

103^D CONGRESS
2^D SESSION

H. R. 4218

To reform certain housing programs administered by the Secretary of Housing and Urban Development.

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 1994

Mr. DIAZ-BALART (for himself, Ms. ROYBAL-ALLARD, Mr. BECERRA, Mr. BONILLA, Mr. DE LA GARZA, Mr. GUTIERREZ, Mr. DE LUGO, Mr. MENENDEZ, Mr. ORTIZ, Mr. PASTOR, Mr. RICHARDSON, Mr. ROMERO-BARCELÓ, Ms. ROS-LEHTINEN, Mr. SERRANO, Mr. TEJEDA, Mr. TORRES, Mr. UNDERWOOD, and Ms. VELÁZQUEZ) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

A BILL

To reform certain housing programs administered by the Secretary of Housing and Urban Development.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Low-Income Housing
5 Incentive Act”.

1 **SEC. 2. GAO STUDY REGARDING PUBLIC HOUSING DEMOLI-**
2 **TION AND DISPOSITION AND NEED FOR**
3 **LARGER PUBLIC HOUSING DWELLING UNITS.**

4 (a) IN GENERAL.—The Comptroller General of the
5 United States shall conduct a study of public housing in
6 various areas and public housing agencies throughout the
7 United States, under which the Comptroller General
8 shall—

9 (1) determine whether the existing requirements
10 regarding demolition and disposition of public hous-
11 ing dwelling units prevent or inhibit public housing
12 agencies from effectively replacing severely dis-
13 tressed public housing dwelling units or result in the
14 continued operation or funding of severely distressed
15 public housing that should be replaced;

16 (2) develop a realistic plan that provides an ex-
17 pedited waiver of the existing rules regarding re-
18 placement of public housing dwelling units demol-
19 ished or disposed of in any case involving severely
20 distressed public housing in which the public housing
21 agency provides—

22 (A) an additional number of affordable
23 dwelling units comparable to the number demol-
24 ished or disposed of;

25 (B) services for the families in such new
26 dwelling units comparable to the services pro-

1 vided for families in the public housing demol-
2 ished or disposed of; and

3 (C) protections sufficient to ensure assist-
4 ance for any family displaced because of the
5 demolition or disposition;

6 (3) determine—

7 (A) the legal and practical impediments to,
8 and the effectiveness of, allowing State and
9 local governments to provide financial assist-
10 ance to public housing agencies for the develop-
11 ment or acquisition of public housing dwelling
12 units to comply with the existing requirements
13 regarding the replacement of public housing
14 dwelling units demolished or disposed of; and

15 (B) the appropriateness of allowing title or
16 control of such housing to revert to the State
17 or local government after a specified period of
18 time, and, if appropriate, the appropriate period
19 of time before such reversion;

20 (4) the demand, among families eligible for oc-
21 cupancy in dwelling units in public housing and fam-
22 ilies residing in public housing, for dwelling units
23 consisting of more than 1 bedroom; and

1 (5) whether existing public housing projects
2 have an appropriate number of such dwelling units,
3 taking into consideration the demand for such units.
4 The Comptroller General shall submit a report describing
5 the findings of the study conducted under this section not
6 later than the expiration of the 12-month period beginning
7 upon the date of the enactment of this Act.

8 (b) DEFINITIONS.—For purposes of this section, the
9 terms “public housing”, “public housing agencies”, and
10 “project” have the meanings given such terms in section
11 3(b) of the United States Housing Act of 1937.

12 **SEC. 3. DEMONSTRATION PROGRAM OF ASSISTANCE TO**
13 **STATE HOUSING AGENCIES FOR DEVELOP-**
14 **MENT OF AFFORDABLE RENTAL HOUSING.**

15 (a) AUTHORITY.—The Secretary of Housing and
16 Urban Development shall carry out a program under this
17 section to demonstrate the effectiveness of providing as-
18 sistance to qualified State housing agencies to carry out
19 affordable housing incentive loan programs in accordance
20 with the requirements of this section.

21 (b) ASSISTANCE.—Under the demonstration pro-
22 gram, the Secretary shall provide assistance, to the extent
23 amounts are provided in appropriation Acts for such as-
24 sistance, to qualified State housing agencies. Any assist-
25 ance provided under the demonstration program be used

1 by the qualified State housing agency to carry out an af-
2 fordable housing incentive loan program that meets the
3 requirements of subsection (d).

4 (c) SCOPE AND AMOUNT.—Under the demonstration
5 program, the Secretary—

6 (1) may provide assistance to not more than 5
7 qualified State housing agencies;

8 (2) may not provide more than \$5,000,000 to
9 any single qualified State housing agency in any sin-
10 gle fiscal year; and

11 (3) may not provide assistance to more than 1
12 qualified State housing agency for any single State.

13 (d) AFFORDABLE HOUSING INCENTIVE LOAN PRO-
14 GRAMS.—The Secretary may provide assistance under the
15 demonstration program to a qualified State housing agen-
16 cy only if the agency is carrying out, or provides assur-
17 ances to the Secretary (as the Secretary considers nec-
18 essary) that the agency will carry out, an affordable hous-
19 ing incentive loan program that meets the following re-
20 quirements:

21 (1) PURPOSE.—Under the loan program, the
22 qualified State housing agency shall provide first,
23 second, or other subordinate mortgage loans to spon-
24 sors, and provide guarantees for such loans made to
25 sponsors, only for the new construction or acquisi-

1 tion and substantial rehabilitation of rental housing
2 projects consisting of 4 or more affordable, safe, and
3 sanitary dwelling units.

4 (2) DIVERSITY OF SIZE OF POPULATION.—The
5 loan program shall ensure that, in each fiscal year
6 in which loans and loan guarantees are available
7 under the program, loans and guarantees shall be
8 made available for providing housing in areas of
9 varying sizes of population, including rural areas,
10 small towns, small cities, and major metropolitan
11 areas, in accordance with the need in the State for
12 such housing in each such type of area.

13 (3) HOUSING PURPOSES.—The loan program
14 shall ensure that, in each fiscal year in which loans
15 and loan guarantees are available under the pro-
16 gram, loans and guarantees are made available for
17 providing housing for farmworkers, for families, and
18 for elderly families, in accordance with the need in
19 the State for each type of housing.

20 (4) LOW-INCOME USE.—The loan program shall
21 require the sponsor of the housing for which a loan
22 or guarantee is made under the program to enter
23 into a contract with the qualified State housing
24 agency that provides that, for the term of the loan
25 or 12 years, whichever is longer—

1 (A) if the housing is financed by a first
2 mortgage loan provided using any obligation the
3 interest on which is excluded from gross income
4 for purposes of the Internal Revenue Code of
5 1986—

6 (i) not less than 20 percent of the
7 dwelling units in the project shall be avail-
8 able for occupancy only by low-income fam-
9 ilies; and

10 (ii) the rent charged for such units
11 does not exceed 30 percent of the adjusted
12 income of a family whose income is equal
13 to 80 percent of the median income for the
14 area, as determined by the Secretary, with
15 adjustment for the number of bedrooms in
16 the unit;

17 (B) if the housing is financed by a first
18 mortgage loan that is not provided using any
19 obligation the interest on which is excluded
20 from gross income for purposes of the Internal
21 Revenue Code of 1986—

22 (i) not less than 20 percent of the
23 dwelling units in the project shall be avail-
24 able for occupancy only by very low-income
25 families; and

1 (ii) the rent charged for such units
2 does not exceed 30 percent of the adjusted
3 income of a family whose income is equal
4 to 50 percent of the median income for the
5 area, as determined by the Secretary, with
6 adjustment for the number of bedrooms in
7 the unit; and

8 (C) if the sponsor uses a low-income hous-
9 ing tax credit under section 42 of the Internal
10 Revenue Code of 1986, the housing complies
11 with the requirements under such section re-
12 garding tenant income eligibility.

13 (5) FIRST MORTGAGE LOANS.—Under the loan
14 program, first mortgage loans and guarantees of
15 first mortgage loans shall be available only to spon-
16 sors that are nonprofit organizations and public
17 agencies that have binding commitments for finan-
18 cial or land contributions from sources other than
19 the loan program.

20 (6) LOAN AMOUNT.—Except as provided in
21 paragraph (7), a loan made or guaranteed under the
22 loan program may not be in an amount exceeding
23 the lesser of—

24 (A) 25 percent of the total cost of the
25 housing project; or

1 (B) the minimum amount necessary to
2 make the project economically feasible.

3 (7) LOAN AMOUNT FOR LOW-INTEREST
4 LOANS.—In the case of a sponsor of a project eligi-
5 ble for a loan at the interest rate under paragraph
6 (10)(A) or a sponsor eligible for a first mortgage
7 loan or guarantee, a loan made or guaranteed under
8 the program may be in an amount exceeding 25 per-
9 cent of the total cost of the project, but may not ex-
10 ceed the minimum amount necessary to make the
11 project economically feasible.

12 (8) TOTAL AMOUNT OF FINANCING.—The loan
13 program shall provide that the aggregate amount of
14 the loan made or guaranteed under the loan pro-
15 gram and any other loan for the project to which the
16 loan under the program is subordinate may not ex-
17 ceed the value of the project (not taking into consid-
18 eration low-income use requirement under paragraph
19 (4)).

20 (9) LOAN TERM.—The program shall provide
21 that a loan made or guaranteed under the program
22 shall have a term not exceeding 15 years, except
23 that—

24 (A) in the case of a loan for a project for
25 which a low-income housing tax credit under

1 section 42 of the Internal Revenue Code of
2 1986 is to be used to assist the housing, the
3 term may be established by the qualified State
4 housing agency at a duration commensurate
5 with the investment requirements associated
6 with the tax credit syndication;

7 (B) in the case of a loan for the purpose
8 of making safety, building preservation, health,
9 sanitation, or security-related repairs or im-
10 provements to a housing project for elderly
11 families that are required under Federal, State,
12 or local law, the term may not exceed 10 years
13 and the sponsor shall enter into a binding com-
14 mitment to provide an amount equal to not less
15 than 25 percent of the amount of the loan for
16 the costs of such repairs or improvements; and

17 (C) the term may be extended for the pur-
18 pose of extending the term of the low-income
19 use requirements under paragraph (4) applica-
20 ble to the housing for which the loan was made;
21 and

22 (10) INTEREST RATE.—The interest rate for a
23 loan made or guaranteed under the program may be
24 variable or fixed, but shall be—

1 (A) not more than 3 percent per annum
2 for loans made for—

3 (i) housing for which the sponsor en-
4 ters into a binding agreement with the
5 qualified State housing agency that not
6 less than 80 percent of the dwelling units
7 shall be available for occupancy only by
8 farmworkers; or

9 (ii) the purpose under paragraph
10 (9)(B); and

11 (B) not less than 3 percent per annum and
12 not more than 9 percent per annum, for loans
13 for other types of housing.

