

105TH CONGRESS
1ST SESSION

S. 23

To promote a new urban agenda, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 21, 1997

Mr. SPECTER (for himself and Ms. MOSLEY-BRAUN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To promote a new urban agenda, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “New Urban Agenda Act of 1997”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Findings and purposes.

TITLE I—FEDERAL COMMITMENT TO URBAN ECONOMIC DEVELOPMENT

Sec. 101. Federal purchases from businesses in empowerment zones, enterprise communities, and enterprise zones.

Sec. 102. Minimum allocation of foreign assistance for purchase of certain United States goods.

- Sec. 103. Preference for location of manufacturing outreach centers in urban areas.
- Sec. 104. Preference for construction and improvement of Federal facilities in distressed urban areas.
- Sec. 105. Definitions.

TITLE II—TAX INCENTIVES TO STIMULATE URBAN ECONOMIC DEVELOPMENT.

- Sec. 201. Treatment of rehabilitation credit under passive activity limitations.
- Sec. 202. Rehabilitation credit allowed to offset portion of alternative minimum tax.
- Sec. 203. Commercial industrial development bonds.
- Sec. 204. Increase in amount of qualified small issue bonds permitted for facilities to be used by related principal users.
- Sec. 205. Simplification of arbitrage interest rebate waiver.
- Sec. 206. Qualified residential rental project bonds partially exempt from state volume cap.
- Sec. 207. Expansion of qualified wages subject to work opportunity credit.
- Sec. 208. Exclusion for capital gains on certain investments within empowerment zones and enterprise communities.

TITLE III—COMMUNITY-BASED HOUSING DEVELOPMENT

- Sec. 301. Block grant study.
- Sec. 302. Demolition and disposition of public housing.

TITLE IV—RESPONSE TO URBAN ENVIRONMENTAL CHALLENGES

- Sec. 401. Release from liability of persons that fulfill requirements of State and local law.
- Sec. 402. Brownfield program.

1 SEC. 2. FINDINGS AND PURPOSES.

2 (a) FINDINGS.—The Congress finds that—

3 (1) cities in the United States have been facing
4 an economic downhill trend in the past several years;
5 and

6 (2) a new approach to help such cities prosper
7 is necessary.

8 (b) PURPOSES.—It is the purpose of this Act to—

9 (1) provide various incentives for the economic
10 growth of cities in the United States;

1 (2) provide an economic agenda designed to re-
2 verse current urban economic trends; and

3 (3) revitalize the jobs and tax base of such
4 cities without significant new Federal outlays.

5 **TITLE I—FEDERAL COMMIT-**
6 **MENT TO URBAN ECONOMIC**
7 **DEVELOPMENT**

8 **SEC. 101. FEDERAL PURCHASES FROM BUSINESSES IN**
9 **EMPOWERMENT ZONES, ENTERPRISE COM-**
10 **MUNITIES, AND ENTERPRISE ZONES.**

11 (a) REQUIREMENTS.—The Office of Federal Procure-
12 ment Policy Act (41 U.S.C. 401 et seq.) is amended by
13 adding at the end the following new section:

14 “PURCHASES FROM BUSINESSES IN EMPOWERMENT
15 ZONES, ENTERPRISE COMMUNITIES, AND ENTER-
16 PRISE ZONES

17 “SEC. 38. (a) MINIMUM PURCHASE REQUIRE-
18 MENT.—Not less than 15 percent of the total amount ex-
19 pended by executive agencies for the purchase of goods
20 in a fiscal year shall be expended for the purchase of goods
21 from businesses located in empowerment zones, enterprise
22 communities, or enterprise zones.

23 “(b) RECYCLED PRODUCTS.—To the maximum ex-
24 tent practicable consistent with applicable law, the head
25 of an executive agency shall purchase recycled products

1 that meet the needs of the executive agency from busi-
2 nesses located in empowerment zones, enterprise commu-
3 nities, or enterprise zones.

4 “(c) REGULATIONS.—The Federal Acquisition Regu-
5 lations shall include provisions that ensure the attainment
6 of the minimum purchase requirement set out in sub-
7 section (a).

8 “(d) DEFINITIONS.—In this section:

9 “(1) The term ‘empowerment zone’ means a
10 zone designated as an empowerment zone pursuant
11 to subchapter U of chapter 1 of the Internal Reve-
12 nue Code of 1986 (26 U.S.C. 1391 et seq.).

13 “(2) The term ‘enterprise community’ means a
14 community designated as an enterprise community
15 pursuant to subchapter U of chapter 1 of the Inter-
16 nal Revenue Code of 1986 (26 U.S.C. 1391 et seq.).

17 “(3) The term ‘enterprise zone’ has the mean-
18 ing given such term in section 701(a)(1) of the
19 Housing and Community Development Act of 1987
20 (42 U.S.C. 11501(a)(1)).”.

21 (b) EFFECTIVE DATE.—Section 38 of the Office of
22 Federal Procurement Policy Act, as added by subsection
23 (a), shall take effect on the date of the enactment of this
24 Act and shall apply with respect to fiscal years beginning
25 after September 30, 1996.

1 (c) CONFORMING AMENDMENT.—The table of con-
2 tents in section 1(b) of the Office of Federal Procurement
3 Policy Act is amended by adding at the end the following
4 new item:

“Sec. 38. Purchases from businesses in empowerment zones, en-
terprise communities, and enterprise zones.”.

5 **SEC. 102. MINIMUM ALLOCATION OF FOREIGN ASSISTANCE**
6 **FOR PURCHASE OF CERTAIN UNITED STATES**
7 **GOODS.**

8 (a) ALLOCATION OF ASSISTANCE.—Notwithstanding
9 any other provision of law, effective beginning with fiscal
10 year 1997, not less than 15 percent of United States as-
11 sistance provided in a fiscal year shall be provided in the
12 form of credits which may only be used for the purchase
13 of United States goods produced, manufactured, or assem-
14 bled in empowerment zones, enterprise communities, or
15 enterprise zones within the United States.

