tips, salaries, and other employee compensation, and any earnings from self-employment. The term does not include any pension or annuity, transfer payments, or any cash or in-kind benefits.

[(3) The term "eligible family" means a family whose head of household is not elderly, disabled, pregnant, a primary caregiver for children under the age of 3, or for whom the family self-sufficiency program would otherwise be unsuitable. Notwithstanding the preceding sentence, a public housing agency may enroll such families if they choose to participate in the program.

[(4) The term "local program" means a program for providing supportive services to participating families carried out by

a public housing agency within the jurisdiction of the public housing agency.

[(5) The term "participating family" means a family that resides in public housing or housing assisted under section 8 and elects to participate in a local self-sufficiency program under this section.

[(6) The term "vacant unit" means a dwelling unit that has been vacant for not less than 9 consecutive months.

[(o) EFFECTIVE DATE AND REGULATIONS.—

[(1) REGULATIONS.—Not later than the expiration of the 180-day period beginning on the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act, the Secretary shall by notice establish any requirements necessary to carry out this section. Such requirements shall be subject to section 553 of title 5, United States Code. The Secretary shall issue final regulations based on the notice not later than the expiration of the 8-month period beginning on the date of the notice. Such regulations shall become effective upon the expiration of the 1-year period beginning on the date of the publication of the final regulations.

[(2) APPLICABILITY TO INDIAN PUBLIC HOUSING AUTHORITIES.—Notwithstanding any other provision of law, the provisions of this section shall be optional for Indian housing authorities.

[SEC. 24. REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING.

[(a) PROGRAM AUTHORITY.—The Secretary may make—

[(1) planning grants under subsection (c) to enable applicants to develop revitalization programs for severely distressed public housing in accordance with this section; and

[(2) implementation grants under subsection (d) to carry out revitalization programs for severely distressed public housing in accordance with this section.

[(b) DESIGNATION OF ELIGIBLE PROJECTS.—

[(1) IDENTIFICATION.—Not later than 90 days after the date of enactment of the Housing and Community Development Act of 1992, public housing agencies shall identify, in such form and manner as the Secretary may prescribe, any public housing projects that they consider to be severely distressed public housing for purposes of receiving assistance under this section.

[(2) REVIEW BY SECRETARY.—The Secretary shall review the projects identified pursuant to paragraph (1) to ascertain whether the projects are severely distressed housing (as such item is defined in subsection (h)). Not later than 180 days after the date of enactment of this section, the Secretary shall publish a list of those projects that the Secretary determines are severely distressed public housing.

[(3) APPEAL OF SECRETARY'S DETERMINATION.—The Secretary shall establish procedures for public housing agencies to appeal the Secretary's determination that a project identified by a public housing agency is not severely distressed.

[(c) PLANNING GRANTS.—

[(1) IN GENERAL.—The Secretary may make planning grants under this subsection to applicants for the purpose of develop-

ing revitalization programs for severely distressed public housing under this section.

[(2) AMOUNT.—The amount of a planning grant under this subsection may not exceed $200,000 per project, except that the Secretary may for good cause approve a grant in a higher amount.

[(3) ELIGIBLE ACTIVITIES.—A planning grant may be used for activities to develop revitalization programs for severely distressed public housing, including—

[(A) studies of the different options for revitalization, including the feasibility, costs and neighborhood impact of such options;

[(B) providing technical or organizational support to ensure resident involvement in all phases of the planning and implementation processes;

[(C) improvements to stabilize the development, including security investments;

[(D) conducting workshops to ascertain the attitudes and concerns of the neighboring community;

[(E) preliminary architectural and engineering work;

[(F) planning for economic development, job training and self-sufficiency activities that promote the economic self-sufficiency of residents under the revitalization program;

[(G) designing a suitable replacement housing plan, in situations where partial or total demolition is considered;

[(H) planning for necessary management improvements; and

[(I) preparation of an application for an implementation grant under this section.

[(4) APPLICATIONS.—An application for a planning grant shall be submitted in such form and in accordance with such procedures as the Secretary shall establish. The Secretary shall require that an application contain at a minimum—

[(A) a request for a planning grant, specifying the activities proposed, the schedule for completing the activities, the personnel necessary to complete the activities and the amount of the grant requested;

[(B) a description of the applicant and a statement of its qualifications;

[(C) identification and description of the project involved, and a description of the composition of the tenants, including family size and income;

[(D) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located; and

[(E) 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.

[(5) SELECTION CRITERIA.—The Secretary shall, by regulation, establish selection criteria for a national competition for assistance under this subsection, which shall include—

[(A) the qualities or potential capabilities of the applicant;

[(B) the extent of resident interest and involvement in the development of a revitalization program for the project;

[(C) the extent of involvement of local public and private entities in the development of a revitalization program for the project and in the provision of supportive services to project residents;

[(D) the potential of the applicant for developing a successful and affordable revitalization program and the suitability of the project for such a program;

[(E) national geographic diversity among housing for which applicants are selected to receive assistance;

[(F) the extent of the need for and potential impact of the revitalization program; and

[(G) such other factors that the Secretary determines are appropriate for purposes of carrying out the program established by this section in an effective and efficient manner.

[(6) NOTIFICATION.—The Secretary shall notify each applicant, not later than 6 months after the date of the submission of the application, whether the application is approved or disapproved.

[(d) IMPLEMENTATION GRANTS.—

[(1) IN GENERAL.—The Secretary may make implementation grants under this subsection to applicants for the purpose of carrying out revitalization programs for severely distressed public housing under this section.

[(2) ELIGIBLE ACTIVITIES.—Implementation grants may be used for activities to carry out revitalization programs for severely distressed public housing, including—

[(A) architectural and engineering work;

[(B) the redesign, reconstruction, or redevelopment of the severely distressed public housing development, including the site on which the development is located;

[(C) covering the administrative costs of the applicant, which may not exceed such portion of the assistance provided under this subsection as the Secretary may prescribe;

[(D) any necessary temporary relocation of tenants during the activity specified under subparagraph (B);

[(E) payment of legal fees;

[(F) economic development activities that promote the economic self-sufficiency of residents under the revitalization program;

[(G) necessary management improvements;

[(H) transitional security activities; and

[(I) any necessary support services, except that not more than 15 percent of any grant under this subsection may be used for such purpose.

[(3) APPLICATION.—An application for a implementation grant shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish. The Secretary shall require that an application contain at a minimum—

[(A) a request for an implementation grant, specifying the amount of the grant requested and its proposed uses;

[(B) a description of the applicant and a statement of its qualifications;

[(C) identification and description of the project involved, and a description of the composition of the tenants, including family size and income;

[(D) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located; and

[(E) 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.

[(4) SELECTION CRITERIA.—The Secretary shall, by regulation, establish selection criteria for a national competition for assistance under this subsection, which shall include—

[(A) the qualities or potential capabilities of the applicant;

[(B) the extent of resident involvement in the development of a revitalization program for the project;

[(C) the extent of involvement of local public and private entities in the development of a revitalization program for the project and in the provision of supportive services to project residents;

[(D) the potential of the applicant for developing a successful and affordable revitalization program and the suitability of the project for such a program;

[(E) national geographic diversity among housing for which applicants are selected to receive assistance;

[(F) the extent of the need for and potential impact of the revitalization program; and

[(G) such other factors that the Secretary determines are appropriate for purposes of carrying out the program established by this subtitle in an effective and efficient manner.

[(5) NOTIFICATION.—The Secretary shall notify each applicant, not later than 6 months after the date of the submission of the application, whether the application is approved or disapproved.

[(e) EXCEPTION TO GENERAL PROGRAM REQUIREMENTS.—The Secretary may waive or revise rules established under this title governing rents, income eligibility, and other areas of public housing management, to permit a public housing agency to undertake measures that enhance the long-term viability of a severely distressed public housing project revitalized under this section.

[(f) OTHER PROGRAM REQUIREMENTS.—

[(1) COST LIMITATIONS.—Subject to the provisions of this section, the Secretary—

[(A) shall establish cost limitations on eligible activities under this section sufficient to provide for effective revitalization programs; and

[(B) may establish other cost limitations on eligible activities under this section.

[(2) ECONOMIC DEVELOPMENT.—Not more than an aggregate of $250,000 from amounts made available under subsections (c) and (d) may be used for economic development activities under subsections (c) and (d) for any project, except that the Secretary may for good cause waive the applicability of this paragraph for a project.

[(g) ADMINISTRATION.—For the purpose of carrying out the revitalization of severely distressed public housing in accordance with this section, the Secretary shall establish within the Department of Housing and Urban Development an Office of Severely Distressed Public Housing Revitalization.

[(h) DEFINITIONS.—For the purposes of this section:

[(1) APPLICANT.—The term "applicant" means—

[(A) any public housing agency that is not designated as troubled pursuant to section 6(j)(2);

[(B) any public housing agency or private housing management agent selected, or receiver appointed pursuant, to section 6(j)(3);

[(C) any public housing agency that is designated as troubled pursuant to section 6(j)(2), if such agency acts in concert with a private nonprofit organization, another public housing agency that is not designated as a troubled agency, resident management corporation or other entity approved by the Secretary; and

[(D) any public housing agency that is designated as troubled pursuant to section 6(j)(2) that—

[(i) is so designated principally for reasons that will not affect the capacity of the agency to carry out a revitalization program;

[(ii) is making substantial progress toward eliminating the deficiencies of the agency; or

[(iii) is otherwise determined by the Secretary to be capable of carrying out a revitalization program.

[(2) PRIVATE NONPROFIT CORPORATION.—The term "private nonprofit organization" means any private nonprofit organization (including a State or locally chartered nonprofit organization) that—

[(A) is incorporated under State or local law;

[(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

[(C) complies with standards of financial accountability acceptable to the Secretary; and

[(D) has among its purposes significant activities related to the provision of decent housing that is affordable to very low-income families.

[(3) PUBLIC HOUSING AGENCY.—The term "public housing agency" has the meaning given the term in section 3(b), except that it does not include any Indian housing authority.

[(4) RESIDENT MANAGEMENT CORPORATION.—The term "resident management corporation" means a resident management corporation established in accordance with the requirements of the Secretary under section 20.

[(5) SEVERELY DISTRESSED PUBLIC HOUSING.—The term "severely distressed public housing" means a public housing project—

[(A) that—

[(i) requires major redesign, reconstruction or redevelopment, or partial or total demolition, to correct serious deficiencies in the original design (including appropriately high population density), deferred maintenance, physical deterioration or obsolescence of major systems and other deficiencies in the physical plant of the project;

[(ii) is occupied predominantly by families with children who are in a severe state of distress, characterized by such factors as high rates of unemployment, teenage pregnancy, single-parent households, long-term dependency on public assistance and minimal educational achievement;

[(iii) is in a location for recurrent vandalism and criminal activity (including drug-related criminal activity); and

[(iv) cannot remedy the elements of distress specified in clauses (i) through (iii) through assistance under other programs, such as the programs under section 9 or 14, or through other administrative means; or

[(B) that—

[(i) is owned by a public housing agency designated as troubled pursuant to section 6(j)(2);

[(ii) has a vacancy rate, as determined by the Secretary, of 50 percent or more, unless the project or building is vacant because it is awaiting rehabilitation under a modernization program under section 14 that—

[(I) has been approved and funded; and

[(II) as determined by the Secretary, is on schedule and is expected to result in full occupancy of the project or building upon completion of the program; and

[(iii) in the case of individual buildings, the building is, in the Secretary's determination, sufficiently separable from the remainder of the project to make use of the building feasible for purposes of this subtitle.

[(i) ANNUAL REPORT.—The Secretary shall submit to the Congress an annual report setting forth—

[(1) the number, type, and cost of public housing units revitalized pursuant to this section;

[(2) the status of projects identified as severely distressed public housing pursuant to subsection (b);

[(3) the amount and type of financial assistance provided under and in conjunction with this section; and

[(4) the recommendations of the Secretary for statutory and regulatory improvements to the program established by this section.

[SEC. 25. CHOICE IN PUBLIC HOUSING MANAGEMENT.

[(a) SHORT TITLE.—This section may be cited as the "Choice in Public Housing Management Act of 1992".

[(b) FUNDING.—

[(1) REHABILITATION AND REDEVELOPMENT GRANTS.—From amounts reserved under section 14(k)(2) for each of fiscal years 1993 and 1994, the Secretary may reserve not more than $50,000,000 in each such fiscal year for activities under this section (which may include funding operating reserves for eligible housing transferred under this section). The Secretary may make grants to managers and ownership entities to rehabilitate eligible housing in accordance with this section, as appropriate.

[(2) TECHNICAL ASSISTANCE.—The Secretary may use up to 5 percent of the total amount reserved under paragraph (1) for any fiscal year to provide, by contract, technical assistance to residents of public housing and resident councils to help such residents and councils make informed choices about options for alternative management under this section.

[(c) PROGRAM AUTHORITY.—

[(1) TRANSFER OF MANAGEMENT.—

[(A) IN GENERAL.—The Secretary may approve not more than 25 applications submitted for fiscal years 1993 and 1994 by resident councils for the transfer of the management of distressed public housing projects, or one or more buildings within projects, that are owned or operated by troubled public housing agencies, from public housing agencies to alternative managers.

[(B) REQUIRED VOTES.—An application for such transfer may be submitted and approved only if a majority of the members of the board of the resident council has voted in favor of the proposed transfer of management responsibilities, and a majority of the residents has also voted in favor of the transfer in an election supervised by a disinterested third party.

[(C) ASSISTANCE OF MANAGEMENT SPECIALIST.—Any resident council seeking to transfer management of distressed public housing under this section shall, in cooperation with the public housing agency for such housing, select a qualified public housing management specialist to assist in identifying and acquiring a capable manager for the housing.

[(2) REHABILITATION AND CAPITAL IMPROVEMENTS.—The Secretary may make rehabilitation grants and provide capital improvement funding under subsection (e) in connection with the transfer of eligible housing to a manager under this section.

[(d) OPERATING SUBSIDIES.—

[(1) AUTHORITY TO PROVIDE.—The Secretary may make operating subsidies under section 9 available to managers under this section.

[(2) AMOUNT OF SUBSIDY.—The Secretary shall establish the amount of the operating subsidies made available to a manager based on the share for the housing under section 9 as determined by the Secretary.

[(3) EFFECT ON PHA GRANT.—Operating subsidies for any public housing agency transferring management under this section shall be reduced in accordance with the requirements of section 9.

[(e) REHABILITATION GRANTS AND CAPITAL IMPROVEMENT FUNDING.—

[(1) REHABILITATION GRANTS.—An application under subsection (f) may request approval of amounts set aside under subsection (b) for the rehabilitation of eligible housing. The manager and the Secretary shall enter into a contract governing the use of any such assistance provided.

[(2) ANNUAL CAPITAL IMPROVEMENT FUNDING.—

[(A) AUTHORITY TO PROVIDE.—The Secretary may make funding for capital improvements available annually from amounts under section 14 to managers of eligible housing. In accordance with the contract entered into pursuant to subsection (h), each manager receiving such funding shall establish a capital improvements reserve account and deposit in the account each year an amount not less than the annual amount of comprehensive grant funds it receives. Amounts in the reserve account may be used only for capital improvements and replacements.

[(B) AMOUNT OF SUBSIDY.—The Secretary shall establish the amount made available to a manager under paragraph (1) for capital improvements based on the share for the housing under the comprehensive grant formula and, to the extent practicable, the public housing agency's comprehensive grant plan, in accordance with section 14, as determined by the Secretary.

[(C) LIMITATION IN THE CASE OF RECENT REHABILITATION.—Where eligible housing has received rehabilitation funding under paragraph (1) or has otherwise been comprehensively modernized within 3 years before the effective date of the contract between the Secretary and the manager for management of the eligible housing, only the accrual portion of the comprehensive grant formula amount shall be available for payment to the manager.

[(D) EFFECT ON PHA GRANT.—The formula amount of a comprehensive grant for a public housing agency transferring the housing under this section shall be reduced in accordance with the requirements of section 14.

[(3) RELATIONSHIP TO SECTION 14.—The provisions of section 14 shall apply with respect to rehabilitation grants under paragraph (1) or capital improvement funding under paragraph (2); except that the Secretary may waive the applicability of any of the provisions of such section where such provisions are not appropriate to the assistance under this subsection.

[(f) APPLICATION.—

[(1) FORM AND PROCEDURES.—

[(A) IN GENERAL.—To be eligible for approval for transfer of management from a public housing agency to a manager and for a grant under subsection (e), a resident council shall submit an application to the Secretary in such form and in accordance with such procedures as the Secretary shall establish.

[(B) PHA COMMENT ON APPLICATION.—A resident council submitting an application shall provide the public housing agency that owns or operates the housing involved a reasonable opportunity to comment on the application, as the Secretary shall prescribe.

[(C) PHA PROPOSAL.—The public housing agency may present to the resident council a proposal for the continued management of the housing by the agency, and the resident council shall give reasonable consideration to any such proposal.

[(2) MINIMUM REQUIREMENTS.—The Secretary shall require that an application contain—

[(A) a description of the resident council and documentation of its authority;

[(B) documentation of the votes required under subsection (c)(1)(B);

[(C) a description of the proposed manager selected by the applicant (in accordance with procedures established or approved by the Secretary) and documentation of its capacity to manage the eligible housing;

[(D) a plan for carrying out the manager's responsibilities for managing the eligible housing;

[(E) documentation that the project (or building or buildings) for which management transfer is proposed is eligible housing;

[(F) documentation that each of the requirements under paragraph (1)(B) have been fulfilled;

[(G)(i) if the application includes a request for a rehabilitation grant under subsection (e) (which shall be included in any application involving eligible housing that is 50 percent or more vacant), the basis for the estimate of the amount requested, including—

[(I) the estimate of the eligible housing's need under the public housing agency's comprehensive plan (under section 14(e)(1)); and

[(II) an explanation, where appropriate, if an amount higher than the amount planned by the agency is being requested; or

[(ii) if the application does not include a request for a rehabilitation grant under subsection (e), a demonstration

that needs for capital improvements and replacement for the housing can reasonably be expected to be funded from funding for capital improvements under subsection (e);

[(H) if the manager proposes to administer a program to enable residents to achieve economic independence and self-sufficiency, a description of the program and evidence of commitment of resources to the program;

[(I) an analysis showing that the planned rehabilitation will result in the long-term viability of the housing at a reasonable cost;

[(J) a certification that the manager 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; and

[(K) such other information that the Secretary considers appropriate.

[(g) REVIEW AND APPROVAL BY THE SECRETARY.—

[(1) APPLICATIONS NOT REQUESTING REHABILITATION ASSISTANCE.—In the case of applications for the transfer of management of public housing that do not include a request for rehabilitation assistance under subsection (e), the Secretary may approve an application that meets the requirements of subsection (f)(2) and this section.

[(2) APPLICATIONS REQUESTING REHABILITATION GRANTS.—In the case of applications that include a request for rehabilitation assistance under subsection (e), the Secretary shall select applicants for approval based on a national competition. The Secretary shall, by regulation, establish selection criteria for the competition which provide for separate rating of applicants under this paragraph and of applicants under this section, and for selections from a single list of all applicants. The criteria shall include—

[(A) the quality of the plan for rehabilitating the eligible housing;

[(B) the extent of the capacity or potential capacity of the proposed manager to manage the housing and to carry out the rehabilitation program;

[(C) the extent to which a program is proposed to enable residents to achieve economic independence and self-sufficiency;

[(D) the extent to which the planned rehabilitation will result in the long-term viability of the housing at a reasonable cost; and

[(E) such other criteria as the Secretary may require.

[(h) CONTRACT BETWEEN SECRETARY AND MANAGER.—

[(1) TERMS.—After the Secretary approves an application, the Secretary shall enter into a contract with the manager for transfer of management of the eligible housing. In addition to other contract provisions required under this section, the contract shall—

[(A) give the manager the right to receive operating subsidies under subsection (d) and capital improvement funding under subsection (e);

[(B) require the manager to carry out all management responsibilities for the eligible housing, as provided in or required by the contract;

[(C) require the manager to carry out, for the eligible housing, all management responsibilities applicable to public housing agencies owning or operating public housing projects, including (i) maintaining the units in decent, safe, and sanitary condition in accordance with any standards for public housing established or adopted by the Secretary, (ii) determining eligibility of applicants for occupancy of units subject to the requirements of this Act, (iii) terminating tenancy in accordance with the procedures applicable to the section 8 new construction program, and (iv) determining the amount of rent paid for units in accordance with this Act; and

[(D) permit, but not require, the manager to select applicants from the public housing waiting list maintained by the public housing agency.

[(2) EXTENSION, EXPIRATION, AND TERMINATION.—

[(A) IN GENERAL.—The Secretary shall provide for a resident council that has entered into a contract under this subsection to—

[(i) approve the renewal of the contract between the Secretary and the manager; or

[(ii) disapprove renewal and submit an application to the Secretary, in accordance with subsection (f), proposing another manager, which may be the public housing agency.

[(B) DEFAULT.—If the Secretary determines that a manager is in default of its responsibilities under the contract, the Secretary may require the resident council to submit another application proposing a different manager, which may be the public housing agency.

[(i) OTHER PROGRAM REQUIREMENTS.—

[(1) COST LIMITATIONS.—The Secretary may establish cost limitations on activities under this section. The amount of rehabilitation funds under subsection (e)(1) that may be approved may not exceed the per unit cost limit applicable to the comprehensive grant program under section 14.

[(2) DEMOLITION AND DISPOSITION NOT PERMITTED.—A manager may not demolish or dispose of eligible housing under this section.

[(3) CAPABILITY OF RESIDENT MANAGEMENT CORPORATIONS.—To be eligible to become a manager under this section, a resident management corporation—

[(A) shall demonstrate to the Secretary its ability to manage public housing effectively and efficiently, as determined by the Secretary, which shall include evidence of its most recent financial audit; or

[(B) shall arrange for operation of the housing by a qualified management entity.

[(4) LIMITATIONS ON PHA LIABILITY.—A public housing agency shall not be liable for any act or failure to act by the manager or resident council.

[(5) BONDING AND INSURANCE.—Before assuming any management responsibility for eligible housing, a manager shall obtain fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements established by the Secretary. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the manager or its employees.

[(6) RESTRICTION ON DISPLACEMENT BEFORE TRANSFER.—A public housing agency may not involuntarily displace, as determined by the Secretary, any resident of eligible housing during the period beginning on the date that an application under subsection (f) is submitted by a resident council, and ending upon transfer of management of the housing or, if the application is disapproved, the date of the disapproval.

[(j) PERFORMANCE REVIEW AND COMPLIANCE.—

[(1) MONITORING.—The Secretary shall monitor the performance of managers under this section and shall assess their management performance using the performance indicators established under section 6(j)(1).

[(2) RECORDS, REPORTS, AND AUDITS OF MANAGERS.—

[(A) KEEPING OF RECORDS.—Each manager and resident council under this subtitle shall keep such records as may be reasonably necessary to disclose the amount and the disposition by the manager of the proceeds of assistance received under this section and to ensure compliance with the requirements of this section.

[(B) ACCESS TO DOCUMENTS.—

[(i) SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records of a manager, resident council, and public housing agency that are pertinent to assistance received under, and to the requirements of, this section.

[(ii) GAO.—The Comptroller General of the United States, and any duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records of a manager and resident council that are pertinent to assistance received under, and to the requirements of, this section.

[(C) REPORTING REQUIREMENTS.—Each manager shall submit to the Secretary such reports as the Secretary determines appropriate to carry out the Secretary's responsibilities under this section, including an annual financial audit.

[(D) ANNUAL REPORT.—The Secretary shall submit an annual report to the Congress evaluating management transfers under this section compared to other methods of dealing with severely distressed public housing.

[(k) NONDISCRIMINATION.—No person in the United States shall, on the grounds of race, color, national origin, religion, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in

whole or in part with funds made available under this section. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity.

[(l) RELATIONSHIP TO OTHER PROGRAMS.—

[(1) HOMEOWNERSHIP.—After a transfer of management in accordance with this section, the eligible housing shall remain eligible for assistance under title III and for sale under section 5(h). Participation in a homeownership program shall be consistent with a contract between the Secretary and a manager.

[(2) SELF-SUFFICIENCY.—Where an application under subsection (f) proposes a program to enable residents to achieve economic independence and self-sufficiency, consistent with the objectives of the program under section 23, and demonstrates that the manager has the capacity to carry out a self-sufficiency program, the Secretary may approve such a program. Where such a program is approved, the Secretary shall authorize the manager to adopt policies consistent with section 23(d) (relating to maximum rents and escrow savings accounts) and section 23(e) (relating to effect of increases in family income).

[(m) DEFINITIONS.—For purposes of this section:

[(1) The term "eligible housing" means a public housing project, or one or more buildings within a project, that—

[(A) is owned or operated by a troubled public housing agency; and

[(B) has been identified as severely distressed under section 24 of this Act.

In the case of an individual building, the building shall, in the determination of the Secretary, be sufficiently separable from the remainder of the project to make use of the building feasible for purposes of this section.

[(2) The term "manager" means one of the following entities that has entered into a contract with the Secretary for the management of eligible housing under this section:

[(A) A public or private nonprofit organization (including, as determined by the Secretary, such an organization sponsored by the public housing agency).

[(B) A for-profit entity, if it has (i) demonstrated experience in providing low-income housing, and (ii) is participating in joint venture with an organization described in paragraph (3).

[(C) A State or local government, including an agency or instrumentality thereof.

[(D) A public housing agency (other than the public housing agency that owns the project).

The term does not include a resident council.

[(3) The term "private nonprofit organization" means any private nonprofit organization (including a State or locally chartered nonprofit organization) that—

[(A) is incorporated under State or local law;

[(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

[(C) complies with standards of financial accountability acceptable to the Secretary; and

[(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income families.

The term includes resident management corporations.

[(4) The term "public housing agency" has the meaning given such term in section 3(b), except that it does not include Indian housing authorities.

[(5) The term "public nonprofit organization" means any public nonprofit entity, except the public housing agency that owns the eligible housing.

[(6) The term "resident council" means any nonprofit organization or association that—

[(A) is representative of the residents of the eligible housing;

[(B) adopts written procedures providing for the election of officers on a regular basis; and

[(C) has a democratically elected governing board, elected by the residents of the eligible housing.

[(7) The term "resident management corporation" means a resident management corporation established in accordance with the requirements of the Secretary under section 20.

[(8) The term "troubled public housing agency" means a public housing agency with 250 or more units that—

[(A) has been designated as a troubled public housing agency for the current Federal fiscal year, and for the 2 preceding Federal fiscal years—

[(i) under section 6(j)(2)(A)(i); or

[(ii) before the implementation of such authority, under any other procedure for designating troubled public housing agencies that was used by the Secretary and is determined by the Secretary to be appropriate for purposes of this section; and

[(B) has not met targets for improved performance under section 6(j)(2)(C).

[SEC. 26. ENVIRONMENTAL REVIEWS.

[(a) IN GENERAL.—

[(1) RELEASE OF FUNDS.—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act (as specified in regulations issued by the Secretary) are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the release of funds for projects or activities under this title, as specified by the Secretary upon the request of a public housing agency (including an Indian housing authority) under this section, if the State or unit of general local government, as designated by the Secretary in accordance with regulations, assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act, and such other provisions of law

as the regulations of the Secretary may specify, which would otherwise apply to the Secretary with respect to the release of funds.

[(2) IMPLEMENTATION.—The Secretary, after consultation with the Council on Environmental Quality, shall issue such regulations as may be necessary to carry out this section. Such regulations shall specify the programs to be covered.

[(b) PROCEDURE.—The Secretary shall approve the release of funds subject to the procedures authorized by this section only if, not less than 15 days prior to such approval and prior to any commitment of funds to such projects or activities, the public housing agency (including an Indian housing authority) has submitted to the Secretary a request for such release accompanied by a certification of the State or unit of general local government which meets the requirements of subsection (c). The Secretary's approval of any such certification shall be deemed to satisfy the Secretary's responsibilities under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the release of funds which are covered by such certification.

[(c) CERTIFICATION.—A certification under the procedures authorized by this section shall—

[(1) be in a form acceptable to the Secretary;

[(2) be executed by the chief executive officer or other officer of the State or unit of general local government who qualifies under regulations of the Secretary;

[(3) specify that the State or unit of general local government under this section has fully carried out its responsibilities as described under subsection (a); and

[(4) specify that the certifying officer—

[(A) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provision of law apply pursuant to subsection (a); and

[(B) is authorized and consents on behalf of the State or unit of general local government and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his or her responsibilities as such an official.

[(d) APPROVAL BY STATES.—In cases in which a unit of general local government carries out the responsibilities described in subsection (c), the Secretary may permit the State to perform those actions of the Secretary described in subsection (b) and the performance of such actions by the State, where permitted by the Secretary, shall be deemed to satisfy the Secretary's responsibilities referred to in the second sentence of subsection (b).

[SEC. 27. PROVISION OF INFORMATION TO LAW ENFORCEMENT AND OTHER AGENCIES.

[Notwithstanding any other provision of law, the Secretary shall, at least 4 times annually and upon request of the Immigration and Naturalization Service (hereafter in this section referred to as the "Service"), furnish the Service with the name and address of, and

other identifying information on, any individual who the Secretary knows is unlawfully in the United States, and shall ensure that each contract for assistance entered into under section 6 or 8 of this Act with a public housing agency provides that the public housing agency shall furnish such information at such times with respect to any individual who the public housing agency knows is unlawfully in the United States.

[SEC. 27. EXCHANGE OF INFORMATION WITH LAW ENFORCEMENT AGENCIES.