14 (11) SELECTION OF PROJECTS.—The loan pro-
15 gram shall provide a competitive process for select-
16 ing among sponsors of housing projects applying for
17 loans under the program, which shall be based on
18 criteria that include the extent to which—

19 (A) the project achieves the objectives
20 under the loan program regarding income and
21 demographic characteristics of tenants;

22 (B) the project achieves the objectives
23 under the loan program regarding distribution
24 of available loan amounts among urban, rural,
25 and other areas;

1 (C) dwelling units in the housing project
2 are reserved for occupancy only by low- or very
3 low-income families and rented at amounts not
4 exceeding the amount provided under para-
5 graph (4), for a duration longer than required
6 under paragraph (4) or any other applicable
7 Federal law;

8 (D) the number of dwelling units in the
9 housing project that are reserved for occupancy
10 only by low- or very low-income families and
11 rented at amounts not exceeding the applicable
12 amount under paragraph (4) exceeds the num-
13 ber of units required under paragraph (4);

14 (E) counseling is provided for tenants of
15 the housing;

16 (F) tenants of the housing are permitted
17 to use rental assistance vouchers or certificates
18 provided pursuant to Federal or State law to
19 pay for rental of units in the project;

20 (G) the ratio of the total cost of the
21 project to the amount of the loan made under
22 the loan program for the project exceeds such
23 ratio for other projects for which applications
24 are made;

1 (H) contributions for the project, or com-
2 mitments to make such contributions, have been
3 made by units of general local government;

4 (I) the project is feasible and economically
5 viable;

6 (J) a commitment for first mortgage fi-
7 nancing for the project has been made; and

8 (K) the sponsor has experience in provid-
9 ing affordable housing and the ability to com-
10 plete the project.

11 (12) USE OF RENTAL CERTIFICATES.—The
12 loan program shall require that, if any voucher or
13 certificate for rental assistance provided pursuant to
14 Federal or State law is used for rental of any dwell-
15 ing unit reserved for occupancy pursuant to para-
16 graph (4), the benefit of the voucher or certificate
17 shall be equally divided between the fund established
18 under paragraph (16) and the sponsor of the hous-
19 ing.

20 (13) LOAN TRANSFER.—A loan made or guar-
21 anteed under the program shall be subject to sale,
22 transfer, or refinancing, except that all requirements
23 and conditions of the loan shall apply after such
24 sale, transfer or refinancing.

1 (14) RENT CONTROLS.—The loan program
2 shall provide that housing provided with a loan
3 under the program shall not be subject to any State
4 or local law, regulation, or ordinance that regulates,
5 limits, or controls rents.

6 (15) ANNUAL INCOME CERTIFICATION.—The
7 loan program shall require sponsors of housing fi-
8 nanced with loans made or guaranteed under the
9 program to annually certify to the qualified State
10 housing agency the income of tenants of the housing
11 for purposes of ensuring compliance with the low-in-
12 come occupancy requirements under paragraph (4).

13 (16) TRUST FUND.—The loan program shall es-
14 tablish a revolving fund, which shall—

15 (A) be administered by the qualified State
16 housing agency;

17 (B) be credited with (i) the amount of any
18 assistance provided under the demonstration
19 program for the loan program, (ii) any other
20 amounts received to carry out the loan pro-
21 gram, (iii) any proceeds derived from the use of
22 such amounts, (iv) any repayments of loans
23 made under the loan program (together with in-
24 terest on loan amounts), (v) any proceeds from
25 any property sold, transferred, conveyed, or

1 leased under the loan program, and (vi) any
2 other amounts received pursuant to activities
3 under the loan program; and

4 (C) be available only for making and guar-
5 anteeing loans under the loan program and
6 other costs of the loan program.

7 (17) POWERS OF SHFA.—The qualified State
8 housing agency shall have the power, under the loan
9 program—

10 (A) in the event of a default on a loan
11 made or guaranteed under the program, to
12 foreclose on any mortgage or security interest
13 or commence any legal action to protect the in-
14 terest of the agency or fund established under
15 paragraph (16) and recover the amount of the
16 unpaid principal, accrued interest, and fees on
17 behalf of such fund;

18 (B) to acquire real and personal property
19 and interests therein when such acquisition is
20 appropriate to protect any loan;

21 (C) to sell, transfer, or convey any such
22 property, and in the event that a sale, transfer,
23 or conveyance can not be made within a reason-
24 able time, to lease such property for occupancy
25 by eligible families;

1 (D) to negotiate with units of general local
2 government within the State for contributions
3 for housing provided with a loan made or guar-
4 anteed under the loan program; and

5 (E) to inspect the books, records, accounts,
6 files, and papers of sponsors of housing pro-
7 vided with a loan made or guaranteed under the
8 loan program, to the extent necessary to make,
9 guarantee, and service loans under the loan
10 program.

11 (e) REPORTS.—

12 (1) TO SECRETARY.—Each qualified State
13 housing agency that receives assistance under the
14 demonstration program under this section in a fiscal
15 year shall submit a report to the Secretary regarding
16 the activities under the loan program carried out by
17 the agency during such fiscal year. The report shall
18 be submitted not later than the expiration of the 3-
19 month period beginning upon the end of the fiscal
20 year for which the report is made and shall contain
21 such information as the Secretary shall require.

22 (2) TO CONGRESS.—The Secretary shall submit
23 a report to the Congress for each fiscal year in
24 which the Secretary provides assistance under the
25 demonstration program under this section to quali-

1 fied State housing agencies. The report shall be sub-
2 mitted not later than the expiration of the 3-month
3 period beginning upon the end of the fiscal year for
4 which the report is made and shall describe the dem-
5 onstration program under this section, the amount
6 of assistance provided under the program and the
7 affordable housing incentive loan programs assisted,
8 and the housing assisted by such programs with
9 amounts under this section.

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

12 (1) The term “demonstration program” means
13 the demonstration program for assistance carried
14 out under this section by the Secretary.

15 (2) The term “elderly family” means a family
16 whose head (or their spouse), or whose sole member,
17 is a person who is at least 62 years of age. The term
18 includes 2 or more persons of such age living to-
19 gether, and 1 or more persons of such age living
20 with 1 or more persons determined to be essential to
21 their care or well-being.

22 (3) The term “farmer” means a person (and
23 the family of such person) who receives a substantial
24 portion of his or her income from primary produc-
25 tion of agricultural or aquacultural commodities or

1 the handling of such commodities in the unprocessed
2 stage, and includes any person (and the family of
3 such person) who is retired or disabled, but was a
4 farmworker at the time of retirement or becoming
5 disabled.

6 (4) The term “first mortgage” means such
7 classes of first liens or interests in property as are
8 commonly given to secure advances on, or the un-
9 paid purchase price of, real estate under the laws of
10 the State in which the real estate is located, together
11 with the credit instrument, if any, secured thereby.

12 (5) The terms “income” and “adjusted income”
13 have the meanings given the terms in section 3(b)
14 of the United States Housing Act of 1937.

15 (6) The term “loan program” means an afford-
16 able housing incentive loan program carried out by
17 a qualified State housing agency.

18 (7) The terms “low-income families” and “very
19 low-income families” have the meanings given such
20 terms in section 3(b) of the United States Housing
21 Act of 1937.

22 (8) The term “mortgage” means a first or sub-
23 ordinate mortgage on real estate, in fee simple, or
24 on a leasehold (A) under a lease for not less than
25 99 years which is renewable, or (B) under a lease

1 having a period of not less than 10 years to run be-
2 yond the maturity date of the mortgage.

3 (9) The term “nonprofit organization” means a
4 private organization—

5 (A) no part of the net earnings of which
6 inures to the benefit of any member, share-
7 holder, founder, contributor, or individual; and

8 (B) that is approved by the qualified State
9 housing agency involved as to financial respon-
10 sibility.

11 (10) The term “qualified State housing agency”
12 means any—

13 (A) public body or agency, publicly spon-
14 sored corporation, or instrumentality of one or
15 more States that is designated by the chief ex-
16 ecutive officer of the State or States for pur-
17 poses of section 802 of the Housing and Com-
18 munity Development Act of 1974; or

19 (B) any other agency of a State authorized
20 to carry out activities under this section that
21 the Secretary determines is capable of partici-
22 pating in the demonstration program.

23 (11) The term “Secretary” means the Secretary
24 of Housing and Urban Development.

1 (12) The term “sponsor” includes nonprofit
2 and for-profit organizations and entities and public
3 agencies and entities.

4 (13) The term “State” means the States of the
5 United States, the District of Columbia, the Com-
6 monwealth of Puerto Rico, the Commonwealth of the
7 Northern Mariana Islands, Guam, the Virgin Is-
8 lands, American Samoa, and any other territory or
9 possession of the United States.

10 (14) The term “substantial rehabilitation”
11 means repair or rehabilitation of a dwelling unit the
12 cost of which exceeds 40 percent of the value of the
13 dwelling unit before such rehabilitation.

14 (15) The term “unit of general local govern-
15 ment” means any city, town, township, county, par-
16 ish, village, or other general purpose political sub-
17 division of a State.

18 (g) REGULATIONS.—The Secretary shall issue any
19 regulations necessary to carry out the demonstration pro-
20 gram under this section.

21 (h) AUTHORIZATION OF APPROPRIATIONS.—There is
22 authorized to be appropriated to carry out this section
23 \$20,000,000 for fiscal year 1995 and \$20,000,000 for fis-
24 cal year 1996.

1 (i) TERMINATION OF DEMONSTRATION.—The Sec-
2 retary may not provide assistance under the demonstra-
3 tion program under this section after the conclusion of the
4 5th fiscal year that begins after the date of the enactment
5 of this Act.

6 **SEC. 4. MERGER OF SECTION 8 CERTIFICATE AND VOUCH-**
7 **ER PROGRAMS.**

8 (a) IN GENERAL.—Section 8 of the United States
9 Housing Act of 1937 (42 U.S.C. 1437f) is amended to
10 read as follows:

11 “RENTAL HOUSING ASSISTANCE FOR LOW-INCOME
12 FAMILIES

13 “SEC. 8. (a) AUTHORITY AND PURPOSE.—

14 “(1) IN GENERAL.—For the purposes of aiding
15 low-income families in obtaining a decent place to
16 live and promoting economically mixed housing, the
17 Secretary may provide assistance payments with re-
18 spect to existing housing in accordance with the pro-
19 visions of this section.

20 “(2) ELDERLY HOUSING.—Notwithstanding any
21 other provision of this Act, assistance payments
22 under this section may be provided, in accordance
23 with regulations prescribed by the Secretary, with
24 respect to some or all of the units in any project ap-
25 proved pursuant to section 202 of the Housing Act
26 of 1959 (as in effect before October 1, 1991).

1 “(b) ANNUAL CONTRIBUTIONS CONTRACTS FOR
2 RENTAL ASSISTANCE.—

3 “(1) IN GENERAL.—The Secretary may enter
4 into annual contributions contracts under this sub-
5 section with public housing agencies to provide rent-
6 al housing assistance under this section for low-in-
7 come families. The Secretary shall enter into a sepa-
8 rate annual contributions contract with each public
9 housing agency to obligate the authority approved
10 each year. Each such annual contributions contract
11 shall bind the Secretary to make such authority, and
12 any amendments increasing such authority, available
13 to the public housing agency for a specified period.

14 “(2) SECRETARY ACTING AS PHA.—In areas
15 where no public housing agency has been organized
16 or where the Secretary determines that a public
17 housing agency is unable to implement the provi-
18 sions of this section, the Secretary may enter into
19 such contracts and perform the other functions as-
20 signed to a public housing agency by this section.