16 (b) UNITED STATES ASSISTANCE.—As used in this
17 section, the term “United States assistance” means—

18 (1) any assistance under the Foreign Assistance
19 Act of 1961 (22 U.S.C. 2151 et seq.);

20 (2) sales, or financing of sales under the Arms
21 Export Control Act (22 U.S.C. 2751 et seq.); and

22 (3) assistance and other activities under the
23 Support for East European Democracy (SEED) Act
24 of 1989 (22 U.S.C. 5401 et seq.).

1 **SEC. 103. PREFERENCE FOR LOCATION OF MANUFACTUR-**
2 **ING OUTREACH CENTERS IN URBAN AREAS.**

3 (a) DESIGNATION.—In designating an organization
4 as a manufacturing outreach center under paragraph (11)
5 of section 5 of the Stevenson-Wydler Technology Innova-
6 tion Act of 1980 (15 U.S.C. 3704(11)), the Secretary of
7 Commerce shall, to the maximum extent practicable, des-
8 ignate organizations that are located in empowerment
9 zones, enterprise communities, or enterprise zones.

10 (b) FINANCIAL ASSISTANCE.—In utilizing a competi-
11 tive, merit-based review process to determine the manufac-
12 turing outreach centers to which to provide financial as-
13 sistance under such section, the Secretary shall give such
14 additional preference to centers located in empowerment
15 zones, enterprise communities, and enterprise zones as the
16 Secretary determines appropriate in order to ensure the
17 continuing existence of such centers in such zones.

18 **SEC. 104. PREFERENCE FOR CONSTRUCTION AND IM-**
19 **PROVEMENT OF FEDERAL FACILITIES IN DIS-**
20 **TRESSED URBAN AREAS.**

21 (a) PREFERENCE.—Notwithstanding any other provi-
22 sion of law, in determining the location for the construc-
23 tion of a new facility of a department or agency of the

1 Federal Government, in determining to improve an exist-
2 ing facility (including an improvement in lieu of such con-
3 struction), or in determining the location to which to relo-
4 cate functions of a department or agency, the head of the
5 department or agency making the determination shall take
6 affirmative action to construct or improve the facility, or
7 to relocate the functions, in a distressed urban area.

8 (b) URBAN IMPACT STATEMENT.—A determination
9 to construct a new facility of a department or agency of
10 the Federal Government, to improve an existing facility,
11 or to relocate the functions of a department or agency may
12 not be made until the head of the department or agency
13 making the determination prepares and submits to the
14 President a report that—

15 (1) in the case of a facility to be constructed—

16 (A) identifies at least one distressed urban
17 area that is an appropriate location for the fa-
18 cility;

19 (B) describes the costs and benefits arising
20 from the construction and utilization of the fa-
21 cility in the area, including the effects of such
22 construction and utilization on the rate of un-
23 employment in the area; and

24 (C) describes the effect on the economy of
25 the area of the closure or consolidation, if any,

1 of Federal facilities located in the area during
2 the 10-year period ending on the date of the re-
3 port, including the total number of Federal and
4 non-Federal employment positions terminated
5 in the area as a result of such closure or con-
6 solidation;

7 (2) in the case of a facility to be improved that
8 is not located in a distressed urban area—

9 (A) identifies at least one facility located in
10 a distressed urban area that would serve as an
11 appropriate alternative location for the facility;

12 (B) describes the costs and benefits arising
13 from the improvement and utilization of the fa-
14 cility located in such area as an alternative lo-
15 cation for the facility to be improved, including
16 the effect of the improvement and utilization of
17 the facility so located on the rate of unemploy-
18 ment in such area; and

19 (C) describes the effect on the economy of
20 such area of the closure or consolidation, if any,
21 of Federal facilities located in such area during
22 the 10-year period ending on the date of the re-
23 port, including the total number of Federal and
24 non-Federal employment positions terminated

1 in such area as a result of such closure or con-
2 solidation;

3 (3) in the case of a facility to be improved that
4 is located in a distressed urban area—

5 (A) describes the costs and benefits arising
6 from the improvement and continuing utiliza-
7 tion of the facility in the area, including the ef-
8 fect of such improvement and continuing utili-
9 zation on the rate of unemployment in the area;
10 and

11 (B) describes the effect on the economy of
12 the area of the closure or consolidation, if any,
13 of Federal facilities located in the area during
14 the 10-year period ending on the date of the re-
15 port, including the total number of Federal and
16 non-Federal employment positions terminated
17 in the area as a result of such closure or con-
18 solidation; or

19 (4) in the case of a relocation of functions—

20 (A) identifies at least one distressed urban
21 area that would serve as an appropriate loca-
22 tion for the carrying out of the functions;

1 (B) describes the costs and benefits arising
2 from carrying out the functions in the area, in-
3 cluding the effect of carrying out the functions
4 on the rate of unemployment in the area; and

5 (C) describes the effect on the economy of
6 the area of the closure or consolidation, if any,
7 of Federal facilities located in the area during
8 the 10-year period ending on the date of the re-
9 port, including the total number of Federal and
10 non-Federal employment positions terminated
11 in the area as a result of such closure or con-
12 solidation.

13 (c) APPLICABILITY TO DEPARTMENT OF DEFENSE
14 FACILITIES.—The requirements set forth in subsections
15 (a) and (b) shall apply to a determination to construct
16 or improve any facility of the Department of Defense, or
17 to relocate any functions of the Department, unless the
18 President determines that the waiver of the application of
19 such requirements to the facility, or to such relocation,
20 is in the national interest.