[Notwithstanding any other provision of law, each public housing agency that enters into a contract for assistance under section 6 or 8 of this Act with the Secretary shall furnish any Federal, State, or local law enforcement officer, upon the request of the officer, with the current address, Social Security number, and photograph (if applicable) of any recipient of assistance under this Act, if the officer—

[(1) furnishes the public housing agency with the name of the recipient; and

[(2) notifies the agency that—

[(A) such recipient—

[(i) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

[(ii) is violating a condition of probation or parole imposed under Federal or State law; or

[(iii) has information that is necessary for the officer to conduct the officer's official duties;

[(B) the location or apprehension of the recipient is within such officer's official duties; and

[(C) the request is made in the proper exercise of the officer's official duties.

[TITLE II—ASSISTED HOUSING FOR INDIANS AND ALASKA NATIVES

[SEC. 201. ESTABLISHMENT OF SEPARATE PROGRAM OF ASSISTED HOUSING FOR INDIANS AND ALASKA NATIVES.01

[(a) GENERAL AUTHORITY.—The Secretary shall carry out programs to provide low-income housing on Indian reservations and other Indian areas in accordance with the provisions of this title.

[(b) APPLICABILITY OF TITLE I.—

[(1) IN GENERAL.—Except as otherwise provided in this title, the provisions of title I shall apply to low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[(2) PUBLIC HOUSING.—No provision of title I (or of any other law specifically modifying the public housing program under title I) that is enacted after the date of the enactment of the Indian Housing Act of 1988 shall apply to public housing developed or operated pursuant to a contract between the Secretary

and an Indian housing authority, unless the provision explicitly provides for such applicability.

[(c) INAPPLICABILITY OF CERTAIN REQUIREMENTS.—Lower income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority shall not be subject to section 227 of the Housing and Urban-Rural Recovery Act of 1983 (relating to pet ownership in assisted housing for the elderly or handicapped) or section 6(h) of the United States Housing Act of 1937 (relating to a limitation on contracts involving new construction).

[SEC. 202. MUTUAL HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM.

[(a) ESTABLISHMENT.—The Secretary shall carry out a mutual help homeownership opportunity program for Indian families in accordance with this section. The program shall be designed to meet the homeownership needs of Indian families on Indian reservations and other Indian areas, including Indian families whose incomes exceed the levels established for low-income families.

[(b) FINANCIAL ASSISTANCE.—

[(1) IN GENERAL.—The Secretary may, to the extent provided in appropriation Acts, enter into contracts with Indian housing authorities under title I to provide financial assistance for the development, acquisition, operation, and improvement of housing projects under this section.

[(2) ELIGIBILITY FOR CIAP.—Notwithstanding the provisions of section 14(c), the Secretary may provide assistance provided for comprehensive modernization under section 14 for the housing projects under this section for the purposes under section 14. Any assistance shall be provided under this paragraph only in the form of a grant for each housing project (or unit within a project) selected for such assistance.

[(c) ELIGIBLE PROJECTS.—

[(1) PROJECT TYPES.—Projects for which assistance may be provided under this section may include single-family detached dwellings and other single-family dwellings (including row houses).

[(2) FORMS OF OWNERSHIP.—In addition to fee simple ownership and other forms of ownership, the Secretary may permit and facilitate cooperative ownership for any project assisted under this section, if the Indian housing authority requests cooperative ownership and the Secretary determines such ownership to be appropriate for the project.

[(3) PROPERTY STANDARDS.—Property standards for projects assisted under this section shall be established by regulation, in accordance with section 205. The standards shall—

[(A) provide sufficient flexibility to permit the use of different designs and materials; and

[(B) include cost-effective energy conservation performance standards designed to ensure the lowest total construction and operating costs.

[(d) ELIGIBLE FAMILIES.—

[(1) IN GENERAL.—Except as provided in paragraph (2), assistance under this section shall be limited to Indian low-income families on Indian reservations and other Indian areas.

[(2) EXCEPTION.—

[(A) DEMONSTRATED NEED.—An Indian housing authority may provide assistance under this section to families on Indian reservations and other Indian areas whose incomes exceed the levels established for low-income families, if the Indian housing authority demonstrates to the satisfaction of the Secretary that there is a need for housing for such families that cannot reasonably be met without such assistance. An Indian housing authority may provide assistance under this section to any non-Indian family on an Indian reservation or other Indian area if the Indian housing authority determines that the presence of the family on the Indian reservation or other Indian area is essential to the well-being of Indian families and the need for housing for the family cannot reasonably be met without such assistance.

[(B) LIMITATION ON NUMBER OF UNITS.—The number of dwelling units in any project assisted under this section that may be occupied by or reserved for families on Indian reservations and other Indian areas whose incomes exceed the levels established for low-income families may not exceed whichever of the following is higher:

[(i) 10 PERCENT.—10 percent of the dwelling units in the project.

[(ii) 5 UNITS.—5 dwelling units.

[(e) MUTUAL HELP AND OCCUPANCY AGREEMENT.—Each Indian housing authority operating a program under this section shall require each family selected for housing under this section to enter into a mutual help and occupancy agreement. The agreement shall provide the following:

[(1) FAMILY CONTRIBUTION.—

[(A) GENERAL REQUIREMENT.—The family shall agree to contribute toward the development cost of a project in the form of land, labor, cash, or materials or equipment. The value of the contribution of each family shall not be less than $1,500.

[(B) CONTRIBUTION BY INDIAN TRIBE.—Contributions other than labor may be made by an Indian tribe on behalf of a family.

[(2) MONTHLY PAYMENT.—

[(A) CALCULATION.—The family shall agree to make a monthly payment to the Indian housing authority that is equal to whichever of the following is higher:

[(i) PERCENTAGE OF ADJUSTED INCOME.—An amount computed by—

[(I) multiplying the monthly adjusted income of the family by a percentage that is not less than 15 percent and not more than 30 percent, as determined by the Indian housing authority to be appropriate; and

[(II) subtracting the estimated monthly payments of the family for the reasonable use of utilities (excluding telephone service).

[(ii) ADMINISTRATION CHARGE.—The amount budgeted by the Indian housing authority for monthly oper-

ating expenses on the dwelling of the family, excluding any operating cost for which operating assistance is provided by the Secretary under section 9.

[(B) OTHER APPLICABLE LAW.—Monthly payments under this section shall be subject to section 203 of the Housing and Community Development Act of 1974.

[(3) MAINTENANCE AND UTILITIES.—The family shall be responsible for the maintenance and monthly utility expenses of the dwelling. The Indian housing authority shall have in effect procedures determined by the Secretary to be sufficient for ensuring the timely periodic maintenance of the dwelling by the family.

[(4) HOMEOWNERSHIP OPPORTUNITIES.—The Indian housing authority shall afford the family an opportunity to purchase the dwelling under a lease-purchase, mortgage, or loan agreement with the Indian housing authority or any other qualified entity, if the Indian housing authority determines (in accordance with objective standards and procedures established by the Secretary after consultation with Indian housing authorities) that the family is able to meet the obligations of homeownership.

[(f) SELF-HELP HOUSING PROGRAM.—

[(1) ESTABLISHMENT.—The Secretary shall establish a self-help housing program for projects assisted under this section.

[(2) REQUIREMENTS.—In the case of any project approved by the Secretary for participation in the self-help housing program—

[(A) each family shall make a contribution under subsection (e)(1) in the form of labor in accordance with labor contribution requirements similar to the requirements applicable under the mutual self-help housing program established in section 523 of the Housing Act of 1949; and

[(B) the Secretary shall provide each family with technical and supervisory assistance similar to the assistance available under the mutual self-help housing program established in section 523 of the Housing Act of 1949.

[(3) APPLICATIONS.—Any Indian housing authority may submit an application to the Secretary for inclusion of a project assisted under this section in the self-help housing program.

[SEC. 203. ADDITIONAL PROVISIONS.

[(a) PUBLIC HOUSING MAXIMUM CONTRIBUTIONS.—In determining the maximum contributions that may be made by the Secretary to an Indian housing authority for development of a public housing project (including a mutual help homeownership opportunity project under this title), the Secretary shall consider all relevant factors, including—

[(1) the logistical problems associated with projects of remote location, low density, or scattered sites; and

[(2) the availability of skilled labor and acceptable materials.

[(b) RELATED FACILITIES AND SERVICES.—The Secretary shall take such actions as may be necessary to ensure the timely and efficient provision, through the Interdepartmental Agreement on Indian Housing, of any roads, water supply and sewage facilities, and electrical and fuel distribution systems that are required for com-

pletion and occupancy of public housing projects assisted under this title (including mutual help homeownership opportunity projects). Notwithstanding any other provision of this Act, the Secretary shall make annual payments from funds appropriated under section 9(c) to municipalities providing such roads, facilities, and systems in a amount equal to—

[(1) 10 percent of the applicable shelter rent, minus the utility allowance; or

[(2) $150,

whichever is greater, for each rental housing unit covered by this subsection.

[(c) ACCESSIBILITY TO PHYSICALLY HANDICAPPED PERSONS.—The Secretary shall, in accordance with Public Law 90–480 (42 U.S.C. 4151 et seq.; commonly known as the Architectural Barriers Act of 1968) and other applicable law, require each Indian housing authority to give proper consideration to the needs of physically handicapped persons for ready access to, and use of, low-income housing assisted under this title.

[SEC. 204. ANNUAL REPORT.

[The Secretary shall include in the annual report under section 8 of the Department of Housing and Urban Development Act—

[(1) a description of the actions taken to carry out the provisions of the Housing and Community Development Act of 1987 that relate to Indian housing;

[(2) an evaluation of the status of the program of single-family mortgage insurance for Indians and Alaska Natives under section 248 of the National Housing Act;

[(3) an assessment of the housing needs of native Hawaiians and an evaluation of current Federal programs designed to meet the needs, including programs of housing assistance for low-income families and the program of single-family mortgage insurance for native Hawaiians under section 247 of the National Housing Act;

[(4) recommendations for resolving concerns relating to Indian housing authorities that are authorized to serve both Indians and non-Indians; and

[(5) a description of actions taken to ensure the timely and efficient provision, through the Interdepartmental Agreement on Indian Housing, of any roads, water supply and sewage facilities, and electrical and fuel distribution systems that are required for completion and occupancy of public housing projects assisted under this title (including mutual help homeownership opportunity projects).

[SEC. 205. REGULATIONS.

[(a) ISSUANCE.—The Secretary shall issue regulations to carry out this title and the amendments made by the Indian Housing Act of 1988. The regulations shall be issued in accordance with subsections (b) through (e) of section 553 of title 5, United States Code.

[(b) CONSULTATION WITH INDIAN HOUSING AUTHORITIES.—In formulating proposed regulations under this section, the Secretary shall consult with Indian housing authorities.

[(c) EFFECTIVE DATE.—The Secretary shall issue regulations under this section to become effective before the expiration of the

90-day period beginning on the date of the enactment of the Indian Housing Act of 1988.

[TITLE III—HOPE FOR PUBLIC AND INDIAN HOUSING HOMEOWNERSHIP

[SEC. 301. PROGRAM AUTHORITY.

[(a) IN GENERAL.—The Secretary is authorized to make—

[(1) planning grants to help applicants to develop homeownership programs in accordance with this title; and

[(2) implementation grants to carry out homeownership programs in accordance with this title.

[(b) AUTHORITY TO RESERVE HOUSING ASSISTANCE.—In connection with a grant under this title, the Secretary may reserve authority to provide assistance under section 8 of this Act to the extent necessary to provide replacement housing and rental assistance for a nonpurchasing tenant who resides in the project on the date the Secretary approves the application for an implementation grant, for use by the tenant in another project.

[SEC. 302. PLANNING GRANTS.

[(a) GRANTS.—The Secretary is authorized to make planning grants to applicants for the purpose of developing homeownership programs under this title. The amount of a planning grant under this section may not exceed $200,000, except that the Secretary may for good cause approve a grant in a higher amount.

[(b) ELIGIBLE ACTIVITIES.—Planning grants may be used for activities to develop homeownership programs (which may include programs for cooperative ownership), including—

[(1) development of resident management corporations and resident councils;

[(2) training and technical assistance for applicants related to development of a specific homeownership program;

[(3) studies of the feasibility of a homeownership program;

[(4) inspection for lead-based paint hazards, as required by section 302(a) of the Lead-Based Paint Poisoning Prevention Act;

[(5) preliminary architectural and engineering work;

[(6) tenant and homebuyer counseling and training;

[(7) planning for economic development, job training, and self-sufficiency activities that promote economic self-sufficiency of homebuyers and homeowners under the homeownership program;

[(8) development of security plans; and

[(9) preparation of an application for an implementation grant under this title.

[(c) APPLICATION.—

[(1) FORM AND PROCEDURES.—An application for a planning grant shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish.

[(2) MINIMUM REQUIREMENTS.—The Secretary shall require that an application contain at a minimum—

[(A) a request for a planning grant, specifying the activities proposed to be carried out, the schedule for completing the activities, the personnel necessary to complete the activities, and the amount of the grant requested;

[(B) a description of the applicant and a statement of its qualifications;

[(C) identification and description of the public housing project or projects involved, and a description of the composition of the tenants, including family size and income;

[(D) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located (or, during the first 12 months after enactment of the Cranston-Gonzalez National Affordable Housing Act, that the application is consistent with such other existing State or local housing plan or strategy that the Secretary shall determine to be appropriate); and

[(E) 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.

[(d) SELECTION CRITERIA.—The Secretary shall, by regulation, establish selection criteria for a national competition for assistance under this section, which shall include—

[(1) the qualifications or potential capabilities of the applicant;

[(2) the extent of tenant interest in the development of a homeownership program for the project;

[(3) the potential of the applicant for developing a successful and affordable homeownership program and the suitability of the project for homeownership;

[(4) national geographic diversity among projects for which applicants are selected to receive assistance; and

[(5) such other factors that the Secretary shall require that (in the determination of the Secretary) are appropriate for purposes of carrying out the program established by this title in an effective and efficient manner.

[SEC. 303. IMPLEMENTATION GRANTS.

[(a) GRANTS.—The Secretary is authorized to make implementation grants to applicants for the purpose of carrying out homeownership programs approved under this title.

[(b) ELIGIBLE ACTIVITIES.—Implementation grants may be used for activities to carry out homeownership programs (including programs for cooperative ownership) that meet the requirements under this subtitle, including the following activities:

[(1) Architectural and engineering work.

[(2) Implementation of the homeownership program, including acquisition of the public housing project from a public housing agency for the purpose of transferring ownership to el-

igible families in accordance with a homeownership program that meets the requirements under this title.

[(3) Rehabilitation of any public housing project covered by the homeownership program, in accordance with standards established by the Secretary.

[(4) Abatement of lead-based paint hazards, as required by section 302(a) of the Lead-Based Paint Poisoning Prevention Act.

[(5) Administrative costs of the applicant, which may not exceed 15 percent of the amount of assistance provided under this section.

[(6) Development of resident management corporations and resident management councils, but only if the applicant has not received assistance under section 302 for such activities.

[(7) Counseling and training of homebuyers and homeowners under the homeownership program.

[(8) Relocation of tenants who elect to move.

[(9) Any necessary temporary relocation of tenants during rehabilitation.

[(10) Funding of operating expenses and replacement reserves of the project covered by the homeownership program, except that the amount of assistance for operating expenses shall not exceed the amount the project would have received if it had continued to receive such assistance under section 9, with adjustments comparable to those that would have been made under section 9.

[(11) Implementation of a replacement housing plan.

[(12) Legal fees.

[(13) Defraying costs for the ongoing training needs of the recipient that are related to developing and carrying out the homeownership program.

[(14) Economic development activities that promote economic self-sufficiency of homebuyers, residents, and homeowners under the homeownership program.

[(c) MATCHING FUNDING.—

[(1) IN GENERAL.—Each recipient shall assure that contributions equal to not less than 25 percent of the grant amount made available under this section, excluding any amounts provided for post-sale operating expenses and replacement housing, shall be provided from non-Federal sources to carry out the homeownership program.

[(2) FORM.—Such contributions may be in the form of—

[(A) cash contributions from non-Federal resources, which may not include Federal tax expenditures or funds from a grant made under section 106(b) or section 106(d) of the Housing and Community Development Act of 1974;

[(B) payment of administrative expenses, as defined by the Secretary, from non-Federal resources, including funds from a grant made under section 106(b) or section 106(d) of the Housing and Community Development Act of 1974;

[(C) the value of taxes, fees, or other charges that are normally and customarily imposed but are waived, foregone, or deferred in a manner that facilitates the imple-

mentation of a homeownership program assisted under this subtitle;

[(D) the value of land or other real property as appraised according to procedures acceptable to the Secretary;

[(E) the value of investment in on-site and off-site infrastructure required for a homeownership program assisted under this subtitle; or

[(F) such other in-kind contributions as the Secretary may approve.

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.

[(3) REDUCTION OF REQUIREMENT.—The Secretary shall reduce the matching requirement for homeownership programs carried out under this section in accordance with the formula established under section 220(d) of the Cranston-Gonzalez National Affordable Housing Act.

[(d) APPLICATION.—

[(1) FORM AND PROCEDURE.—An application for an implementation grant shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish.

[(2) MINIMUM REQUIREMENTS.—The Secretary shall require that an application contain at a minimum—

[(A) a request for an implementation grant, specifying the amount of the grant requested and its proposed uses;

[(B) if applicable, an application for assistance under section 8 of this Act, which shall specify the proposed uses of such assistance and the period during which the assistance will be needed;

[(C) a description of the qualifications and experience of the applicant in providing housing for low-income families;

[(D) a description of the proposed homeownership program, consistent with section 304 and the other requirements of this title, which shall specify the activities proposed to be carried out and their estimated costs, identifying reasonable schedules for carrying it out, and demonstrating that the program will comply with the affordability requirements under section 304(b);

[(E) identification and description of the public housing project or projects involved, and a description of the composition of the tenants, including family size and income;

[(F) a description of and commitment for the resources that are expected to be made available to provide the matching funding required under subsection (c) and of other resources that are expected to be made available in support of the homeownership program;

[(G) identification and description of the financing proposed for any (i) rehabilitation and (ii) acquisition (I) of the property, where applicable, by a resident council or other entity for transfer to eligible families, and (II) by eligible families of ownership interests in, or shares representing, units in the project;

[(H) if the applicant is not a public housing agency, the proposed sales price, if any, the basis for such price determination, and terms to the applicant;

[(I) the estimated sales prices, if any, and terms to eligible families;

[(J) any proposed restrictions on the resale of units under a homeownership program;

[(K) identification and description of the entity that will operate and manage the property;

[(L) a certification by the public official responsible for submitting the comprehensive housing affordability strategy under section 105 of the Cranston-Gonzalez National Affordable Housing Act that the proposed activities are consistent with the approved housing strategy of the State or unit of general local government within which the project is located (or, during the first 12 months after enactment of the Cranston-Gonzalez National Affordable Housing Act, that the application is consistent with such other existing State or local housing plan or strategy that the Secretary shall determine to be appropriate); and

[(M) 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.

[(e) SELECTION CRITERIA.—The Secretary shall establish selection criteria for a national competition for assistance under this section, which shall include—

[(1) the ability of the applicant to develop and carry out the proposed homeownership program, taking into account the quality of any related ongoing program of the applicant, and the extent of tenant interest in the development of a homeownership program and community support;

[(2) the feasibility of the homeownership program;

[(3) the extent to which current tenants and other eligible families will be able to afford the purchase;

[(4) the quality and viability of the proposed homeownership program, including the viability of the economic self-sufficiency plan;

[(5) the extent to which funds for activities that do not qualify as eligible activities will be provided in support of the homeownership program;

[(6) whether the approved comprehensive housing affordability strategy for the jurisdiction within which the public housing project is located includes the proposed homeownership program as one of the general priorities identified pursuant to section 105(b)(7) of the Cranston-Gonzalez National Affordable Housing Act;

[(7) national geographic diversity among housing for which applicants are selected to receive assistance; and

[(8) the extent to which a sufficient supply of affordable rental housing exists in the locality, so that the implementation of the homeownership program will not reduce the number

of such rental units available to residents currently residing in such units or eligible for residency in such units.

[(f) LOCATION WITHIN PARTICIPATING JURISDICTIONS.—The Secretary may approve applications for grants under this title only for public housing projects located within the boundaries of jurisdictions—

[(1) which are participating jurisdictions under title III of the Cranston-Gonzalez National Affordable Housing Act; or

[(2) on behalf of which the agency responsible for affordable housing has submitted a housing strategy or plan.

[(g) APPROVAL.—The Secretary shall notify each applicant, not later than 6 months after the date of the submission of the application, whether the application is approved or not approved. The Secretary may approve the application for an implementation grant with a statement that the application for the section 8 assistance for replacement housing and for residents of the project not purchasing units is conditionally approved, subject to the availability of appropriations in subsequent fiscal years.

[SEC. 304. HOMEOWNERSHIP PROGRAM REQUIREMENTS.

[(a) IN GENERAL.—A homeownership program under this title shall provide for acquisition by eligible families of ownership interests in, or shares representing, at least one-half of the units in a public housing project under any arrangement determined by the Secretary to be appropriate, such as cooperative ownership (including limited equity cooperative ownership) and fee simple ownership (including condominium ownership), for occupancy by the eligible families.

[(b) AFFORDABILITY.—A homeownership program under this title shall provide for the establishment of sales prices (including principal, insurance, taxes, and interest and closing costs) for initial acquisition of the property from the public housing agency if the applicant is not a public housing agency, and for sales to eligible families, such that an eligible family shall not be required to expend more than 30 percent of the adjusted income of the family per month to complete a sale under the homeownership program.

[(c) PLAN.—A homeownership program under this title shall provide, and include a plan, for—

[(1) identifying and selecting eligible families to participate in the homeownership program;

[(2) providing relocation assistance to families who elect to move;

[(3) ensuring continued affordability by tenants, homebuyers, and homeowners in the project;

[(4) providing ongoing training and counseling for homebuyers and homeowners; and

[(5) replacing units in eligible projects covered by a homeownership program.

[(d) ACQUISITION AND REHABILITATION LIMITATIONS.—Acquisition or rehabilitation of public housing projects under a homeownership program under this title may not consist of acquisition or rehabilitation of less than the whole public housing project in a project consisting of more than 1 building. The provisions of this subsection may be waived upon a finding by the Secretary that the sale of less than all the buildings in a project is feasible and will not result in

a hardship to any tenants of the project who are not included in the homeownership program.

[(e) FINANCING.—

[(1) IN GENERAL.—The application shall identify and describe the proposed financing for (A) any rehabilitation, and (B) acquisition (i) of the project, where applicable, by an entity other than the public housing agency for transfer to eligible families, and (ii) by eligible families of ownership interests in, or shares representing, units in the project. Financing may include use of the implementation grant, sale for cash, or other sources of financing (subject to applicable requirements), including conventional mortgage loans and mortgage loans insured under title II of the National Housing Act.

[(2) PROHIBITION AGAINST PLEDGES.—Property transferred under this title shall not be pledged as collateral for debt or otherwise encumbered except when the Secretary determines that—

[(A) such encumbrance will not threaten the long-term availability of the property for occupancy by low-income families;

[(B) neither the Federal Government nor the public housing agency will be exposed to undue risks related to action that may have to be taken pursuant to paragraph (3);

[(C) any debt obligation can be serviced from project income, including operating assistance; and

[(D) the proceeds of such encumbrance will be used only to meet housing standards in accordance with subsection (f) or to make such additional capital improvements as the Secretary determines to be consistent with the purposes of this title.

[(3) OPPORTUNITY TO CURE.—Any lender that provides financing in connection with a homeownership program under this subtitle shall give the public housing agency, resident management corporation, individual owner, or other appropriate entity a reasonable opportunity to cure a financial default before foreclosing on the property, or taking other action as a result of the default.

[(f) HOUSING QUALITY STANDARDS.—The application shall include a plan ensuring that the unit—

[(1) will be free from any defects that pose a danger to health or safety before transfer of an ownership interest in, or shares representing, a unit to an eligible family; and

[(2) will, not later than 2 years after the transfer to an eligible family, meet minimum housing standards established by the Secretary for the purposes of this title.

[(h) PROTECTION OF NON-PURCHASING FAMILIES.—

[(1) IN GENERAL.—No tenant residing in a dwelling unit in a public housing project on the date the Secretary approves an application for an implementation grant may be evicted by reason of a homeownership program approved under this title.

[(2) REPLACEMENT ASSISTANCE.—If the tenant decides not to purchase a unit, or is not qualified to do so, the recipient shall, during the term of any operating assistance under the imple-

mentation grant, permit each otherwise qualified tenant to continue to reside in the project at rents that do not exceed levels consistent with section 3(a) of this Act or, if an otherwise qualified tenant chooses to move (at any time during the term of such operating assistance contract), the public housing agency shall, to the extent approved in appropriations Acts, offer such tenant (A) a unit in another public housing project, or (B) section 8 assistance for use in other housing.

[(3) RELOCATION ASSISTANCE.—The recipient shall also inform each such tenant that if the tenant chooses to move, the recipient will pay relocation assistance in accordance with the approved homeownership program.

[(4) OTHER RIGHTS.—Tenants renting a unit in a project transferred under this title shall have all rights provided to tenants of public housing under this Act.

[SEC. 305. OTHER PROGRAM REQUIREMENTS.

[(a) SALE BY PUBLIC HOUSING AGENCY TO APPLICANT OR OTHER ENTITY REQUIRED.—Where the Secretary approves an application providing for the transfer of the eligible project from the public housing agency to another applicant, the public housing agency shall transfer the project to such other applicant, in accordance with the approved homeownership program.

[(b) PREFERENCES.—In selecting eligible families for homeownership, the recipient shall give a first preference to otherwise qualified current tenants and a second preference to otherwise qualified eligible families who have completed participation in an economic self-sufficiency program specified by the Secretary.

[(c) COST LIMITATIONS.—The Secretary may establish cost limitations on eligible activities under this title, subject to the provisions of this title.

[(d) ANNUAL CONTRIBUTIONS.—Notwithstanding the purchase of a public housing project under this section, or the purchase of a unit in a public housing project by an eligible family, the Secretary shall continue to pay annual contributions with respect to the project. Such contributions may not exceed the maximum contributions authorized in section 5(a).

[(e) OPERATING SUBSIDIES.—Operating subsidies under section 9 of this Act shall not be available with respect to a public housing project after the date of its sale by the public housing agency.

[(f) USE OF PROCEEDS FROM SALES TO ELIGIBLE FAMILIES.—The entity that transfers ownership interests in, or shares representing, units to eligible families, or another entity specified in the approved application, shall use the proceeds, if any, from the initial sale for costs of the homeownership program, including operating expenses, improvements to the project, business opportunities for low-income families, supportive services related to the homeownership program, additional homeownership opportunities, and other activities approved by the Secretary.

[(g) RESTRICTIONS ON RESALE BY HOMEOWNERS.—

[(1) IN GENERAL.—

[(A) TRANSFER PERMITTED.—A homeowner under a homeownership program may transfer the homeowner's ownership interest in, or shares representing, the unit, ex-

cept that a homeownership program may establish restrictions on the resale of units under the program.

[(B) RIGHT TO PURCHASE.—Where a resident management corporation, resident council, or cooperative has jurisdiction over the unit, the corporation, council, or cooperative shall have the right to purchase the ownership interest in, or shares representing, the unit from the homeowner for the amount specified in a firm contract between the homeowner and a prospective buyer. If such an entity does not have jurisdiction over the unit or elects not to purchase and if the prospective buyer is not a low-income family, the public housing agency or the implementation grant recipient shall have the right to purchase the ownership interest in, or shares representing, the unit for the same amount.

[(C) PROMISSORY NOTE REQUIRED.—The homeowner shall execute a promissory note equal to the difference between the market value and the purchase price, payable to the public housing agency or other entity designated in the homeownership plan, together with a mortgage securing the obligation of the note.

[(2) 6 YEARS OR LESS.—In the case of a transfer within 6 years of the acquisition under the program, the homeownership program shall provide for appropriate restrictions to assure that an eligible family may not receive any undue profit. The plan shall provide for limiting the family's consideration for its interest in the property to the total of—

[(A) the contribution to equity paid by the family;

[(B) the value, as determined by such means as the Secretary shall determine through regulation, of any improvements installed at the expense of the family during the family's tenure as owner; and

[(C) the appreciated value determined by an inflation allowance at a rate which may be based on a cost-of-living index, an income index, or market index as determined by the Secretary through regulation and agreed to by the purchaser and the entity that transfers ownership interests in, or shares representing, units to eligible families (or another entity specified in the approved application), at the time of initial sale, and applied against the contribution to equity.

Such an entity may, at the time of initial sale, enter into an agreement with the family to set a maximum amount which this appreciation may not exceed.

[(3) 6–20 YEARS.—In the case of a transfer during the period beginning 6 years after the acquisition and ending 20 years after the acquisition, the homeownership program shall provide for the recapture by the Secretary or the program of an amount equal to the amount of the declining balance on the note described in paragraph (1)(C).

[(4) USE OF RECAPTURED FUNDS.—Fifty percent of any portion of the net sales proceeds that may not be retained by the homeowner under the plan approved pursuant to this subsection shall be paid to the entity that transferred ownership

interests in, or shares representing, units to eligible families, or another entity specified in the approved application, for use for improvements to the project, business opportunities for low-income families, supportive services related to the homeownership program, additional homeownership opportunities, and other activities approved by the Secretary. The remaining 50 percent shall be returned to the Secretary for use under this subtitle, subject to limitations contained in appropriations Acts. Such entity shall keep and make available to the Secretary all records necessary to calculate accurately payments due the Secretary under this subsection.