21 “(3) TREATMENT OF ASSISTANCE FOR SUP-
22 PORTIVE HOUSING FOR THE DISABLED.—The Sec-
23 retary may not consider the receipt by a public hous-
24 ing agency of assistance under section 811(b)(1) of
25 the Cranston-Gonzalez National Affordable Housing

1 Act, or the amount received, in approving assistance
2 under this section for the agency or in determining
3 the amount of such assistance to be provided to the
4 agency.

5 “(c) ASSISTANCE CONTRACTS.—

6 “(1) IN GENERAL.—Each public housing agen-
7 cy that receives amounts under an annual contribu-
8 tions contract may enter into assistance contracts to
9 make rental assistance payments to owners of exist-
10 ing dwelling units in accordance with the provisions
11 of this section.

12 “(2) PHA ACTING AS OWNER.—A public hous-
13 ing agency may contract to make rental assistance
14 payments under this section to itself (or any agency
15 or instrumentality thereof) as the owner of dwelling
16 units, and the agency shall be subject to the same
17 program requirements as are applied to other own-
18 ers. In such cases, the Secretary may establish ini-
19 tial rents within applicable limits.

20 “(3) INAPPLICABLE PROVISIONS.—Sections 5(e)
21 and 6 and any other provisions of this Act that are
22 inconsistent with the provisions of this section shall
23 not apply to assistance contracts entered into pursu-
24 ant to this section.

25 “(d) MAXIMUM MONTHLY RENT.—

1 “(1) IN GENERAL.—Each assistance contract
2 entered into pursuant to this section shall establish
3 the maximum monthly rent (including utilities and
4 all maintenance and management charges) that the
5 owner is entitled to receive for each dwelling unit for
6 which rental assistance payments are to be made
7 under the contract. Except as provided in paragraph
8 (2), the maximum monthly rent shall not exceed by
9 more than 10 percent the fair market rental under
10 subsection (e) for the market area in which the
11 dwelling unit is located. If units assisted under this
12 section are exempt from local rent control while they
13 are so assisted or otherwise, the maximum monthly
14 rent for such units shall be reasonable in comparison
15 with other units in the market area that are exempt
16 from local rent control.

17 “(2) EXCEPTION.—The maximum monthly rent
18 may exceed the fair market rental by more than 10
19 but not more than 20 percent, but only if the Sec-
20 retary determines that special circumstances warrant
21 such higher maximum rent or that such higher rent
22 is necessary to the implementation of a comprehen-
23 sive housing affordability strategy under section 105
24 of the Cranston-Gonzalez National Affordable Hous-
25 ing Act.

1 “(3) ANNUAL ADJUSTMENTS.—Each assistance
2 contract shall provide for adjustment in the maxi-
3 mum monthly rents for units covered by the contract
4 not less than annually to reflect changes in the fair
5 market rentals established under subsection (e) for
6 the housing area for similar types and sizes of dwell-
7 ing units or, if the Secretary determines, on the
8 basis of a reasonable formula.

9 “(4) ADJUSTMENTS DUE TO EXPENSES.—Each
10 assistance contract shall further provide for the Sec-
11 retary to make additional adjustments in the maxi-
12 mum monthly rent for units assisted under the con-
13 tract to the extent the Secretary determines such ad-
14 justments are necessary to reflect increases in the
15 actual and necessary expenses of owning and main-
16 taining the units that have resulted from substantial
17 general increases in real property taxes, utility rates,
18 or similar costs that are not adequately compensated
19 for by the adjustment in the maximum monthly rent
20 authorized by paragraph (3). The Secretary shall
21 make additional adjustments in the maximum
22 monthly rent for units under contract (subject to the
23 availability of appropriations for contract amend-
24 ments) to the extent the Secretary determines such
25 adjustments are necessary to reflect increases in the

1 actual and necessary expenses of owning and main-
2 taining the units that have resulted from the expira-
3 tion of a real property tax exemption.

4 “(5) ADJUSTMENTS DUE TO CRIMINAL ACTIV-
5 ITY.—If the Secretary determines that a project as-
6 sisted under this section is located in a community
7 where criminal activity is generally prevalent and the
8 operating, maintenance, and capital repair expenses
9 for the project have been substantially increased pri-
10 marily as a result of the prevalence of such activity,
11 the Secretary may (at the discretion of the Secretary
12 and subject to the availability of appropriations for
13 contract amendments for this purpose), on a project-
14 by-project basis, provide adjustments to the maxi-
15 mum monthly rents, to a level not exceeding 120
16 percent of the project rents, to cover the costs of
17 maintenance, security, capital repairs, and reserves
18 required for the owner to carry out a strategy ac-
19 ceptable to the Secretary for addressing the problem
20 of criminal activity. The Secretary may waive the
21 applicability of any rent comparability standard re-
22 quired under this subsection to implement this para-
23 graph.

24 “(6) ADJUSTMENTS DUE TO LEAD-BASED
25 PAINT REDUCTION FOR HOUSING RECEIVING

1 PROJECT-BASED ASSISTANCE.—The Secretary may
2 (at the discretion of the Secretary and subject to the
3 availability of appropriations for contract amend-
4 ments), on a project-by-project basis for projects re-
5 ceiving project-based assistance, provide adjustments
6 to the maximum monthly rents to cover the costs of
7 evaluating and reducing lead-based paint hazards, as
8 defined in section 1004 of the Residential Lead-
9 Based Paint Hazard Reduction Act of 1992.

10 “(7) LIMITATIONS ON ADJUSTMENTS.—

11 “(A) GENERAL COMPARABILITY RULE.—

12 Adjustments in the maximum rents under para-
13 graphs (3) through (6) shall not result in mate-
14 rial differences between the rents charged for
15 assisted units and unassisted units of similar
16 quality, type, and age in the same market area,
17 as determined by the Secretary.

18 “(B) COMPARABILITY STUDIES.—

19 “(i) To carry out subparagraph (A),
20 the Secretary shall issue regulations to
21 provide for conducting comparability stud-
22 ies for projects where the Secretary has
23 reason to believe that the application of the
24 formula adjustments under paragraph (3)
25 would result in such material differences.

1 The Secretary shall conduct such studies
2 upon the request of any owner of any
3 project, or as the Secretary determines to
4 be appropriate by establishing, to the ex-
5 tent practicable, a modified annual adjust-
6 ment factor for such market area, as the
7 Secretary shall designate, that is geo-
8 graphically smaller than the applicable
9 housing area used for the establishment of
10 the annual adjustment factor under para-
11 graph (3). The Secretary shall establish
12 such modified annual adjustment factor on
13 the basis of the results of a study con-
14 ducted by the Secretary of the rents
15 charged, and any change in such rents
16 over the previous year, for assisted units
17 and unassisted units of similar quality,
18 type, and age in the smaller market area.
19 Where the Secretary determines that such
20 modified annual adjustment factor cannot
21 be established or that such factor when ap-
22 plied to a particular project would result in
23 material differences between the rents
24 charged for assisted units and unassisted
25 units of similar quality, type, and age in

1 the same market area, the Secretary may
2 apply an alternative methodology for con-
3 ducting comparability studies in order to
4 establish rents that are not materially dif-
5 ferent from rents charged for comparable
6 unassisted units.

7 “(ii) If the Secretary or appropriate
8 State agency does not complete and submit
9 to the project owner a comparability study
10 not later than 60 days before the anniver-
11 sary date of the assistance contract under
12 this section, the automatic annual adjust-
13 ment factor shall be applied. The Secretary
14 may not reduce the contract rents in effect
15 on or after April 15, 1987, for newly con-
16 structed, substantially rehabilitated, or
17 moderately rehabilitated projects assisted
18 under this section (including projects as-
19 sisted under this section as in effect prior
20 to November 30, 1983), unless the project
21 has been refinanced in a manner that re-
22 duces the periodic payments of the owner.
23 Any maximum monthly rent that has been
24 reduced by the Secretary after April 14,
25 1987, and prior to November 7, 1988,

1 shall be restored to the maximum monthly
2 rent in effect on April 15, 1987.

3 “(iii) For any project which has had
4 its maximum monthly rents reduced after
5 April 14, 1987, the Secretary shall make
6 assistance payments (from amounts re-
7 served for the original contract) to the
8 owner of such project in an amount equal
9 to the difference between the maximum
10 monthly rents in effect on April 15, 1987,
11 and the reduced maximum monthly rents,
12 multiplied by the number of months that
13 the reduced maximum monthly rents were
14 in effect.

15 “(e) FAIR MARKET RENTALS.—

16 “(1) IN GENERAL.—The Secretary shall estab-
17 lish fair market rentals under this subsection peri-
18 odically, but not less than annually, for existing
19 rental dwelling units suitable for occupancy by low-
20 income families assisted under this section. The Sec-
21 retary shall establish the fair market rental by mar-
22 ket area for various sizes and types of dwelling
23 units.

24 “(2) EFFECTIVENESS AND ADJUSTMENT.—The
25 Secretary shall publish proposed fair market rentals

1 for each area in the Federal Register with reason-
2 able time for public comment, and such fair market
3 rentals shall become effective upon the date of publi-
4 cation in final form in the Federal Register. Each
5 fair market rental in effect under this subsection
6 shall be adjusted to be effective on October 1 of each
7 year to reflect changes, based on the most recent
8 available data trended so the rentals will be current
9 for the year to which they apply, of rents for exist-
10 ing rental dwelling units, as the case may be, of var-
11 ious sizes and types in the market area suitable for
12 occupancy by families assisted under this section.

13 “(3) CERTAIN AREAS.—The Secretary shall es-
14 tablish separate fair market rentals under this sub-
15 section for Westchester County in the State of New
16 York. The Secretary shall also establish separate fair
17 market rentals under this paragraph for Monroe
18 County in the Commonwealth of Pennsylvania. In
19 establishing fair market rentals for the remaining
20 portion of the market areas in which Monroe County
21 is located, the Secretary shall establish the fair mar-
22 ket rentals as if such portion included Monroe
23 County.

24 “(f) AMOUNT OF MONTHLY ASSISTANCE PAY-
25 MENT.—

1 “(1) IN GENERAL.—The amount of the monthly
2 assistance payment under this section with respect
3 to any dwelling unit shall be the difference between
4 the maximum monthly rent that the contract pro-
5 vides that the owner is to receive for the unit and
6 the rent the family is required to pay under section
7 3(a).

8 “(2) INCREASES IN ASSISTANCE PAYMENTS.—
9 The Secretary shall take any action necessary, in-
10 cluding making contracts for assistance payments in
11 amounts exceeding the amounts required upon the
12 initial renting of dwelling units, reserving annual
13 contributions authority for the purpose of amending
14 assistance contracts, or allocating a portion of new
15 authorizations for the purpose of amending assist-
16 ance contracts, to ensure that assistance payments
17 are increased on a timely basis to cover increases in
18 maximum monthly rents or decreases in family in-
19 comes.

20 “(3) REVIEWS OF FAMILY INCOMES.—

21 “(A) IN GENERAL.—Reviews of family in-
22 comes for purposes of this section shall be made
23 annually and shall be subject to the provisions
24 of section 904(e) of the Stewart B. McKinney
25 Homeless Assistance Amendments Act of 1988.

1 Any other reviews of family incomes under this
2 paragraph may be used only for the purpose of
3 ensuring that a family does not pay as rent for
4 a dwelling unit assisted under this section more
5 than the amount required under section 3(a).