21 (d) DEFINITION.—In this section, the term “dis-
22 tressed urban area” means any city having a population
23 of more than 100,000 that meets (as determined by the
24 Secretary of Housing and Urban Development) the quali-
25 fications for making an Urban Development Action Grant

1 to a community experiencing severe economic distress that
 2 are otherwise established for large cities and urban coun-
 3 ties under subpart G of part 570 of title 24, Code of Fed-
 4 eral Regulations.

5 **SEC. 105. DEFINITIONS.**

6 As used in this title:

7 (1) The term “empowerment zone” means a
 8 zone designated as an empowerment zone pursuant
 9 to subchapter U of chapter 1 of the Internal Reve-
 10 nue Code of 1986 (26 U.S.C. 1391 et seq.).

11 (2) The term “enterprise community” means a
 12 community designated as an enterprise community
 13 pursuant to subchapter U of chapter 1 of the Inter-
 14 nal Revenue Code of 1986 (26 U.S.C. 1391 et seq.).

15 (3) The term “enterprise zone” has the mean-
 16 ing given such term in section 701(a)(1) of the
 17 Housing and Community Development Act of 1987
 18 (42 U.S.C. 11501(a)(1)).

19 **TITLE II—TAX INCENTIVES TO**
 20 **STIMULATE URBAN ECO-**
 21 **NOMIC DEVELOPMENT**

22 **SEC. 201. TREATMENT OF REHABILITATION CREDIT UNDER**
 23 **PASSIVE ACTIVITY LIMITATIONS.**

24 (a) GENERAL RULE.—Paragraphs (2) and (3) of sec-
 25 tion 469(i) of the Internal Revenue Code of 1986 (relating

1 to \$25,000 offset for rental real estate activities) are
2 amended to read as follows:

3 “(2) DOLLAR LIMITATIONS.—

4 “(A) IN GENERAL.—Except as otherwise
5 provided in this paragraph, the aggregate
6 amount to which paragraph (1) applies for any
7 taxable year shall not exceed \$25,000, reduced
8 (but not below zero) by 50 percent of the
9 amount (if any) by which the adjusted gross in-
10 come of the taxpayer for the taxable year ex-
11 ceeds \$100,000.

12 “(B) PHASEOUT NOT APPLICABLE TO
13 LOW-INCOME HOUSING CREDIT.—In the case of
14 the portion of the passive activity credit for any
15 taxable year which is attributable to any credit
16 determined under section 42—

17 “(i) subparagraph (A) shall not apply,
18 and

19 “(ii) paragraph (1) shall not apply to
20 the extent that the deduction equivalent of
21 such portion exceeds—

22 “(I) \$25,000, reduced by

1 “(II) the aggregate amount of
2 the passive activity loss (and the de-
3 duction equivalent of any passive ac-
4 tivity credit which is not so attrib-
5 utable and is not attributable to the
6 rehabilitation credit determined under
7 section 47) to which paragraph (1)
8 applies after the application of sub-
9 paragraph (A).

10 “(C) \$55,500 LIMIT FOR REHABILITATION
11 CREDITS.—In the case of the portion of the
12 passive activity credit for any taxable year
13 which is attributable to the rehabilitation credit
14 determined under section 47—

15 “(i) subparagraph (A) shall not apply,
16 and

17 “(ii) paragraph (1) shall not apply to
18 the extent that the deduction equivalent of
19 such portion exceeds—

20 “(I) \$55,500, reduced by

21 “(II) the aggregate amount of
22 the passive activity loss (and the de-
23 duction equivalent of any passive ac-
24 tivity credit which is not so attrib-
25 utable) to which paragraph (1) applies

1 for the taxable year after the applica-
2 tion of subparagraphs (A) and (B).

3 “(3) ADJUSTED GROSS INCOME.—For purposes
4 of paragraph (2)(A), adjusted gross income shall be
5 determined without regard to—

6 “(A) any amount includable in gross in-
7 come under section 86,

8 “(B) any amount excludable from gross in-
9 come under section 135, 911, 931, or 933,

10 “(C) any amount allowable as a deduction
11 under section 219, and

12 “(D) any passive activity loss.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (B) of section 469(i)(4) of
15 the Internal Revenue Code of 1986 is amended to
16 read as follows:

17 “(B) REDUCTION FOR SURVIVING
18 SPOUSE’S EXEMPTION.—For purposes of sub-
19 paragraph (A), the \$25,000 amounts under
20 paragraphs (2)(A) and (2)(B)(ii) and the
21 \$55,500 amount under paragraph (2)(C)(ii)

1 shall each be reduced by the amount of the ex-
2 emption under paragraph (1) (determined with-
3 out regard to the reduction contained in para-
4 graph (2)(A)) which is allowable to the surviv-
5 ing spouse of the decedent for the taxable year
6 ending with or within the taxable year of the es-
7 tate.”.

8 (2) Subparagraph (A) of section 469(i)(5) of
9 such Code is amended by striking clauses (i), (ii),
10 and (iii) and inserting the following:

11 “(i) ‘\$12,500’ for ‘\$25,000’ in sub-
12 paragraphs (A) and (B)(ii) of paragraph
13 (2),

14 “(ii) ‘\$50,000’ for ‘\$100,000’ in para-
15 graph (2)(A)”, and

16 “(iii) ‘\$27,750’ for ‘\$55,500’ in para-
17 graph (2)(C)(ii).”.

18 (3) The subsection heading for subsection (i) of
19 section 469 of such Code is amended by striking
20 “\$25,000”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to property placed in service on
23 or after the date of the enactment of this Act, in taxable
24 years ending on or after such date.