[(h) THIRD PARTY RIGHTS.—The requirements under this title regarding quality standards, resale, or transfer of the ownership interest of a homeowner shall be judicially enforceable against the grant recipient with respect to actions involving rehabilitation, and against purchasers of property under this subsection or their successors in interest with respect to other actions by affected low-income families, resident management corporations, resident councils, public housing agencies, and any agency, corporation, or authority of the United States Government. The parties specified in the preceding sentence shall be entitled to reasonable attorney fees upon prevailing in any such judicial action.

[(i) DOLLAR LIMITATION ON ECONOMIC DEVELOPMENT ACTIVITIES.—Not more than an aggregate of $250,000 from amounts made available under sections 302 and 303 may be used for economic development activities under sections 302(b)(6) and 303(b)(9) for any project.

[(j) TIMELY HOMEOWNERSHIP.—Recipients shall transfer ownership of the property to tenants within a specified period of time that the Secretary determines to be reasonable. During the interim period when the property continues to be operated and managed as rental housing, the recipient shall utilize written tenant selection policies and criteria that are consistent with the public housing program and that are approved by the Secretary as consistent with the purpose of improving housing opportunities for low-income families. The recipient shall promptly notify in writing any rejected applicant of the grounds for any rejection.

[(k) CAPABILITY OF RESIDENT MANAGEMENT CORPORATIONS AND RESIDENT COUNCILS.—To be eligible to receive a grant under section 303, a resident management corporation or resident council shall demonstrate to the Secretary its ability to manage public housing by having done so effectively and efficiently for a period of not less than 3 years or by arranging for management by a qualified management entity.

[(l) RECORDS AND AUDIT OF RECIPIENTS OF ASSISTANCE.—

[(1) IN GENERAL.—Each recipient shall keep such records as may be reasonably necessary to fully disclose the amount and the disposition by such recipient of the proceeds of assistance received under this title (and any proceeds from financing obtained in accordance with subsection (b) or sales under subsections (f) and (g)(4)), the total cost of the homeownership program in connection with which such assistance is given or used, and the amount and nature of that portion of the pro-

gram supplied by other sources, and such other sources as will facilitate an effective audit.

[(2) ACCESS BY THE SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this title.

[(3) ACCESS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall also have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this title.

[SEC. 306. DEFINITIONS.

[For purposes of this title:

[(1) The term "applicant" means the following entities that may represent the tenants of the project:

[(A) A public housing agency (including an Indian housing authority).

[(B) A resident management corporation, established in accordance with requirements of the Secretary under section 20.

[(C) A resident council.

[(D) A cooperative association.

[(E) A public or private nonprofit organization.

[(F) A public body, including an agency or instrumentality thereof.

[(2) The term "eligible family" means—

[(A) a family or individual who is a tenant in the public or Indian housing project on the date the Secretary approves an implementation grant;

[(B) a low-income family; or

[(C) a family or individual who is assisted under a housing program administered by the Secretary or the Secretary of Agriculture (not including any non-low income families assisted under any mortgage insurance program administered by either Secretary).

[(3) The term "homeownership program" means a program for homeownership meeting the requirements under this title.

[(4) The term "recipient" means an applicant approved to receive a grant under this title or such other entity specified in the approved application that will assume the obligations of the recipient under this title.

[(5) The term "resident council" means any incorporated nonprofit organization or association that—

[(A) is representative of the tenants of the housing;

[(B) adopts written procedures providing for the election of officers on a regular basis; and

[(C) has a democratically elected governing board, elected by the tenants of the housing.

[SEC. 307. RELATIONSHIP TO OTHER HOMEOWNERSHIP OPPORTUNITIES.

[The program authorized under this title shall be in addition to any other public housing homeownership and management oppor-

tunities, including opportunities under section 5(h) and title II of this Act.

[SEC. 308. LIMITATION ON SELECTION CRITERIA.

[In establishing criteria for selecting applicants to receive assistance under this title, the Secretary may not establish any selection criterion or criteria that grant or deny such assistance to an applicant (or have the effect of granting or denying assistance) based on the implementation, continuation, or discontinuation of any public policy, regulation, or law of any jurisdiction in which the applicant or project is located.

[SEC. 309. ANNUAL REPORT.

[The Secretary shall annually submit to the Congress a report setting forth—

[(1) the number, type, and cost of public housing units sold pursuant to this title;

[(2) the income, race, gender, children, and other characteristics of families participating (or not participating) in homeownership programs funded under this title;

[(3) the amount and type of financial assistance provided under and in conjunction with this title;

[(4) the amount of financial assistance provided under this title that was needed to ensure continued affordability and meet future maintenance and repair costs; and

[(5) the recommendations of the Secretary for statutory and regulatory improvements to the program.]

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

* * * * * * *

TITLE I—COMMUNITY DEVELOPMENT

* * * * * * *

DEFINITIONS

SEC. 102. (a) As used in this title—

(1) * * *

* * * * * * *

(20)(A) * * *

[(B) The Secretary may establish percentages of median income for any area that are higher or lower than the percentages set forth in subparagraph (A), if the Secretary finds such variations to be necessary because of unusually high or low family incomes in such area.]

(B) The Secretary may—

(i) with respect to any reference in subparagraph (A) to 50 percent of the median income of the area involved, establish percentages of median income for any area that are higher or lower than 50 percent if the Secretary finds such variations to be necessary because of unusually high or low family incomes in such area; and

(ii) with respect to any reference in subparagraph (A) to 80 percent of the median income of the area involved, estab-

lish a percentage of median income for any area that is higher than 80 percent if the Secretary finds such variation to be necessary because of unusually low family incomes in such area.

* * * * * * *

ELIGIBLE ACTIVITIES

SEC. 105. (a) * * *

* * * * * * *

(h) PROHIBITION OF USE OF ASSISTANCE FOR EMPLOYMENT RELOCATION ACTIVITIES.—Notwithstanding any other provision of law, no amount from a grant under section 106 made in fiscal year 1997 or any succeeding fiscal year may be used for any activity (including any infrastructure improvement) that is intended, or is likely, to facilitate the relocation or expansion of any industrial or commercial plant, facility, or operation, from one area to another area, if the relocation or expansion will result in a loss of employment in the area from which the relocation or expansion occurs.

* * * * * * *

TITLE II—ASSISTED HOUSING

* * * * * * *

[LOW-INCOME HOUSING FOR THE ELDERLY OR HANDICAPPED

[SEC. 209. The Secretary shall consult the Secretary of Health and Human Services to insure that special projects for elderly or disabled families authorized pursuant to United States Housing Act of 1937 shall meet acceptable standards of design and shall provide quality services and management consistent with the needs of the occupants. Such projects shall be specifically designed and equipped with such "related facilities" (as defined in section 202(d)(8) of the Housing Act of 1959) as may be necessary to accommodate the special environmental needs of the intended occupants and shall be in support of and supported by the applicable State plans for comprehensive services pursuant to section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or State and area plans pursuant to title III of the Older Americans Act of 1965.]

* * * * * * *

[LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

[SEC. 213. (a)(1) The Secretary of Housing and Urban Development, upon receiving an application for housing assistance under the United States Housing Act of 1937, section 101 of the Housing and Urban Development Act of 1965, or if the unit of general local government in which the proposed assistance is to be provided has an approved housing assistance plan, shall—

[(A) not later than ten days after receipt of the application, notify the chief executive officer of such unit of general local government that such application is under consideration; and

[(B) afford such unit of general local government, the opportunity, during the thirty-day period beginning on the date of such notification, to object to the approval of the application on the grounds that the application is inconsistent with its housing assistance plan.

Upon receiving an application for such housing assistance, the Secretary shall assure that funds made available under this section shall be utilized to the maximum extent practicable to meet the needs and goals identified in the unit of local government's housing assistance plan.

[(2) If the unit of general local government objects to the application on the grounds that it is inconsistent with its housing assistance plan, the Secretary may not approve the application unless he determines that the application is consistent with such housing assistant plan. If the Secretary determines, that such application is consistent with the housing assistance plan, he shall notify the chief executive officer of the unit of general local government of his determination and the reasons therefor in writing. If the Secretary concurs with the objection of the unit of local government, he shall notify the applicant stating the reason therefor in writing.

[(3) If the Secretary does not receive an objection by the close of the period referred to in paragraph (1)(B), he may approve the application unless he finds it inconsistent with the housing assistance plan. If the Secretary determines that an application is inconsistent with a housing assistance plan, he shall notify the applicant stating the reasons therefor in writing.

[(4) The Secretary shall make the determinations referred to in paragraphs (2) and (3) within thirty days after he receives an objection pursuant to paragraph (1)(B) or within thirty days after the close of the period referred to in paragraph (1)(B), whichever is earlier.

[(5) As used in this section, the term "housing assistance plan" means a housing assistance plan submitted and approved under section 104 of this Act or, in the case of a unit of general local government not participating under title I of this Act, a housing plan approved by the Secretary as meeting the requirements of this section. In developing a housing assistance plan under this paragraph a unit of general local government shall consult with local public agencies involved in providing for the welfare of children to determine the housing needs of (A) families identified by the agencies as having a lack of adequate housing that is a primary factor in the imminent placement of a child in foster care or in preventing the discharge of a child from foster care and reunification with his or her family; and (B) children who, upon discharge of the child from foster care, cannot return to their family or extended family and for which adoption is not available. The unit of general local government shall include in the housing assistance plan needs and goals with respect to such families and children.

[(b) The provisions of subsection (a) shall not apply to—

[(1) applications for assistance involving 12 or fewer units in a single project or development;

[(2) applications for assistance with respect to housing in new community developments approved under title IV of the Housing and Urban Development Act of 1968 or title VII of the

Housing and Urban Development Act of 1970 which the Secretary determines are necessary to meet the housing requirements under such title; or

[(3) applications for assistance with respect to housing financed by loans or loan guarantees from a State or agency thereof, except that the provisions of subsection (a) shall apply where the unit of general local government in which the assistance is to be provided objects in its housing assistance plan to the exemption provided by this paragraph.

[(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted. The Secretary shall afford the unit of general local government in which the assistance is to be provided an opportunity, during a 30-day period following receipt of an application by him, to provide comments or information relevant to the determination required to be made by the Secretary under this subsection.

[(d)(1)(A)(i) Except as provided by subparagraph (B), the Secretary shall allocate assistance referred to in subsection (a)(1) the first time it is available for reservation on the basis of a formula that is contained in a regulation prescribed by the Secretary, and that is based on the relative needs of different States, areas, and communities, as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, and other objectively measurable conditions specified in the regulation. The Secretary may allocate assistance under the preceding sentence in such a manner that each State shall receive not less than one-half of one percent of the amount of funds available for each program referred to in subsection (a)(1) in each fiscal year. In allocating assistance under this paragraph for each program of housing assistance under subsection (a)(1), the Secretary shall apply the formula, to the extent practicable, in a manner so that the assistance under the program is allocated according to the particular relative needs under the preceding sentence that are characteristic of and related to the particular type of assistance provided under the program. Assistance under section 202 of the Housing Act of 1959 shall be allocated in a manner that ensures that awards of the assistance under such section are made for projects of sufficient size to accommodate facilities for supportive services appropriate to the needs of frail elderly residents.

[(ii) Assistance under section 8(b)(1) of the United States Housing Act of 1937 shall be allocated in a manner that enables participating jurisdictions to carry out, to the maximum extent practicable, comprehensive housing affordability strategies approved in accordance with section 105 of the Cranston-Gonzalez National Affordable Housing Act. Such jurisdictions shall submit recommendations for allocating assistance under such section 8(b)(1) to the Secretary in accordance with procedures that the Secretary determines to be appropriate to permit allocations of such assistance to be made on the basis of timely and complete information. This clause

may not be construed to prevent, alter, or otherwise affect the application of the formula established pursuant to clause (i) for purposes of allocating such assistance. For purposes of this clause, the term "participating jurisdiction" means a State or unit of general local government designated by the Secretary to be a participating jurisdiction under title II of the Cranston-Gonzalez National Affordable Housing Act. The preceding sentence shall not apply to projects acquired from the Resolution Trust Corporation under section 21A(c) of the Federal Home Loan Bank Act.

[(B) The formula allocation requirements of subparagraph (A) shall not apply to—

[(i) assistance that is approved in appropriation Acts for use under sections 9 or 14, or the rental rehabilitation grant program under section 17, of the United States Housing Act of 1937, except that the Secretary shall comply with section 102 of the Department of Housing and Urban Development Reform Act of 1989 with respect to such assistance; or

[(ii) other assistance referred to in subsection (a) that is approved in appropriation Acts for uses that the Secretary determines are incapable of geographic allocation, including amendments of existing contracts, renewal of assistance contracts, assistance to families that would otherwise lose assistance due to the decision of the project owner to prepay the project mortgage or not to renew the assistance contract, assistance to prevent displacement or to provide replacement housing in connection with the demolition or disposition of public and Indian housing, and assistance in support of the property disposition and loan management functions of the Secretary.

[(C) Any allocation of assistance under subparagraph (A) shall, as determined by the Secretary, be made to the smallest practicable area, consistent with the delivery of assistance through a meaningful competitive process designed to serve areas with greater needs.

[(D) Any amounts allocated to a State or areas or communities within a State that are not likely to be used within a fiscal year shall not be reallocated for use in another State, unless the Secretary determines that other areas or communities (that are eligible for assistance under the program) within the same State cannot use the amounts within that same fiscal year.

[(2) Not later than sixty days after approval in an appropriation Act, the Secretary shall allocate from the amounts available for use in nonmetropolitan areas an amount of authority for assistance under section 8(d) of the United States Housing Act of 1937 determined in consultation with the Secretary of Agriculture for use in connection with section 533 of the Housing Act of 1949 during the fiscal year for which such authority is approved. The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 25 per centum of the total amount of the assistance that is subject to allocation under paragraph (1)(A).

[(3) The Secretary may reserve such housing assistance funds as he deems appropriate for use by a State or agency thereof.

[(4)(A) Notwithstanding any other provision of law, with respect to fiscal years beginning after September 30, 1990, the Secretary

may retain not more than 5 percent of the financial assistance that becomes available under programs described in subsection (a)(1) during any fiscal year. Any such financial assistance that is retained shall be available for subsequent allocation to specific areas and communities, and may only be used for—

[(i) unforeseen housing needs resulting from natural and other disasters;

[(ii) housing needs resulting from emergencies, as certified by the Secretary, other than such disasters;

[(iii) housing needs resulting from the settlement of litigation; and

[(iv) housing in support of desegregation efforts.

[(B) Any amounts retained in any fiscal year under subparagraph (A) that are unexpended at the end of such fiscal year shall remain available for the following fiscal year under the program under subsection (a)(1) from which the amount was retained. Such amounts shall be allocated on the basis of the formula under subsection (d)(1).

[(5)(A) The Secretary shall not reserve or obligate assistance subject to allocation under paragraph (1)(A) to specific recipients, unless the assistance is first allocated on the basis of the formula contained in that paragraph and then is reserved and obligated pursuant to a competition.

[(B) Any competition referred to in subparagraph (A) shall be conducted pursuant to specific criteria; for the selection of recipients of assistance. The criteria shall be contained in—

[(i) a regulation promulgated by the Secretary after notice and public comment; or

[(ii) to the extent authorized by law, a notice published in the Federal Register.

[(C) Subject to the times at which appropriations for assistance subject to paragraph (1)(A) may become available for reservation in any fiscal year, the Secretary shall take such steps as the Secretary deems appropriate to ensure that, to the maximum extent practicable, the process referred to in subparagraph (A) is carried out with similar frequency and at similar times for each fiscal year.

[(D) This paragraph shall not apply to assistance referred to in paragraph (4).

[(e) From budget authority made available in appropriation Acts for fiscal year 1988, the Secretary shall enter into an annual contributions contract for a term of 180 months to obligate sufficient funds to provide assistance payments pursuant to section 8(b)(1) of the United States Housing Act of 1937 on behalf of 500 lower income families from budget authority made available for fiscal year 1988, so long as such families occupy properties in the Park Central New Community Project or in adjacent areas that are recognized by the unit of general local government in which such Project is located as being included within the Park Central New Town In Town Project. If a lower income family receiving assistance payments pursuant to this subsection ceases to qualify for assistance payments pursuant to the provisions of section 8 of such Act or of this subsection during the 180-month term of the annual contributions contract, assistance payments shall be made on be-

half of another lower income family who occupies a unit identified in the previous sentence.]

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CRANSTON-GONZALEZ NATIONAL AFFORDABLE HOUSING ACT

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TITLE I—GENERAL PROVISIONS AND POLICIES

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SEC. 104. DEFINITIONS.

As used in this title and in title II:

(1) * * *

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(10) The term "low-income families" means families whose incomes do not exceed 80 percent of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish [income ceilings higher or lower] *an income ceiling higher* than 80 percent of the median for the area on the basis of the Secretary's findings that such [variations are] *variation is* necessary because of prevailing levels of construction costs or fair market rents, or unusually [high or] low family incomes.

* * * * * * *

TITLE II—INVESTMENT IN AFFORDABLE HOUSING

* * * * * * *

Subtitle A—HOME Investment Partnerships

* * * * * * *

SEC. 214. INCOME TARGETING.

Each participating jurisdiction shall invest funds made available under this subtitle within each fiscal year so that—

(1) with respect to rental assistance and rental units—

(A) not less than 90 percent of (i) the families receiving such rental assistance are families whose incomes do not exceed 60 percent of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, (except that the Secretary may establish [income ceilings higher or lower] *an income ceiling higher* than 60 percent of the median for the area on the basis of the Secretary's findings that such [variations

are] *variation is* necessary because of prevailing levels of construction cost or fair market rent, or unusually [high or] low family income) at the time of occupancy or at the time funds are invested, whichever is later, or (ii) the dwelling units assisted with such funds are occupied by families having such incomes; and

* * * * * * *

SEC. 215. QUALIFICATION AS AFFORDABLE HOUSING.

(a) RENTAL HOUSING.—

(1) QUALIFICATION.—Housing that is for rental shall qualify as affordable housing under this title only if the housing—

(A) bears rents not greater than the lesser of (i) the existing fair market rent for comparable units in the area as established by the Secretary under section 8 of the United States Housing Act of 1937, or (ii) a rent that does not exceed 30 percent of the adjusted income of a family whose income equals 65 percent of the median income for the area, as determined by the Secretary, with adjustment for number of bedrooms in the unit, except that the Secretary may establish [income ceilings higher or lower] *an income ceiling higher* than 65 percent of the median for the area on the basis of the Secretary's findings that such [variations are] *variation is* necessary because of prevailing levels of construction costs or fair market rents, or unusually [high or] low family incomes;

* * * * * * *

TITLE V—HOUSING ASSISTANCE

Subtitle A—Public and Indian Housing

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[SEC. 518. INDIAN PUBLIC HOUSING EARLY CHILDHOOD DEVELOPMENT DEMONSTRATION PROGRAM.

[(a) FUNDING.—To the extent provided in appropriation Acts, of any amounts appropriated under section 5(c) of the United States Housing Act of 1937 for fiscal year 1993 for public housing grants for Indian housing, $5,200,000 may be used to carry out the demonstration program under this section. To the extent provided in appropriation Acts, of any amounts appropriated under section 5(c) of the United States Housing Act of 1937 for fiscal year 1994 for public housing grants for Indian housing, $5,418,400 may be used to carry out the demonstration program under this section. Under the demonstration, the Secretary shall make grants to nonprofit organizations, Indian housing authorities, and Indian tribes to assist such organizations, housing authorities, and tribes in providing early childhood development services in or near low-income housing developed or operated pursuant to a contract between the Secretary of Housing and Urban Development and an Indian housing authority for low-income families who reside in such Indian public housing.

[(b) OPERATION OF DEMONSTRATION.—Except as provided in this section, the Secretary of Housing and Urban Development shall carry out the demonstration program under this section in low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority in the same manner as the demonstration program under section 222 of the Housing and Urban-Rural Recovery Act of 1983 is carried out. For purposes of this section, any reference to "public housing" or a "low income housing project" in section 222 of such Act is deemed to refer to low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[(c) LIMITATIONS.—

[(1) TRIBAL DIVERSITY.—The Secretary of Housing and Urban Development shall provide that the demonstration program under this section is carried out in not more than 1 Indian public housing project for any single Indian tribe.

[(2) GEOGRAPHIC DIVERSITY.—The Secretary of Housing and Urban Development shall carry out the demonstration program under this section through various Indian housing authorities and provide for geographic distribution among such housing authorities.

[(d) REPORT.—

[(1) IN GENERAL.—Not later than the expiration of the 3-year period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall prepare and submit to the Congress a detailed report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program established in this section. Such report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of assisting early childhood development services in or near low-income housing developed or operated pursuant to a contract between the Secretary and an Indian housing authority.

[(2) CONFORMING PROVISION.—Notwithstanding subsection (b) of this section, section 222(e) of the Housing and Urban-Rural Recovery Act of 1983 (regarding submission of a report) shall not apply to this section and the demonstration program carried out under this section.

[SEC. 519. PUBLIC HOUSING RENT WAIVER FOR POLICE OFFICERS.

[(a) AUTHORITY.—Notwithstanding any other provision of law, the Secretary of Housing and Urban Development may permit public housing agencies to allow police officers and other security personnel (who are not otherwise eligible for residence in public housing) to reside in public housing dwelling units in accordance with this section.

[(b) PLAN.—To be eligible to utilize dwelling units as provided under this section, a public housing agency shall submit to the Secretary a plan identifying the projects in which the police officers or security personnel will reside and describing the anticipated benefits from such residence.

[(c) APPROVAL.—The Secretary may approve a plan and authorize the use of dwelling units under this section only if the Secretary determines that such use will—

[(1) increase security for other public housing residents;

[(2) result in a limited loss of income to the public housing agency; and

[(3) not result in a significant reduction of units available for residence by families eligible for such residence under the provisions of the United States Housing Act of 1937.

The Secretary shall notify each public housing agency submitting a plan under subsection (b) of approval or disapproval of the plan not later than 30 days after the Secretary receives the plan.

[(d) TERMS.—Upon approving a plan under subsection (b), the Secretary shall waive the applicability of any occupancy requirements with respect to the officers or other personnel, and may permit the public housing agency submitting the plan to establish such special rent requirements and other terms and conditions of occupancy that the Secretary considers appropriate.

[SEC. 520. PUBLIC AND ASSISTED HOUSING YOUTH SPORTS PROGRAMS.

[(a) PUBLIC HOUSING YOUTH SPORTS PROGRAM GRANTS.—From amounts provided for public and assisted housing drug elimination grants under section 5130(a) of the Anti-Drug Abuse Act of 1988, the Secretary of Housing and Urban Development may make grants to qualified entities under subsection (b) to carry out youth sports programs for residents of projects of public housing agencies with substantial drug problems.

[(b) ENTITIES QUALIFIED TO RECEIVE GRANTS.—Grants under this section may be made only to—

[(1) States;

[(2) units of general local government;

[(3) local park and recreation districts and agencies;

[(4) public housing agencies;

[(5) nonprofit organizations and institutions of higher learning providing youth sports services programs;

[(6) Indian tribes;

[(7) Indian housing authorities; and

[(8) institutions of higher learning that have never participated in a youth sports program assisted under this section.

[(c) USE OF GRANTS.—

[(1) PUBLIC HOUSING SITES WITH SUBSTANTIAL DRUG PROBLEMS.—Grants under this section shall be used for youth sports programs only with respect to public housing sites that the Secretary determines have a substantial problem regarding the use or sale of illegal drugs.

[(2) YOUTH SPORTS PROGRAM ELIGIBILITY.—To be eligible to receive assistance from a grant under this section, a youth sports program shall be designed and organized as follows:

[(A) The sports program shall serve primarily youths from the public housing project in which the program assisted by the grant is operated.

[(B) The sports program shall provide positive sports activities or positive cultural, recreational, or other activities, designed to appeal to youths as alternatives to the drug environment in the public housing project.

[(C) The sports program shall be operated as, in conjunction with, or in furtherance of, an organized program

or plan designed to eliminate drugs and drug-related problems in the public housing project or projects within the public housing agency.

[(3) MIDNIGHT BASKETBALL LEAGUE PROGRAMS.—Notwithstanding any other provision of this subsection and subsection (d), a grant under this section may be used to carry out any youth sports program that meets the requirements of a midnight basketball league program under subsection (l)(4) (not including subparagraph (B) of such subsection) if the program serves primarily youths and young adults from the public housing project in which the program assisted by the grant is operated.

[(d) ELIGIBLE ACTIVITIES.—Any qualified entity that receives a grant under this section may use amounts from the grant to assist in carrying out a youth sports program in any of the following manners:

[(1) Acquisition, construction, or rehabilitation of community centers, parks, or playgrounds.

[(2) Redesigning or modifying public spaces in public housing projects to provide increased utilization of the areas by youth sports programs.

[(3) Provision of public services, including salaries and expenses for staff of youth sports programs, cultural activities, transportation costs, educational programs relating to drug abuse, and sports and recreation equipment.

[(4) In the case only of an eligible entity described in subsection (b)(8), any transportation costs in connection with the program.

[(e) GRANT AMOUNT LIMITATIONS.—

[(1) MATCHING AMOUNT.—The Secretary may not make a grant to any qualified entity that applies for a grant under subsection (f) unless the applicant entity certifies to the Secretary, as the Secretary shall require, that the applicant will supplement the amount provided by the grant with an amount of funds from non-Federal sources equal to or greater than 50 percent of the amount provided by the grant.

[(2) NON-FEDERAL FUNDS.—For purposes of this subsection, the term "funds from non-Federal sources" includes funds from States, units of general local governments, or agencies of such governments, Indian tribes, private contributions, any salary paid to staff to carry out the youth sports program of the recipient, the value of the time and services contributed by volunteers to carry out the program of the recipient at a rate determined by the Secretary, the value of any donated material, equipment, or building, and the value of any lease on a building.

[(3) PROHIBITION OF SUBSTITUTION OF FUNDS.—Neither amounts received from grants under this section nor any State or local government funds used to supplement such amounts may be used to replace other public funds previously used, or designated for use, for the purposes under this Act.

[(4) MAXIMUM ANNUAL GRANT AMOUNT.—For any single fiscal year, the Secretary may not award grants under this section for carrying out a youth sports program with respect to

any single public housing project in an amount exceeding $125,000.

[(f) APPLICATIONS.—To be eligible to receive a grant under this section, a qualified entity under subsection (b) shall submit to the Secretary an application as the Secretary may require, which shall include the following:

[(1) A description of the organization of the youth sports program.

[(2) A description of the nature of services provided by the youth sports program.

[(3) An estimate of the number of youth involved.

[(4) A description of the extent of involvement of local sports organizations or sports figures.

[(5) A description of the facilities used.

[(6) A description of plans to continue the youth sports program in the future.

[(7) A statement regarding the extent to which the youth sports program meets the criteria for selection under subsection (g).

[(8) A description of the planned schedule and activities of the youth sports program and the financial and other resources committed to each activity and service of the program.

[(9) A budget describing the share of the costs of the youth sports program provided by the grant under this section and other sources of funds, including funds required under subsection (e)(1).

[(10) Any other information that the Secretary may require.

[(g) SELECTION CRITERIA.—The Secretary shall select qualified entities that have applied under subsection (f) to receive grants under this section pursuant to a competition based on the following criteria:

[(1) The extent to which the youth sports program to be assisted with the grant addresses the particular needs of the area to be served by the program and employs methods, approaches, or ideas in the design or implementation of the program particularly suited to fulfilling such needs (whether such methods are conventional or unique and innovative).

[(2) The technical merit of the application of the qualified entity.

[(3) The qualifications, capabilities, and experience of the personnel and staff of the sports program who are critical to achieving the objectives of the program as described in the application.

[(4) The capabilities, related experience, facilities, techniques of the applicant for carrying out the youth sports program and achieving the objectives of the program as described in the application and the potential of the applicant for continuing the youth sports program.

[(5) The severity of the drug problem at the local public housing site for the youth sports program and the extent of any planned or actual efforts to rid the site of the problem.

[(6) The extent to which local sports organizations or sports figures are involved.

[(7) The extent of the support of the public housing agency for the program, coordination of proposed activities with local resident management groups or associations (where such groups exist) and coordination of proposed activities with ongoing programs of the applicant that further the purposes of this section.

[(8) The extent of non-Federal contributions that exceed the amount of such funds required under subsection (e)(1).

[(9) In the case of a qualified entity under paragraph (3) or (4) of subsection (b), the extent to which the applicant has demonstrated local government support for the program.

[(h) REPORT.—Each qualified entity that receives a grant under this section shall submit to the Secretary, not later than the expiration of the 90-day period beginning on the date on which the grant amounts provided under this section are fully expended, a report describing the activities carried out with the grant.

[(i) DEFINITIONS.—For purposes of this section:

[(1) INDIAN TRIBE.—The term "Indian tribe" has the meaning given such term in section 102(a)(17) of the Housing and Community Development Act of 1974.

[(2) PUBLIC HOUSING AGENCY.—The term "public housing agency" has the meaning given the term in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

[(3) PUBLIC HOUSING PROJECT.—The terms "project" and "public housing" have the meanings given the terms in section 3(6) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

[(4) QUALIFIED ENTITY.—The term "qualified entity" means an entity eligible under subsection (b) to apply for and receive a grant under this section.

[(5) STATE.—The term "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

[(6) UNIT OF GENERAL LOCAL GOVERNMENT.—The term "unit of general local government" means any city, town, township, county, parish, village, or other general purpose political subdivision of a State.

[(7) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

[(j) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this section.