6 “(B) PROCEDURES.—The Secretary shall
7 establish procedures that are appropriate and
8 necessary to ensure that income data provided
9 to public housing agencies and owners by fami-
10 lies applying for or receiving assistance under
11 this section is complete and accurate. In estab-
12 lishing such procedures, the Secretary shall an-
13 nually select a random sample of families to au-
14 thorize the Secretary to obtain information on
15 the families for the purpose of income verifica-
16 tion, or to allow the families to provide such in-
17 formation themselves. Such information may in-
18 clude data concerning unemployment compensa-
19 tion and Federal income taxation and data re-
20 lating to benefits made available under the So-
21 cial Security Act, the Food Stamp Act of 1977,
22 or title 38, United States Code.

23 “(C) CONFIDENTIALITY.—Any income in-
24 formation received pursuant to this paragraph
25 shall remain confidential and shall be used only

1 for the purpose of verifying incomes in order to
2 determine eligibility of families for benefits (and
3 the amount of such benefits, if any) under this
4 section.

5 “(g) ELIGIBILITY OF UNITS FOR ASSISTANCE.—
6 Each assistance contract shall provide that assistance pay-
7 ments may be made only with respect to the following
8 dwelling units:

9 “(1) OCCUPIED UNITS.—A dwelling unit under
10 lease for occupancy by a family determined to be a
11 low-income family at the time it initially occupies the
12 dwelling unit or by a family that qualifies to receive
13 assistance under this section pursuant to section 223
14 or 226 of the Low-Income Housing Preservation and
15 Resident Homeownership Act of 1990.

16 “(2) UNOCCUPIED UNITS.—An unoccupied
17 dwelling unit, but only if—

18 “(A)(i) a family vacates the dwelling unit
19 before the expiration date of the lease for occu-
20 pancy, or (ii) a good faith effort is being made
21 to fill the unoccupied unit; and

22 “(B) the costs of such vacancy are not
23 charged to or paid by the family vacating the
24 dwelling unit.

1 Payments for units referred to in this paragraph
2 may be made only for a period not exceeding 60
3 days, except that such payments may be made, in
4 the case of a newly constructed or substantially re-
5 habilitated project, after the expiration of such 60-
6 day period in an amount equal to the debt service
7 attributable to such an unoccupied dwelling unit for
8 a period not to exceed one year, if a good faith effort
9 is being made to fill the unit and the unit provides
10 decent, safe, and sanitary housing. No such payment
11 may be made after the expiration of such 60-day pe-
12 riod if the Secretary determines that the dwelling
13 unit is in a project which provides the owner with
14 revenues exceeding the costs incurred by such owner
15 with respect to such project.

16 “(h) OTHER PROVISIONS OF ASSISTANCE CON-
17 TRACTS.—Contracts to make assistance payments entered
18 into by any public housing agency (or by the Secretary)
19 with an owner of existing housing units shall meet the
20 following requirements:

21 “(1) CONTRACT TERM.—Each assistance con-
22 tract shall have a term of not less than one month
23 nor more than 180 months. The Secretary shall per-
24 mit public housing agencies to enter into assistance
25 contracts having terms of less than 12 months to the

1 extent necessary to avoid disruption in assistance to
2 eligible families if the annual contributions contract
3 for the agency under subsection (b) will expire with-
4 in 1 year.

5 “(2) PREFERENCES.—Each assistance contract
6 shall provide that, in making assistance available
7 pursuant to the contract—

8 “(A) for not less than 70 percent of the
9 families who initially receive project-based as-
10 sistance, and

11 “(B) for not less than 90 percent of the
12 families who initially receive tenant-based as-
13 sistance in any 1-year period,

14 preference shall be given to families that (i) occupy
15 substandard housing (including families that are
16 homeless or living in a shelter for homeless families),
17 (ii) are paying more than 50 percent of family in-
18 come for rent, (iii) are involuntarily displaced (in-
19 cluding displacement because of disposition of a mul-
20 tifamily housing project under section 203 of the
21 Housing and Community Development Amendments
22 of 1978) at the time they are seeking assistance
23 under this section, or (iv) are residing in public
24 housing.

1 “(3) SECONDARY PREFERENCES.—Each assist-
2 ance contract shall provide that, for any assistance
3 remaining in any 1-year period after assistance is
4 made available pursuant to paragraph (2), pref-
5 erence for such assistance shall be given to families
6 who qualify under a system of local preferences es-
7 tablished by the public housing agency in writing
8 and after public hearing to respond to local housing
9 needs and priorities, which may include—

10 “(A) assisting very low-income families
11 who either reside in transitional housing as-
12 sisted under title IV of the Stewart B. McKin-
13 ney Homeless Assistance Act or participate in
14 a program designed to provide public assistance
15 recipients with greater access to employment
16 and educational opportunities;

17 “(B) assisting families in accordance with
18 subsection (q)(1)(B);

19 “(C) assisting families identified by local
20 public agencies involved in providing for the
21 welfare of children as having a lack of adequate
22 housing that is a primary factor in the immi-
23 nent placement of a child in foster care, or in
24 preventing the discharge of a child from foster
25 care and reunification with his or her family;

1 “(D) assisting youth, upon discharge from
2 foster care, in cases in which return to the fam-
3 ily or extended family or adoption is not avail-
4 able;

5 “(E) assisting veterans who are eligible
6 and have applied for assistance, will use the as-
7 sistance for a dwelling unit designed for the
8 handicapped, and, upon discharge or eligibility
9 for discharge from a hospital or nursing home,
10 have physical disability which, because of the
11 configuration of their homes, prevents them
12 from access to or use of their homes; and

13 “(F) achieving other objectives of national
14 housing policy as established by law.

15 “(4) TENANT SELECTION.—Each assistance
16 contract shall provide that the selection of tenants
17 for such dwelling units shall be the function of the
18 owner, subject to any provisions of the annual con-
19 tributions contract between the Secretary and the
20 agency. The owner shall use tenant selection criteria,
21 which shall provide as follows:

22 “(A) PROHIBITION OF PERSONS ENGAGED
23 IN DRUG ACTIVITY.—The criteria shall prohibit
24 any individual or family evicted from housing
25 assisted under this Act by reason of drug-relat-

1 ed criminal activity from having a preference
2 under any provision of this paragraph for 3
3 years unless the evicted tenant successfully
4 completes a rehabilitation program approved by
5 the agency or owner. The agency or the owner
6 may waive the application of the preceding sen-
7 tence under standards established by the Sec-
8 retary, which shall provide for such waiver for
9 any member of a family of an individual prohib-
10 ited from tenancy under this subparagraph who
11 the agency or owner determines clearly did not
12 participate in and had no knowledge of such
13 criminal activity or when circumstances leading
14 to eviction no longer exist.

15 “(B) OTHER REQUIREMENTS FOR
16 PROJECT-BASED ASSISTANCE.—With respect
17 only to project-based assistance, the criteria
18 shall—

19 “(i) be consistent with the purpose of
20 improving housing opportunities for very
21 low-income families;

22 “(ii) be reasonably related to program
23 eligibility and an applicant’s ability to per-
24 form the obligations of the assisted lease;

25 “(iii) be established in writing; and

1 “(iv) provide for the owner to prompt-
2 ly provide to any rejected applicant (I)
3 written notice of the grounds for the rejec-
4 tion, and (II) an opportunity to meet with
5 the decision maker to evaluate the validity
6 of the reasons for rejection and rectify any
7 erroneous decisions.

8 “(5) LEASE PROVISIONS.—Each assistance con-
9 tract shall provide that the lease between the tenant
10 of any unit and the owner shall be for at least one
11 year or the term of such assistance contract, which-
12 ever is shorter, and that the lease shall contain other
13 terms and conditions specified by the Secretary, in-
14 cluding provisions meeting the requirements of para-
15 graphs (6), (7), and (8).

16 “(6) GENERAL GROUNDS FOR TERMINATION OF
17 TENANCY.—Each assistance contract shall provide
18 that the owner shall not terminate the tenancy of
19 the tenant of any unit except for serious or repeated
20 violation of the terms and conditions of the lease, for
21 violation of applicable Federal, State, or local law, or
22 for other good cause.

23 “(7) TERMINATION FOR CRIMINAL ACTIVITY.—
24 Each assistance contract shall provide that any
25 criminal activity that threatens the health, safety, or

1 right to peaceful enjoyment of the premises by other
2 tenants, any criminal activity that threatens the
3 health, safety, or right to peaceful enjoyment of
4 their residences by persons residing in the immediate
5 vicinity of the premises, or any drug-related criminal
6 activity on or near such premises, engaged in by a
7 tenant of any unit, any member of the tenant's
8 household, or any guest or other person under the
9 tenant's control, shall be cause for termination of
10 tenancy.

11 “(8) NOTICE OF TERMINATION OF TENANCY.—
12 Each assistance contract shall provide that before
13 terminating the tenancy of any tenant, the owner
14 shall provide written notice to the tenant specifying
15 the legal and factual grounds for such action. Such
16 notice shall be provided to the tenant not less than
17 30 days before termination, except that in cases of
18 termination for nonpayment of rent such notice shall
19 be provided not less than 14 days before termi-
20 nation.

21 “(9) MAINTENANCE AND REPLACEMENT.—
22 Each assistance contract shall provide that mainte-
23 nance and replacement (including redecoration) shall
24 be performed in accordance with the standard prac-
25 tice for the building concerned as established by the

1 owner and agreed to by the agency (or the Sec-
2 retary). With the approval of the Secretary, the pub-
3 lic housing agency administering a contract under
4 this section with respect to existing housing units
5 may exercise all management and maintenance re-
6 sponsibilities with respect to the units pursuant to a
7 contract between such agency and the owner of such
8 units. Each assistance contract shall also provide
9 that, if the agency (or the Secretary) determines
10 that a unit assisted under this section fails to com-
11 ply in any material respect with standards for hous-
12 ing quality for units so assisted, the agency (or the
13 Secretary) may withhold some or all of the assist-
14 ance amounts under this section with respect to such
15 unit and promptly—

16 “(A) use such amounts to make necessary
17 repairs or contract to have such repairs made;

18 “(B) release any withheld amounts to the
19 owner after repairs are made by the owner, in
20 an amount not exceeding the cost of the re-
21 pairs;

22 “(C) release any withheld amounts to the
23 applicable State or local housing agency after
24 repairs are made by such agency, in an amount
25 not exceeding the cost of the repairs; or

1 “(D) upon the request of the tenant, re-
2 lease any withheld amounts to—

3 “(i) the tenant to reimburse the ten-
4 ant for the reasonable cost of any nec-
5 essary repairs performed or paid for by the
6 tenant; or

7 “(ii) such person secured by the ten-
8 ant and approved by the agency (or the
9 Secretary) to make such necessary repairs.

10 If an agency (or the Secretary) withholds any assist-
11 ance amounts pursuant to the preceding sentence,
12 the agency (or the Secretary) may not terminate the
13 assistance contract unless and until the tenant has
14 relocated to decent, safe, and sanitary housing.