1 **SEC. 202. REHABILITATION CREDIT ALLOWED TO OFFSET**
2 **PORTION OF ALTERNATIVE MINIMUM TAX.**

3 (a) IN GENERAL.—Section 38(c) of the Internal Rev-
4 enue Code of 1986 (relating to limitation based on amount
5 of tax) is amended by redesignating paragraph (3) as
6 paragraph (4) and by inserting after paragraph (2) the
7 following new paragraph:

8 “(3) REHABILITATION INVESTMENT CREDIT
9 MAY OFFSET PORTION OF MINIMUM TAX.—

10 “(A) IN GENERAL.—In the case of the re-
11 habilitation investment tax credit—

12 “(i) this section and section 39 shall
13 be applied separately with respect to such
14 credit, and

15 “(ii) for purposes of applying para-
16 graph (1) to such credit—

17 “(I) the tentative minimum tax
18 under subparagraph (A) thereof shall
19 be reduced by the minimum tax offset
20 amount determined under subpara-
21 graph (B) of this paragraph, and

22 “(II) the limitation under para-
23 graph (1) (as modified by subclause
24 (I)) shall be reduced by the credit al-
25 lowed under subsection (a) for the

1 taxable year (other than the rehabili-
2 tation investment tax credit).

3 “(B) MINIMUM TAX OFFSET AMOUNT.—

4 For purposes of subparagraph (A)(ii)(I), the
5 minimum tax offset amount is an amount equal
6 to—

7 “(i) in the case of a taxpayer not de-
8 scribed in clause (ii), the lesser of—

9 “(I) 25 percent of the tentative
10 minimum tax for the taxable year, or

11 “(II) \$20,000, or

12 “(ii) in the case of a C corporation
13 other than a closely held C corporation (as
14 defined in section 469(j)(1)), 5 percent of
15 the tentative minimum tax for the taxable
16 year.

17 “(C) REHABILITATION INVESTMENT TAX
18 CREDIT.—For purposes of this paragraph, the
19 term ‘regular investment tax credit’ means the
20 portion of the credit under subsection (a) which
21 is attributable to the credit determined under
22 section 47.’”.

1 (b) CONFORMING AMENDMENT.—Section 38(d) of
 2 the Internal Revenue Code of 1986 (relating to compo-
 3 nents of investment credit) is amended by adding at the
 4 end the following new paragraph:

5 “(4) SPECIAL RULE FOR REHABILITATION
 6 CREDIT.—Notwithstanding paragraphs (1) and (2),
 7 the rehabilitation investment tax credit (as defined
 8 in subsection (c)(2)(C)) shall be treated as used
 9 last.”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning after
 12 December 31, 1996.

13 **SEC. 203. COMMERCIAL INDUSTRIAL DEVELOPMENT**
 14 **BONDS.**

15 (a) FACILITY BONDS.—

16 (1) IN GENERAL.—Subsection (a) of section
 17 142 of the Internal Revenue Code of 1986 (relating
 18 to exempt facility bond) is amended by striking “or”
 19 at the end of paragraph (11), by striking the period
 20 at the end of paragraph (12) and inserting a
 21 comma, and by adding at the end the following new
 22 paragraphs:

23 “(13) sports facilities,

24 “(14) convention or trade show facilities,

25 “(15) freestanding parking facilities,

1 “(16) air or water pollution control facilities, or
2 “(17) industrial parks.”.

3 (2) INDUSTRIAL PARKS DEFINED.—Section 142
4 of the Internal Revenue Code of 1986 is amended by
5 adding at the end the following new subsection:

6 “(k) INDUSTRIAL PARKS.—A facility shall be treated
7 as described in subsection (a)(17) only if all of the prop-
8 erty to be financed by the net proceeds of the issue—

9 “(1) is—

10 “(A) land, and

11 “(B) water, sewage, drainage, or similar
12 facilities, or transportation, power, or commu-
13 nication facilities incidental to the use of such
14 land as an industrial park, and

15 “(2) is not structures or buildings (other than
16 with respect to facilities described in paragraph
17 (1)(B)).”.

18 (3) CONFORMING AMENDMENTS.—

19 (A) Section 147(e) of the Internal Revenue
20 Code of 1986 (relating to limitation on use for
21 land acquisition) is amended by adding at the
22 end the following new paragraph:

23 “(4) SPECIAL RULE FOR INDUSTRIAL PARKS.—
24 In the case of a bond described in section

1 142(a)(17), paragraph (1)(A) shall be applied by
 2 substituting ‘50 percent’ for ‘25 percent.’”.

3 (B) Section 147(e) of such Code (relating
 4 to no portion of bonds may be issued for
 5 skyboxes, airplanes, gambling establishments,
 6 etc.) is amended by striking “A private activity
 7 bond” and inserting “Except in the case of a
 8 bond described in section 142(a)(13), a private
 9 activity bond”.

10 (b) SMALL ISSUE BONDS.—Section 144(a)(12) of the
 11 Internal Revenue Code of 1986 (relating to termination
 12 of qualified small issue bonds) is amended—

13 (1) by striking “any bond” in subparagraph
 14 (A)(i) and inserting “any bond described in subpara-
 15 graph (B)”,

16 (2) by striking “a bond” in subparagraph
 17 (A)(ii) and inserting “a bond described in subpara-
 18 graph (B)”, and

19 (3) by striking subparagraph (B) and inserting
 20 the following:

21 “(B) BONDS FOR FARMING PURPOSES.—A
 22 bond is described in this subparagraph if it is
 23 issued as part of an issue 95 percent or more
 24 of the net proceeds of which are to be used to

1 provide any land or property not in accordance
2 with section 147(c)(2).”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to bonds issued after December
5 31, 1996.

6 **SEC. 204. INCREASE IN AMOUNT OF QUALIFIED SMALL**
7 **ISSUE BONDS PERMITTED FOR FACILITIES**
8 **TO BE USED BY RELATED PRINCIPAL USERS.**

9 (a) IN GENERAL.—Clause (i) of section 144(a)(4)(A)
10 of the Internal Revenue Code of 1986 (relating to
11 \$10,000,000 limit in certain cases) is amended by striking
12 “\$10,000,000” and inserting “\$50,000,000”.