[(k) AUTHORIZATION OF APPROPRIATIONS.—Section 5129 of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11908), as amended by the preceding provisions of this Act, is further amended by inserting after the first sentence the following new sentence: * * *

[(l) MIDNIGHT BASKETBALL LEAGUE TRAINING AND PARTNERSHIP PROGRAMS.—

[(1) AUTHORITY.—The Secretary shall make grants, to the extent that amounts are approved in appropriations Acts under paragraph (13), to—

[(A) eligible entities to assist such entities in carrying out midnight basketball league programs meeting the requirements of paragraph (4); and

[(B) eligible advisory entities to provide technical assistance to eligible entities in establishing and operating such midnight basketball league programs.

[(2) ELIGIBLE ENTITIES.—

[(A) IN GENERAL.—Subject to subparagraph (B), grants under paragraph (1)(A) may be made only to the following eligible entities:

[(i) Entities eligible under subsection (b) for a grant under subsection (a).

[(ii) Nonprofit organizations providing employment counseling, job training, or other educational services.

[(iii) Nonprofit organizations providing federally assisted low-income housing.

[(B) PROHIBITION ON SECOND GRANTS.—A grant under paragraph (1)(A) may not be made to an eligible entity if the entity has previously received a grant under such paragraph, except that the Secretary may exempt an eligible advisory entity from the prohibition under this subparagraph in extraordinary circumstances.

[(3) USE OF GRANT AMOUNTS.—Any eligible entity that receives a grant under paragraph (1)(A) may use such amounts only—

[(A) to establish or carry out a midnight basketball league program under paragraph (4);

[(B) for salaries for administrators and staff of the program;

[(C) for other administrative costs of the program, except that not more than 5 percent of the grant amount may be used for such administrative costs; and

[(D) for costs of training and assistance provided under paragraph (4)(I).

[(4) PROGRAM REQUIREMENTS.—Each eligible entity receiving a grant under paragraph (1)(A) shall establish a midnight basketball league program as follows:

[(A) The program shall establish a basketball league of not less than 8 teams having 10 players each.

[(B) Not less than 50 percent of the players in the basketball league shall be residents of federally assisted low-income housing or members of low-income families (as such term is defined in section 3(b) of the United States Housing Act of 1937).

[(C) The program shall be designed to serve primarily youths and young adults from a neighborhood or community whose population has not less than 2 of the following characteristics (in comparison with national averages):

[(i) A substantial problem regarding use or sale of illegal drugs.

[(ii) A high incidence of crimes committed by youths or young adults.

[(iii) A high incidence of persons infected with the human immunodeficiency virus or sexually transmitted diseases.

[(iv) A high incidence of pregnancy or a high birth rate, among adolescents.

[(v) A high unemployment rate for youths and young adults.

[(vi) A high rate of high school drop-outs.

[(D) The program shall require each player in the league to attend employment counseling, job training, and other educational classes provided under the program, which shall be held immediately following the conclusion of league basketball games at or near the site of the games and at other specified times.

[(E) The program shall serve only youths and young adults who demonstrate a need for such counseling, training, and education provided by the program, in accordance with criteria for demonstrating need, which shall be established by the Secretary, in consultation with the Advisory Committee.

[(F) The majority of the basketball games of the league shall be held between the hours of 10:00 p.m. and 2:00 a.m. at a location in the neighborhood or community served by the program.

[(G) The program shall obtain sponsors for each team in the basketball league. Sponsors shall be private individuals or businesses in the neighborhood or community served by the program who make financial contributions to the program and participate in or supplement the employment, job training, and educational services provided to the players under the program with additional training or educational opportunities.

[(H) The program shall comply with any criteria established by the Secretary, in consultation with the Advisory Committee established under paragraph (9).

[(I) Administrators or organizers of the program shall receive training and technical assistance provided by eligible advisory entities receiving grants under paragraph (8).

[(5) GRANT AMOUNT LIMITATIONS.—

[(A) PRIVATE CONTRIBUTIONS.—The Secretary may not make a grant under paragraph (1)(A) to an eligible entity that applies for a grant under paragraph (6) unless the applicant entity certifies to the Secretary that the entity will supplement the grant amounts with amounts of funds from non-Federal sources, as follows:

[(i) In each of the first 2 years that amounts from the grant are disbursed (under subparagraph (E)), an amount sufficient to provide not less than 35 percent of the cost of carrying out the midnight basketball league program.

[(ii) In each of the last 3 years that amounts from the grant are disbursed, an amount sufficient to provide not less than 50 percent of the cost of carrying out the midnight basketball league program.

[(B) NON-FEDERAL FUNDS.—For purposes of this paragraph, the term "funds from non-Federal sources" includes amounts from nonprofit organizations, public housing agencies, States, units of general local government, and Indian housing authorities, private contributions, any salary paid to staff (other than from grant amounts under paragraph (1)(A)) to carry out the program of the eligible entity, in-kind contributions to carry out the program (as determined by the Secretary after consultation with the Advisory Committee), the value of any donated material, equipment, or building, the value of any lease on a building, the value of any utilities provided, and the value of any time and services contributed by volunteers to carry out the program of the eligible entity.

[(C) PROHIBITION ON SUBSTITUTION OF FUNDS.—Grant amounts under paragraph (1)(A) and amounts provided by States and units of general local government to supplement grant amounts may not be used to replace other public funds previously used, or designated for use, under this section.

[(D) MAXIMUM AND MINIMUM GRANT AMOUNTS.—

[(i) IN GENERAL.—The Secretary may not make a grant under paragraph (1)(A) to any single eligible entity in an amount less than $55,000 or exceeding $130,000, except as provided in clause (ii).

[(ii) EXCEPTION FOR LARGE LEAGUES.—In the case of a league having more than 80 players, a grant under paragraph (1)(A) may exceed $130,000, but may not exceed the amount equal to 35 percent of the cost of carrying out the midnight basketball league program.

[(E) DISBURSEMENT.—Amounts provided under a grant under paragraph (1)(A) shall be disbursed to the eligible entity receiving the grant over the 5-year period beginning on the date that the entity is selected to receive the grant, as follows:

[(i) In each of the first 2 years of such 5-year period, 23 percent of the total grant amount shall be disbursed to the entity.

[(ii) In each of the last 3 years of such 5-year period, 18 percent of the total grant amount shall be disbursed to the entity.

[(6) APPLICATIONS.—To be eligible to receive a grant under paragraph (1)(A), an eligible entity shall submit to the Secretary an application in the form and manner required by the Secretary (after consultation with the Advisory Committee), which shall include—

[(A) a description of the midnight basketball league program to be carried out by the entity, including a description of the employment counseling, job training, and other educational services to be provided;

[(B) letters of agreement from service providers to provide training and counseling services required under paragraph (4) and a description of such service providers;

[(C) letters of agreement providing for facilities for basketball games and counseling, training, and educational services required under paragraph (4) and a description of the facilities;

[(D) a list of persons and businesses from the community served by the program who have expressed interest in sponsoring, or have made commitments to sponsor, a team in the midnight basketball league; and

[(E) evidence that the neighborhood or community served by the program meets the requirements of paragraph (4)(C).

[(7) SELECTION.—The Secretary, in consultation with the Advisory Committee, shall select eligible entities that have submitted applications under paragraph (6) to receive grants under paragraph (1)(A). The Secretary, in consultation with the Advisory Committee, shall establish criteria for selection of applicants to receive such grants. The criteria shall include a preference for selection of eligible entities carrying out midnight basketball league programs in suburban and rural areas.

[(8) TECHNICAL ASSISTANCE GRANTS.—Technical assistance grants under paragraph (1)(B) shall be made as follows:

[(A) ELIGIBLE ADVISORY ENTITIES.—Technical assistance grants may be made only to entities that—

[(i) are experienced and have expertise in establishing, operating, or administering successful and effective programs for midnight basketball and employment, job training, and educational services similar to the programs under paragraph (4); and

[(ii) have provided technical assistance to other entities regarding establishment and operation of such programs.

[(B) USE.—Amounts received under technical assistance grants shall be used to establish centers for providing technical assistance to entities receiving grants under paragraph (1)(A) of this subsection and subsection (a) regarding establishment, operation, and administration of effective and successful midnight basketball league programs under this subsection and subsection (c)(3).

[(C) NUMBER AND AMOUNT.—To the extent that amounts are provided in appropriations Acts under paragraph (13)(B) in each fiscal year, the Secretary shall make technical assistance grants under paragraph (1)(B). In each fiscal year that such amounts are available the Secretary shall make 4 such grants, as follows:

[(i) 2 grants shall be made to eligible advisory entities for development of midnight basketball league programs in public housing projects.

[(ii) 2 grants shall be made to eligible advisory entities for development of midnight basketball league programs in suburban or rural areas.

[(iii) Each grant shall be in an amount not exceeding $25,000.

[(9) ADVISORY COMMITTEE.—The Secretary of Housing and Urban Development shall appoint an Advisory Committee to

assist the Secretary in providing grants under this subsection. The Advisory Committee shall be composed of not more than 7 members, as follows:

[(A) Not less than 2 individuals who are involved in managing or administering midnight basketball programs that the Secretary determines have been successful and effective. Such individuals may not be involved in a program assisted under this subsection or a member or employee of an eligible advisory entity that receives a technical assistance grant under paragraph (1)(B).

[(B) A representative of the Center for Substance Abuse Prevention of the Public Health Service, Department of Health and Human Services, who is involved in administering the grant program for prevention, treatment, and rehabilitation model projects for high risk youth under section 509A of the Public Health Service Act (42 U.S.C. 290aa–8), who shall be selected by the Secretary of Health and Human Services.

[(C) A representative of the Department of Education, who shall be selected by the Secretary of Education.

[(D) A representative of the Department of Health and Human Services, who shall be selected by the Secretary of Health and Human Services from among officers and employees of such Department involved in issues relating to high-risk youth.

[(10) REPORTS.—The Secretary shall require each eligible entity receiving a grant under paragraph (1)(A) and each eligible advisory entity receiving a grant under paragraph (1)(B) to submit to the Secretary, for each year in which grant amounts are received by the entity, a report describing the activities carried out with such amounts.

[(11) STUDY.—To the extent amounts are provided under appropriation Acts pursuant to paragraph (13)(C), the Secretary shall make a grant to one entity qualified to carry out a study under this paragraph. The entity shall use such grant amounts to carry out a scientific study of the effectiveness of midnight basketball league programs under paragraph (4) of eligible entities receiving grants under paragraph (1)(A). The Secretary shall require such entity to submit a report describing the study and any conclusions and recommendations resulting from the study to the Congress and the Secretary not later than the expiration of the 2-year period beginning on the date that the grant under this paragraph is made.

[(12) DEFINITIONS.—For purposes of this subsection:

[(A) The term "Advisory Committee" means the Advisory Committee established under paragraph (9).

[(B) The term "eligible advisory entity" means an entity meeting the requirements under paragraph (8)(A).

[(C) The term "eligible entity" means an entity described under paragraph (2)(A).

[(D) The term "federally assisted low-income housing" has the meaning given the term in section 5126 of the Public and Assisted Housing Drug Elimination Act of 1990.

[(E) The term "Secretary" unless otherwise specified, means the Secretary of Housing and Urban Development.

[(13) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated—

[(A) for grants under paragraph (1)(A), $2,650,000 in each of fiscal years 1994 and 1995;

[(B) for technical assistance grants under paragraph (1)(B), $100,000 in each of fiscal years 1994 and 1995; and

[(C) for a study grant under paragraph (11), $250,000 in fiscal year 1994.

[SEC. 521. PUBLIC HOUSING ONE-STOP PERINATAL SERVICES DEMONSTRATION.

[(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—

[(1) IN GENERAL.—The Secretary of Housing and Urban Development, in consultation with the Secretary of Health and Human Services, shall carry out a program to demonstrate the effectiveness of providing grants to public housing agencies to assist such agencies in providing facilities for making one-stop perinatal services programs (as defined in subsection (e)(1)) available for pregnant women who reside in public housing. Under the demonstration program, the Secretary shall make grants to not more than 10 public housing agencies.

[(2) CONSULTATION REQUIREMENTS.—In carrying out the demonstration program under this section, the Secretary shall consult with the heads of other appropriate Federal agencies.

[(b) ALLOCATION OF ASSISTANCE.—

[(1) PREFERENCES.—In selecting public housing agencies for grants under this section, the Secretary shall give preference to the following public housing agencies:

[(A) AREAS WITH HIGH INFANT MORTALITY RATES.—Public housing agencies serving areas with high infant mortality rates.

[(B) SECURE FACILITIES.—Public housing agencies that demonstrate, to the satisfaction of the Secretary, that security will be provided so that women are safe when participating in the one-stop perinatal services program carried out at the facilities provided or assisted under this section.

[(2) LIMITATION ON GRANT AMOUNT.—The aggregate amount provided under this section for any public housing project may not exceed $15,000.

[(c) DEMONSTRATION PROGRAM REQUIREMENTS.—

[(1) APPLICATIONS.—Applications for grants under this section shall be made by public housing agencies in accordance with procedures established by the Secretary and shall include a description of the one-stop perinatal services program to be provided in the facilities provided or assisted under this section.

[(2) USE OF GRANTS.—Any public housing agency receiving a grant under this section may use the grant only for the costs of providing facilities and minor renovations of facilities necessary to make one-stop perinatal services programs available to pregnant women who reside in public housing.

[(3) REPORTS TO SECRETARY.—Each public housing agency receiving a grant under this section for any fiscal year shall submit to the Secretary, not later than 3 months after the end of such fiscal year, a report describing the facilities provided by the public housing agency under this section and the one-stop perinatal services program carried out in such facilities. The report shall include data on the size of the facilities, the costs and extent of any renovations, the previous use of the facilities, the number of women assisted by the program, the trimester of the pregnancy of the women at the time of initial assistance, infant birthweight, infant mortality rate, and other relevant information.

[(4) APPLICABLE STANDARDS.—No provision of this section may be construed to authorize the Secretary to establish any health, safety, or other standards with respect to the services provided by the one-stop perinatal services program or facilities provided or assisted with grants received under this section. Such services and facilities shall comply with all applicable State and local laws, regulations, and ordinances, and all requirements established by the Secretary of Health and Human Services for such services and facilities.

[(d) REPORT TO CONGRESS.—Not later than 1 year after the date that amounts to carry out this section are first made available under appropriations Acts, the Secretary shall prepare and submit to the Congress a comprehensive report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program under this section. The report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of providing facilities in public housing for making perinatal services available to pregnant women who reside in the public housing.

[(e) DEFINITIONS.—For purposes of this section:

[(1) ONE-STOP PERINATAL SERVICES PROGRAM.—The term "one-stop perinatal services program" means a program to provide a wide range of services for pregnant and new mothers in a coordinated manner at a drop-in center, which may include any of the following:

[(A) INFORMATION AND EDUCATION.—Information and education for pregnant women regarding perinatal care services, and related services and resources, necessary to decrease infant mortality and disability.

[(B) HEALTH CARE SERVICES.—Basic health care services that can be provided without a physician present.

[(C) REFERRAL.—Basic health screening of pregnant women and referrals for health care services.

[(D) FOLLOWUP.—Followup assessment of women and infants (including measurement of weight) and referrals for health care services and related services and resources.

[(E) SOCIAL WORKER.—Information and assistance regarding Federal and State social services provided by a social worker.

[(F) OTHER.—Any other services to assist pregnant or new mothers.

[(2) PUBLIC HOUSING.—The terms "public housing" and "public housing agency" have the meanings given such terms in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

[(3) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

[(f) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this section.

[(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for carrying out the demonstration program under this section $200,000 for fiscal year 1993 and $208,400 for fiscal year 1994.

[SEC. 522. PUBLIC HOUSING MIXED INCOME NEW COMMUNITIES STRATEGY DEMONSTRATION.

[(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—

[(1) IN GENERAL.—The Secretary of Housing and Urban Development shall carry out a program to demonstrate the effectiveness of promoting the revitalization of troubled urban communities through the provision of public housing in socio-economically mixed settings combined with the innovative use of public housing operating subsidies to stimulate the development of new affordable housing in such communities.

[(2) COMPREHENSIVE SERVICES.—Housing units provided under the demonstration program under this section shall be made available in connection with a comprehensive program of services and incentives under subsections (h) and (i), in order to prepare participating families for successful transition to the private rental housing market and homeownership within a reasonable period of time.

[(b) COORDINATING COMMITTEE.—

[(1) ESTABLISHMENT.—For a public housing agency to be eligible for designation or selection under subsection (d) for participation in the demonstration program, the chief executive officer of each unit of general local government in which the public housing agency is located shall appoint a coordinating committee under this paragraph. The coordinating committee shall participate in developing a plan for implementing the demonstration program, review, monitor, and make recommendations for improvements in activities under the demonstration program, and ensure the coordination and delivery of services under subsection (h).

[(2) MEMBERSHIP.—Each coordinating committee shall be composed of 12 members, who shall include, but may not be limited to, the following individuals:

[(A) A representative of the chief executive officer of the applicable unit of general local government.

[(B) A representative of the applicable public housing agency.

[(C) A representative of the regional administrator of the Department of Housing and Urban Development.

[(D) A representative of a local resident management corporation.

[(E) Not less than 1 individual affiliated with a local agency that administers programs in 1 of the following

areas: health, human services, substance abuse, education, economic and business development, law enforcement, and housing.

[(F) A representative from among local businesses engaged in housing and real estate.

[(G) A representative from among business engaged in real estate financing.

[(3) SOCIAL SERVICE COMMITTEES.—Each coordinating committee established under this subsection shall establish a subcommittee on social services, which shall, before any action is taken under subsection (e)(1) (with respect to the demonstration program as carried out by the applicable public housing agency), identify the specific services that are required to successfully carry out the demonstration program.

[(c) INTERAGENCY COOPERATION.—The Secretary shall coordinate with the appropriate heads of other Federal agencies as necessary to coordinate the implementation of the demonstration program and endeavor to ensure the delivery of supportive services required under subsection (h).

[(d) SCOPE OF DEMONSTRATION PROGRAM.—

[(1) PARTICIPATING PUBLIC HOUSING AGENCIES.—The Secretary shall carry out the demonstration program with respect to public housing for families administered by the Housing Authority of the City of Chicago, in the State of Illinois. The Secretary may also carry out the demonstration program with respect to public housing administered by not more than 3 other public housing agencies.

[(2) PARTICIPATING PUBLIC HOUSING UNITS.—Over the term of the demonstration, the demonstration may be applied to not more than 15 percent of the total number of public housing units for families administered by each participating public housing agency.

[(3) NONDISPLACEMENT.—No person who is a tenant of public housing during the term of the demonstration program may be involuntarily relocated or displaced under the demonstration program.

[(e) HOUSING DEVELOPMENT.—

[(1) USE OF PUBLIC HOUSING OPERATING SUBSIDIES.—For the purpose of providing reasonable and necessary operating costs in connection with the development of additional affordable housing, under the demonstration program the Secretary shall amend the annual contributions contract between the Secretary and each participating public housing agency as the Secretary determines appropriate to permit the public housing agency to utilize operating subsidy amounts allocated to the agency under section 9 of the United States Housing Act of 1937 with respect to newly constructed or rehabilitated housing units that are privately developed and owned. Such units shall be reserved for use under the demonstration program for occupancy by very low-income families as provided under this subsection and subsection (g).

[(2) LEASE TERMS.—Operating subsidy amounts shall be provided for the operation of housing under paragraph (1) pursu-

ant to a lease contract between the owner of the housing and the public housing agency, which shall specify—

[(A) the number of units to be leased exclusively to the public housing agency for the term of the demonstration program, subject only to the availability of amounts under paragraph (1) or other funds for such purposes; and

[(B) the requirements under subsection (f)(6).

[(3) TRANSFER OF AMOUNTS.—Operating subsidy amounts may be provided for a unit of housing under paragraph (1) only after the execution of a lease under subsection (f)(5) for 1 corresponding public housing unit.

[(4) RENTAL TERMS.—Units leased by a participating public housing agency under this subsection shall be available only to very low-income families that reside, or have been offered a unit, in public housing administered by the public housing agency and that enter into a voluntary contract under subsection (g)(1). The rental charge for each unit shall be the amount equal to 30 percent of the adjusted income of the resident family (as determined under section 3(b) of the United States Housing Act of 1937), except that the rental charge may not exceed a ceiling rent determined by the public housing agency in the manner that monthly rent is determined under section 3(a)(2)(A) of such Act.

[(5) INCOME MIX.—Not more than 25 percent of the units in each privately developed housing project under the demonstration program may be leased by a public housing agency pursuant to a lease contract under paragraph (2). The number of units under each such lease may not be less than the number of public housing units that, notwithstanding the demonstration program, would have been assisted with the operating subsidy amounts made available under such contract, to ensure that there shall be no loss of public housing units.

[(6) COORDINATION WITH OTHER ENTITIES FOR DEVELOPMENT OF HOUSING.—A participating public housing agency may seek the cooperation and receive assistance from State, county, and local governments and the private sector to develop housing for use under this subsection. Such assistance may include, but is not limited to—

[(A) donations of land and write-downs and discounts on land by local governments;

[(B) abatement of real estate taxes for specified periods by local, county, or State governments;

[(C) assignment of community development block grant funds and loan guarantees made available under title I of the Housing and Community Development Act of 1974;

[(D) low interest rate financing through Federal Home Loan Bank programs, State or Federal programs, and private lenders;

[(E) low-income housing tax credits from State and local governments; and

[(F) mortgage revenue bonds from State or local governments.

[(7) DETERMINATION OF LOCATION AND NUMBER OF UNITS.—

[(A) IN GENERAL.—A participating public housing agency and the applicable unit of general local government shall jointly determine the location of any newly constructed or rehabilitated housing to be utilized under the demonstration program carried out by the public housing agency and the number of units to be developed annually, with approval of the legislative body of the local government.

[(B) LIMITATION ON NUMBER OF UNITS.—The total number of newly constructed or rehabilitated units that may be used under this subsection in the demonstration program may not exceed—

[(i) for any participating public housing agency with not more than 5,000 public housing units, 15 percent of the number of units administered by the agency;

[(ii) for any participating agency with more than 5,000 but not more than 25,000 units, 10 percent of the number of units administered by the agency; and

[(iii) for any participating agency with more than 25,000 units, 4 percent of the number of units administered by the agency.

[(f) EXISTING PUBLIC HOUSING.—

[(1) IN GENERAL.—To facilitate the establishment of socioeconomically mixed communities within existing public housing developments, under the demonstration program the Secretary shall authorize participating public housing agencies to lease units in existing public housing projects, as provided in this subsection, to low-income families who are not very low-income families, notwithstanding the provisions of section 16(b) of the United States Housing Act of 1937.

[(2) LIMITATIONS ON PUBLIC HOUSING RESIDENTS.—

[(A) IN GENERAL.—Except as provided in subparagraph (B), not more than 25 percent of the units in each public housing project in which units are utilized under the demonstration program may be occupied by low-income families who are not very low-income families. Not less than 75 percent of the units in each such public housing project shall be occupied by very low-income families.

[(B) EXCEPTION.—Upon determining that a public housing agency has a special need, the Secretary may provide for not more than 50 percent of the units in a public housing project utilized under the demonstration program to be occupied by low-income families who are not very low-income families, and the remainder of the units to be occupied by very low-income families. Such special need may include the need to ensure the successful revitalization of troubled public housing through establishing a socioeconomically mixed resident population.

[(3) NUMBER OF UNITS.—The number of such units made available under this subsection by a public housing agency may not exceed the number of units provided under subsection (e) to participating families.

[(4) RENTAL TERMS.—The rent charged any family occupying a unit made available under this subsection may not, at any time during the demonstration period, exceed the ceiling rent

level determined by the public housing agency in the manner that monthly rent is determined under section 3(a)(2)(A) of the United States Housing Act of 1937.

[(5) LEASE.—A participating public housing agency shall enter into a lease with each family occupying a public housing unit made available under this subsection. The term of each lease shall be 1 year. Each lease shall be renewable upon expiration for a period not to exceed 7 years. A public housing agency may extend the period as provided under subsection (j)(1).

[(6) VACANCY.—If, at any time, a participating public housing agency is unable to rent a unit made available under this subsection and the unit has been vacant for a period of 6 months, the agency may—

[(A) cancel a lease for 1 unit of housing provided under subsection (e) and recapture any operating subsidy amounts associated with the unit for use with respect to the vacant public housing unit, upon which such public housing unit shall be removed from participation in the demonstration program and made generally available for occupancy as provided under the United States Housing Act of 1937; and

[(B) provide the family residing in the housing unit provided under subsection (e) (from which operating subsidy amounts have been recaptured) with assistance under section 8(b) of such Act, subject to the availability of such assistance pursuant to appropriations Acts and notwithstanding any preferences for such assistance under section 8(d)(1)(A)(i) of such Act, and permit the family to remain in the unit.

[(g) CONTRACTS WITH PARTICIPATING FAMILIES.—

[(1) IN GENERAL.—Under the demonstration program, a participating public housing agency shall enter into a contract with each family that will reside in a unit of privately developed housing leased to the agency under subsection (e). Such family shall voluntarily enter into the contract and shall meet the criteria established under paragraph (2). The contract shall be made part of the lease executed between the family and the public housing agency for such unit, shall set forth the provisions of the demonstration program, and shall specify the resources to be made available to the participating family and the responsibilities of the participating family under the program. The lease shall be for a term of 1 year and shall be renewable upon expiration for a period not to exceed 7 years, except as provided under subsection (j)(1).

[(2) ESTABLISHMENT OF CRITERIA.—Each public housing agency shall establish criteria for participation of families in the demonstration program. The criteria shall be based on factors that may

[SEC. 523. ENERGY EFFICIENCY DEMONSTRATION.

[(a) ESTABLISHMENT.—The Secretary of Housing and Urban Development shall carry out a demonstration program to encourage the use of private energy service companies in accordance with section 118(a) of the Housing and Community Development Act of

1987. The Secretary shall provide technical assistance to 5 public housing agencies to demonstrate the opportunities for energy cost reduction in 5 public housing projects through energy services contracts. Not later than 90 days after the date of the enactment of this Act, the Secretary shall establish such selection criteria for this demonstration as the Secretary deems appropriate after consultation with representatives of public housing agencies and energy efficiency organizations.

[(b) REPORT.—As soon as practicable after the expiration of the 1-year period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall submit to the Congress a report setting forth the findings and recommendations of the Secretary as a result of the demonstration under this section. The Secretary shall disseminate such report, to the extent practicable, to other public housing agencies.]

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Subtitle B—Low-Income Rental Assistance

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SEC. 550. REVISIONS TO VOUCHER PROGRAM

(a) * * *

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[(b) DOCUMENTATION OF EXCESSIVE RENT BURDENS.—

[(1) DATA.—The Secretary of Housing and Urban Development shall collect and maintain, in an automated system, data describing the characteristics of families assisted under the certificate and voucher programs established under section 8 of the United States Housing Act of 1937, which data shall include the share of family income paid toward rent.

[(2) REPORT.—Not less than annually, the Secretary shall submit a report to the Congress setting forth, for each of the certificate program and the voucher program, the percentage of families participating in the program who are paying for rent more than the amount determined under section 3(a)(1) of such Act. The report shall set forth data in appropriate categories, such as various areas of the country, types and sizes of public housing agencies, types of families, and types of markets. The data shall identify the jurisdictions in which more than 10 percent of the families assisted under section 8 of such Act pay for rent more than the amount determined under section 3(a)(1) of such Act and the report shall include an examination of whether the fair market rent for such areas is appropriate. The report shall also include any recommendations of the Secretary for legislative and administrative actions appropriate as a result of analysis of the data.

[(3) AVAILABILITY OF DATA.—The Secretary shall make available to each public housing agency administering assistance under the certificate or voucher program any data maintained

under this subsection that relates to the public housing agency.]

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HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1987

TITLE I—HOUSING ASSISTANCE

Subtitle A—Programs Under United States Housing Act of 1937

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PART 2—PUBLIC HOUSING

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[SEC. 126. PUBLIC HOUSING COMPREHENSIVE TRANSITION DEMONSTRATION.

[(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—The Secretary of Housing and Urban Development (in this section referred to as the "Secretary") shall carry out a program to demonstrate the effectiveness of providing a comprehensive program of services to participating public housing residents in order to ensure the successful transition of such residents to private housing. In carrying out the demonstration program, the Secretary shall consult with the heads of other appropriate Federal agencies to design and implement procedures to carry out the transition from public housing.

[(b) SCOPE OF DEMONSTRATION PROGRAM.—The Secretary shall carry out the demonstration program with respect to public housing administered by the Housing Authority of the City of Charlotte, in the State of North Carolina. The Secretary may also carry out the demonstration program with respect to public housing administered by not more than 10 additional public housing agencies.

[(c) REQUIREMENTS OF DEMONSTRATION PROGRAM.—The demonstration program shall consist of the following requirements:

[(1) CONTRACT OF PARTICIPATION.—Each participating public housing agency may enter into a voluntary contract with any family that is to commence residence in a public housing project administered by the public housing agency. The contract shall be made part of the lease, shall set forth the provisions of the demonstration program, and shall specify the resources to be made available to the participating family and the responsibilities of the participating family.

[(2) REMEDIATION PHASE.—

[(A) During not to exceed the first 2 years of residence of a participating family in public housing, the public housing agency shall ensure the provisions of remediation services to the family in accordance with the terms and conditions of the contract of participation, which may include—

[(i) remedial education;

[(ii) completion of high school;

[(iii) job training and preparation;

[(iv) substance abuse treatment and counseling;

[(v) training in homemaking skills and parenting; and

[(vi) training in money management.

[(B) During the remediation phase, the amount of rent charged the family may not be increased on the basis of any increase in earned income of the family.