15 “(10) STANDARDS AND OBLIGATIONS OF RESI-
16 DENCY IN HOUSING RECEIVING PROJECT-BASED AS-
17 SISTANCE.—Each assistance contract for project-
18 based assistance under subsection (i) shall provide
19 that the owner shall ensure and maintain compliance
20 with subtitle C of title VI of the Housing and Com-
21 munity Development Act of 1992 and any regula-
22 tions issued under such subtitle.

23 “(11) OTHER.—Each assistance contract shall
24 provide that the agency and the owner shall carry

1 out such other appropriate terms and conditions as
2 may be mutually agreed to by the agency and owner.

3 “(i) PROJECT-BASED ASSISTANCE.—

4 “(1) AUTHORITY.—Pursuant to an annual con-
5 tributions contract entered into under subsection
6 (b), a public housing agency may enter into a assist-
7 ance contract providing for assistance payments
8 under this section that are attached to a structure.

9 “(2) REQUIREMENTS.—Any public housing
10 agency may approve project-based assistance under
11 this subsection with respect to any or all of the as-
12 sistance provided by the public housing agency if—

13 “(A) the owner agrees to rehabilitate the
14 structure other than with assistance under this
15 Act and the owner otherwise complies with the
16 requirements of this section; and

17 “(B) in the case of any newly constructed
18 structure, the owner or prospective owner
19 agrees to construct the structure other than
20 with assistance under this Act and otherwise
21 complies with the requirements of this section.

22 “(3) LONG-TERM AFFORDABILITY.—

23 “(A) IN GENERAL.—In the case of an as-
24 sistance contract for project-based assistance
25 under this subsection, a public housing agency

1 shall enter into a contract with an owner, con-
2 tingent upon the future availability of appro-
3 priations for the purpose of renewing expiring
4 contracts for assistance payments as provided
5 in appropriations Acts, to extend the term of
6 the underlying assistance contract for such pe-
7 riod or periods as the Secretary determines to
8 be appropriate to achieve long-term afford-
9 ability of the housing. The contract shall obli-
10 gate the owner to have the extensions of the as-
11 sistance contract accepted by the owner and the
12 owner's successors in interest.

13 “(B) TERM OF ASSISTANCE FOR LOW-IN-
14 COME HOUSING PRESERVATION.—The contract
15 for assistance may, at the option of the public
16 housing agency, have an initial term not exceed-
17 ing 15 years for any assistance that is at-
18 tached—

19 “(i) to projects assisted under a State
20 program that permits the owner of the
21 projects to prepay a State assisted or sub-
22 sidized mortgage on the structure; and

23 “(ii) for the purpose of providing in-
24 centives to owners to preserve such
25 projects for occupancy by low- and mod-

1 erate-income families (for the period that
2 assistance under this subparagraph is
3 available) and assisting low-income tenants
4 to afford any increases in rent that may be
5 required to induce the owner to maintain
6 occupancy in the project by low- and mod-
7 erate-income tenants.

8 Any assistance provided to low-income tenants
9 in the manner described in this subparagraph
10 shall not be considered for purposes of the limi-
11 tation under subsection (h)(2) regarding the
12 percentage of families that may receive assist-
13 ance under this section who do not qualify for
14 preferences under such subsection.

15 “(4) SERVICE COORDINATORS.—In determining
16 the amount of assistance provided under an assist-
17 ance contract for project-based assistance under this
18 paragraph or a contract for assistance for housing
19 constructed or substantially rehabilitated pursuant
20 to assistance provided under section 8(b)(2) of this
21 Act (as such section existed before October 1, 1983),
22 the Secretary may, to the extent amounts are pro-
23 vided under section 5(c), increase the amount annu-
24 ally provided with respect to such project to provide
25 for the costs of employing or otherwise retaining the

1 services of one or more service coordinators under
2 section 671 of the Housing and Community Devel-
3 opment Act of 1992 to coordinate the provision of
4 any services within the project for residents of the
5 project who are elderly or disabled families.

6 “(j) TERMINATION OF ASSISTANCE CONTRACTS.—

7 “(1) NOTICE BY OWNER.—Any owner terminat-
8 ing any assistance contract shall provide written no-
9 tice to the Secretary and the tenants involved of the
10 proposed termination not less than one year before
11 the termination of the contract (but not less than 90
12 days in the case of tenant-based assistance). The no-
13 tice shall specify the date of the termination and the
14 reasons for the termination, with detail sufficient to
15 enable the Secretary to evaluate whether the termi-
16 nation is lawful and whether additional actions can
17 be taken by the Secretary to avoid the termination.
18 The notice shall include a statement that the owner
19 and the Secretary may agree to a renewal of the
20 contract, thus avoiding the termination.

21 “(2) REVIEW OF NOTICE BY SECRETARY.—The
22 Secretary shall review the notice, shall consider
23 whether additional actions can be taken by the Sec-
24 retary to avoid the termination, and shall ensure a
25 proper adjustment of the contract rents for the

1 project in compliance with the requirements of sub-
2 section (d) and paragraph (3) of this subsection.
3 The Secretary shall issue a written finding of the le-
4 gality of the termination and the reasons for the ter-
5 mination, including the actions considered or taken
6 to avoid the termination. Within 30 days after issu-
7 ance of the findings, the owner shall provide written
8 notice to each tenant of the decision, together with
9 the written findings of the Secretary regarding the
10 termination. In the case of project-based assistance,
11 the Secretary and the owner shall complete the ac-
12 tions under this paragraph not later than the expira-
13 tion of the 9-month period beginning upon the date
14 that the owner provides written notice of termination
15 under paragraph (1).

16 “(3) ADJUSTMENT OF CONTRACT RENT.—If an
17 owner provides notice of proposed termination under
18 paragraph (1) and the contract rent is less than the
19 maximum monthly rent for units assisted under this
20 section, the Secretary shall adjust the contract rent
21 based on the maximum monthly rent for units as-
22 sisted under this section and the value of the low-
23 income housing.

24 “(4) NOTICE OF RENT INCREASES.—Each as-
25 sistance contract for project-based assistance under

1 this section shall require the owner to notify tenants
2 at least 90 days before the expiration of the contract
3 of any rent increase which may occur as a result of
4 the expiration of such contract.

5 “(5) DEFINITION OF TERMINATION.—For pur-
6 poses of this subsection, the term ‘termination’
7 means the expiration of the assistance contract or
8 the refusal of the owner to renew an assistance con-
9 tract, which shall include the termination of tenancy
10 by an owner for business reasons.

11 “(k) RENTAL ASSISTANCE FOR MANUFACTURED
12 HOUSING.—

13 “(1) IN GENERAL.—The Secretary may enter
14 into contracts to make assistance payments under
15 this subsection to assist low-income families by mak-
16 ing rental assistance payments on behalf of any such
17 family that utilizes a manufactured home as its prin-
18 cipal place of residence. In carrying out this sub-
19 section, the Secretary may—

20 “(A) enter into annual contributions con-
21 tracts with public housing agencies pursuant to
22 which such agencies may enter into assistance
23 contracts to make such assistance payments to
24 the owners of such real property; or

1 “(B) enter into such contracts directly
2 with the owners of such real property.

3 “(2) USE OF ASSISTANCE.—Rental assistance
4 payments under this subsection may be made with
5 respect to the rental of the real property on which
6 is located a manufactured home that is owned by a
7 low-income family or with respect to the rental by
8 such a family of a manufactured home and the real
9 property on which it is located.

10 “(3) ASSISTANCE FOR RENTAL OF MANUFAC-
11 TURED HOME SITE.—

12 “(A) MAXIMUM MONTHLY RENT.—A con-
13 tract entered into pursuant to this paragraph
14 shall establish the maximum monthly rent (in-
15 cluding maintenance and management charges)
16 that the owner is entitled to receive for the
17 space on which a manufactured home is located
18 and with respect to which assistance payments
19 are to be made. The maximum monthly rent
20 shall not exceed by more than 10 percent the
21 fair market rental established by the Secretary
22 periodically (but not less than annually) with
23 respect to the market area for the rental of real
24 property suitable for occupancy by families as-
25 sisted under this paragraph.

1 “(B) AMOUNT OF MONTHLY ASSISTANCE
2 PAYMENT.—The amount of any monthly assist-
3 ance payment with respect to any family that
4 rents real property that is assisted under this
5 paragraph, and on which is located a manufac-
6 tured home that is owned by such family shall
7 be the difference between the rent the family is
8 required to pay under section 3(a) and the sum
9 of—

10 “(i) the monthly payment made by
11 such family to amortize the cost of pur-
12 chasing the manufactured home;

13 “(ii) the monthly utility payments
14 made by such family, subject to reasonable
15 limitations prescribed by the Secretary;
16 and

17 “(iii) the maximum monthly rent per-
18 mitted with respect to the real property
19 which is rented by such family for the pur-
20 pose of locating its manufactured home;

21 except that in no case may such assistance ex-
22 ceed the total amount of such maximum month-
23 ly rent.

24 “(4) ASSISTANCE FOR RENTAL OF MANUFAC-
25 TURED HOME AND SITE.—

1 “(A) MAXIMUM MONTHLY RENT.—Con-
2 tracts entered into pursuant to this paragraph
3 shall establish the maximum monthly rent per-
4 mitted with respect to the manufactured home
5 and the real property on which it is located and
6 with respect to which assistance payments are
7 to be made. The maximum monthly rent shall
8 not exceed by more than 10 percent the fair
9 market rental established by the Secretary peri-
10 odically (but not less than annually) with re-
11 spect to the market area for the rental of a
12 manufactured home and the real property on
13 which it is located suitable for occupancy by
14 families assisted under this paragraph; except
15 that the maximum monthly rent may exceed the
16 fair market rental by more than 10 but not
17 more than 20 percent if the Secretary deter-
18 mines that special circumstances warrant such
19 higher maximum rent.

20 “(B) AMOUNT OF MONTHLY ASSISTANCE
21 PAYMENT.—The amount of any monthly assist-
22 ance payment with respect to any family that
23 rents a manufactured home and the real prop-
24 erty on which it is located and that is assisted
25 under this paragraph shall be the difference be-

1 tween the rent the family is required to pay
2 under section 3(a) and the sum of—

3 “(i) the monthly utility payments
4 made by such family, subject to reasonable
5 limitations prescribed by the Secretary;
6 and

7 “(ii) the maximum monthly rent per-
8 mitted with respect to the manufactured
9 home and real property on which it is lo-
10 cated.

11 “(5) ADJUSTMENT OF MAXIMUM MONTHLY
12 RENTS.—The provisions of paragraphs (3) through
13 (7) of subsection (d) shall apply to the adjustments
14 of maximum monthly rents under this subsection.

15 “(6) CONTRACT TERM.—Each contract entered
16 into under the subsection shall be for a term of not
17 less than one month and not more than 180 months;
18 except that in any case in which the manufactured
19 home park is substantially rehabilitated or newly
20 constructed, such term may not be less than 240
21 months, nor more than the maximum term for a
22 manufactured home loan permitted under section
23 2(b) of the National Housing Act.

24 “(7) APPLICABILITY.—The Secretary may carry
25 out this subsection without regard to whether the

1 manufactured home park is existing, substantially
2 rehabilitated, or newly constructed.