13 (b) CLERICAL AMENDMENT.—The heading of para-
14 graph (4) of section 144(a) of the Internal Revenue Code
15 of 1986 is amended by striking “\$10,000,000” and insert-
16 ing “\$50,000,000”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to—

19 (1) obligations issued after the date of the en-
20 actment of this Act, and

21 (2) capital expenditures made after such date
22 with respect to obligations issued on or before such
23 date.

1 **SEC. 205. SIMPLIFICATION OF ARBITRAGE INTEREST RE-**
2 **BATE WAIVER.**

3 (a) IN GENERAL.—Clause (ii) of section 148(f)(4)(C)
4 of the Internal Revenue Code of 1986 (relating to excep-
5 tion from rebate for certain proceeds to be used to finance
6 construction expenditures) is amended to read as follows:

7 “(ii) SPENDING REQUIREMENT.—The
8 spending requirement of this clause is met
9 if 100 percent of the available construction
10 proceeds of the construction issue are
11 spent for the governmental purposes of the
12 issue within the 3-year period beginning on
13 the date the bonds are issued.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Clause (iii) of section 148(f)(4)(C) of the
16 Internal Revenue Code of 1986 (relating to excep-
17 tion for reasonable retainage) is repealed.

18 (2) Subclause (II) of section 148(f)(4)(C)(vi) of
19 such Code (relating to available construction pro-
20 ceeds) is amended by striking “2-year period” and
21 inserting “3-year period”.

22 (3) Subclause (I) of section 148(f)(4)(C)(vii) of
23 such Code (relating to election to pay penalty in lieu
24 of rebate) is amended by striking “, with respect to
25 each 6-month period after the date the bonds were

1 issued,” and “, as of the close of such 6-month pe-
2 riod,”.

3 (4) Clause (viii) of section 148(f)(4)(C) of such
4 Code (relating to election to terminate 1½ percent
5 penalty) is amended by striking “to any 6-month pe-
6 riod” in the matter preceding subclause (I).

7 (5) Clause (ii) of section 148(c)(2)(D) of such
8 Code (relating to bonds used to provide construction
9 financing) is amended by striking “2 years” and in-
10 sserting “3 years”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to bonds issued after the date of
13 the enactment of this Act.

14 **SEC. 206. QUALIFIED RESIDENTIAL RENTAL PROJECT**
15 **BONDS PARTIALLY EXEMPT FROM STATE**
16 **VOLUME CAP.**

17 (a) IN GENERAL.—Section 146(g) of the Internal
18 Revenue Code of 1986 (relating to exception for certain
19 bonds) is amended by striking “and” at the end of para-
20 graph (3), by striking the period at the end of paragraph
21 (4) and inserting “, and”, and by inserting after para-
22 graph (4) the following:

23 “(5) 75 percent of any exempt facility bond is-
24 sued as part of an issue described in section

1 142(a)(7) (relating to qualified residential rental
2 projects).”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to bonds issued after the date of
5 the enactment of this Act.

6 **SEC. 207. EXPANSION OF QUALIFIED WAGES SUBJECT TO**
7 **WORK OPPORTUNITY CREDIT.**

8 (a) INCREASE IN PERCENTAGE.—Section 51(a) of
9 the Internal Revenue Code of 1986 (relating to determina-
10 tion of amount) is amended by striking “35 percent” and
11 inserting “50 percent”.

12 (b) FIRST 3 YEARS OF WAGES SUBJECT TO CRED-
13 IT.—Section 51 of the Internal Revenue Code of 1986 (re-
14 lating to amount of credit) is amended—

15 (1) in subsections (a) and (b)(3), by striking
16 “first-year”; and

17 (2) in subsection (b)—

18 (A) by striking paragraphs (1) and (2) and
19 inserting the following:

20 “(1) IN GENERAL.—The term ‘qualified wages’
21 means the wages paid or incurred by the employer
22 during the taxable year—

23 “(A) with respect to an individual who is
24 a member of a targeted group, and

1 “(B) attributable to service rendered by
2 such individual during the 3-year period begin-
3 ning with the day the individual begins work for
4 the employer.”; and

5 (B) by redesignating paragraph (3) as
6 paragraph (2).

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to individuals who begin work for
9 the employer after the date of the enactment of this Act.

10 **SEC. 208. EXCLUSION FOR CAPITAL GAINS ON CERTAIN IN-**
11 **VESTMENTS WITHIN EMPOWERMENT ZONES**
12 **AND ENTERPRISE COMMUNITIES.**

13 (a) IN GENERAL.—Part II of subchapter U of chap-
14 ter 1 of the Internal Revenue Code of 1986 is amended
15 by adding at the end the following new section:

16 **“SEC. 1395. EXCLUSION FOR GAIN FROM ZONE OR COMMU-**
17 **NITY INVESTMENTS.**

18 “(a) GENERAL RULE.—In the case of a taxpayer,
19 gross income shall not include any qualified capital gain
20 recognized on the sale or exchange of a qualified zone
21 asset held for more than 3 years.

22 “(b) QUALIFIED ZONE ASSET.—For purposes of this
23 section—

1 “(1) IN GENERAL.—The term ‘qualified zone
2 asset’ means, with respect to any qualified small
3 business—

4 “(A) any qualified zone stock,

5 “(B) any qualified zone property, and

6 “(C) any qualified zone partnership inter-
7 est.

8 “(2) QUALIFIED SMALL BUSINESS.—

9 “(A) IN GENERAL.—The term ‘qualified
10 small business’ means any entity or proprietor-
11 ship the aggregate gross assets (within the
12 meaning of section 1202(d)(2)) of which do not
13 exceed \$50,000,000.

14 “(B) APPLICATION OF RULES.—In deter-
15 mining if an entity or proprietorship is a quali-
16 fied small business, rules similar to the rules of
17 subsections (a) and (b) of section 52 shall
18 apply.