[(3) TRANSITION PHASE.—

[(A) During not to exceed a 5-year period following completion of the remediation stage—

[(i) the head of the family shall be required to have full-time employment; and

[(ii) the public housing agency shall ensure the provision of counseling for the family with respect to homeownership, money management, and problem solving.

[(B) During the transition phase, the amount of rent charged the family—

[(i) may be increased on the basis of any increase in family income; and

[(ii) may not be decreased on the basis of any decrease in earned income due to voluntary termination of employment.

[(4) ENCOURAGEMENT OF SAVINGS.—The public housing agency shall take appropriate actions (including the establishment of an escrow savings account) to encourage each participating family to save funds during the remediation and transition phases.

[(5) EFFECT OF INCREASES IN FAMILY INCOME.—

[(A) Any increase in the earned income of a family during participation in the demonstration program under this section may not be considered as income or a resource for the purpose of denying the eligibility of, or reducing the amount of benefits payable to, the family under any other Federal law, unless the income of the family increases at any time to not less than 50 percent of the median income of the area (as determined by the Secretary with adjustments for small and larger families).

[(B) If at any time during the participation of a family in the demonstration program the income of the family increases to not less than 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families), the participation of the family in the demonstration program shall terminate.

[(6) COMPLETION OF TRANSITION.—Each family participating in the demonstration program shall be required to complete the transition out of public housing during a period of not more than 7 years. The public housing agency shall extend the period for any family that requests an extension for good cause.

[(d) REPORTS TO CONGRESS—

[(1) INTERIM REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit to the

Congress an interim report evaluating the effectiveness of the demonstration program under this section.

[(2) FINAL REPORT.—Not later than 60 days after the termination of the demonstration program under subsection (f), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program under this section.

[(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out this section.

[(f) TERMINATION OF DEMONSTRATION PROGRAM.—The demonstration program under this section shall terminate upon the expiration of the 7-year period beginning on the date of the enactment of this Act.]

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Subtitle C—Multifamily Housing Management and Preservation

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SEC. 183. TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS.

(a) * * *

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[(c) NONDISCRIMINATION AGAINST SECTION 8 CERTIFICATE HOLDERS AND VOUCHER HOLDERS.—No owner of a subsidized project (as defined in section 203(i)(2) of the Housing and Community Development Amendments of 1978, as amended by section 181(h) of this Act) shall refuse—

[(1) to lease any available dwelling unit in any such project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under section 8 of the United States Housing Act of 1937, to a holder of a certificate of eligibility under such section, a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

[(2) to lease any available dwelling unit in any such project of such owner to a holder of a voucher under section 8(o) of such Act, and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.]

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HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1992

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TITLE I—HOUSING ASSISTANCE

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Subtitle B—Public and Indian Housing

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[SEC. 132. HOMEOWNERSHIP DEMONSTRATION PROGRAM IN OMAHA, NEBRASKA.

[(a) ESTABLISHMENT.—The Secretary shall carry out a program to facilitate self-sufficiency and homeownership of single-family homes administered by the Housing Authority of the city of Omaha, in the State of Nebraska (in this section referred to as the "Housing Authority"), to demonstrate the effectiveness of promoting homeownership and providing support services.

[(b) PARTICIPATING PUBLIC HOUSING UNITS.—For purposes of the demonstration program, the Secretary shall authorize the Housing Authority to designate single-family housing units for eventual homeownership. Over the term of the demonstration, the demonstration program may be applied to not more than 20 percent of the total number of public housing units administered by the Housing Authority. In conducting the demonstration, the Housing Authority shall affirmatively further fair housing objectives.

[(c) NONDISPLACEMENT.—No person who is a tenant of public housing may be involuntarily relocated or displaced as a result of the demonstration program.

[(d) ECONOMIC SELF-SUFFICIENCY.—

[(1) ESTABLISHMENT OF PARTICIPATION CRITERIA.—The Housing Authority shall establish criteria for the participation of families in the demonstration program. Such criteria shall be based on factors that may reasonably be expected to predict a family's ability to succeed in the homeownership program established by this section.

[(2) CONTENTS OF PARTICIPATION CRITERIA.—The criteria referred to in paragraph (1) shall include evidence of interest by the family in homeownership, the employment status and history of employment of family members, and maintenance by the family of the family's previous dwelling.

[(e) PROVISION OF SUPPORTIVE SERVICES.—The Housing Authority shall ensure the availability of supportive services to each family participating in the demonstration program through its own resources and through coordination with Federal, State, and local agencies and private entities. Supportive services available under the demonstration program may include counseling, remedial education, education for completion of high school, job training and preparation, financial counseling emphasizing planning for homeownership, and any other appropriate services.

[(f) REPORTS TO CONGRESS.—

[(1) BIENNIAL REPORT.—Upon the expiration of the 2-year period beginning on the date of enactment of this Act, and each 2-year period thereafter, the Secretary of Housing and Urban Development shall submit to the Congress a report evaluating the effectiveness of the demonstration program established under this section.

[(2) FINAL REPORT.—Not later than 60 days after termination of the demonstration program pursuant to subsection

(h), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program.

[(g) REGULATIONS.—Not later than the expiration of the 90-day period beginning on the date of the enactment of this Act [1], the Secretary shall issue interim regulations to carry out this section, which shall take effect upon issuance. The Secretary shall issue final regulations to carry out this subtitle after notice and opportunity for public comment regarding the interim regulations, pursuant to the provisions of section 553 of title 5, United States Code (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section). The duration of the period for public comment shall not be less than 60 days, and the final regulations shall be issued not later than the expiration of the 60-day period beginning upon the conclusion of the comment period and shall take effect upon issuance.

[(h) TERMINATION.—The demonstration program established under this section shall terminate 10 years after the date of the enactment of this Act.]

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Subtitle C—Section 8 Assistance

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[SEC. 152. MOVING TO OPPORTUNITY FOR FAIR HOUSING.

[(a) AUTHORITY.—Using any amounts available under subsection (e), the Secretary of Housing and Urban Development shall carry out a demonstration program to provide tenant-based assistance under section 8 of the United States Housing Act of 1937 to assist very low-income families with children who reside in public housing or housing receiving project-based assistance under section 8 of the United States Housing Act of 1937 to move out of areas with high concentrations of persons living in poverty to areas with low concentrations of such persons. The demonstration program carried out under this section shall compare and contrast the costs associated with implementing such a program (including the costs of counseling, supportive services, housing assistance payments and other relevant program elements) with the costs associated with the routine implementation of the section 8 tenant-based rental assistance programs. The Secretary shall enter into annual contributions contracts with public housing agencies to administer housing assistance payments contracts under the demonstration.

[(b) ELIGIBLE CITIES.—

[(1) IN GENERAL.—The Secretary shall carry out the demonstration only in cities with populations exceeding 350,000 that are located in consolidated metropolitan statistical areas (as designated by the Director of the Office of Management and Budget) having populations exceeding 1,500,000.

[(2) 1993.—Notwithstanding paragraph (1), in fiscal year 1993, only the 5 cities selected for the demonstration under the item relating to "HOUSING PROGRAMS—ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING (INCLUDING RESCISSION OF FUNDS)" of title II of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropria-

tions Act, 1992 (105 Stat. 745), and the City of Los Angeles, California, shall be eligible for the demonstration under this section.

[(c) SERVICES.—The Secretary shall enter into contracts with nonprofit organizations to provide counseling and services in connection with the demonstration.

[(d) REPORTS.—

[(1) BIENNIAL.—Not later than the expiration of the 2-year period beginning on the date of the enactment of this Act (and biennially thereafter), the Secretary shall submit interim reports to the Congress evaluating the effectiveness of the demonstration program under this section. The interim reports shall include a statement of the number of persons served, the level of counseling and the types of services provided, the cost of providing such counseling and services, updates on the employment record of families assisted under the program, and any other information the Secretary considers appropriate in evaluating the demonstration.

[(2) FINAL.—Not later than September 30, 2004, the Secretary shall submit a final report to the Congress describing the long-term housing, employment, and educational achievements of the families assisted under the demonstration program. Such report shall also contain an assessment of such achievements for a comparable population of section 8 recipients who have not received assistance under the demonstration program.

[(e) FUNDING.—The budget authority available under section 5(c) of the United States Housing Act of 1937 for tenant-based assistance under section 8 of such Act is authorized to be increased by $50,000,000, on or after October 1, 1992, and by $165,000,000, on or after October 1, 1993, to carry out the demonstration under this section. Any amounts made available under this paragraph shall be used in connection with the demonstration under this section.

[(f) IMPLEMENTATION.—The Secretary may, by notice published in the Federal Register, establish any requirements necessary to carry out the demonstration under this section and the amendment made by this section. The Secretary shall publish such notice not later than the expiration of the 90-day period beginning on the date of the enactment of this Act and shall submit a copy of such notice to the Congress not less than 15 days before publication.

[SEC. 153. DIRECTIVE TO FURTHER FAIR HOUSING OBJECTIVES UNDER CERTIFICATE AND VOUCHER PROGRAMS.

[Not later than 2 years after the date of the enactment of this Act, the Secretary of Housing and Urban Development, in consultation with individuals representing fair housing organizations, low-income tenants, public housing agencies, and other interested parties, shall—

[(1) review and comment upon the study prepared by the Comptroller General of the United States pursuant to section 558(3) of the Cranston-Gonzalez National Affordable Housing Act;

[(2) evaluate the implementation and effects of existing demonstration and judicially mandated programs that help minority families receiving section 8 certificates and vouchers move

out of areas with high concentrations of minority persons living in poverty to areas with low concentrations, including how such programs differ from the routine implementation of the section 8 certificate and voucher programs;

[(3) independently assess factors (including the adequacy of section 8 fair market rentals, the level of counseling provided by public housing agencies, the existence of racial and ethnic discrimination by landlords) that may impede the geographic dispersion of families receiving section 8 certificates and vouchers;

[(4) identify and implement any administrative revisions that would enhance geographic dispersion and tenant choice and incorporate the positive elements of various demonstration and judicially mandated mobility programs; and

[(5) submit to the Congress a report describing its findings under paragraphs (1), (2), and (3), the actions taken under paragraph (4), and any recommendations for additional demonstration, research, or legislative action.]

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SECTION 816 OF THE HOUSING ACT OF 1954

[AUDITS UNDER PUBLIC HOUSING ACT OF 1937; COMPTROLLER GENERAL

[SEC. 816. Every contract for loans or annual contributions under the United States Housing Act of 1937, as amended, shall provide that the Secretary of Housing and Urban Development and the Comptroller General of the United States, or any of their duly authorized representatives, shall, for the purpose of audit and examination, have access to any books, documents, papers, and records of the public housing agency entering into such contract that are pertinent to its operations with respect to financial assistance under the United States Housing Act of 1937, as amended.]

SECTION 302 OF THE NATIONAL HOUSING ACT

CREATION OF ASSOCIATION

SEC. 302. (a) * * *

(b)(1) * * *

(2) For the purposes set forth in section 301(a), the corporation is authorized, pursuant to commitments or otherwise, to purchase, service, sell, lend on the security of, or otherwise deal in mortgages which are not insured or guaranteed as provided in paragraph (1) (such mortgages referred to hereinafter as "conventional mortgages"). No such purchase of a conventional mortgage secured by a property comprising one- to four-family dwelling units shall be made if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the corporation may re-

quire, the seller agrees to repurchase or replace the mortgage upon demand of the corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in excess of such 80 per centum is guaranteed or insured by a qualified insurer as determined by the corporation. The corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The corporation may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the National Credit Union Administration, or any other seller currently engaged in mortgage lending or investing activities. For the purpose of this section, the term "conventional mortgages" shall include a mortgage, lien, or other security interest on the stock or membership certificate issued to a tenant-stockholder or resident-member of a cooperative housing corporation, as defined in section 216 of the Internal Revenue Code of 1954, and on the proprietary lease, occupancy agreement, or right of tenancy in the dwelling unit of the tenant-stockholder or resident-member in such cooperative housing corporation. The corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages that are purchased by it; in any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of the mortgage and not merely with respect to the interest purchased by the corporation. Such limitations shall not exceed $93,750 for a mortgage secured by a single-family residence, $120,000 for a mortgage secured by a two-family residence, $145,000 for a mortgage secured by a three-family residence, and $180,000 for a mortgage secured by a four-family residence, except that such maximum limitations shall be adjusted effective January 1 of each year beginning with 1981. Each such adjustment shall be made by adding to each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase during the twelve-month period ending with the previous October in the national average one-family house price in the monthly survey of all major lenders conducted by the Federal Housing Finance Board. [With respect to mortgages secured by property comprising five or more family dwelling units, such limitations shall not exceed 125 per centum of the dollar amounts set forth in section 207(c)(3) of this Act, except that such limitations may be increased by the corporation (taking into account construction costs) to not to exceed 240 per centum of such dollar amounts in any geographical area for which the Secretary of Housing and Urban Development determines under such section that cost levels require any increase in the dollar amount limitations under such section.] The foregoing limitations may be increased by not to exceed 50 per centum with respect to properties located in Alaska, Guam, Hawaii, and the Virgin Islands.

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SECTION 305 OF THE EMERGENCY HOME FINANCE ACT OF 1979

MORTGAGE OPERATIONS

SEC. 305. (a)(1) * * *

(2) No conventional mortgages secured by a property comprising one- to four-family dwelling units shall be purchased under this section if the outstanding principal balance of the mortgage at the time of purchase exceeds 80 per centum of the value of the property securing the mortgage, unless (A) the seller retains a participation of not less than 10 per centum in the mortgage; (B) for such period and under such circumstances as the Corporation may require, the seller agrees to repurchase or replace the mortgage upon demand of the Corporation in the event that the mortgage is in default; or (C) that portion of the unpaid principal balance of the mortgage which is in excess of such 80 per centum is guaranteed or insured by a qualified insurer as determined by the Corporation. The Corporation shall not issue a commitment to purchase a conventional mortgage prior to the date the mortgage is originated, if such mortgage is eligible for purchase under the preceding sentence only by reason of compliance with the requirements of clause (A) of such sentence. The Corporation may purchase a conventional mortgage which was originated more than one year prior to the purchase date only if the seller is the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the National Credit Union Administration, or any other seller currently engaged in mortgage lending or investing activities. With respect to any transaction in which a seller contemporaneously sells mortgages originated more than one year old prior to the date of sale to the Corporation and receives in payment for such mortgages securities representing undivided interests only in those mortgages, the Corporation shall not impose any fee or charge upon an eligible seller which is not a member of a Federal Home Loan Bank which differs from that imposed upon an eligible seller which is such a member. The Corporation shall establish limitations governing the maximum original principal obligation of conventional mortgages that are purchased by it; in any case in which the Corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total original principal obligation of the mortgage and not merely with respect to the interest purchased by the Corporation. Such limitations shall not exceed $93,750 for a mortgage secured by a single-family residence, $120,000 for a mortgage secured by a two-family residence, and $180,000 for a mortgage secured by a three-family residence, and $180,000 for a mortgage secured by a four-family residence, except that such maximum limitations shall be adjusted effective January 1 of each year beginning with 1981. Each such adjustment shall be made by adding to each such amount (as it may have been previously adjusted) a percentage thereof equal to the percentage increase during the twelve-month period ending with the previous October in the national average one-family house price in the monthly survey of all major lenders conducted by the Federal Housing Finance Board. [With respect to mortgages secured by property comprising five or more family dwelling units, such limita-

tions shall not exceed 125 per centum of the dollar amounts set forth in section 207(c)(3) of the National Housing Act, except that such limitations may be increased by the Corporation (taking into account construction costs) to not to exceed 240 per centum of such dollar amounts in any geographical area for which the Secretary of Housing and Urban Development determines under such section that cost levels require any increase in the dollar amount limitations under such section.] The foregoing limitations may be increased by not to exceed 50 per centum with respect to properties located in Alaska, Guam, Hawaii, and the Virgin Islands.

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HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1981

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TITLE III—BANKING, HOUSING, AND RELATED PROGRAMS

Subtitle A—Housing and Community Development

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PART 2—HOUSING ASSISTANCE PROGRAMS

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MISCELLANEOUS HOUSING ASSISTANCE PROVISIONS

SEC. 326. (a) * * *

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[(b)(1) Within one year after the date of enactment of this Act, the Secretary of Housing and Urban Development shall conduct a survey to determine the number of projects which are assisted under section 8 of the United States Housing Act of 1937 and are owned by developers or sponsors with five-year annual contributions contracts who plan to withdraw from the section 8 program when their contracts expire and who will increase rents in those projects to levels that the current residents of those projects will not be able to afford. Where such survey indicates that an owner intends to withdraw from the program, the Secretary shall notify affected residents of possible rent increases.]

* * * * * * *

[(c) The Secretary of Housing and Urban Development, after consultation with the Attorney General, shall develop regulations to prevent possible conflicts of interest on the part of Federal, State, and local government officials with regard to participation in projects assisted under section 8 of the United States Housing Act

of 1937, and shall make such regulations effective not later than 180 days after the date of enactment of this Act.

[(d) RENTAL ASSISTANCE FRAUD RECOVERIES.—

[(1) AUTHORITY TO RETAIN RECOVERED AMOUNTS.—The Secretary of Housing and Urban Development shall permit public housing agencies administering the housing assistance payments program under section 8 of the United States Housing Act of 1937 to retain, out of amounts obtained by the agencies from tenants that are due as a result of fraud and abuse, an amount (determined in accordance with regulations issued by the Secretary) equal to the greater of—

[(A) 50 percent of the amount actually collected, or

[(B) the actual, reasonable, and necessary expenses related to the collection, including costs of investigation, legal fees, and collection agency fees.

[(2) USE.—Amounts retained by an agency shall be made available for use in support of the affected program or project, in accordance with regulations issued by the Secretary. Where the Secretary is the principal party initiating or sustaining an action to recover amounts from families or owners, the provisions of this section shall not apply.

[(3) RECOVERY.—Amounts may be recovered under this paragraph—

[(A) by an agency through a lawsuit (including settlement of the lawsuit) brought by the agency or through court-ordered restitution pursuant to a criminal proceeding resulting from an agency's investigation where the agency seeks prosecution of a family or where an agency seeks prosecution of an owner; or

[(B) through administrative repayment agreements with a family or owner entered into as a result of an administrative grievance procedure conducted by an impartial decisionmaker in accordance with section 6(k) of the United States Housing Act of 1937.]

* * * * * * *

[SEC. 329A. The Secretary of Housing and Urban Development shall develop and implement a revised fee schedule for development managers of lower income housing projects assisted under the United States Housing Act of 1937 so that the percentage limitation applicable to fees chargeable in connection with smaller projects is increased to a minimum level which is practicable.]

* * * * * * *

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1991

* * * * * * *

TITLE II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

* * * * * * *

MANAGEMENT AND ADMINISTRATION

* * * * * * *

ADMINISTRATIVE PROVISIONS

* * * * * * *

[Notwithstanding any other provision of law, regulation or other requirement, the Secretary shall not require any public housing agency or Indian housing authority to seek competitive bids for the procurement of any line of insurance when such public housing agency or Indian housing authority purchases such line of insurance from a nonprofit insurance entity, owned and controlled by public housing agencies or Indian housing authorities, and approved by the Secretary. In establishing standards for approval of such nonprofit insurance entities, the Secretary shall be assured that such entities have sufficient surplus capital to meet reasonably expected losses, reliable accounting systems, sound actuarial projections, and employees experienced in the insurance industry. The Secretary shall not place restrictions on the investment of funds of any such entity that is regulated by the insurance department of any State that describes the types of investments insurance companies licensed in such State may make. With regard to such entities that are not so regulated, the Secretary may establish investment guidelines that are comparable to State law regulating the investments of insurance companies.]

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HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983

* * * * * * *

TITLE II—HOUSING ASSISTANCE PROGRAMS

* * * * * * *

[PUBLIC HOUSING EARLY CHILDHOOD DEVELOPMENT PROGRAM

[SEC. 222. (a) PROGRAM AUTHORITY.—

[(1) The Secretary of Housing and Urban Development shall, to the extent approved in appropriation Acts, carry out a demonstration program of making grants to nonprofit organizations to assist such organizations in providing early childhood development services in or near lower income housing projects for lower income families who reside in public housing.

[(2) The Secretary shall design the program described in paragraph (1) to determine the extent to which the availability of early childhood development services in or near lower in-

come housing projects facilitates the employability of the parents or guardians of children residing in public housing.

[(b) ELIGIBILITY FOR ASSISTANCE.—The Secretary may make a grant to a nonprofit organization for early childhood development services in or near a lower income housing project only if—

[(1) prior to receipt of assistance under this section, an early childhood development program is not in operation for the project;

[(2) the public housing agency agrees to provide suitable facilities in or near the project for the provision of early childhood development services;

[(3) the early childhood development program for the project will serve preschool children during the day, school children after school, or both, in order to permit the parents or guardians of such children to obtain, retain, or train for employment;

[(4) the early childhood development program for the project is designed, to the extent practicable, to involve the participation of the parents of children benefiting from such program;

[(5) the early childhood development program for the project is designed, to the extent practicable, to employ in part-time positions elderly individuals who reside in the lower income housing project involved; and

[(6) the early childhood development program for the project complies with all applicable State and local laws, regulations, and ordinances.

[(c) ALLOCATION OF ASSISTANCE.—In providing grants under this section, the Secretary shall—

[(1) give priority to nonprofit organizations providing early childhood development services in or near lower income housing projects in which reside the largest number of preschool and school children of lower income families;

[(2) seek to ensure a reasonable distribution of such grants between urban and rural areas and among nonprofit organizations providing early childhood development services in or near lower income housing projects of varying sizes; and

[(3) seek to provide such grants to the largest number of nonprofit organizations practicable, considering the amount of funds available under this section and the financial requirements of the particular early childhood development programs to be established for the lower income housing projects for which applications are submitted under this section.

[(d) ADMINISTRATIVE PROVISIONS.—

[(1) Applications for grants under this section shall be made by nonprofit organizations (in consultation with public housing agencies) in such form, and according to such procedures, as the Secretary may prescribe.

[(2) Any nonprofit organization receiving a grant under this section may use such grant only for operating expenses and minor renovations of facilities necessary to the provision of early childhood development services under this section.

[(3) The Secretary shall conduct periodic evaluations of each early childhood development program assisted under this section for purposes of—

[(A) determining the effectiveness of such program in providing early childhood development services and permitting the parents or guardians of children residing in public housing to obtain, retain, or train for employment; and

[(B) ensuring compliance with the provisions of this section.

[(4) No provision of this section may be construed to authorize the Secretary to establish any health, safety, educational, or other standards with respect to early childhood development services or facilities assisted with grants received under this section. Such services and facilities shall comply with all applicable State and local laws, regulations, and ordinances, and all requirements established by the Secretary of Health and Human Services for early childhood development services and facilities.

[(e) REPORT TO CONGRESS.—Not later than the expiration of the 3-year period following the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall prepare and submit to the Congress a detailed report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program established in this section. Such report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of assisting early childhood development services in or near lower income housing projects.

[(f) DEFINITIONS.—For purposes of this section:

[(1) The term "lower income families" has the meaning given such term in section 3(b)(2) of the United States Housing Act of 1937.

[(2) The terms "lower income housing project" and "public housing" have the meanings given such terms in section 3(b)(1) of the United States Housing Act of 1937.

[(3) The term "public housing agency" has the meaning given such term in section 3(b)(6) of the United States Housing Act of 1937.

[(4) The term "Secretary" means the Secretary of Housing and Urban Development.

[(g) AUTHORIZATION OF APPROPRIATIONS.—To the extent provided in appropriation Acts, of any amounts appropriated for fiscal year 1993 under section 103 of the Housing and Community Development Act of 1974, $5,000,000 shall be available to carry out this section. To the extent approved in appropriation Acts, of any amounts appropriated for fiscal year 1994 under section 5(c) of the United States Housing Act of 1937 for grants for the development of public housing, $5,210,000 shall be available to carry out this section. Any such amounts shall remain available until expended.]

* * * * * * *

[PET OWNERSHIP IN ASSISTED RENTAL HOUSING FOR THE ELDERLY OR HANDICAPPED

[SEC. 227. (a) No owner or manager of any federally assisted rental housing for the elderly or handicapped may—

[(1) as a condition of tenancy or otherwise, prohibit or prevent any tenant in such housing from owning common household pets or having common household pets living in the dwelling accommodations of such tenant in such housing; or

[(2) restrict or discriminate against any person in connection with admission to, or continued occupancy of, such housing by reason of the ownership of such pets by, or the presence of such pets in the dwelling accommodations of, such person.

[(b)(1) Not later than the expiration of the twelve-month period following the date of the enactment of this Act, the Secretary of Housing and Urban Development and the Secretary of Agriculture shall each issue such regulations as may be necessary to ensure (A) compliance with the provisions of subsection (a) with respect to any program of assistance referred to in subsection (d) that is administered by such Secretary; and (B) attaining the goal of providing decent, safe, and sanitary housing for the elderly or handicapped.

[(2) Such regulations shall establish guidelines under which the owner or manager of any federally assisted rental housing for the elderly or handicapped (A) may prescribe reasonable rules for the keeping of pets by tenants in such housing; and (B) shall consult with the tenants of such housing in prescribing such rules. Such rules may consider factors such as density of tenants, pet size, types or pets, potential financial obligations of tenants, and standards of pet care.

[(c) Nothing in this section may be construed to prohibit any owner or manager of federally assisted rental housing for the elderly or handicapped, or any local housing authority or other appropriate authority of the community where such housing is located, from requiring the removal from any such housing of any pet whose conduct or condition is duly determined to constitute a nuisance or a threat to the health or safety of the other occupants of such housing or of other persons in the community where such housing is located.

[(d) For purposes of this section, the term "federally assisted rental housing for the elderly or handicapped" means any rental housing project that—

[(1) is assisted under section 202 of the Housing Act of 1959; or

[(2) is assisted under the United States Housing Act of 1937, the National Housing Act, or title V of the Housing Act of 1949, and is designated for occupancy by elderly or handicapped families, as such term is defined in section 202(d)(4) of the Housing Act of 1959.]

SEC. 227. PET OWNERSHIP IN FEDERALLY ASSISTED RENTAL HOUSING.

(a) RIGHT OF OWNERSHIP.—A resident of a dwelling unit in federally assisted rental housing may own common household pets or have common household pets present in the dwelling unit of such resident, subject to the reasonable requirements of the owner of the federally assisted rental housing and providing that the resident maintains the animals responsibly and in compliance with applicable local and State public health, animal control, and anticruelty laws. Such reasonable requirements may include requiring payment of a nominal fee and pet deposit by residents owning or having pets

present, to cover the operating costs to the project relating to the presence of pets and to establish an escrow account for additional such costs not otherwise covered, respectively. Notwithstanding section 225(d) of the Housing Opportunity and Responsibility Act of 1997, a public housing agency may not grant any exemption under such section from payment, in whole or in part, of any fee or deposit required pursuant to the preceding sentence.

(b) PROHIBITION AGAINST DISCRIMINATION.—No owner of federally assisted rental housing may restrict or discriminate against any person in connection with admission to, or continued occupancy of, such housing by reason of the ownership of common household pets by, or the presence of such pets in the dwelling unit of, such person.

(c) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) FEDERALLY ASSISTED RENTAL HOUSING.—The term "federally assisted rental housing" means any multifamily rental housing project that is—

(A) public housing (as such term is defined in section 103 of the Housing Opportunity and Responsibility Act of 1997);

(B) assisted with project-based assistance pursuant to section 601(f) of the Housing Opportunity and Responsibility Act of 1997 or under section 8 of the United States Housing Act of 1937 (as in effect before the effective date of the repeal under section 601(b) of the Housing Opportunity and Responsibility Act of 1997);

(C) assisted under section 202 of the Housing Act of 1959 (as amended by section 801 of the Cranston-Gonzalez National Affordable Housing Act);

(D) assisted under section 202 of the Housing Act of 1959 (as in effect before the enactment of the Cranston-Gonzalez National Affordable Housing Act);

(E) assisted under title V of the Housing Act of 1949; or

(F) insured, assisted, or held by the Secretary or a State or State agency under section 236 of the National Housing Act.

(2) OWNER.—The term "owner" means, with respect to federally assisted rental housing, the entity or private person, including a cooperative or public housing agency, that has the legal right to lease or sublease dwelling units in such housing (including a manager of such housing having such right).

(d) REGULATIONS.—This section shall take effect upon the date of the effectiveness of regulations issued by the Secretary to carry out this section. Such regulations shall be issued not later than the expiration of the 1-year period beginning on the date of the enactment of the Housing Opportunity and Responsibility Act of 1997 and after notice and opportunity for public comment in accordance with the procedure under section 553 of title 5, United States Code, applicable to substantive rules (notwithstanding subsections (a)(2), (b)(B), and (d)(3) of such section).

* * * * * * *

SECTION 415 OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1988

[SEC. 415. None of the funds appropriated by this Act or any other Act for any fiscal year shall be used for demolishing George Loving Place, at 3320 Rupert Street, Edgar Ward Place, at 3901 Holystone, Elmer Scott Place, at 2600 Morris, in Dallas, Texas, or Allen Parkway Village, 1600 Allen Parkway, in Houston, Texas.]

SECTION 202 OF THE DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPRORIATIONS ACT, 1996

[CONVERSION OF CERTAIN PUBLIC HOUSING TO VOUCHERS

[SEC. 202. (a) IDENTIFICATION OF UNITS.—Each public housing agency shall identify any public housing developments—

[(1) that are on the same or contiguous sites;

[(2) that total more than 300 dwelling units;

[(3) that have a vacancy rate of at least 10 percent for dwelling units not in funded, on-schedule modernization programs;

[(4) identified as distressed housing that the public housing agency cannot assure the long-term viability as public housing through reasonable revitalization, density reduction, or achievement of a broader range of household income; and

[(5) for which the estimated cost of continued operation and modernization of the developments as public housing exceeds the cost of providing tenant-based assistance under section 8 of the United States Housing Act of 1937 for all families in occupancy, based on appropriate indicators of cost (such as the percentage of total development cost required for modernization).