3 “(8) LIMITATION ON SUBSTANTIALLY REHA-
4 BILITATED AND NEWLY CONSTRUCTED MANUFAC-
5 TURED HOME PARKS.—In the case of any substan-
6 tially rehabilitated or newly constructed manufac-
7 tured home park containing spaces with respect to
8 which assistance is made under this subsection, the
9 principal amount of the mortgage attributable to the
10 rental spaces within the park may not exceed an
11 amount established by the Secretary which is equal
12 to or less than the limitation for manufactured home
13 parks described in section 207(c)(3) of the National
14 Housing Act, and the Secretary may increase such
15 limitation in high cost areas in the manner described
16 in such section.

17 “(9) OTHER REQUIREMENTS.—The Secretary
18 may prescribe other terms and conditions necessary
19 for the purpose of carrying out this subsection and
20 that are consistent with the purposes of this sub-
21 section.

22 “(l) SINGLE ROOM OCCUPANCY FACILITIES.—

23 “(1) AUTHORITY.—In making assistance avail-
24 able under this section and assistance under section
25 441 and part V of subtitle F of title IV of the Stew-

1 art B. McKinney Homeless Assistance Act, the Sec-
2 retary may provide assistance with respect to resi-
3 dential properties in which some or all of the dwell-
4 ing units do not contain bathroom or kitchen facili-
5 ties, if—

6 “(A) the property is located in an area in
7 which there is a significant demand for such
8 units, as determined by the Secretary;

9 “(B) the unit of general local government
10 in which the property is located and the local
11 public housing agency approve of such units
12 being utilized for such purpose; and

13 “(C) the unit of general local government
14 in which the property is located and the local
15 public housing agency certify to the Secretary
16 that the property complies with local health and
17 safety standards.

18 “(2) WAIVER OF LIMITATIONS ON ASSISTANCE
19 FOR SINGLE PERSONS.—The Secretary may waive,
20 in appropriate cases, the limitation and preference in
21 section 3(b)(3)(A) with respect to the assistance
22 made available under this subsection.

23 “(m) HOUSING FOR ELDERLY AND DISABLED FAMI-
24 LIES.—

1 “(1) SHARED HOUSING.—To assist elderly fam-
2 ilies and disabled families (as defined in section
3 3(b)) who elect to live in a shared housing arrange-
4 ment in which they benefit as a result of sharing the
5 facilities of a dwelling with others in a manner that
6 effectively and efficiently meets their housing needs
7 and thereby reduces their costs of housing, the Sec-
8 retary shall permit assistance provided under this
9 section to be used by such families in such arrange-
10 ments. In carrying out this subsection, the Secretary
11 shall issue minimum habitability standards for the
12 purpose of ensuring decent, safe, and sanitary hous-
13 ing for such families while taking into account the
14 special circumstances of shared housing.

15 “(2) PRIORITY FOR NONELDERLY DISABLED
16 FAMILIES.—In allocating assistance under this sec-
17 tion, a public housing agency that serves more than
18 one unit of general local government may, at the dis-
19 cretion of the agency, give priority to disabled fami-
20 lies that are not elderly families.

21 “(3) AUTHORITY TO PROVIDE PREFERENCES
22 FOR THE ELDERLY AND RESERVE UNITS FOR THE
23 DISABLED.—Notwithstanding subsection (h)(2) or
24 (3), an owner of a covered section 8 housing project
25 (as such term is defined in section 659 of the Hous-

1 ing and Community Development Act of 1992) may
2 give preference for occupancy of dwelling units in
3 the project, and reserve units for occupancy, in ac-
4 cordance with subtitle D of title VI of the Housing
5 and Community Development Act of 1992.

6 “(n) ADMINISTRATIVE FEES.—

7 “(1) BASIC FEE FOR TENANT-BASED RENTAL
8 PROGRAM.—The Secretary shall establish a fee for
9 the costs incurred by a public housing agency in ad-
10 ministering the program for rental assistance under
11 this section, which shall be, together with other fees
12 authorized under this subsection, included in any
13 amounts provided to the public housing agency
14 under the annual contributions contract for the
15 agency. The amount of the fee for each month for
16 which a dwelling unit is covered by an assistance
17 contract shall be 8.2 percent of the fair market rent-
18 al established under subsection (e) for a 2-bedroom
19 existing rental dwelling unit in the market area of
20 the public housing agency. The Secretary may in-
21 crease the fee if necessary to reflect the higher costs
22 of administering small programs and programs oper-
23 ating over large geographic areas.

1 “(2) OTHER FEES.—The Secretary shall also
2 establish reasonable fees (as determined by the Sec-
3 retary) for—

4 “(A) the costs of preliminary expenses that
5 a public housing agency documents it has in-
6 curred in connection with new allocations of as-
7 sistance under the program for rental assist-
8 ance under this section, which shall not exceed
9 \$275 per unit assisted;

10 “(B) the costs incurred in assisting fami-
11 lies who experience difficulty (as determined by
12 the Secretary) in obtaining appropriate housing
13 under the program;

14 “(C) the costs incurred in administering
15 the provision of rental assistance under this
16 section through the self-sufficiency program
17 under section 23; and

18 “(D) extraordinary costs approved by the
19 Secretary.

20 “(3) AUTHORITY TO INCLUDE COSTS OF SERV-
21 ICE COORDINATORS IN FEES.—

22 “(A) IN GENERAL.—Fees under this sub-
23 section may be used for the costs of employing
24 or otherwise retaining the services of one or
25 more service coordinators under section 671 of

1 the Housing and Community Development Act
2 of 1992 to coordinate the provision of support-
3 ive services for elderly families and disabled
4 families on whose behalf tenant-based assist-
5 ance is provided under this section or section
6 811(b)(1). Such service coordinators shall have
7 the same responsibilities with respect to such
8 families as service coordinators of covered fed-
9 erally assisted housing projects have under sec-
10 tion 671 of such Act with respect to residents
11 of such projects.

12 “(B) REQUIREMENT.—To the extent
13 amounts are provided in appropriation Acts
14 under section 5(c) for use under this para-
15 graph, the Secretary shall increase fees under
16 this subsection to provide for the costs of such
17 service coordinators for public housing agencies.

18 “(4) BUDGET COMPLIANCE.—The Secretary
19 may establish or increase a fee in accordance with
20 this subsection only to such extent or in such
21 amounts as are provided in appropriation Acts.

22 “(5) FEES FOR 1995 AND 1996.—Notwithstand-
23 ing any other provision of this subsection, the fee for
24 the costs incurred by a public housing agency in ad-
25 ministering the program for rental assistance under

1 this section during fiscal years 1995 and 1996 shall
2 be equal to the fee determined for fiscal year 1994
3 under section 11(a) of the HUD Demonstration Act
4 of 1993.

5 “(o) PORTABILITY OF ASSISTANCE.—

6 “(1) AUTHORITY.—Except as provided in para-
7 graph (3), any family on behalf of whom is provided
8 tenant-based rental assistance under this section and
9 who moves to an eligible dwelling unit located within
10 the same State, or the same or a contiguous metro-
11 politan statistical area, as the metropolitan statis-
12 tical area within which is located the area of juris-
13 diction of the public housing agency approving the
14 assistance for the family, may use such assistance to
15 rent such eligible dwelling unit.

16 “(2) ADMINISTRATION.—The public housing
17 agency having authority with respect to the dwelling
18 unit to which a family moves under this subsection
19 shall have the responsibility of carrying out the pro-
20 visions of this section with respect to the family. If
21 no public housing agency has authority with respect
22 to the dwelling unit to which a family moves under
23 this subsection, the public housing agency approving
24 the assistance shall have such responsibility.

1 “(3) LOCAL OPTION TO ENSURE MINIMUM AREA
2 RESIDENCY.—

3 “(A) AUTHORITY.—At the discretion of a
4 public housing agency and to the extent pro-
5 vided in subparagraph (B), the agency may pro-
6 vide that a family may use tenant-based rental
7 assistance under this section to rent an eligible
8 dwelling unit that is not located within the area
9 of jurisdiction of the agency approving the as-
10 sistance only if, before such use, the family has
11 rented and occupied an eligible dwelling unit
12 within such jurisdiction for not less than 12
13 consecutive months using assistance provided
14 by such agency.

15 “(B) LIMITATION.—If a public housing
16 agency elects to restrict the use of tenant-based
17 rental assistance pursuant to subparagraph (A)
18 and provides such assistance on behalf of more
19 than 300 families, the agency may not restrict
20 the use of such assistance with respect to as-
21 sistance provided on behalf of 10 percent of the
22 number of families receiving such assistance
23 that exceeds 300.

24 “(4) PROVISION OF RENTAL ASSISTANCE FOR
25 PORTABILITY PURPOSES.—

1 “(A) AMOUNT.—To the extent budget au-
2 thority for use under this paragraph is made
3 available in appropriation Acts, the Secretary
4 shall provide rental assistance under this sec-
5 tion in accordance with this paragraph.

6 “(B) USE.—Amounts provided for use
7 under this paragraph shall be used only to pro-
8 vide a public housing agency with additional
9 amounts (as determined under subparagraph
10 (D)) to provide assistance for families on behalf
11 of whom assistance is provided under this sec-
12 tion by another public housing agency and who
13 move into an eligible dwelling unit located with-
14 in the area of jurisdiction of the agency to re-
15 ceive assistance under this paragraph.

16 “(C) REQUIREMENT.—Amounts provided
17 for use under this paragraph may be made
18 available to a public housing agency only if the
19 agency has provided assistance pursuant to the
20 first sentence of paragraph (2) on behalf of
21 families who have moved into eligible dwelling
22 units located within the area of jurisdiction of
23 the agency in an amount not less than the less-
24 er of (i) 5 percent of the total amount received
25 by the agency for assistance under this section

1 for the fiscal year, or (ii) the amount necessary
2 to assist 25 percent of average annual number
3 of families previously assisted by the agency
4 who relinquish such assistance in a year (based
5 on the preceding 3 calendar years).

6 “(p) PROHIBITION OF DISCRIMINATION.—

7 “(1) BASED ON RESIDENCY IN PUBLIC HOUS-
8 ING.—In selecting families for the provision of as-
9 sistance under this section, a public housing agency
10 may not exclude or penalize a family solely because
11 the family resides in a public housing project.

12 “(2) BASED ON RECEIPT OF ASSISTANCE.—An
13 owner who has entered into an assistance contract
14 under this section on behalf of any tenant in a mul-
15 tifamily housing project shall not refuse to lease any
16 available dwelling unit in any multifamily housing
17 project of such owner that rents for an amount not
18 greater than the fair market rental for a comparable
19 unit (as determined by the Secretary under sub-
20 section (e)) to a family who has been approved by
21 a public housing agency for rental assistance under
22 this section and is in possession of evidence of such
23 approval, a proximate cause of which is the status
24 of such prospective tenant as such an assisted fam-

1 ily, and to enter into an assistance contract respect-
2 ing such unit.

3 “(3) DEFINITION.—For purposes of this sub-
4 section, the term ‘multifamily housing project’
5 means a residential building containing more than 4
6 dwelling units.