19 “(3) QUALIFIED ZONE STOCK.—

20 “(A) IN GENERAL.—Except as provided in
21 subparagraph (B), the term ‘qualified zone
22 stock’ means any stock in a domestic corpora-
23 tion if—

1 “(i) such stock is acquired by the tax-
2 payer on original issue from the corpora-
3 tion solely in exchange for cash,

4 “(ii) as of the time such stock was is-
5 sued, such corporation was an enterprise
6 zone business (or, in the case of a new cor-
7 poration, such corporation was being orga-
8 nized for purposes of being an enterprise
9 zone business), and

10 “(iii) during substantially all of the
11 taxpayer’s holding period for such stock,
12 such corporation qualified as an enterprise
13 zone business.

14 “(B) REDEMPTIONS.—The term ‘qualified
15 zone stock’ shall not include any stock acquired
16 from a corporation which made a substantial
17 stock redemption or distribution (without a
18 bona fide business purpose therefor) in an at-
19 tempt to avoid the purposes of this section.

20 “(4) QUALIFIED ZONE PROPERTY.—

21 “(A) IN GENERAL.—The term ‘qualified
22 zone property’ has the meaning given to such
23 term by section 1397C, except that references
24 to empowerment zones shall be treated as in-
25 cluding references to enterprise communities.

1 “(5) QUALIFIED ZONE PARTNERSHIP INTER-
2 EST.—The term ‘qualified zone partnership interest’
3 means any interest in a partnership if—

4 “(A) such interest is acquired by the tax-
5 payer from the partnership solely in exchange
6 for cash,

7 “(B) as of the time such interest was ac-
8 quired, such partnership was an enterprise zone
9 business (or, in the case of a new partnership,
10 such partnership was being organized for pur-
11 poses of being an enterprise zone business), and

12 “(C) during substantially all of the tax-
13 payer’s holding period for such interest, such
14 partnership qualified as an enterprise zone
15 business.

16 A rule similar to the rule of paragraph (2)(B) shall
17 apply for purposes of this paragraph.

18 “(6) TREATMENT OF SUBSEQUENT PUR-
19 CHASERS.—The term ‘qualified zone asset’ includes
20 any property which would be a qualified zone asset
21 but for paragraph (3)(A)(i), section 1397(a)(1)(B),
22 or paragraph (5)(A) in the hands of the taxpayer if
23 such property was a qualified zone asset in the
24 hands of any prior holder.

1 “(7) 10-YEAR SAFE HARBOR.—If any property
2 ceases to be a qualified zone asset by reason of para-
3 graph (3)(A)(iii), section 1397(a)(1)(C), or para-
4 graph (5)(C) after the 10-year period beginning on
5 the date the taxpayer acquired such property, such
6 property shall continue to be treated as meeting the
7 requirements of such paragraph; except that the
8 amount of gain to which subsection (a) applies on
9 any sale or exchange of such property shall not ex-
10 ceed the amount which would be qualified capital
11 gain had such property been sold on the date of such
12 cessation.

13 “(8) TREATMENT OF ZONE OR COMMUNITY
14 TERMINATIONS.—The termination of any designa-
15 tion of an area as an empowerment zone or enter-
16 prise community shall be disregarded for purposes of
17 determining whether any property is a qualified zone
18 asset.

19 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—
20 For purposes of this section—

21 “(1) ENTERPRISE ZONE BUSINESS.—For pur-
22 poses of this section, the term ‘enterprise zone busi-
23 ness’ has the meaning given to such term by section
24 1394(b)(3).”.

1 “(2) QUALIFIED CAPITAL GAIN.—Except as
2 otherwise provided in this subsection, the term
3 ‘qualified capital gain’ means any long-term capital
4 gain.

5 “(3) CERTAIN GAIN ON REAL PROPERTY NOT
6 QUALIFIED.—The term ‘qualified capital gain’ shall
7 not include any gain which would be treated as ordi-
8 nary income under section 1250 if section 1250 ap-
9 plied to all depreciation rather than the additional
10 depreciation.

11 “(4) GAIN ATTRIBUTABLE TO PERIODS AFTER
12 TERMINATION OF ZONE OR COMMUNITY DESIGNA-
13 TION NOT QUALIFIED.—The term ‘qualified capital
14 gain’ shall not include any gain attributable to peri-
15 ods after the termination of any designation of an
16 area as an empowerment zone or enterprise commu-
17 nity.

18 “(d) TREATMENT OF PASS-THRU ENTITIES.—

19 “(1) SALES AND EXCHANGES.—Gain on the
20 sale or exchange of an interest in a pass-thru entity
21 which is a qualified small business held by the tax-
22 payer (other than an interest in an entity which was
23 an enterprise zone business during substantially all
24 of the period the taxpayer held such interest) for
25 more than 3 years shall be treated as gain described

1 in subsection (a) to the extent such gain is attrib-
2 utable to amounts which would be qualified capital
3 gain on qualified zone assets (determined as if such
4 assets had been sold on the date of the sale or ex-
5 change) held by such entity for more than 3 years
6 and throughout the period the taxpayer held such in-
7 terest. A rule similar to the rule of paragraph (2)(B)
8 shall apply for purposes of the preceding sentence.

9 “(2) DISTRIBUTIONS.—

10 “(A) IN GENERAL.—Any amount included
11 in income by reason of holding an interest in a
12 pass-thru entity (other than an entity which
13 was an enterprise zone business during substan-
14 tially all of the period the taxpayer held the in-
15 terest to which such inclusion relates) shall be
16 treated as gain described in subsection (a) if
17 such amount meets the requirements of sub-
18 paragraph (B).