[(b) IMPLEMENTATION AND ENFORCEMENT.—

[(1) STANDARDS FOR IMPLEMENTATION.—The Secretary shall establish standards to permit implementation of this section in fiscal year 1996.

[(2) CONSULTATION.—Each public housing agency shall consult with the applicable public housing tenants and the unit of general local government in identifying any public housing developments under subsection (a).

[(3) FAILURE OF PHAS TO COMPLY WITH SUBSECTION (a).—Where the Secretary determines that—

[(A) a public housing agency has failed under subsection (a) to identify public housing developments for removal from the inventory of the agency in a timely manner;

[(B) a public housing agency has failed to identify one or more public housing developments which the Secretary determines should have been identified under subsection (a); or

[(C) one or more of the developments identified by the public housing agency pursuant to subsection (a) should not, in the determination of the Secretary, have been identified under that subsection;

the Secretary may designate the developments to be removed from the inventory of the public housing agency pursuant to this section.

[(c) REMOVAL OF UNITS FROM THE INVENTORIES OF PUBLIC HOUSING AGENCIES.—

[(1) Each public housing agency shall develop and carry out a plan in conjunction with the Secretary for the removal of public housing units identified under subsection (a) or subsection (b)(3), over a period of up to five years, from the inventory of the public housing agency and the annual contributions contract. The plan shall be approved by the relevant local official as not inconsistent with the Comprehensive Housing Affordability Strategy under title I of the Housing and Community Development Act of 1992, including a description of any disposition and demolition plan for the public housing units.

[(2) The Secretary may extend the deadline in paragraph (1) for up to an additional five years where the Secretary makes a determination that the deadline is impracticable.

[(3) The Secretary shall take appropriate actions to ensure removal of developments identified under subsection (a) or subsection (b)(3) from the inventory of a public housing agency, if the public housing agency fails to adequately develop a plan under paragraph (1), or fails to adequately implement such plan in accordance with the terms of the plan.

[(4) To the extent approved in appropriations Acts, the Secretary may establish requirements and provide funding under the Urban Revitalization Demonstration program for demolition and disposition of public housing under this section.

[(5) Notwithstanding any other provision of law, if a development is removed from the inventory of a public housing agency and the annual contributions contract pursuant to paragraph (1), the Secretary may authorize or direct the transfer of—

[(A) in the case of an agency receiving assistance under the comprehensive improvement assistance program, any amounts obligated by the Secretary for the modernization of such development pursuant to section 14 of the United States Housing Act of 1937;

[(B) in the case of an agency receiving public and Indian housing modernization assistance by formula pursuant to section 14 of the United States Housing Act of 1937, any amounts provided to the agency which are attributable pursuant to the formula for allocating such assistance to the development removed from the inventory of that agency; and

[(C) in the case of an agency receiving assistance for the major reconstruction of obsolete projects, any amounts obligated by the Secretary for the major reconstruction of the development pursuant to section 5 of such Act,

to the tenant-based assistance program or appropriate site revitalization of such agency.

[(6) CESSATION OF UNNECESSARY SPENDING.—Notwithstanding any other provision of law, if, in the determination of the Secretary, a development meets or is likely to meet the criteria set forth in subsection (a), the Secretary may direct the public

housing agency to cease additional spending in connection with the development, except to the extent that additional spending is necessary to ensure decent, safe, and sanitary housing until the Secretary determines or approves an appropriate course of action with respect to such development under this section.

[(d) CONVERSION TO TENANT-BASED ASSISTANCE.—

[(1) The Secretary shall make authority available to a public housing agency to provide tenant-based assistance pursuant to section 8 to families residing in any development that is removed from the inventory of the public housing agency and the annual contributions contract pursuant to subsection (b).

[(2) Each conversion plan under subsection (c) shall—

[(A) require the agency to notify families residing in the development, consistent with any guidelines issued by the Secretary governing such notifications, that the development shall be removed from the inventory of the public housing agency and the families shall receive tenant-based or project-based assistance, and to provide any necessary counseling for families; and

[(B) ensure that all tenants affected by a determination under this section that a development shall be removed from the inventory of a public housing agency shall be offered tenant-based or project-based assistance and shall be relocated, as necessary, to other decent, safe, sanitary, and affordable housing which is, to the maximum extent practicable, housing of their choice.

[(e) IN GENERAL.—

[(1) The Secretary may require a public housing agency to provide such information as the Secretary considers necessary for the administration of this section.

[(2) As used in this section, the term "development" shall refer to a project or projects, or to portions of a project or projects, as appropriate.

[(3) Section 18 of the United States Housing Act of 1937 shall not apply to the demolition of developments removed from the inventory of the public housing agency under this section.]

SECTION 202 OF THE HOUSING ACT OF 1959

SEC. 202. SUPPORTIVE HOUSING FOR THE ELDERLY.

(a) * * *

* * * * * * *

(l) ALLOCATION OF FUNDS.—

(1) * * *

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(4) CONSIDERATION IN ALLOCATING ASSISTANCE.—Assistance under this section shall be allocated in a manner that ensures that the awards of the assistance are made for projects of suffi-

cient size to accommodate facilities for supportive services appropriate to the needs of frail elderly residents.

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ANTI-DRUG ABUSE ACT OF 1988

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TITLE V—USER ACCOUNTABILITY

SEC. 5001. TABLE OF CONTENTS.

The table of contents for this title is as follows:

TITLE V—USER ACCOUNTABILITY

Sec. 5001. Table of contents.

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* * * * * * *

Subtitle C—Preventing Drug Abuse in Public Housing

CHAPTER 1—REGULATORY AND ENFORCEMENT PROVISIONS

* * * * * * *

[CHAPTER 2—PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION]

CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME

Sec. 5121. Short title.
[Sec. 5122. Congressional findings.]
Sec. 5122. Purposes.

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[Sec. 5125. Applications.]
Sec. 5125. Grant procedures.

* * * * * * *

[Sec. 5130. Authorization of appropriations.]
Sec. 5130. Funding.

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Subtitle C—Preventing Drug Abuse in Public Housing

* * * * * * *

[CHAPTER 2—PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION

[SEC. 5121. SHORT TITLE.

[This chapter may be cited as the "Public and Assisted Housing Drug Elimination Act of 1990".

[SEC. 5122. CONGRESSIONAL FINDINGS.

[The Congress finds that—

[(1) the Federal Government has a duty to provide public and other federally assisted low-income housing that is decent, safe, and free from illegal drugs;

[(2) public and other federally assisted low-income housing in many areas suffers from rampant drug-related crime;

[(3) drug dealers are increasingly imposing a reign of terror on public and other federally assisted low-income housing tenants;

[(4) the increase in drug-related crime not only leads to murders, muggings, and other forms of violence against tenants, but also to a deterioration of the physical environment that requires substantial government expenditures; and

[(5) local law enforcement authorities often lack the resources to deal with the drug problem in public and other federally assisted low-income housing, particularly in light of the recent reductions in Federal aid to cities.

[SEC. 5123. AUTHORITY TO MAKE GRANTS.

[The Secretary of Housing and Urban Development, in accordance with the provisions of this chapter, may make grants to public housing agencies (including Indian Housing Authorities), public housing resident management corporations that are principally managing, as determined by the Secretary, public housing projects owned by public housing agencies, and private, for-profit and nonprofit owners of federally assisted low-income housing for use in eliminating drug-related crime.]

CHAPTER 2—COMMUNITY PARTNERSHIPS AGAINST CRIME

SEC. 5121. SHORT TITLE.

This chapter may be cited as the "Community Partnerships Against Crime Act of 1997".

SEC. 5122. PURPOSES.

The purposes of this chapter are to—

(1) improve the quality of life for the vast majority of law-abiding public housing residents by reducing the levels of fear, violence, and crime in their communities;

(2) broaden the scope of the Public and Assisted Housing Drug Elimination Act of 1990 to apply to all types of crime, and not simply crime that is drug-related; and

(3) reduce crime and disorder in and around public housing through the expansion of community-oriented policing activities and problem solving.

SEC. 5123. AUTHORITY TO MAKE GRANTS.

The Secretary of Housing and Urban Development may make grants in accordance with the provisions of this chapter for use in eliminating crime in and around public housing and other federally assisted low-income housing projects to (1) public housing agencies, and (2) private, for-profit and nonprofit owners of federally assisted low-income housing.

SEC. 5124. ELIGIBLE ACTIVITIES.

(a) PUBLIC AND ASSISTED HOUSING.—Grants under this chapter may be used in *and around* public housing or other federally assisted low-income housing projects for—

(1) the employment of security personnel;

(2) reimbursement of local law enforcement agencies for additional security and protective services;

(3) physical improvements which are specifically designed to enhance security*, including fencing, lighting, locking, and surveillance systems*;

(4) the employment of one or more individuals—

[(A) to investigate drug-related crime on or about the real property comprising any public or other federally assisted low-income housing project; and]

(A) to investigate crime; and

(B) to provide evidence relating to such crime in any administrative or judicial proceeding;

(5) the provision of training, communications equipment, and other related equipment for use by voluntary tenant patrols acting in cooperation with local law enforcement officials;

(6) programs designed to reduce use of drugs [in and around public or other federally assisted low-income housing projects], including drug-abuse prevention, intervention, referral, and treatment programs; [and]

[(7) where a public housing agency receives a grant, providing funding to nonprofit public housing resident management corporations and resident councils to develop security and drug abuse prevention programs involving site residents.]

(7) providing funding to nonprofit public housing resident management corporations and resident councils to develop security and crime prevention programs involving site residents;

(8) the employment or utilization of one or more individuals, including law enforcement officers, made available by contract or other cooperative arrangement with State or local law enforcement agencies, to engage in community- and problem-oriented policing involving interaction with members of the community in proactive crime control and prevention activities;

(9) programs and activities for or involving youth, including training, education, recreation and sports, career planning, and entrepreneurship and employment activities and after school and cultural programs; and

(10) service programs for residents that address the contributing factors of crime, including programs for job training, education, drug and alcohol treatment, and other appropriate social services.

(b) OTHER PHA-OWNED HOUSING.—Notwithstanding any other provision of this chapter, grants under this chapter may be used to eliminate [drug-related crime in housing owned by public housing agencies] *crime in and around housing owned by local housing and management authorities* that is not public housing assisted under the United States Housing Act of 1937 and is not otherwise federally assisted, for the activities described in paragraphs (1) through [(7)] *10* of subsection (a), but only if—

(1) the housing is located in a high intensity drug trafficking area designated pursuant to section 1005 of this Act; and

(2) the local housing and management authority owning the housing demonstrates, to the satisfaction of the Secretary, that [drug-related] *criminal* activity at the housing has a detrimen-

tal effect on or about the real property comprising any public or other federally assisted low-income housing.

[SEC. 5125. APPLICATIONS.

[(a) IN GENERAL.—To receive a grant under this chapter, a public housing agency, a public housing resident management corporation, or an owner of federally assisted low-income housing shall submit an application to the Secretary, at such time, in such manner, and accompanied by such additional information as the Secretary may reasonably require. Such application shall include a plan for addressing the problem of drug-related crime on the premises of the housing administered or owned by the applicant for which the application is being submitted.

[(b) CRITERIA.—Except as provided by subsections (c) and (d) the Secretary shall approve applications under this chapter based exclusively on—

[(1) the extent of the drug-related crime problem in the public or federally assisted low-income housing project or projects proposed for assistance;

[(2) the quality of the plan to address the crime problem in the public or federally assisted low-income housing project or projects proposed for assistance, including the extent to which the plan includes initiatives that can be sustained over a period of several years;

[(3) the capability of the applicant to carry out the plan; and

[(4) the extent to which tenants, the local government and the local community support and participate in the design and implementation of the activities proposed to be funded under the application.

[(c) FEDERALLY ASSISTED LOW-INCOME HOUSING.—In addition to the selection criteria specified in subsection (b), the Secretary may establish other criteria for the evaluation of applications submitted by owners of federally assisted low-income housing, except that such additional criteria shall be designed only to reflect—

[(1) relevant differences between the financial resources and other characteristics of public housing authorities and owners of federally assisted low-income housing, or

[(2) relevant differences between the problem of drug-related crime in public housing and the problem of drug-related crime in federally assisted low-income housing.

[(d) HIGH INTENSITY DRUG TRAFFICKING AREAS.—In evaluating the extent of the drug-related crime problem pursuant to subsection (b), the Secretary may consider whether housing projects proposed for assistance are located in a high intensity drug trafficking area designated pursuant to section 1005 of the Anti-Drug Abuse Act of 1988.]

SEC. 5125. GRANT PROCEDURES.

(a) PHA'S WITH 250 OR MORE UNITS.—

*(1) GRANTS.—In each fiscal year, the Secretary shall make a grant under this chapter from any amounts available under section 5***(b)(1) for the fiscal year to each of the following public housing agencies:*

(A) NEW APPLICANTS.—Each public housing agency that owns or operates 250 or more public housing dwelling units and has—

(i) submitted an application to the Secretary for a grant for such fiscal year, which includes a 5-year crime deterrence and reduction plan under paragraph (2); and

(ii) had such application and plan approved by the Secretary.

(B) RENEWALS.—Each public housing agency that owns or operates 250 or more public housing dwelling units and for which—

(i) a grant was made under this chapter for the preceding Federal fiscal year;

(ii) the term of the 5-year crime deterrence and reduction plan applicable to such grant includes the fiscal year for which the grant under this subsection is to be made; and

(iii) the Secretary has determined, pursuant to a performance review under paragraph (4), that during the preceding fiscal year the agency has substantially fulfilled the requirements under subparagraphs (A) and (B) of paragraph (4).

Notwithstanding subparagraphs (A) and (B), the Secretary may make a grant under this chapter to a public housing agency that owns or operates 250 or more public housing dwelling units only if the agency includes in the application for the grant information that demonstrates, to the satisfaction of the Secretary, that the agency has a need for the grant amounts based on generally recognized crime statistics showing that (I) the crime rate for the public housing developments of the agency (or the immediate neighborhoods in which such developments are located) is higher than the crime rate for the jurisdiction in which the agency operates, (II) the crime rate for the developments (or such neighborhoods) is increasing over a period of sufficient duration to indicate a general trend, or (III) the operation of the program under this chapter substantially contributes to the reduction of crime.

(2) 5-YEAR CRIME DETERRENCE AND REDUCTION PLAN.—Each application for a grant under this subsection shall contain a 5-year crime deterrence and reduction plan. The plan shall be developed with the participation of residents and appropriate law enforcement officials. The plan shall describe, for the public housing agency submitting the plan—

(A) the nature of the crime problem in public housing owned or operated by the public housing agency;

(B) the building or buildings of the public housing agency affected by the crime problem;

(C) the impact of the crime problem on residents of such building or buildings; and

(D) the actions to be taken during the term of the plan to reduce and deter such crime, which shall include actions involving residents, law enforcement, and service providers.

The term of a plan shall be the period consisting of 5 consecutive fiscal years, which begins with the first fiscal year for which funding under this chapter is provided to carry out the plan.

*(3) AMOUNT.—In any fiscal year, the amount of the grant for a public housing agency receiving a grant pursuant to paragraph (1) shall be the amount that bears the same ratio to the total amount made available under section 5***(b)(1) as the total number of public dwelling units owned or operated by such agency bears to the total number of dwelling units owned or operated by all public housing agencies that own or operate 250 or more public housing dwelling units that are approved for such fiscal year.*

(4) PERFORMANCE REVIEW.—For each fiscal year, the Secretary shall conduct a performance review of the activities carried out by each public housing agency receiving a grant pursuant to this subsection to determine whether the agency—

(A) has carried out such activities in a timely manner and in accordance with its 5-year crime deterrence and reduction plan; and

(B) has a continuing capacity to carry out such plan in a timely manner.

(5) SUBMISSION OF APPLICATIONS.—The Secretary shall establish such deadlines and requirements for submission of applications under this subsection.

(6) REVIEW AND DETERMINATION.—The Secretary shall review each application submitted under this subsection upon submission and shall approve the application unless the application and the 5-year crime deterrence and reduction plan are inconsistent with the purposes of this chapter or any requirements established by the Secretary or the information in the application or plan is not substantially complete. Upon approving or determining not to approve an application and plan submitted under this subsection, the Secretary shall notify the public housing agency submitting the application and plan of such approval or disapproval.

(7) DISAPPROVAL OF APPLICATIONS.—If the Secretary notifies an agency that the application and plan of the agency is not approved, not later than the expiration of the 15-day period beginning upon such notice of disapproval, the Secretary shall also notify the agency, in writing, of the reasons for the disapproval, the actions that the agency could take to comply with the criteria for approval, and the deadlines for such actions.

(8) FAILURE TO APPROVE OR DISAPPROVE.—If the Secretary fails to notify an agency of approval or disapproval of an application and plan submitted under this subsection before the expiration of the 60-day period beginning upon the submission of the plan or fails to provide notice under paragraph (7) within the 15-day period under such paragraph to an agency whose application has been disapproved, the application and plan shall be considered to have been approved for purposes of this section.

(b) PHA'S WITH FEWER THAN 250 UNITS AND OWNERS OF FEDERALLY ASSISTED LOW-INCOME HOUSING.—

(1) APPLICATIONS AND PLANS.—To be eligible to receive a grant under this chapter, a public housing agency that owns or operates fewer than 250 public housing dwelling units or an owner of federally assisted low-income housing shall submit an application to the Secretary at such time, in such manner, and accompanied by such additional information as the Secretary may require. The application shall include a plan for addressing the problem of crime in and around the housing for which the application is submitted, describing in detail activities to be conducted during the fiscal year for which the grant is requested.

*(2) GRANTS FOR PHA'S WITH FEWER THAN 250 UNITS.—In each fiscal year the Secretary may, to the extent amounts are available under section 5***(b)(2), make grants under this chapter to public housing agencies that own or operate fewer than 250 public housing dwelling units and have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraph (4).*

*(3) GRANTS FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In each fiscal year the Secretary may, to the extent amounts are available under section 5***(b)(3), make grants under this chapter to owners of federally assisted low-income housing that have submitted applications under paragraph (1) that the Secretary has approved pursuant to the criteria under paragraphs (4) and (5).*

(4) CRITERIA FOR APPROVAL OF APPLICATIONS.—The Secretary shall determine whether to approve each application under this subsection on the basis of—

(A) the extent of the crime problem in and around the housing for which the application is made;

(B) the quality of the plan to address the crime problem in the housing for which the application is made;

(C) the capability of the applicant to carry out the plan; and

(D) the extent to which the tenants of the housing, the local government, local community-based nonprofit organizations, local tenant organizations representing residents of neighboring projects that are owned or assisted by the Secretary, and the local community support and participate in the design and implementation of the activities proposed to be funded under the application.

In each fiscal year, the Secretary may give preference to applications under this subsection for housing made by applicants who received a grant for such housing for the preceding fiscal year under this subsection or under the provisions of this chapter as in effect immediately before the date of the enactment of the Housing Opportunity and Responsibility Act of 1997.

(5) ADDITIONAL CRITERIA FOR FEDERALLY ASSISTED LOW-INCOME HOUSING.—In addition to the selection criteria under paragraph (4), the Secretary may establish other criteria for evaluating applications submitted by owners of federally assisted low-income housing, except that such additional criteria shall be designed only to reflect—

(A) relevant differences between the financial resources and other characteristics of public housing agencies and owners of federally assisted low-income housing; or

(B) relevant differences between the problem of crime in public housing administered by such authorities and the problem of crime in federally assisted low-income housing.

SEC. 5126. DEFINITIONS.

For the purposes of this chapter:

[(1) CONTROLLED SUBSTANCE.—The term "controlled substance" has the meaning given such term in section 102 of the Controlled Substance Act (21 U.S.C. 802).

[(2) DRUG-RELATED CRIME.—The term "drug-related crime" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use a controlled substance.]

[(3)] *(1)* SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

[(4)] *(2)* FEDERALLY ASSISTED LOW-INCOME HOUSING.—The term "federally assisted low-income housing" means housing assisted under—

(A) section 221(d)(3), [section] 221(d)(4), or 236 of the National Housing Act;

(B) section 101 of the Housing and Urban Development Act of 1965; or

(C) section 8 of the United States Housing Act of 1937.

(3) PUBLIC HOUSING AGENCY.—The term "public housing agency" has the meaning given the term in section 103 of the Housing Opportunity and Responsibility Act of 1997.

SEC. 5127. IMPLEMENTATION.

The Secretary shall issue regulations to implement this chapter within 180 days after the date of enactment of the [Cranston-Gonzalez National Affordable Housing Act] *Housing Opportunity and Responsibility Act of 1997*.

SEC. 5128. REPORTS.

The Secretary shall require grantees to provide periodic reports that include the obligation and expenditure of grant funds, the progress made by the grantee in implementing the plan [described in section 5125(a)] *for the grantee submitted under subsection (a) or (b) of section 5125, as applicable*, and any change in the incidence of [drug-related crime in] *crime in and around* projects assisted under this chapter.

* * * * * * *

[SEC. 5130. AUTHORIZATION OF APPROPRIATIONS.

[(a) IN GENERAL.—There are authorized to be appropriated to carry out this chapter $175,000,000 for fiscal year 1993 and $182,350,000 for fiscal year 1994. Any amount appropriated under this section shall remain available until expended.

[(b) SET-ASIDES.—Of any amount made available in any fiscal year to carry out this chapter, not more than 6.25 percent of such amount shall be available for grants for federally assisted, low-income housing. Notwithstanding any other provision of law, of any amounts appropriated for drug elimination grants under this chap-

ter for fiscal years 1993 and 1994, not more than 6.25 percent shall be available for grants for federally assisted low-income housing and 5.0 percent shall be available for public housing youth sports program grants under section 520 of the Cranston-Gonzalez National Affordable Housing Act.

[(c) SET-ASIDE FOR YOUTH SPORTS PROGRAMS.—Of any amount made available in any fiscal year to carry out this chapter, 5 percent of such amount shall be available for public housing youth sports program grants under section 520 of the Cranston-Gonzalez National Affordable Housing Act for such fiscal year.]

SEC. 5130. FUNDING.

(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this chapter $290,000,000 for each of fiscal years 1998, 1999, 2000, 2001, and 2002.

(b) ALLOCATION.—Of any amounts available, or that the Secretary is authorized to use, to carry out this chapter in any fiscal year—

(1) 85 percent shall be available only for assistance pursuant to section 5125(a) to public housing agencies that own or operate 250 or more public housing dwelling units;

(2) 10 percent shall be available only for assistance pursuant to section 5125(b)(2) to public housing agencies that own or operate fewer than 250 public housing dwelling units; and

(3) 5 percent shall be available only for assistance to federally assisted low-income housing pursuant to section 5125(b)(3).

(c) RETENTION OF PROCEEDS OF ASSET FORFEITURES BY INSPECTOR GENERAL.—Notwithstanding section 3302 of title 31, United States Code, or any other provision of law affecting the crediting of collections, the proceeds of forfeiture proceedings and funds transferred to the Office of Inspector General of the Department of Housing and Urban Development, as a participating agency, from the Department of Justice Assets Forfeiture Fund or the Department of the Treasury Forfeiture Fund, as an equitable share from the forfeiture of property in investigations in which the Office of Inspector General participates, shall be deposited to the credit of the Office of Inspector General for Operation Safe Home activities authorized under the Inspector General Act of 1978, as amended, to remain available until expended.

* * * * * * *

SECTION 520 OF THE HOUSING ACT OF 1949

DEFINITION OF RURAL AREA

SEC. 520. As used in this title, the terms "rural" and "rural area" mean any open country, or any place, town, village, or city which is not (except in the cases of Pajaro, in the State of California, and Guadalupe, in the State of Arizona) part of or associated with an urban area and which (1) has a population not in excess of 2,500 inhabitants, or (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or (3) has a population in excess of 10,000 but not in excess of 20,000, and (A) is not contained within a standard metropolitan statistical area, and (B) has a serious lack of mortgage credit for lower and moderate-income

families, as determined by the Secretary and the Secretary of Housing and Urban Development. For purposes of this title, any area classifed as "rural" or a "rural area" prior to October 1, 1990, and determined not to be "rural" or a "rural area" as a result of data received from or after the 1990 decennial census shall continue to be so classified until the receipt of data from the decennial census in the year 2000, if such area has a population in excess of 10,000 but not in excess of 25,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families. Notwithstanding any other provision of this section, the city of Plainview, Texas, shall be considered a rural area for purposes of this title*, and the city of Altus, Oklahoma, shall be considered a rural area for purposes of this title until the receipt of data from the decennial census in the year 2000*.

SECTION 214 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1980

RESTRICTION ON USE OF ASSISTED HOUSING

SEC. 214. (a) * * *

(b)(1) * * *

(2) If the eligibility for financial assistance of at least one member of a family has been affirmatively established under the program of financial assistance and under this section, and the ineligibility of one or more family members has not been affirmatively established under this section, any financial assistance made available to that family by the [Secretary of Housing and Urban Development] *applicable Secretary* shall be prorated, based on the number of individuals in the family for whom eligibility has been affirmatively established under the program of financial assistance and under this section, as compared with the total number of individuals who are members of the family.

(c)(1) If, following completion of the applicable hearing process, financial assistance for any individual receiving such assistance on the date of the enactment of the Housing and Community Development Act of 1987 is to be terminated, the public housing agency or other local governmental entity involved (in the case of public housing or assistance under section 8 of the United States Housing Act of 1937) or the applicable Secretary (in the case of any other financial assistance) shall take one of the following actions:

(A) * * *

(B)(i) Defer the termination of financial assistance, if necessary to permit the orderly transition of the individual and any family members involved to other affordable housing.

(ii) Except as provided in clause (iii), any deferral under this subparagraph shall be for a 6-month period and may be renewed by the public housing agency or other entity involved for an aggregate period of 18 months. At the beginning of each deferral period, the public housing agency or other entity involved shall inform the individual and family members of their ineligibility for financial assistance and offer them other assistance in finding other affordable housing.

(iii) The time period described in clause (ii) shall not apply in the case of a refugee under section 207 of the Immigration and Nationality Act or an individual seeking asylum under section 208 of that Act.

* * * * * * *

(d) The following conditions apply with respect to financial assistance being or to be provided for the benefit of an individual:

(1)(A) There must be a declaration in writing by the individual (or, in the case of an individual who is a child, by another on the individual's behalf), under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in a satisfactory immigration status. If the declaration states that the individual is not a citizen or national of the United States and that the individual is younger than 62 years of age, the declaration shall be verified by the Immigration and Naturalization Service. If the declaration states that the individual is a citizen or national of the United States, the ⟦Secretary of Housing and Urban Development⟧ *applicable Secretary*, or the agency administering assistance covered by this section, may request verification of the declaration by requiring presentation of documentation that the *applicable* Secretary considers appropriate, including a United States passport, resident alien card, alien registration card, social security card, or other documentation.

(2) If such an individual is not a citizen or national of the United States, is not 62 years of age or older, and is receiving financial assistance on the date of enactment of the Use of Assisted Housing by Aliens Act of 1996 or applying for financial assistance on or after that date, there must be presented either—

(A) alien registration documentation or other proof of immigration registration from the Immigration and Naturalization Service that contains the individual's alien admission number or alien file number (or numbers if the individual has more than one number), or

(B) such other documents as the applicable Secretary determines constitutes reasonable evidence indicating a satisfactory immigration status.

In the case of an individual applying for financial assistance on or after the date of enactment of the Use of Assisted Housing by Aliens Act of 1996, the *applicable* Secretary may not provide any such assistance for the benefit of that individual before documentation is presented and verified under paragraph (3) or (4).

* * * * * * *

(4) In the case of such an individual who is not a citizen or national of the United States, is not 62 years of age or older, and is receiving financial assistance on the date of enactment of the Use of Assisted Housing by Aliens Act of 1996 or applying for financial assistance on or after that date, if, at the time of application or recertification for financial assistance, the

statement described in paragraph (1) is submitted but the documentation required under paragraph (2) is not presented or if the documentation required under paragraph (2)(A) is presented but such documentation is not verified under paragraph (3)—

(A) * * *

* * * * * * *

(B) if any documents or additional information are submitted as evidence under subparagraph (A), or if appeal is made to the Immigration and Naturalization Service with respect to the verification determination of the Service under paragraph (3)—

(i) the applicable Secretary shall transmit to the Immigration and Naturalization Service photostatic or other similar copies of such documents or additional information for official verification,

(ii) pending such verification or appeal, the *applicable* Secretary may not—

(I) * * *

* * * * * * *

(5) If the applicable Secretary determines, after complying with the requirements of paragraph (4), that such an individual is not in a satisfactory immigration status, the *applicable* Secretary shall—

(A) * * *

* * * * * * *

(6) The *applicable* Secretary shall terminate the eligibility for financial assistance of an individual and the members of the household of the individual, for a period of not less than 24 months, upon determining that such individual has knowingly permitted another individual who is not eligible for such assistance to reside in the public or assisted housing unit of the individual. This provision shall not apply to a family if the ineligibility of the ineligible individual at issue was considered in calculating any proration of assistance provided for the family.

For purposes of this subsection, the term "applicable Secretary" means the applicable Secretary, a public housing agency, or another entity that determines the eligibility of an individual for financial assistance.