7 “(q) SPECIAL USES OF RENTAL ASSISTANCE.—

8 “(1) ASSISTANCE FOR RESIDENTS OF REHA-
9 BILITATED PROJECTS.—In the case of low-income
10 families living in rental projects rehabilitated under
11 section 17 of this Act or section 533 of the Housing
12 Act of 1949 before rehabilitation—

13 “(A) tenant-based rental assistance under
14 this section shall be provided for families who
15 are required to move out of their dwelling units
16 because of the physical rehabilitation activities
17 or because of overcrowding;

18 “(B) at the discretion of each public hous-
19 ing agency, tenant-based rental assistance
20 under this section may be provided for families
21 who would have to pay more than 30 percent of
22 their adjusted income for rent after rehabilita-
23 tion whether they choose to remain in, or to
24 move from, the project; and

1 “(C) the Secretary shall allocate tenant-
2 based rental assistance provided under this sec-
3 tion to ensure that sufficient resources are
4 available to address the physical or economic
5 displacement, or potential economic displace-
6 ment, of existing tenants pursuant to subpara-
7 graphs (A) and (B).

8 “(2) LOAN MANAGEMENT ASSISTANCE.—

9 “(A) IN GENERAL.—The Secretary may
10 provide assistance under this section through a
11 loan management program to assist financially
12 troubled multifamily residential housing
13 projects (i) subject to mortgages that are in-
14 sured under the National Housing Act or mort-
15 gages that have been assigned to the Secretary,
16 (ii) that were held by the Secretary and have
17 been sold, and (iii) that were assisted under
18 section 202 of the Housing Act of 1959.

19 “(B) ELIGIBILITY.—The eligibility of a
20 multifamily residential project for loan manage-
21 ment assistance under this paragraph shall be
22 determined without regard to whether the
23 project is subsidized or unsubsidized.

24 “(C) EXTENSION OF CONTRACT.—The
25 Secretary shall extend any expiring contract en-

1 tered into under this section for loan manage-
2 ment assistance or execute a new contract for
3 project-based loan management assistance, if
4 the owner agrees to continue providing housing
5 for low-income families during the term of the
6 contract.

7 “(3) ASSISTANCE FOR FAMILY UNIFICATION.—

8 “(A) IN GENERAL.—The Secretary may
9 provide assistance under this section to be used
10 only in connection with tenant-based assistance
11 under this section on behalf of any family (i)
12 who is otherwise eligible for such assistance,
13 and (ii) who the public child welfare agency for
14 the jurisdiction has certified is a family for
15 whom the lack of adequate housing is a primary
16 factor in the imminent placement of the fami-
17 ly’s child or children in out-of-home care or the
18 delayed discharge of a child or children to the
19 family from out-of-home care.

20 “(B) ALLOCATION.—Any amounts made
21 available under this paragraph shall be allo-
22 cated by the Secretary through a national com-
23 petition among applicants based on dem-
24 onstrated need for assistance under this para-
25 graph. To be considered for assistance, an ap-

1 plicant shall submit to the Secretary a written
2 proposal containing a report from the public
3 child welfare agency serving the jurisdiction of
4 the applicant that describes how a lack of ade-
5 quate housing in the jurisdiction is resulting in
6 the initial or prolonged separation of children
7 from their families, and how the applicant will
8 coordinate with the public child welfare agency
9 to identify eligible families and provide the fam-
10 ilies with assistance under this paragraph.

11 “(C) DEFINITIONS.—For purposes of this
12 paragraph:

13 “(i) APPLICANT.—The term ‘appli-
14 cant’ means a public housing agency.

15 “(ii) PUBLIC CHILD WELFARE AGEN-
16 CY.—The term ‘public child welfare agen-
17 cy’ means the public agency responsible
18 under applicable State law for determining
19 that a child is at imminent risk of place-
20 ment in out-of-home care or that a child in
21 out-of-home care under the supervision of
22 the public agency may be returned to his
23 or her family.

24 “(r) RENEWAL OF EXPIRING CONTRACTS.—Not later
25 than 30 days after the beginning of each fiscal year, the

1 Secretary shall publish in the Federal Register a plan for
2 reducing, to the extent feasible, year-to-year fluctuations
3 in the levels of budget authority that will be required over
4 the succeeding 5-year period to renew expiring assistance
5 contracts entered into under this section after the enact-
6 ment of the Housing and Community Development Act
7 of 1974. To the extent necessary to carry out such plan
8 and to the extent approved in appropriations Acts, the
9 Secretary is authorized to enter into annual contributions
10 contracts with terms of less than 60 months.

11 “(s) GENERAL PROVISIONS.—

12 “(1) PROHIBITION OF HIGH-RISE PROJECTS
13 FOR FAMILIES WITH CHILDREN.—Notwithstanding
14 any other provision of this section, after the date of
15 enactment of the Housing and Community Develop-
16 ment Act of 1977, the Secretary shall prohibit high-
17 rise elevator projects for families with children un-
18 less the Secretary determines that there is no prac-
19 tical alternative.

20 “(2) PLEDGING ASSISTANCE CONTRACTS AS SE-
21 CURITY.—An owner may pledge, or offer as security
22 for any loan or obligation, an assistance contract en-
23 tered into pursuant to this section, but only if such
24 security is in connection with a project constructed
25 or rehabilitated pursuant to authority under this

1 section and the terms of the financing or any re-fi-
2 nancing have been approved by the Secretary.

3 “(3) ASSISTANCE IN FINDING UNITS.—Each
4 public housing agency that provides rental housing
5 assistance under this section on behalf of low-income
6 families shall make available, to such families, coun-
7 seling and assistance regarding housing opportuni-
8 ties in the area of jurisdiction of the agency, includ-
9 ing assistance in obtaining new rental residences.

10 “(t) HOMEOWNERSHIP OPTION.—

11 “(1) USE OF ASSISTANCE FOR HOMEOWNER-
12 SHIP.—A family receiving tenant-based assistance
13 under this section may receive assistance for occu-
14 pancy of a dwelling owned by one or more members
15 of the family if the family—

16 “(A) is a first-time homeowner;

17 “(B)(i) participates in the family self-suffi-
18 ciency program under section 23 of the public
19 housing agency providing the assistance; or

20 “(ii) demonstrates that the family has in-
21 come from employment or other sources (other
22 than public assistance), as determined in ac-
23 cordance with requirements of the Secretary,
24 that is not less than twice the payment stand-
25 ard established by the public housing agency

1 (or such other amount as may be established by
2 the Secretary);

3 “(C) except as provided by the Secretary,
4 demonstrates at the time the family initially re-
5 ceives tenant-based assistance under this sub-
6 section that one or more adult members of the
7 family have achieved employment for the period
8 as the Secretary shall require;

9 “(D) participates in a homeownership and
10 housing counseling program provided by the
11 agency; and

12 “(E) meets any other initial or continuing
13 requirements established by the public housing
14 agency in accordance with requirements estab-
15 lished by the Secretary.

16 “(2) MONTHLY ASSISTANCE PAYMENT.—

17 “(A) IN GENERAL.—Notwithstanding any
18 other provisions of this section governing deter-
19 mination of the amount of assistance payments
20 under this section on behalf of a family, the
21 monthly assistance payment for any family as-
22 sisted under this subsection shall be the amount
23 by which the fair market rental for the area es-
24 tablished under subsection (e)(1) exceeds 30
25 percent of the family’s monthly adjusted in-

1 come; except that the monthly assistance pay-
2 ment shall not exceed the amount by which the
3 monthly homeownership expenses, as deter-
4 mined in accordance with requirements estab-
5 lished by the Secretary, exceeds 10 percent of
6 the family's monthly income.

7 “(B) EXCLUSION OF EQUITY FROM IN-
8 COME.—For purposes of determining the
9 monthly assistance payment for a family, the
10 Secretary shall not include in family income an
11 amount imputed from the equity of the family
12 in a dwelling occupied by the family with assist-
13 ance under this subsection.

14 “(3) RECAPTURE OF CERTAIN AMOUNTS.—
15 Upon sale of the dwelling by the family, the Sec-
16 retary shall recapture from any net proceeds the
17 amount of additional assistance (as determined in
18 accordance with requirements established by the
19 Secretary) paid to or on behalf of the eligible family
20 as a result of paragraph (2)(B).

21 “(4) DOWNPAYMENT REQUIREMENT.—Each
22 public housing agency providing assistance under
23 this subsection shall ensure that each family assisted
24 shall provide from its own resources not less than 80
25 percent of any downpayment in connection with a

1 loan made for the purchase of a dwelling. Such re-
2 sources may include amounts from any escrow ac-
3 count for the family established under section 23(d).
4 Not more than 20 percent of the downpayment may
5 be provided from other sources, such as from non-
6 profit entities and programs of States and units of
7 general local government.

8 “(5) INELIGIBILITY UNDER OTHER PRO-
9 GRAMS.—A family may not receive assistance under
10 this subsection during any period when assistance is
11 being provided for the family under other Federal
12 homeownership assistance programs, as determined
13 by the Secretary, which shall include assistance
14 under the HOME Investment Partnerships Act, the
15 Homeownership and Opportunity Through HOPE
16 Act, title II of the Housing and Community Devel-
17 opment Act of 1987, and section 502 of the Housing
18 Act of 1949.

19 “(6) INAPPLICABILITY OF CERTAIN PROVI-
20 SIONS.—Assistance under this subsection shall not
21 be subject to the requirements of the following provi-
22 sions:

23 “(A) Subsection (h)(3) of this section.

1 “(B) Any other provisions of this section
2 governing maximum amounts payable to owners
3 and amounts payable by assisted families.

4 “(C) Any other provisions of this section
5 concerning contracts between public housing
6 agencies and owners.

7 “(D) Any other provisions of this Act
8 that are inconsistent with the provisions of this
9 subsection.

10 “(7) REVERSION TO RENTAL STATUS.—

11 “(A) FHA-INSURED MORTGAGES.—If a
12 family receiving assistance under this sub-
13 section for occupancy of a dwelling defaults
14 under a mortgage for the dwelling insured by
15 the Secretary under the National Housing Act,
16 the family may not continue to receive rental
17 assistance under this section unless the family
18 (i) transfers to the Secretary marketable title to
19 the dwelling, (ii) moves from the dwelling with-
20 in the period established or approved by the
21 Secretary, and (iii) agrees that any amounts
22 the family is required to pay to reimburse the
23 escrow account under section 23(d)(3) may be
24 deducted by the public housing agency from the

1 assistance payment otherwise payable on behalf
2 of the family.

3 “(B) OTHER MORTGAGES.—If a family re-
4 ceiving assistance under this subsection defaults
5 under a mortgage not insured under the Na-
6 tional Housing Act, the family may not con-
7 tinue to receive rental assistance under this sec-
8 tion unless it complies with requirements estab-
9 lished by the Secretary.

10 “(C) ALL MORTGAGES.—A family receiving
11 assistance under this subsection that defaults
12 under a mortgage may not receive assistance
13 under this subsection for occupancy of another
14 dwelling owned by one or more members of the
15 family.

16 “(8) DEFINITION OF FIRST-TIME HOME-
17 OWNER.—For purposes of this subsection, the term
18 ‘first-time homeowner’ means—

19 “(A) a family, no member of which has
20 had a present ownership interest in a principal
21 residence during the 3 years preceding the date
22 on which the family initially receives assistance
23 for homeownership under this subsection; and

24 “(B) any other family, as the Secretary
25 may prescribe.

1 “(u) DEFINITIONS.—For purposes of this section:

2 “(1) ANNUAL CONTRIBUTIONS CONTRACT.—

3 The term ‘annual contributions contract’ means a
4 contract under subsection (b) between the Secretary
5 and a public housing agency to provide amounts for
6 rental assistance payments under this section to the
7 public housing agency.