19 “(B) REQUIREMENTS.—An amount meets
20 the requirements of this subparagraph if—

21 “(i) such amount is attributable to
22 gain on the sale or exchange by the pass-
23 thru entity of property which is a qualified
24 zone asset in the hands of such entity and

1 which was held by such entity for the pe-
2 riod required under subsection (a), and

3 “(ii) such amount is includible in the
4 gross income of the taxpayer by reason of
5 the holding of an interest in such entity
6 which was held by the taxpayer on the date
7 on which such pass-thru entity acquired
8 such asset and at all times thereafter be-
9 fore the disposition of such asset by such
10 pass-thru entity.

11 “(C) LIMITATION BASED ON INTEREST
12 ORIGINALLY HELD BY TAXPAYER.—Subpara-
13 graph (A) shall not apply to any amount to the
14 extent such amount exceeds the amount to
15 which subparagraph (A) would have applied if
16 such amount were determined by reference to
17 the interest the taxpayer held in the pass-thru
18 entity on the date the qualified zone asset was
19 acquired.

20 “(3) PASS-THRU ENTITY.—For purposes of this
21 subsection, the term ‘pass-thru entity’ means—

22 “(A) any partnership,

23 “(B) any S corporation,

24 “(C) any regulated investment company,

25 and

1 “(D) any common trust fund.

2 “(e) SALES AND EXCHANGES OF INTERESTS IN
3 PARTNERSHIPS AND S CORPORATIONS WHICH ARE
4 QUALIFIED ZONE BUSINESSES.—In the case of the sale
5 or exchange of an interest in a partnership, or of stock
6 in an S Corporation, which was an enterprise zone busi-
7 ness during substantially all of the period the taxpayer
8 held such interest or stock, is an enterprise zone business,
9 the amount of qualified capital gain shall be determined
10 without regard to—

11 “(1) any intangible, and any land, which is not
12 an integral part of any qualified business (as defined
13 in section 1397B(d)), and

14 “(2) gain attributable to periods before the des-
15 ignation of an area as an empowerment zone or en-
16 terprise community.

17 “(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—
18 For purposes of this section—

19 “(1) IN GENERAL.—In the case of a transfer of
20 a qualified zone asset to which this subsection ap-
21 plies, the transferee shall be treated as—

22 “(A) having acquired such asset in the
23 same manner as the transferor, and

24 “(B) having held such asset during any
25 continuous period immediately preceding the

1 transfer during which it was held (or treated as
2 held under this subsection) by the transferor.

3 “(2) TRANSFERS TO WHICH SUBSECTION AP-
4 PLIES.—This subsection shall apply to any trans-
5 fer—

6 “(A) by gift,

7 “(B) at death, or

8 “(C) from a partnership to a partner
9 thereof of a qualified zone asset with respect to
10 which the requirements of subsection (d)(2) are
11 met at the time of the transfer (without regard
12 to the 3-year holding requirement).

13 “(3) CERTAIN RULES MADE APPLICABLE.—
14 Rules similar to the rules of section 1244(d)(2) shall
15 apply for purposes of this section.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 172(d)(2)(B) of the Internal Reve-
18 nue Code of 1986 (relating to modifications with re-
19 spect to net operating loss deduction) is amended by
20 striking “section 1202” and inserting “sections
21 1202 and 1395B”.

22 (2) Section 642(c)(4) of such Code (relating to
23 adjustments) is amended by inserting “or
24 1395B(a)” after “section 1202(a)” and by inserting
25 “or 1395B” after “section 1202”.

1 (3) Section 643(a)(3) of such Code (defining
2 distributable net income) is amended by striking
3 “section 1202” and inserting “sections 1202 and
4 1395B”.

5 (4) Section 691(c)(4) of such Code (relating to
6 coordination with capital gain provisions) is amend-
7 ed by striking “1202, and 1211” and inserting
8 “1202, 1395B, and 1211”.

9 (5) The second sentence of section 871(a)(2) of
10 such Code (relating to capital gains of aliens present
11 in the United States 183 days or more) is amended
12 by inserting “or 1395B” after “section 1202”.

13 (6) Part II of subchapter U of chapter 1 of
14 such Code is amended to read as follows:

15 **“PART II—INCENTIVES FOR EMPOWERMENT**
16 **ZONES AND ENTERPRISE COMMUNITIES.”.**

17 (7) The table of parts of subchapter U of chap-
18 ter 1 of such Code is amended to read as follows:

 “Part II. Incentives for empowerment zones and enter-
 prise communities.”.

19 (8) The table of sections of part II of sub-
20 chapter U of chapter 1 of such Code is amended by
21 adding at the end the following new item:

 “Sec. 1395. Exclusion for gain from zone or community invest-
 ments.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1997.

4 **TITLE III—COMMUNITY-BASED**
5 **HOUSING DEVELOPMENT**

6 **SEC. 301. BLOCK GRANT STUDY.**

7 (a) STUDY.—

8 (1) IN GENERAL.—The Secretary of Housing
9 and Urban Development shall conduct a study re-
10 garding—

11 (A) the feasibility of consolidating existing
12 public and low-income housing programs under
13 the United States Housing Act of 1937 into a
14 comprehensive block grant system of Federal
15 aid that—

16 (i) provides assistance on an annual
17 basis;

18 (ii) maximizes funding certainty and
19 flexibility; and

20 (iii) minimizes paperwork and delay;
21 and

22 (B) the possibility of administering future
23 public and low-income housing programs under
24 the United States Housing Act of 1937 in ac-
25 cordance with such a block grant system.

1 (2) PUBLIC HOUSING/SECTION 8 MOVING TO
2 WORK DEMONSTRATION.—In conducting the study
3 described in paragraph (1), the Secretary of Hous-
4 ing and Urban Development shall consider data
5 from and assessments of the demonstration program
6 conducted under section 204 of the Omnibus Con-
7 solidated Rescissions and Appropriations Act of
8 1996 (Public Law 104–134, 110 Stat. 1321).