* * * * * * *

[(h)**]** *(i)* VERIFICATION OF ELIGIBILITY.—

(1) IN GENERAL.—**[**Except in the case of an election under paragraph (2)(A), no**]** *No* individual or family applying for financial assistance may receive such financial assistance prior to the affirmative establishment and verification of eligibility of at least the individual or one family member under **[**this section**]** *subsection (d)* by the *applicable* Secretary or other appropriate entity.

(2) RULES APPLICABLE TO PUBLIC HOUSING AGENCIES.—A public housing agency (as that term is defined in section 3 of the United States Housing Act of 1937)—

[(A) may elect not to comply with this section; and]

(A) may, notwithstanding paragraph (1) of this subsection, elect not to affirmatively establish and verify eligibility before providing financial assistance; and

(B) [in complying with this section] *in carrying out subsection (d)—*

(i) may initiate procedures to affirmatively establish or verify the eligibility of an individual or family under this section at any time at which the public housing agency determines that such eligibility is in question, regardless of whether or not that individual or family is at or near the top of the waiting list of the public housing agency;

(ii) may affirmatively establish or verify the eligibility of an individual or family under this section in accordance with the procedures set forth in section 274A(b)(1) of the Immigration and Nationality Act; and

(iii) shall have access to any relevant information contained in the SAVE system (or any successor thereto) that relates to any individual or family applying for financial assistance.

(3) ELIGIBILITY OF FAMILIES.—For purposes of this subsection, with respect to a family, the term "eligibility" means the eligibility of each family member.

ADDITIONAL VIEWS OF HON. BERNIE SANDERS

One of the arguments being used to cut back on affordable housing in this country is that we have a large federal deficit, a five trillion dollars national debt, and that to move toward a balanced budget we have to make cuts in programs—no matter how useful or important those programs may be. This of course has included massive cuts in affordable housing programs.

While the Banking Committee was considering H.R. 2, I introduced an amendment which addressed this issue forthrightly. This amendment asked the Members of the Banking Committee to agree that we need to cut back on an outrageous housing program which benefits almost exclusively upper income people—and that is continuing the policy by which the United States government allows for an income tax deduction for interest paid on mortgages up to one million dollars. Clearly, as a number of organizations from very different political perspective agree, one million dollars is an excessive amount and constitutes a very large and generous housing welfare program for some of the richest people in America.

First, let me clearly state that I support the home interest mortgage deduction program. I believe it is a useful and important program for the middle class and working families of this country and I will fight hard to see that it is maintained for the overwhelming majority of the people that utilize the program. On the other hand, when we are cutting back on programs for people desperately in need of affordable housing, and when we have a five trillion dollar national debt, I do not believe that we can afford to maintain a subsidy which benefits the wealthiest five percent of Americans.

My amendment stated a "Sense of the Banking Committee" that this deduction should be lowered from $1,000,000 to $300,000 and that the savings, estimated by the C.B.O. at 12.7 billion over a five year period should be divided and allocated for the following purposes—(A) One half shall go toward increased spending in affordable housing, including public housing, senior citizen housing, Section 8 housing and programs which encourage home ownership; and (B) One half shall go toward reduction of the federal deficit. In other words, if this amendment became law, this Committee would have an additional six billion to invest in affordable housing and six billion dollars for deficit reduction.

This concept is supported by progressives, moderates, and conservatives—by the Progressive Caucus, the Progressive Policy Institute and the Concord Coalition. Additionally, Senator Bob Packwood spoke out in favor of reducing the mortgage limit to between $250,000 and $300,000 when he was Chairman of the Senate Finance Committee. The Concord Coalition in its "Zero Deficit Plan" takes a slightly different approach which in fact saves even more money than the proposal I offer. They would limit the mortgage interest tax deduction to $12,000 per year and $20,000 per year for

couples. And, in the process, save $19 billion in revenue by the year 2002. The Concord Coalition says, "The current high limit on mortgage interest deductibility subsidizes expensive homes and provides a loophole through which tax payers with substantial home equity can get around limits on deductibility on consumer investment interest."

Let me explain why I think it is outrageous and unwise to maintain this tax deduction at the $1,000,000 level. First of all, although 63 million American families own their homes, only 27 million, fewer than half, claimed *any* mortgage interest deduction in 1994. This is probably because it isn't worth it for most nonwealthy taxpayers to itemize their deductions. Secondly, according to the Progressive Policy Institute, only 5 percent of home mortgages are over $300,000. Therefore, this change in tax policy would affect only a small minority of homeowners—some of the wealthiest people in the nation who own multi million dollar mansions. And frankly, the United States Congress should not be providing a housing subsidy to these people.

I believe that lowering the mortgage interest deduction is of critical importance for two basic reasons. One, it allows those of us who believe that the federal government should spend more on affordable housing to raise over $6 billion more for that purpose. Secondly, it allows those members who want to move toward a balanced budget rapidly to lower the deficit by 6 billion dollars. Clearly these are laudable goals which should be embraced by all Members of Congress.

BERNIE SANDERS.

ADDITIONAL VIEWS OF HON. TOM BARRETT

Our nation's public housing system is in need of reform, and our federal government is in the best position to establish a national housing policy that places housing as a top priority for all levels of government. Moreover, it is the responsibility of our government to promote the general welfare of our nation by using federal resources to aid families and individuals who are seeking safe, clean and affordable housing.

Congress should pass a comprehensive housing reform bill that is responsive to Americans who are in need of housing assistance. These reforms should encourage the States and localities to find solutions to housing and community development problems. Moreover, these reforms should grant local housing authorities broader decisionmaking powers given the pressures they are facing as a result of declining funding for federal housing programs.

I have concerns, however, with H.R. 2, and in particular the bill's provisions dealing with the Brooke Amendment, rent setting, minimum rents, income targeting, self-sufficiency contracts and the repeal of the 1937 Housing Act. The need to house the very lowest income households has never been more acute with so many residents and applicants facing reduced SSI and welfare payments. H.R. 2 removes important safeguards designed to protect the most vulnerable among us and abandons our commitment to serving our poorest families who critically need housing assistance.

Chairman Lazio has agreed to some constructive changes in the Manager's Amendment including adding my amendment deleting the section of the bill exempting residents of public housing employed by a public housing authority from prevailing wage requirements. The original version of H.R. 2 required that the prevailing wage be paid to all contractors, laborers and mechanics employed by a local housing authority. But it exempted residents of public housing, such as non-union maintenance workers, from these important labor protections.

Why should workers at the same worksite, living in the same community, doing the same job make less than their fellow workers? The changes made in the Manager's Amendment will ensure that American citizens who happen to live in public or assisted housing are guaranteed equal rights under the labor standards section of the bill. We should not be penalizing American citizens simply because they happen to live in public or assisted housing.

In addition, I am especially pleased that Chairman Lazio added a provision in H.R. 2 that is virtually identical to a bill I have been working to enact into law for the past few years. My legislation, the Prohibition of Incentives for Relocation Act, would prohibit federal block grant funds from being used to move jobs from one part of the country to another.

Under the current law governing the Community Development Block Grant (CDBG) program, there is no restriction on the use of funds to assist a business in relocating jobs from one community to another. Unfortunately, this happened in my hometown of Milwaukee when a major employer announced that it would move 2,000 jobs to other parts of the country using CDBG funds. This should never happen again in Wisconsin or any other state in the country.

The need for Congress to pass this legislation is crucial. When one state uses federal funds to literally steal jobs from another state, we all lose. We must end the despair of the men and women who lose their jobs only to discover that their federal tax dollars are directly linked to their unemployment. Robbing Peter to pay Paul is not good business and should not be the business of the federal government.

Although I have concerns with H.R. 2, as it is currently written, some of the amendments adopted in committee move in a positive direction. I remain hopeful that the full House of Representatives will make further improvements to the bill and that the conferees who are appointed to reconcile the differences between the House and Senate versions will each a bipartisan agreement on a housing reform bill that is acceptable to all of us.

Public housing has many successes to its credit. But it is clear that we need to take additional steps to improve it in many areas. Such reforms would improve the management and development of public housing. More importantly, these reforms would help to ensure public housing programs are responsive to our communities and the needs of its residents, especially our children.

TOM BARRETT.

ADDITIONAL VIEWS OF HON. JESSE L. JACKSON, JR.

While we are all in agreement that our public housing system is in great need of comprehensive reform, H.R. 2, as passed by the Committee fails drastically to meet the critical housing needs of millions of Americans. The Housing Act of 1937 established the fundamental right to safe, affordable, and sanitary housing. H.R. 2 destroys this last remnant of the safety net for the most vulnerable among us. At a time when our nation is facing an affordable housing crisis in which 5.3 million people are living under "worst case housing needs" scenario—paying more than fifty percent of their income in rent or living under substandard or deplorable conditions, this amounts to an outright abandonment of our commitment to adequate housing for poor and working class Americans.

H.R. 2, as reported out of committee, will exacerbate this affordable housing crisis through making public housing available to higher income residents who can pay higher rents at the expense of thousands of low income families. Those displaced will include full-time minimum wage workers whose incomes fall well below 30% of area median income in major metropolitan areas. As a result, low wage workers and Americans who we are ostensibly encouraging to successfully make the transition from welfare to work will either be forced into homelessness or to forgo basic human necessities like medical care, groceries, and clothing in order to find alternative shelter.

We are deeply concerned by the community work provisions of Section 105 and believe that the Jackson and Watt amendments addressing this provision, if they had been adopted by the committee, would have protected against one of the most onerous and demeaning consequences of this bill. Section 105 creates the contradictory requirement of "mandated volunteerism." By requiring public housing residents to perform eight hours of community work or risk eviction from public housing, we are imposing a burden on low-income recipients of housing assistance that we do not similarly impose upon middle and upper class recipients of housing subsidies, like the millions of Americans who take advantage of homeownership deductions each year.

The words "community work hours" invoke the type of punishment imposed by judges on criminals for crimes committed against society. Public housing residents have committed no act against society, but are nonetheless subject to this mandate by sheer virtue of attaining the unfortunate circumstance of their poverty. Why must we vilify the disadvantaged and treat public housing residents as if they have committed a crime by being poor?

Furthermore, this provision creates the oxymoronic predicament of "mandating volunteerism" which, in fact, demeans true volunteerism. Community service provides an invaluable benefit to a community and to the person volunteering their time. By taking

"volunteer" out of volunteerism, however, we take from residents their sense of personal responsibility over their efforts. We are saying that we do not trust residents to take part in their own communities, so we must force them to do so. There is no pride in community service when it is mandated as if the resident is lazy or has done something wrong.

We are equally concerned with the potential implications this provision holds for low wage workers. Forcing public housing residents to perform millions of uncompensated hours of work will, no doubt, have the effect of displacing millions of low wage workers who are currently, and will potentially be, employed in these communities. The community work requirement works directly against job creation for the very poor. Coupled with the impact of the welfare reform law, and the anticipated dearth of jobs to meet the great numbers of Americans attempting to transition from welfare to work, we must not implement policies which further displace our working poor without providing for additional job creation.

This bill has been hailed by its sponsors as providing housing authorities with the flexibility to manage themselves efficiently. With this provision we are in essence micromanaging their operations by forcing them to implement work programs without regard to what they believe to be in the best interests of their communities. While our Republican colleagues are usually quite sensitive to the notion of imposing costs upon jurisdictions without adequately funding those costs, Republican committee members roundly rejected efforts to protect against imposing such an undue burden in H.R. 2. Virtually every housing authority in the nation agrees that without additional funds to administer the community work program, they will unduly be forced to accept this unfunded mandate. The Jackson and Frank amendments offered during markup would have ensured that public housing authorities are not forced to comply with this additional requirement, absent appropriations to cover administrative costs.

In light of these and additional reasons raised in the minority views to this report, we believe that H.R. 2, as reported out of committee, will add to the millions of Americans currently facing severe housing needs or homelessness. For these reasons, we opposed the bill in committee and intend to vote against it on the floor if these provisions remain incorporated in the legislation.

JESSE L. JACKSON, Jr.
LUCILLE ROYBAL-ALLARD.
CAROLYN B. MALONEY.
JULIA CARSON.
MAXINE WATERS.
CAROLYN CHEEKS KILPATRICK.
BARNEY FRANK.
BERNARD SANDERS.
HENRY GONZALEZ.
NYDIA M. VELÁZQUEZ.

ADDITIONAL VIEWS OF CONGRESSWOMAN CAROLYN C. KILPATRICK

Dear Colleagues, Friends and Citizens: As a new Member of Congress, it is quite interesting and intriguing to note the practical and empirical decimation of the many programs that have provided a safety net for the poorest of the poor in our nation. Last year, witnessed the overhaul of the 61-year-old system of welfare. While many of us agree that welfare should be reformed, we did not agree to the total purge of many of its worthwhile programs on the backs of legal immigrants and children.

The House Banking and Financial Affairs Committee has been considering H.R. 2, the so called "Housing Opportunity and Responsibility Act of 1997." This bill would repeal the 1937 U.S. Housing Act, the law that established the majority of our current public housing policies. H.R. 2's particularly onerous income targeting requirements means that Congress has decided to abandon our nation's poor and further fray what is left of our social safety net. Current law dictates that the majority of public housing residents earn no more than 30 percent of the median income level in their region. Now, if you earn no more than 30 percent—less than one-thirds—of what is considered to be mid-range income, you are practically destitute. You simply cannot afford to live anywhere else. For all intents and purposes, your options are public housing or public homelessness.

H.R. 2 turns current law on its head. Under H.R. 2, 65 percent of new tenants in public housing must have a job and earn up to 80 percent of the median income of a region. Only 35 percent of new residents will be eligible to earn no more than the current level of 30 percent of median income. Therefore, if you are unable to find a job and earn up to 80 percent of the median income of your neighborhood, you are stuck. You will not have access to safe, affordable, or decent housing. In my opinion, not only does H.R. 2 tacitly state that most people cannot have safe, affordable, or decent housing; it also implies that if you are poor, you do not deserve such housing.

During Committee consideration of this bill, my colleague Maxine Waters of California and I offered an amendment that would have retained current law that allowed for public housing agencies to reconcile non-criminal, minor disputes without having to resort to court. Although this method of resolution offered a cost-effective, efficient, and effective way to deal with minor infractions that did not involve a criminal violation, health code infraction, or a disturbance of the peace, it was rejected. Now, everyone—people who left their trash out on the wrong day, persons illegally dealing drugs, to people keeping cows in their apartments—will be included in the same category. Everyone will have to go through the expense, trouble and intimidation of a court hearing. This simply

makes no sense whatsoever and will increase the homeless population.

The best way to measure how a person, a community, a government, or a nation should be regarded is how that person, community, government or nation treats the least powerful of its citizens. H.R. 2 is a clear and manifest denigration of the commitment that the Federal government has had to our nation's poor, imposes more unfunded mandates to our nation's local and state governments, and will increase the bureaucracy of managing our already-dwindling public housing stock. I urge my colleagues to vote against this legislation in its current form.

CAROLYN C. KILPATRICK.

MINORITY VIEWS

While there are many provisions and policy changes included in H.R. 2 which are to be applauded, the overwhelming number of Democratic members and the Independent member voted against reporting the Housing Opportunity and Responsibility Act of 1997 from the Committee on Banking and Financial Services, as they did the United States Housing Act of 1995 in the last Congress. Like H.R. 2406, the reform bill of the last Congress, H.R. 2 represents a dramatic restructuring of the public and tenant based section 8 housing programs that will have consequences, perhaps unintended, detrimental to the very families the programs were intended to serve, the nation's most vulnerable.

As reported, H.R. 2 virtually abandons the poor in favor of the moderate income, all in the name of flexibility for the local public housing authorities (PHAs). At the same time, it requires new federal, duplicative responsibilities and vast new PHA responsibilities for micormanaging the lives of residents and complying with federal regulations.

Without compromises on the part of the Republican sponsors of this legislation, few of which were reached during Committee consideration, Democratic signatories to the minority views do not believe that this bill should become law. Without compromises H.R. 2 is destined to suffer the same fate as H.R. 2406 in the last Congress. That public housing reform bill failed to become law because of the intransigence of the Republican House majority and their failure to compromise on many of the same issues that are included in H.R. 2.

Indeed, although symbolic, H.R. 2 repeals the basic underpinnings of housing law, the U.S. Housing Act of 1937. The bill establishes an entirely new statutory framework for the public housing and tenant based rental assistance programs. In many ways, we agree with the majority's assessment that the public and section 8 housing programs need major and significant reforms. In fact, in the 103rd Congress, the House passed similar reforms by a broad bipartisan vote—deregulation demonstrations for high performing public housing agencies, rent reforms, reforms of the drug elimination grant program, reform of the one for one replacement requirements, streamlining the section 8 requirements modeled after the conventional real estate market, and the merger of the section 8 certificate and voucher programs.

While H.R. 2 includes those reforms, the Committee bill simply goes too far. Particularly troubling to Democrats are unnecessarily loose and unfair targeting of scarce federal housing resources; rent setting provisions; a new block grant program with few federal standards that siphons funding from public housing agencies; and unwieldy accreditation system; and community work and self sufficiency contract requirements.

Community work and self sufficiency contracts

Committee Democrats are deeply concerned about both the community work requirements and the self sufficiency contract requirements in the bill. While community service is a noble goal for all Americans, requiring or mandating volunteerism as a condition of the lease from public and assisted housing residents barely scrapping by is hardly community service. We know of no other Federal benefit, where community work is required, except the welfare workfare requirements. We would point out that even the poorest resident of public and assisted housing pays some rent under this bill; so they are not living for free.

On a more practical note, it is unclear how this work requirement will ever be enforced, much less families evicted for failing to perform community work. Housing authorities have enough to do without creating community work jobs and monitoring residents in those jobs. And the courts are sufficiently clogged without having to hear eviction cases of residents who fail to complete their community work.

The self sufficiency contracts, although not binding lease terms, are in many ways even more troubling to Committee Democrats. They smack of social engineering and micro-managing families' lives. For the first time, PHAs will be required to ask families to set time limits on housing assistance, although we are pleased that the majority agreed that families should not be evicted if they fail to meet their stated time tables. Such a requirement would have been contradictory to the stated goal of mixed income communities.

More importantly, requiring PHAs to administer self sufficiency contracts creates an administrative and financial burden (an unfunded mandate) for PHAs. It requires PHAs to duplicate the role of welfare agencies, a job for which they are ill-prepared and ill-equipped. It micro-manages PHAs and the lives of residents at the same time, placing new heavy burdens on both.

Committee Democrats favor encouraging moving families from welfare to work through job training, education, and job placement programs administered by the agencies that know how to administer such programs in cooperation with the PHAs, not administered by the PHAs. The local housing management plan should include ways in which the PHA is coordinating social welfare and employment activities for families in public and assisted housing. That should be appropriate and sufficient without requiring PHAs to administer a self sufficiency contract for each family.

Targeting of assistance

The Committee print establishes income eligibility for public housing at below 80 percent of median with targeting of 35 percent of new admissions to very low income families, at or below 30 percent of the area median income. However, it also provides that the very low income targeting can be met by admitting very low income families to the choice based housing program in excess of the 40 percent very low income targeting requirement for that program. This is known as "fungibility."

Committee Democrats fear that the targeting remains too lax. Targeting 35 percent of the federal assistance to families below 30 percent of median income is insufficient. And fungibility further di-

lutes the targeting. There is every possibility that no very low income families will be admitted to the permanent housing resource of public housing with fungibility. We know that these are the same families, many elderly, disabled, or large families who have the greatest difficulty finding housing under the rental assistance program now and the same families who are intimidated by the conventional housing market. So Committee Democrats are particularly concerned about fungibility.

Current law requires that between 75 percent and 85 percent of the families admitted to public and section 8 housing have incomes below 50 percent of median. Further, current law requires the housing agencies to admit mostly families with federal preferences. This statutory requirement has had the effect of housing mostly families who are among the "poorest of the poor."

While we support the repeal of federal preferences, we believe that this must be accompanied by deeper targeting than is the case in H.R. 2. We understand that the majority's objective is to give PHAs complete control of their operations and to change the income mix of the residents of assisted housing, but as Secretary Cuomo pointed out in his testimony before the Committee and the Administration's public housing bill indicates such lax targeting will alter the fundamental mission of public housing: to serve low income Americans unable to find decent and safe shelter in the private market.

Representative Kennedy offered an amendment which would have targeted 40 percent of public housing units to households with incomes with 30 percent of area median income or below, and would have allowed no more than 10 percent of the units to be made available to households with incomes between 60 percent and 80 percent of median, which mirrors the Administration's position.

HUD's statistics and economic modelling suggest that the rental income earned by targeting assistance at or below 80 percent of median and providing assistance to families earning between 60 percent and 80 percent of median would be negligible with the authority to set ceiling rents. HUD's data suggests that ceiling rents generally kick in when incomes are around 55 percent of an area's median. However, there could be other benefits to public housing communities by allowing broader participation in the program.

Targeting assistance so loosely, we fear will fundamentally shift the focus of federal assistance too far from very low income families, all in the name of mixed income developments, reform, local control, and to make up the shortfall from the loss of federal subsidies. Further we believe that it is an unwise use of very scarce federal resources. Currently, the median income for public housing residents is 17 percent of area median income. We are concerned that the 35 percent target will become a maximum for new admittants to public housing so that the median income can increase more quickly. Fungibility will only exacerbate that problem.

HUD estimates that if PHAs could simply raise the median income to 30 percent as it had been in the early 1980s, operating subsidies could be reduced by around $800 million, nearly one-third. Moreover, PHAs could easily meet the goal of making public housing available to working people and creating mixed-income communities with the targeting in the Kennedy amendment. Spe-

cifically, full time workers earning the minimum wage still make under 30 percent of area median income in all of the top 50 metropolitan areas in the country. Hence, the deeper targeting of the Democratic amendment is wholly consistent with the goal of encouraging work.

We believe that the increases in income can occur even if the targeting of assistance is deeper. Even with some loosening of targeting of current law, but greater than that in the Committee bill, and the provision of rent caps, income to the property from rents will increase. Higher income residents will pay higher rents to offset the lower rents from lower income families.

The targeting issue with respect to the rental assistance program is very different. The intent of the rental assistance program is to integrate and disperse low and very low income families into neighborhoods and the conventional real estate market where incomes are generally higher—the same mixed income goal as in public housing, but the opposite problem.

We also recognize that the families with the most serious housing needs are those with the lowest incomes. HUD data indicates that of unassisted families with incomes below 20 percent of median more than 71 percent have severe housing problems. These are the precise families who could be helped by the rental assistance program that would integrate them into mixed income neighborhoods.

Because tenant-based assistance is not tied to particular housing projects, there is no inherent concentration of very poor households. In fact, well run tenant-based assistance programs ensure broader economic integration. Under these circumstances, there is simply no justification for refusing to target the maximum number of rental vouchers to those earning under 30 percent of area median income. Yet, the Kennedy amendment to require 75 percent of such assistance to this population was defeated.

Therefore, we strongly believe that the targeting for the rental assistance program should be considerably deeper than the 40 percent included in the Committee bill, and deeper than the targeting to very low income families for the public housing program.

We also believe that the targeting in H.R. 2 will exacerbate the problem of the lack of affordable housing, particularly for very low income families. The Center for Budget and Policy Priorities study, In Short Supply: The Growing Affordable Housing Gap, determined that the number of low income renters exceeded the number of affordable rental units by 4.7 million low income renters. According to the study, the nation has lost 43 percent of its affordable housing supply, some 2.2 million housing units, over the last two decades. Among renter households, at least 13 percent in every state spent 50 percent or more of their income to cover the rent. More than 5.6 million families today pay more than 50 percent of their incomes for rent, or live in substandard housing. They have been determined to be families with worst case housing needs.

Committee Democrats believe the Committee bill's targeting may aggravate homelessness and harm the most vulnerable residents. Families with very low incomes waiting for public housing or rental assistance may simply be too poor for PHAs to assist and they may remain homeless. It is ironic that public housing is criticized for

warehousing and concentrating the poor, often in deplorable conditions while the policies in the Committee bill may relegate those too poor for public housing and rental assistance to homeless shelters, which are often no more than barracks, dormitories, or warehouses.

Rent setting

From its enactment in 1969, the Brooke amendment named after former Senator Edward Brooke (R–MA.), its sponsor, was intended to protect the most vulnerable residents of public housing and later those with section 8 assistance from paying too high a percentage of their incomes for rent. The rent to income ratio of first 25 percent and then 30 percent was thought to be a reasonable contribution in relation to the limited incomes of eligible residents. Last year's bill eliminated the protection of an income based rent for any family with an income above 30 percent of area median, although the rent cap was retained for the elderly, disabled, veterans, and families with incomes below 30 percent of median pursuant to Democratic amendments during House consideration of the bill.

This year under H.R. 2, there is a different approach. While we applaud the majority for recognizing the necessity to provide income based rents up to 30 percent of median income for everyone, we are concerned about the rental choice provision that requires a family to choose between an income based rent and a market based or flat rent.

At its best, it would require PHAs to develop certain market disciplines in estblishing flat rent schedules (as was required prior to Brooke). However Committee Democrats believe that the provisions of H.R. 2 would tend to encourage flat rents set far higher than 30 percent of most public housing tenants' incomes, because rents are to reflect market rents. Currently the average monthly rent paid by all public housing residents is $185, far less than operating costs or most market rents; and 75 percent all current residents have annual incomes that are less than $10,000. So the rent choice is hollow. No residents will choose to pay more than 30 percent of income for rent.

Committee Democrats believe that at its worst, over time, the rent setting methods could end up segregating the very poor. PHAs would direct families choosing to pay income based rents to those properties with lower flat rents and where the PHA would lose the least money. Those who would agree the typically higher flat rents would be steered to the better properties. We would urge PHAs not to seek only families with greater rent paying ability and willing to pay flat rents. Such practices will shut out those on the waiting lists who are very low income until just the right income mix is achieved to generate sufficient operating income.

Finally, the rental choice provision sets up an administratively cumbersome system—an unnecessary and unwanted administrative nightmare. Every year families will have to decide which rent they will pay. Recertification of income rules are different, depending on which rent families choose to pay. Families are at a distinct disadvantage in changing rental methods if a crisis occurs, the decision resting with the PHA not the family, to switch rental payments.

Although Committee Democrats did not raise the rental choice provisions during Committee consideration of the bill, Mr. Frank will offer an amendment during House consideration of H.R. 2 to simplify rent setting policies and procedures for PHAs and families. His amendment will eliminate the choice provisions and require that all rents be capped at 30 percent of income. Unlike current law, it will not mandate a flat rent of 30 percent of income. Adopting a flexible rent to income ratio capped at 30 percent will permit very low income families to pay less than 30 percent of their limited incomes for rent and it will accommodate ceiling rents and income disallowances. The Frank approach would tend to encourage setting flat rents that were affordable to the overwhelming majority of public housing residents, those with incomes that are 30 percent of median income, unlike the flat rents proposed in the Committee bill.

Committee Democrats believe that this is a simpler, fairer, and more reasonable rent setting system. It will allow the PHA the flexibility to establish flat rent schedules; it will introduce market disciplines in setting rent schedules; and it will eliminate the disincentive to earn additional income, which appears to be the only argument that the majority has offered for the rental choice provisions in the Committee bill.

We are pleased that the Committee bill includes provisions for ceiling rents or maximum rents, another of the provisions from the 103rd Congress's House passed housing bill. Like the majority, we believe that ceiling rents are critical to rent reform and to attracting and keeping families, especially the "working poor", in public housing. We are aware that more than 25 percent of the residents of public housing have earned income.

We believe it makes no sense to penalize families who earn more by charging them higher rents. Indeed, we understand in certain high cost areas like New York City, without ceiling rents it would often be less expensive to move out of public housing into private housing of a higher quality. Ceiling rents will encourage mixed income communities which will help break the destructive concentration of very poor families in public housing. On this issue, we agree wholeheartedly with the majority and H.R. 2. However, we do not agree with the majority about the complete shift of incomes among residents in assisted housing that is part of the design of H.R. 2 as reported.

Minimum rents

The Committee bill establishes a minimum rent of between $25 and $50, with certain hardship exemptions established by the PHA. Committee Democrats believe that any requirement above $25.00 may pose a genuine hardship on families with no or very little income, such as those families who are unemployed, have lost their welfare benefits, are in the transition between homelessness and having housing, who have just lost their jobs, have unanticipated medical expenses, and are awaiting determination of eligibility for public benefits.

Although we agree that families should pay some token amount toward rent, $50.00 is simply too high. We know, that if every PHA implemented a $50.00 minimum rent, as H.R. 2 would permit,

nearly 340,000 elderly and families with children would be affected. Families would pay an average of $315.00 more per year in rent.

About two thirds of the families affected by the new minimum rent requirement would be families with children, many of them in states with low welfare benefits and low wages. Right now, 10 percent of all the residents of public housing pay less than $50.00 in rent and 22 percent of all residents earn less than $5000.

We also are aware that the imposition of the $50.00 minimum rent would have different impacts depending on regions of the country. While residents in high cost areas with high welfare cash assistance may not be dramatically affected, those with lower incomes and lower benefits would be. As an example, in Texas, the welfare benefit for a 3 person household is only $188.00 monthly. With a $50.00 minimum rent, a resident who had been paying $32.00 monthly based on the Brooke cap and applicable deductions from income would now be paying $50.00, or 46 percent of income.

Committee Democrats are particularly concerned that granting hardship exemptions is solely in the discretion of the PHAs. We are pleased that the Committee adopted Representative Roybal Allard's amendment which clarified that families can not be evicted immediately if they are unable to pay a minimum rent; however we believe that a major shortcoming of the Committee bill is its failure to specify mandatory exemptions, such as loss of job, death or illness, awaiting an eligibility determination for benefits, from minimum rents.