8 “(2) ASSISTANCE CONTRACT.—The term ‘as-

9 sistance contract’ means a contract under subsection
10 (c) between a public housing agency (or the Sec-
11 retary) and an owner to make rental assistance pay-
12 ments under this section to the owner.

13 “(3) DEBT SERVICE.—The term ‘debt service’

14 means the required payments for principal and in-
15 terest made with respect to a mortgage secured by
16 housing assisted under this Act.

17 “(4) DRUG-RELATED CRIMINAL ACTIVITY.—The

18 term ‘drug-related criminal activity’ means the ille-
19 gal manufacture, sale, distribution, use, or posses-
20 sion with intent to manufacture, sell, distribute, or
21 use, of a controlled substance (as such term is de-
22 fined in section 102 of the Controlled Substances
23 Act).

24 “(5) OWNER.—The term ‘owner’ means any

25 private person or entity, including a cooperative, an

1 agency of the Federal Government, or a public hous-
2 ing agency, having the legal right to lease or sub-
3 lease dwelling units, and such term shall include any
4 principals, general partners, primary shareholders,
5 and other similar participants in any entity owning
6 a multifamily housing project (as such term is de-
7 fined in subsection (p)(3)), as well as the entity it-
8 self.

9 “(6) PARTICIPATING JURISDICTION.—The term
10 ‘participating jurisdiction’ means a State or unit of
11 general local government designated by the Sec-
12 retary to be a participating jurisdiction under title
13 II of the Cranston-Gonzalez National Affordable
14 Housing Act.

15 “(7) PROJECT-BASED ASSISTANCE.—The term
16 ‘project-based assistance’ means rental assistance
17 under this section that is attached to a structure
18 pursuant to subsection (i).

19 “(8) RENT.—The terms ‘rent’ and ‘rental’ in-
20 clude, with respect to members of a cooperative, the
21 charges under the occupancy agreements between
22 such members and the cooperative.

23 “(9) RENTAL ASSISTANCE.—The term ‘rental
24 assistance’ means assistance provided under this sec-

1 tion on behalf of low-income families for the rental
2 of a dwelling unit.

3 “(10) TENANT-BASED ASSISTANCE.—The term
4 ‘tenant-based assistance’ means rental assistance
5 under this section that is not project-based assist-
6 ance.”.

7 (b) TRANSITION.—

8 (1) APPLICABILITY.—The amendment made by
9 subsection (a) shall apply only to assistance under
10 section 8 of the United States Housing Act of 1937
11 provided pursuant to an assistance contract entered
12 into or renewed during fiscal year 1995 or there-
13 after. Any such assistance provided pursuant to an
14 assistance contract entered into before the com-
15 mencement of fiscal year 1995 shall be subject to
16 the provisions of such section 8 as in effect imme-
17 diately before the enactment of this Act or otherwise
18 applicable to such assistance.

19 (2) CONTINUATION OF ASSISTANCE.—The Sec-
20 retary of Housing and Urban Development shall
21 take any action necessary to ensure that the provi-
22 sion of assistance under section 8 of the United
23 States Housing Act of 1937 to families receiving as-
24 sistance under such section on the date of the enact-

1 ment of this Act is not interrupted because of the
2 amendment made by subsection (a).

3 (c) CONFORMING AMENDMENTS.—

4 (1) UNITED STATES HOUSING ACT OF 1937.—
5 The United States Housing Act of 1937 is amend-
6 ed—

7 (A) in section 3(a)(1) (42 U.S.C.
8 1437a(a)(1)), by striking “(other than a family
9 assisted under section 8(o) or (y) or paying rent
10 under section 8(c)(3)(B))” and inserting
11 “(other than a family assisted under section
12 8(t))”;

13 (B) in section 5 (42 U.S.C. 1737c)—

14 (i) in subsection (c)(7)(C), by striking
15 “section 8(b)(1)” each place it appears and
16 inserting “section 8”;

17 (ii) in subsection (j)(1)(B)(i), by strik-
18 ing “section 8(o)(6)” and inserting “sec-
19 tion 8”; and

20 (iii) in subsection (j)(1)(D), by strik-
21 ing “subsection (b) or (o) of”;

22 (C) in section 6(p)(1)(B) (42 U.S.C.
23 1437d(p)(1)(B)), by striking “holding certifi-
24 cates and vouchers” and inserting “eligible and
25 approved for assistance”;

1 (D) in section 18(b)(3) (42 U.S.C.
2 1437p(b)(3))—

3 (i) in subparagraph (A)(iv), by strik-
4 ing “section 8(b)(1)” and inserting “sec-
5 tion 8”;

6 (ii) in subparagraph (A)(v), by strik-
7 ing “(excluding vouchers under section
8 8(o))” each place it appears;

9 (iii) in subparagraph (B)—

10 (I) in the matter preceding clause
11 (i), by striking “(notwithstanding the
12 limitation under section 8(d)(2)(A) on
13 the amount of project-based assist-
14 ance provided by an agency)”; and

15 (II) in clause (ii), by striking
16 “(excluding vouchers under section
17 8(o))”; and

18 (iv) in subparagraph (C), by striking
19 “certificates and vouchers available” and
20 inserting “families receiving tenant-based
21 assistance”;

22 (E) in section 21(b)(3)—

23 (i) by striking “a certificate under
24 section 8(b)(1) or a housing voucher under

1 section 8(o)” and inserting “tenant-based
2 assistance under section 8”; and

3 (ii) by striking “such certificate” and
4 inserting “such assistance”;

5 (F) in section 23—

6 (i) in subsection (a), by striking “as-
7 sistance under the certificate and voucher
8 programs” and inserting “tenant-based as-
9 sistance”;

10 (ii) in subsection (b)—

11 (I) in paragraph (1), by striking
12 “assistance under subsection (b) or
13 (o) of” and inserting “tenant-based
14 assistance under”;

15 (II) in paragraph (3)(A), by
16 striking “Certificate and voucher as-
17 sistance under section 8(b) and (o)”
18 and inserting “Tenant-based assist-
19 ance under section 8”; and

20 (III) in paragraph (4), by strik-
21 ing “Assistance under the certificate
22 or voucher programs” and inserting
23 “Tenant-based assistance”;

24 (iii) in subsection (c)(1), by striking
25 “assistance under the certificate and

1 voucher programs of” and inserting “ten-
2 ant-based assistance from”;

3 (iv) in subsection (d)(3) (as added by
4 section 185(b) of the Housing and Com-
5 munity Development Act of 1992 (Public
6 Law 102–550; 106 Stat. 3747)), by strik-
7 ing “section 8(y)” and inserting “section
8 8(t)”;

9 (v) in subsection (h)(1)—

10 (I) by striking “section 8(q) for
11 the costs incurred in administering
12 the provision of certificate and vouch-
13 er” and inserting “section 8(n) for the
14 costs incurred in administering the
15 provision of tenant-based”; and

16 (II) by striking “section
17 8(q)(2)(A)(i)” and inserting “section
18 8(n)(2)(A)”;

19 (G) in section 304(g)(3) (42 U.S.C.
20 1437aaa–3(g)(3)), by striking “section 8(b)(2)
21 and section 8(o)(9)” and inserting “section 8”.

22 (2) ELDERLY INDEPENDENCE.—Section 803 of
23 the Cranston-Gonzalez National Affordable Housing
24 Act (42 U.S.C. 8012) is amended—

1 (A) in subsection (a), by striking “housing
2 certificates and vouchers” and inserting “assist-
3 ance under section 8 of the United States
4 Housing Act of 1937”; and

5 (B) in subsection (b)—

6 (i) in the 1st sentence, by striking
7 “not more than 1500 incremental vouchers
8 and certificates under sections 8(b) and
9 8(o) of the United States Housing Act of
10 1937” and inserting “incremental assist-
11 ance under section 8 of the United States
12 Housing Act of 1937 on behalf of not more
13 than 1,500 frail elderly persons”;

14 (ii) in the 3rd sentence, by striking
15 “the housing certificate or voucher pro-
16 gram of the agency” and inserting “the
17 agency’s program for assistance under
18 such section 8”; and

19 (iii) in the last sentence, by striking
20 “sections 8(b) and 8(o)” and inserting
21 “section 8”.

22 (3) MCKINNEY ACT.—Section 441(b) of the
23 Stewart B. McKinney Homeless Assistance Act (42
24 U.S.C. 11401(b)) is amended—

1 (A) by striking “section 8(n)” and insert-
2 ing “section 8(l)”; and

3 (B) by adding at the end the following new
4 sentence: “Moderate rehabilitation under this
5 section shall be carried out in the manner pro-
6 vided under the provisions of section 8(e) of the
7 United States Housing Act of 1937, as such
8 section was in effect immediately before the en-
9 actment of the Housing and Community Devel-
10 opment Act of 1994.”.

11 (4) NATIONAL HOUSING ACT.—Section 203(v)
12 of the National Housing Act (12 U.S.C. 1709(v)), as
13 added by section 185(c)(1)(B) of the Housing and
14 Community Development Act of 1992, is amended
15 by striking “section 8(y)” and inserting “section
16 8(t)”.

17 **SEC. 5. PUBLIC HOUSING RENT AND INCOME ELIGIBILITY**
18 **REFORM.**

19 (a) EXCLUSION FROM ADJUSTED INCOME FOR RENT
20 CALCULATION.—Section 3(b)(5) of the United States
21 Housing Act of 1937 (42 U.S.C. 1437a(b)(5)) is amend-
22 ed—

23 (1) in subparagraph (F), by striking “and” at
24 the end;

1 (2) by redesignating subparagraph (G) as sub-
2 paragraph (H); and

3 (3) by inserting after subparagraph (F) the fol-
4 lowing new subparagraphs:

5 “(G) the amount of any increase in the earned
6 income of the family that results from the employ-
7 ment of a previously unemployed member of the
8 family, except that such increase in earned income
9 may be excluded only during the 18-month period
10 beginning upon the employment of the family mem-
11 ber; and”.

12 (b) INCOME ELIGIBILITY.—Section 3(b)(4) of the
13 United States Housing Act of 1937 (42 U.S.C.
14 1437a(b)(2)) is amended by inserting at the end the fol-
15 lowing new sentence: “For purposes of eligibility of a fam-
16 ily for residence in public housing, income of the family
17 shall not include (A) only in the case of a family that has
18 more than 2 members contributing to the earned income
19 of the family and has an income (as determined under the
20 preceding sentence) not exceeding 65 percent of the me-
21 dian income for the area, 50 percent of the amount of
22 any earned income of the family contributed by members
23 of the family who are not the 2 members of the family
24 contributing the greatest amounts to the family’s earned
25 income, and (B) the amount of any increase in the earned

1 income of the family that results from the employment of
2 a previously unemployed member of the family, except that
3 such increase in earned income may be excluded only dur-
4 ing the 18-month period beginning upon the employment
5 of the family member .”.

6 (c) BUDGET COMPLIANCE.—To the extent that the
7 amendments made by subsections (a) and (b) result in ad-
8 ditional costs under the United States Housing Act of
9 1937, the provisions inserted by such amendments shall
10 be effective only to the extent that amounts to cover such
11 additional costs are provided in advance in appropriations
12 Acts.

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