One of the most troubling omissions is a mandatory exemption for legal immigrants who will lose their welfare benefits, supplemental security income benefits, and food stamps as the result of the implementation of the welfare reform legislation passed during the 104th Congress. These are families, many of them elderly and disabled, who have been in this country legally for many years or who have just come to this country fleeing oppression. They have been and they are playing by the rules for legal immigrants. Soon they will have no income because of welfare reform. Representatives Vento and Gutierrez offered an amendment which would have provided a mandatory exemption from the minimum rent for these families. It was defeated on a nearly party line vote like most amendments.

Every day there is a new and agonizing story of the emotional toll the fear of losing benefits is taking on legal immigrants—even stories of suicides. In many cases these are refugees from World War II and the Vietnam War who will be cut off from benefits now because they are too old or sick to pass the citizenship test. We believe that there is no valid reason for not requiring a hardship exemption in these instances.

Committee Democrats believe that not granting this mandatory exemption is simply a case of piling on for little gain. When minimum rents for all public housing and section 8 families were instituted, CBO scored the savings at a mere $25 million. Legal immigrants represent only a fraction of that very small savings. The Republican Congress last year took away their income and their food stamps. This year, without a mandatory exemption from minimum

rents, the Committee bill will charge them a minimum rent from their now empty pockets.

Funding

The Committee bill authorizes funding levels for public housing and choice based housing that do not even equal level appropriated for the same programs for fiscal year 1997. For public housing, including the operating fund, the capital fund, the COMPAC program, and the severely distressed housing program, the bill authorizes $6.19 billion to be appropriated for the term of the bill; the 1997 appropriations bill appropriates $6.98 billion, nearly a billion dollars less. For the choice based housing program, H.R. 2 simply plucks a number out of the air; it seems to have no resemblance to the number needed for incremental assistance and renewals. The Republican appropriations bill for the last two fiscal years failed to provide any incremental section 8 assistance or new choice based housing certificates in the lexicon of H.R. 2; rather it provides funding for replacement housing certificates and renewals. H.R. 2 makes no such distinction.

Committee Democrats believe the numbers are woefully inadequate. Committee Democrats also believe that it is critical for the authorizing Committee to establish priorities for spending on housing programs that the Budget Committee and the Appropriations Committee can use as guideposts during their deliberations. The Committee bill fails to do that.

Just as we argued in the Committee's deliberations over the budget views, Committee Democrats, particularly, believe that it is critical that this bill include full funding for Operating Subsidies. Representative Frank offered an amendment, defeated along party lines, that would have required Congress to fully fund the operating subsidies needs pursuant to the performance funding system and its successor formula for each of the ensuing five years.

Public housing funding in recent years has suffered much larger cuts than programs in the domestic discretionary budget, including other HUD programs. The ability of PHAs to maintain affordable rents and to serve poor people is tied to the level of the operating subsidy. Because operating subsidies have fallen below that called for by HUD's Performance Funding System, pressures have been generated for raising tenant rents above the 30 percent cap that has long been public policy, so as to avoid having the $90 billion investment in public housing deteriorate. This lack of operating subsidy—an estimated shortfall of $5.3 billion between FY 1993 and FY 2002—is also generating pressures of PHAs to seek tenants at the higher income ranges of eligibility.

There are good reasons for changing the income mix in public housing so it does not consist solely of the very poor, but changes of this sort should be driven by the desire to provide the best overall housing environment, not by a need for funds to meet basic maintenance and operating needs. These pressures will only mount as welfare and SSI changes take hold and any new targeting requirements take effect.

Committee Democrats are concerned that the short-sighted authorization levels and majority budget views are but one more ex-

ample of the Republican strategy of divining policy by the numbers without considering the impact on very low income families.

Choice based rental housing

Generally, we support many of the changes in the rental assistance program. The provisions essentially merge the section 8 certificate and voucher programs into one new program, much as the House adopted in the 103rd Congress. The new program includes requirements which bring the rental assistance program more closely in line with the conventional real estate market—reformed lease requirements, repeal of "take one, take all", repeal of the "endless lease", and others. We believe that the program streamlining and merger will make it more attractive to a broader range of landlords and rental properties. However, the new program also includes a number of provisions with which we strongly disagree.

The new rental assistance program provides for a minimum rental share, rather than a capped family contribution; and retains the concept of fair market rent, now called a rental indicator, and a payment standard as under the current section 8 voucher program. It also relaxes targeting and repeals federal preferences. As discussed above, we believe that retaining a cap of the resident's share of rent is critical as is deeper targeting of assistance to very low income families.

Home Rule Flexible Block Grant

The Committee bill establishes a housing block grant that would permit HUD, at a local official's request, to re-direct all public and choice based housing funds previously allocated to the locality's PHA to the local official. The official, on the other hand, is bound by few other restrictions like federal rent restrictions, targeting requirements, resident participation requirements, or resident protections. As a result, we fear that the longstanding federal investment in public and assisted housing will be abandoned, leaving many low and moderate income families with severe housing needs unmet.

While we support partnering local and federal efforts to increase affordable housing, we united in opposition to the block grant approach because it creates an adversarial, rather than cooperative, relationship between local and federal entities. By permitting a locality to compete directly for all of the PHA's funds, we will have stripped the locality and the PHA of all incentives to work together. Yet it is crucial to the success of these programs for the locality and PHA to coordinate city services, such as policing, trash removal, and community investment effort. By encouraging competition rather than fostering cooperation, we believe that in the end those who will suffer the reduction in services will be the residents.

We also believe that the local block grant approach is a resounding statement that despite the numerous policy reforms included in the bill, housing authorities cannot adequately meet the housing needs of the poor. We strongly disagree with that notion, and believe that the Committee should continue working to improve and strengthen that which we have invested in for decades—public housing—and direct PHAs and localities to work together in meeting the housing needs of the community. We join with former Sec-

retary Henry Cisneros who actively opposed efforts to include a local block grant in the 1997 HUD budget. He argued in a letter to OMB Director Raines that the deregulation and transformation of public housing transformation was on course and was successfully enabling PHAs to better manage scarce resources and provide residents choice and mobility. The block grant, he went on, would only frustrate those advancements and achieve OMBs goal of blocking and cutting our Nation's housing programs.

Without question the great majority of housing authorities are successfully and efficiently providing an important and basic need to our nation's lower income families. In order to continue to do so, we believe that PHAs must continue as autonomous, federally supported entities, partnering with localities. A PHA's autonomy from the local political structure increases the agency's accessibility and responsiveness to the families they serve.

But if the locality were to run the grant program, the nature of local bureaucracies would prohibit such accessibility and responsiveness. Sunia Zaterman, Executive Director of the Council of Large Public Housing Authorities, spoke persuasively to this issue before the Banking Committee on March 6, 1997. In her testimony she stated, "The insertion of the city will entail another layer of bureaucracy and (administrative) cost. City Halls, often encumbered with archaic civil service systems, are unaccustomed to the exigencies and urgencies of real estate management." Obviously, autonomy is not only important to the empowerment of public and assisted housing residents but also to the success of our federally financed housing programs.

We also believe that in this time of fiscal restraint, federal housing dollars should be targeted to those with the greatest need. According to HUD's study released in March of 1996, "Rental Housing Assistance at a Crossroads," 70% of families below 30% of the area median income have severe housing needs. The block grant, however, would permit the locality to neglect those families, forcing them to sustain extreme rental costs, live in substandard housing, or live on the streets.

In response to that concern, Republican Committee Members argue that the block grant will give localities the flexibility to implement innovative housing programs that meet those families' needs. While that should be a locality's goal, there are no requirements in the program to ensure that those families are accommodated. In fact, we provide localities federal assistance through direct grant programs such as HOME and CDBG and encourage localities to be innovative in rehabilitating or producing housing through such programs; yet those programs do not reach out to the families that are served by the public and assisted housing programs because the targeting requirements are broader. Therefore, we strongly believe that the public and assisted housing programs must be preserved to reach those in need.

Another fear in block granting these programs is that it is a backdoor effort to reduce funds available for housing. As we see many of the housing block grants targeted for budgetary cuts, it is reasonable to expect that this block grant will be at risk in the future as well. Once the majority of the public and choice based housing funds are being diverted to the block grant, it will be only a

matter of time before the entire program is turned into a block grant and the federal commitment to housing further challenged.

Housing foundation and accreditation board

The Committee bill authorizes an independent study of the possible advantages to implementing a board, or any other system, to evaluate and accredit PHAs, but then absurdly negates the value of such a study by imposing a federal accreditation board upon the completion of the study regardless of the study's results. While we recognize that the bill improves the Public Housing Management and Assessment Program (PHMAP) to include evaluations of a PHA's success in promoting self sufficiency and in providing basic, acceptable housing conditions and maintains PHMAP while the study is underway, these improvements are more than offset by the fiscally wasteful and intellectually irrational policy decision to mandate a study but ignore the results. WE cannot support a costly study that will have little to no value when the Republican Congress is cutting social programs left and right.

With regard to the merits of establishing an accreditation board, however, we acknowledge the critical need for more accountability of PHAs and their performance. Notwithstanding, we have numerous concerns about establishing this board with such vast powers.

We believe that this new entity is duplicative of HUD and its responsibilities. There seems to be no sense of where HUD's responsibilities end and the board's begin. HUD's Inspector General, Susan Gaffney, who testified before the Subcommittee on Housing and Community Opportunity on March 11, 1997, expounded on that point. In her tempered opposition to establishing a Board, she stated, "The Board could also become a parallel and competing organization with HUD, potentially resulting in turf battles and finger-pointing." We also find it somewhat ironic that this board must be created, in part according to the majority, because HUD is losing its staff and its capacity to monitor housing authorities adequately.

Congress enacted PHMAP in 1992 precisely to monitor public housing agency performance. While its measurement scales are quantitative and objective, HUD staff is required to review PHMAP scores to provide assistance to housing authorities which receive low and failing scores. Certainly, the use of PHMAP can be improved with HUD providing greater follow up on the scores of PHAs. However, we believe it generally is a system that works; yet the new board will use PHMAP only in transition.

The majority touts the new board for its critical role in placing "death penalties" on poor performing housing authorities. Yet, if such a penalty is imposed, HUD must impose it. The entity responsible for making decisions about the status of PHAs will be disassociated from those who are responsible for implementing those decisions.

Finally, although the board will be responsible for granting accreditation to PHAs, the board's chief responsibility seems to be punitive—distinguishing PHAs that are poor performers—yet the bill then requires HUD to blindly step in and impose sanctions on the agency. We particularly are concerned about one sanction—holding back Community Development Block Grant (CDBG) funds if the

Secretary determines that the city substantially added to the PHA's poor performance. We are concerned that the very cities sanctioned by loss of CDBG are the cities with the greatest housing and CDBG needs. The only ones who will lose are the low income families. We are also concerned that HUD will lack the proper information to accurately make an assessment, resulting in the sanction being mis-used as a political tool. Therefore, we would urge HUD to impose this sanction sparingly.

Notwithstanding the favorable outcome of improving the status of PHAs in our communities, the new accreditation board bureaucracy will simply add another layer of politics an confusion. Even the model upon which the board was created, the hospital accreditation board, has come under recent attack for imposing meaningless standards and not enforcing them. We agree that the Committee should thoughtfully address show to improve the reputation and performance of PHAs, but the bill, once again, goes too far.

COMPAC

An amendment offered by Representative Vento clarified that the broadened the drug elimination grant program, the Community Partnerships against Crime (COMPAC) program, would be available on a formula basis, but only to those who demonstrate need with respect to criminal activity in or around public housing. This should address the concerns of large housing authorities in big cities with such overwhelming crime problems.

We believe that COMPAC can and should continue to provide a guaranteed resource for local authorities to enlist and retain allied law enforcement, provide drug prevention and treatment, engage in anti-gang activities, provide youth recreational opportunities, and to hire security personnel. So we are particularly pleased that another Vento amendment was accepted to authorize the COMPAC program for the term of the bill.

Occupancy standards

In an effort to clarify HUD's role in establishing limits on the number of occupants per bedroom for rental housing, the Committee bill prohibits HUD from setting a national occupancy standard. Because we believe this policy merely legislates what is HUD's current practice, we support this provision in the bill. In addition, we are encouraged that the Committee overwhelmingly decided to preserve the Fair Housing Act's (FHA) prohibition on discrimination against families with children, as well as HUD's obligations under the FHA, and omit provisions that enforced a national occupancy standard. We strongly believe that HUD plays an integral and valuable role in enforcing the FHA and should not be hamstrung in its efforts to do so. HUD must continue to direct its field investigators, as it currently does under the Keating memorandum, to consider certain criteria when investigating allegations of discrimination under the FHA; and consider promulgating a rule guiding housing providers on establishing occupancy limits that do not discriminate against any persons based on race, color, religions, handicap, sex, familial status, or national origin.

During the course of the debate regarding whether the Congress should impose a national occupancy standard, the Committee—

with little exception—expressed strong and clear opposition to setting a national limitation on the number of occupants per bedroom. Members from both parties told of their childhood experiences where three siblings shared one bedroom or slept in living spaces because the bedrooms were full. They recognized that those experiences did not diminish their health and well-being or prohibit them from pursuing great things. Instead they recognized that the imposition of a national occupancy standard would worsen the shortage of housing for families with children. In turn, we believe the Committee acknowledged that the FHA is working in our communities by allowing for reasonable occupancy standards that act to protect the health and safety of residents, but prohibiting discriminatory standards that merely keep families out.

Legislative process

The Committee bill represents a major restructuring of the two housing programs that serve our nation's low income families. It repeals the United States Housing Act of 1937, which has stood with amendment through the years, as the basic law governing the public housing program and the rental assistance program since its enactment. However, this Committee, in less than two months and with only three hearings before the Subcommittee in Washington, marked up and reported H.R. 2. The Subcommittee on Housing and Community Opportunity was by-passed in favor of mark-up at the full Committee on Banking. We believe an opportunity to air all the issues and make important technical and policy refinements was lost.

We believe that such fundamental change demanded a more thorough legislative process. The bill makes wholesale changes in public policy, to current law, and to HUD program. Such changes are certain to have broad impacts on current and future residents of public and assisted housing, on local authorities, on private landlords, on housing markets, and on HUD. By trampling on the legislative process, we believe we are reporting a bill with unintended, unknown, and adverse consequences.

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MAURICE D. HINCHEY.
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OTHER DISSENTING VIEW

BY RON PAUL

We, the Congress, are once again asked to re-enact federal housing legislation that is unconstitutionally, philosophically, economically and practically unsound.

Prior to the Constitution-circumventing New Deal policies of the Fed-induced Depression era, such redistributionist policies whereby government takes money from one citizen to pay the housing costs (or some other cost) of another was forbidden. Supreme Court Justice Samuel Chase, in *Calder* v. *Bull,* opined that "a law that takes property from A and gives it to B: it is against all reason and justice, for a people to intrust a legislature with such powers." Yet, this redistributionary scheme, rather than the exception, has become the rule as well as the rule of law in this twentieth-century, special-interest-state.

But even setting aside the unconstitutionality of government's twentieth century housing policy for the moment, such redistributionary schemes are philosophically bankrupt as well. A right to housing, as espoused by proponents of this legislation, (or a right to more than the fruits of one's own labor), by definition must deprive some other the right to keep the fruit of his or her own labor. Moreover, such a "right" cannot be a right as it is not enjoyable by all simultaneously. For if each is entitled by right to more than the fruit of one's own labor, one must then ask from where this additional production will come. It is this fallacy that prompted Frederic Bastiat, the brilliant 18th Century political-economist to remark: "the state is that great fictitious entity by which everyone seeks to live at the expense of everyone else." Bastiat understood that government was an agreement entered into for the purpose of protecting one's own property rather than the tool by which individuals could collectively band together to deprive others of theirs.

The problems with government housing extends even beyond these not-so-insignificant barriers. The economic and practical aspects of such a policy warrant serious scrutiny as well. One must not forget that individuals respond to incentives and incremental measures moving this country further in the wrong policy direction must be actively opposed.

There are those in this Congress who concede that there are serious problems with our federal housing policy but argue that we must "reform" it to correct these problems. By incrementally moving in the right direction we can look out for those affected (not just the tenants but the others dependent upon the government miscreant as well).

This incrementalist approach has not worked in the past and will not work in the future. This bill will NOT move us incrementally

in the right direction. The direction in which this legislation will lead us could be referred to as a continuation of "mission creep." An idea for a small program or expenditure, no matter how "deserving" or well meaning, will only feed an ever-growing appetite for more government money.

This bill will demonstrate yet again the innate nature of a government subsidy to grow exponentially. Despite the confident assurances of ″flatlining″ the HUD budget for a few years, government subsidized housing will continue to grow. A GAO report points out that there are an additional $18 billion in FHA insured mortgages at risk. While not a part of H.R. 2 directly, the liabilities associated with the subsidized mortgages on the housing projects and other factors virtually assure it, even if it were not the nature of government's quest to sate its ravenous consumption of our money.

The social reformers of the New Deal era persuaded a pliant government to address the issue of unemployment and the needs of the slum dwellers. Presumably, no one bothered to address the responsibility issue. John Weicher of the Hudson Institute explains well the logic that brought us the current situation.

The social reformers of that era chose to ignore market forces, human nature and the nature of government. If government spends enough of other people's money, government can change lives. "We know better for them than they do (and just how to do it)," was the condescending implication.

They claimed that poor tenement housing largely caused the social ills of the urban dwellers. These so-identified breeding grounds of crime, delinquency, disease, mental illness and worse were regarded as the result of the poor living conditions, not the cause. If government could give them decent housing, government could eliminate these problems, they dreamed. That dream has become a nightmare for all too many people—both for the people trapped by the constraints of the public dole and those forced through taxation to pay for it.

The erstwhile social reformers thought government could eliminate the slums, create jobs in a depression and even encourage home ownership. Through government, they could realize their dreams. They were wrong.

The United States Housing Act of 1937 established public housing, our oldest subsidy program, in order to create affordable, Depression-era housing for those temporarily unemployed or underemployed, eliminate slums and increase employment through make-work construction jobs. The Great Depression has long been over, but its misguided largesse and Constitution-circumventing redistribution schemes continue. Of course, we are still paying the deficit—with compound interest—for those jobs despite having institutionalized slum life.

The War on Poverty demonstrated the mission creep. In 1965 government created the Housing and Urban Development (HUD) Agency following the beginning in 1961 of federally-subsidized construction of privately-owned housing projects. Subsidized housing has now mutated into three forms: public housing, privately-owned projects and, Section 8 certificates and vouchers for use in privately-owned housing. Each of these three forms of government-

subsidized housing makes up roughly one-third of the subsidized housing stock.

Of the public housing projects, over 850,000 of the 1.4 million units were built between 1950 and 1975. Only about 100,000 new units were added to the public housing stock in the last 10 years. These units are built entirely with public funds, and the federal government pays part of the cost of operation. Over time, the federal government has to pay to modernize these developments too.

However, the local Public Housing Authorities (PHAs) run the projects with such ineptitude in so many cases they are literally run into the ground. Costs to operate the public housing projects are comparable to private housing, according to HUD numbers, only if one does not consider the cost of building the units in the first place—as if the cost of the mortgage on a private housing building should not be a factor in setting the rent!

The federal government then picks up the tab for the so-called modernization, or rehabilitation, of the projects as they deteriorate. With this setup, there is no incentive for the local PHA officials to reinvest the rental income back into the units. As a consequence, the local PHA does not maintain them sufficiently, and the tenants suffer a life in substandard housing. Standards that are deemed unacceptable in private housing are somehow good enough in the government's eyes for those on the lower rungs of the socio-economic ladder.

The privately-owned projects also bilk taxpayers on a grand scale, according to HUD Secretary Andrew Cuomo. He lambastes the fact that the government is overpaying rents compared to what his department considers Fair Market Rent. HUD is subsidizing rents of $849 a month in Chicago neighborhoods where the market rate is only $435 a month; paying $972 a month in Oakland, Ca., against a market rate of $607 a month; and in Boston, government is paying $1, 023 a month vis-a-vis $667 monthly in the private market, he says.

Mr. Cuomo attacks these abuses and decries the state of subsidized housing, but he does not recognize that these abuses are symptomatic of the system he is trying to preserve. "For years we have been trying to grapple with this issue," he tells us and dangles promises of huge future savings if government tinkers around the edges of an ill-conceived system that tries to cheat the market, tries to circumvent human nature, and ignores the nature of government subsidies.

His current promises are as false as the promises of his predecessors. One of his successors will one day lament the horrible state of subsidized housing he inherited and will promise grandiose reforms that will save billions if government only passes a future subsidized housing bill.

One of the worst complications of this approach is the built-in disincentives to proper management. Under a convoluted setup, these privately-owned projects rely on FHA insurance and a federal subsidy paycheck to pay for it. Too often, these ill-managed projects deteriorate so quickly that the units are torn down before they pay for their own construction. Under Mr. Cuomo's directives, HUD will decide the "market" rate concerning its subsidies. The market dis-

tortions of the tax code and FHA insurance make the situation worse.

Vouchers and certificates are the best of the inherently flawed approaches. About 80% of people with vouchers find suitable housing of their choice--very often at only 40-60% of the cost of (less desirable) public housing. After enacting certificates in 1974 and vouchers in 1983, about 1.5 million households have been served by this approach--1.1 million through certificates and 400,000 through vouchers.

The benefits of the tenant-based approach include the reliance of a quasi-free market competition with the attendant bonuses of lower costs, greater efficiency, rewards for personal initiative, and individual choice. Under tenant-based rental assistance, recipients are less likely to live in concentrated poor urban communities that often lack basic necessities: safety, good schools, employment opportunities, access to financial services, etc. They have a way out of the trap of project-based public housing units that have become a way of life.

Market incentives through tenant choice put the renters in charge of their housing decisions. They may find the housing of their choice and even keep the difference between the rent and the voucher if they find housing for less than their voucher enabled them. (This is not the case with the certificates.) Unfortunately, the household remains tied to the state with the contingent constraints and perverse incentives that this arrangement implies.

Unfortunately, H.R. 2 does not address these concerns. It leaves uncertain the "proper" approach to subsidized housing despite the fanfare of a "new" approach. While formally repealing the 1937 housing act, the mentality remains along with the compendium of problems inherently associated with it.

The bill leaves uncertain whether a "tenant-based approach" or a "project-based approach" will be instituted. In the Washington tradition, a compromise is offered. Again, in the Washington tradition, this bill embraces the worst aspects of both approaches and fuses them together.

This bill tries to "target" their social reforms now. By this government attempts to force social reforms through osmosis by luring better role models into the modern slums. Perhaps the Ellen Wilson housing project in Washington, D.C., just blocks away from the Capitol, would reassure us as to the benefits of incrementalism. In a city with a waiting list of 16,000 people, government is spending about $186,000 per unit to build subsidized housing instead of spending less per unit and housing more people.

One would hope that at least such incredible sums are going to the most needy of the 16,000 people waiting for subsidized housing. Yet even those earning up to $78,000 a year could qualify. Incremental social reform is not cost efficient.

The Washington Post wrote on April 24, 1997 that Valley Green, a Washington, D.C. housing project built in early 1960s, was launched "to house people displaced by 'slum clearance,' [and] soon became a slum itself, poisoned over the decades by a toxic brew of poverty, rampant vandalism, violent drug dealing and government neglect. * * * The resulting wasteland, which stretches across 20 acres of silent concrete courtyards and rutted city streets, has come

to serve in recent years as a convenient backdrop for politicians looking to cast blame for decades of despair."

This story is very indicative. It is one that has been retold far too many times in too many places. This expenditure has not even provided decent housing to those government was trying to help. According to HUD inspection general reports, up to 80% of the units fail inspections.

It is a story that will be retold again and again if this bill passes. It is a testimony of the effects of government-engineered social reform of housing. One must not forget the lofty goal of slum elimination of the 1930s that spawned this misadventure. That lofty goal of the 1960s spawned the dreamily named Valley Green. One can only wonder what name government shall bestow upon the next housing project born under H.R. 2's new legislative regime.

Aside from the simple accounting costs associated with government subsidized housing, there are other real costs. Unfortunately even this simplicity eludes HUD which routinely demonstrates that it is incapable of understanding basic accounting and accountability. Just this month, a Congressionally-instigated investigators of Section 8 contract reserve accounts "discovered" $5 billion dollars in addition to the $1.6 billion in excess reserve funds recaptured late last year. I sincerely doubt that the residents of Valley Green, other housing projects and taxpayers think this is a well-run program.

Just since HUD was created, government has appropriated over $572 billion to the agency. Of course, this figure does not include rents and fees collected by the agency, so that it could be argued that total funding for public housing has been much higher. HUD is budgeted annually around $21.7 billion for each of the next five years, but the figure for last year was only $19.4 billion. More money will be wasted.

For fiscal years, 1965-1975, the agency's budget authority totalled less than $40 billion. In other words, government has spent over half a trillion dollars of taxpayers' hard-earned money on subsidized housing in the last 20 years.

Nor has this half a trillion dollars increased the home ownership rates of Americans. The fourth quarter averages of home ownership between 1965-1974 averaged 64%. Despite such governmental largesse, fourth quarter rates of home ownership averaged 64% between 1965-1996. Certainly HUD has not made a significantly positive contribution to the goal of home ownership. They will be able to point to the easily identified few who have been helped at the expense of the less easily identified many who were negatively affected.

One must not forget that the increased government expenditures derived through taxation have stifled the ability of many would-be home owners to save for the down payment and purchase the home of their dreams. Instead, they pay the taxes to bankroll the dreams of the social reformers, past and present.

They are paying not only the bills of today but the taxes necessary to pay for the deficit spending dreamed up by previous social reforms. There is a real economic cost to these deficits. The distortions to the free market whereby the most efficient allocations of resources are made. HUD shows us the alternative (and consid-

ered enlightened) path to allocating resources better. The HUD bureaucracy consumes valuable resources that are best spent elsewhere. Even the new HUD Secretary concedes very readily that HUD is inefficient and wasteful. Government just needs to give it more time and more money, the Secretary pleads. Of course more time and more money have already cost us too much.

This irresponsible pipe dreaming has contributed to unsound fiscal and monetary policies and introduced new iterations in the business cycle. As the market tries to factor in these government-spending-induced booms and busts, security against its ravages of higher unemployment and higher interest rates takes their toll. This added cost fuels the cycle which exacerbates the problem.

Not only the taxpayers suffer under this approach. The civil rights of the tenants of subsidized housing are discarded as housing sweeps violative of the fourth amendment are conducted in the name of a misdirected war on poverty and lack of affordable housing.

Of course it is the middle class and working poor who pay the cost most directly. The rich shelter their money from many income taxes and have their FICA taxes for Social Security capped. This regressive Social Security tax takes an unfair toll on the working poor and middle class. Many more people could afford better housing absent paying for the inefficiencies of the government's approach to housing.

H.R. 2 is not the solution to our problems. Rather, it is an illustration of the creeping mission of more government for a longer period of time not fulfilling the dreams of its engineers. This bill is more of the same incrementalism that began in the 1930s. Despite proof that it was not working, we are asked to vote again to throw more money at the problem, give government more control of our lives and reap the rewards.

In the 1960s, government acknowledged again the failure of the mission and expanded the reach of government exponentially. With those promises demonstrably unfulfilled, government find itself again at a crossroads. Continue creeping incrementally towards more government spending and a loss of civil and economic liberties OR the path of freedom. I urge government to offer liberty.

I do not doubt the compassion and intentions of many of the social reformers, then or now. They are indeed well-meaning folks. The problem is that the effects of their good intentions run counter to the aims of their endeavors.

Instead of a ″safety net″ that merely prevents a newly-unemployed single mother from falling, the public housing project traps her and her family in its net and holds them hostage to the whims of the local Public Housing Authorities. These PHAs are not accountable to her. She has sacrificed her liberty to PHAs that are too often sinecures provided by political cronyism. Tales of their abuse are legendary.

This corrupt scenario produces crime statistics proportionately twice as high in and around subsidized housing projects as in the communities as wholes, according to HUD's Office of Public and Indian Housing. Without the accountability inherent in a market situation, abuses are almost predictable. The public housing projects

are but one of the worst examples of flouting the free market and the loss of accountability.

H.R. 2 attempts to improve the lot of those benefiting from subsidized housing and make the bureaucracy less burdensome. Unfortunately, by the time this proposal goes to the floor, so many changes will have been made, compromises accepted and political deals consummated that we end up with a bill in some ways worse than the status quo, as bad as that is.

The end result of this well-meaning attempt to care for those less fortunate is higher taxes (especially on the working poor), slower economic growth, fewer job offers and a reaffirmation of government's determination to keep tenants trapped in substandard housing whose managers are not accountable to them.

At the same time, those politically-astute suppliers of government housing encourage the continuation of such programs at the expense of the more productive suppliers whose political polish does not place them in the ambit of those doling out the grants.

We should end this misguided approach to such legislation. It punishes all taxpayers with the future additional expense of increased eligibility requirements while limiting further the availability of subsidized housing for those who currently qualify. It rewards special interest favors for the politically-connected—both unaccountable subsidized housing managers, department bureaucrats, politically-contributing public construction businesses and the landlords cashing above market government rent checks for substandard housing.

The opportunity that H.R. 2 provides is squandered in an extension of more of the same. While consolidating programs could make oversight easier and bureaucrats and local PHAs more accountable, it is unlikely that this bill will go far enough to address the problems with our subsidized housing programs. New problems resulting from "targeting" are almost certain. Many of the critics of the left are correct to point out this mean misallocation of funds from the working poor and middle-class to tenants with higher incomes than current tenants despite the waiting list.

Only by rewarding individual initiative, choice, responsibility and the resultant accountability can government reforms better serve the recipients. Of course, only less government and lower taxes will truly meet those aims.

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