9 (b) REPORT TO COMPTROLLER GENERAL.—Not later
10 than 18 months after the date of enactment of this Act,
11 the Secretary of Housing and Urban Development shall
12 submit to the Comptroller General of the United States
13 a report that includes—

14 (1) the results of the study conducted under
15 subsection (a); and

16 (2) any recommendations for legislation.

17 (c) REPORT TO CONGRESS.—Not later than 24
18 months after the date of enactment of this Act, the Comp-
19 troller General of the United States shall submit to the
20 Congress a report that includes—

21 (1) an analysis of the report submitted under
22 subsection (b); and

23 (2) any recommendations for legislation.

1 **SEC. 302. DEMOLITION AND DISPOSITION OF PUBLIC HOUS-**
2 **ING.**

3 Section 18(b) of the United States Housing Act of
4 1937 (42 U.S.C. 1437p(b)) is amended—

5 (1) in paragraph (1), by striking “and” at the
6 end;

7 (2) in paragraph (2), by striking the period and
8 inserting “; and”; and

9 (3) by adding at the end the following:

10 “(3) the public housing agency develops a plan
11 that provides, subject to the approval of both the
12 unit of general local government in which the prop-
13 erty on which the units to be demolished or disposed
14 of are located and the local public housing agency,
15 for—

16 “(A) the eventual reconstruction of units
17 on the same property on which the units to be
18 demolished or disposed of are located; and

19 “(B) the ultimate relocation of displaced
20 tenants to that property.”.

1 **TITLE IV—RESPONSE TO URBAN**
2 **ENVIRONMENTAL CHALLENGES**

3 **SEC. 401. RELEASE FROM LIABILITY OF PERSONS THAT**
4 **FULFILL REQUIREMENTS OF STATE AND**
5 **LOCAL LAW.**

6 Section 107 of the Comprehensive Environmental Re-
7 sponse, Compensation, and Liability Act of 1980 (42
8 U.S.C. 9607) (as amended by section 2) is amended by
9 adding at the end the following:

10 “(o) RELEASE FROM LIABILITY OF PERSONS THAT
11 FULFILL REQUIREMENTS OF STATE AND LOCAL LAW.—

12 “(1) IN GENERAL.—Neither the President nor
13 any other person may bring an administrative or ju-
14 dicial enforcement action under this Act with respect
15 to a facility located in an urban area that is not list-
16 ed or proposed for listing on the National Priorities
17 List against a person that has fulfilled all require-
18 ments applicable to the person under State and local
19 law to conduct response action at the facility, as evi-
20 denced by a release from liability issued by author-
21 ized State and local officials, to the extent that the
22 administrative or judicial action would seek to re-
23 quire response action that is within the scope of the
24 response action conducted in accordance with State
25 and local law.

1 “(2) URBAN AREA DEFINED.—For purposes of
2 paragraph (1), the term ‘urban area’ has the mean-
3 ing given that term under section 1393(a)(3) of the
4 Internal Revenue Code of 1986.”.

5 **SEC. 402. BROWNFIELD PROGRAM.**

6 Title I of the Comprehensive Environmental Re-
7 sponse, Compensation, and Liability Act of 1980 (42
8 U.S.C. 9601 et seq.) is amended by adding at the end
9 the following:

10 **“SEC. 127. BROWNFIELD PROGRAM.**

11 “(a) DEFINITION OF BROWNFIELD FACILITY.—In
12 this section, the term ‘brownfield facility’ means—

13 “(1) a parcel of land that contains an aban-
14 doned, idled, or underused commercial or industrial
15 facility, the expansion or redevelopment of which is
16 complicated by the presence or potential presence of
17 a hazardous substance; but

18 “(2) does not include—

19 “(A) a facility that is the subject of a re-
20 moval or planned removal under this title;

21 “(B) a facility that is listed or has been
22 proposed for listing on the National Priorities
23 List or that has been removed from the Na-
24 tional Priorities List;

1 “(C) a facility that is subject to corrective
2 action under section 3004(u) or 3008(h) of the
3 Solid Waste Disposal Act (42 U.S.C. 6924(u)
4 or 6928(h)) at the time at which an application
5 for a grant or loan concerning the facility is
6 submitted under this section;

7 “(D) a land disposal unit with respect to
8 which—

9 “(i) a closure notification under sub-
10 title C of the Solid Waste Disposal Act (42
11 U.S.C. 6921 et seq.) has been submitted;
12 and

13 “(ii) closure requirements have been
14 specified in a closure plan or permit;

15 “(E) a facility with respect to which an ad-
16 ministrative order on consent or judicial con-
17 sent decree requiring cleanup has been entered
18 into by the United States under this Act, the
19 Solid Waste Disposal Act (42 U.S.C. 6901 et
20 seq.), the Federal Water Pollution Control Act
21 (33 U.S.C. 1251 et seq.), the Toxic Substances
22 Control Act (15 U.S.C. 2601 et seq.), or the
23 Safe Drinking Water Act (42 U.S.C. 300f et
24 seq.);

1 “(F) a facility that is owned or operated
2 by a department, agency, or instrumentality of
3 the United States; or

4 “(G) a portion of a facility, for which por-
5 tion, assistance for response activity has been
6 obtained under subtitle I of the Solid Waste
7 Disposal Act (42 U.S.C. 6991 et seq.) from the
8 Leaking Underground Storage Tank Trust
9 Fund established under section 9508 of the In-
10 ternal Revenue Code of 1986.

11 “(b) MAINTENANCE OF BROWNFIELD PROGRAM.—
12 The Administrator shall maintain the brownfield program
13 established by the Administrator before the date of enact-
14 ment of this section.

15 “(c) ELEMENTS OF PROGRAM.—In conducting the
16 brownfield program, the Administrator may—

17 “(1) expend funds to identify and examine idle
18 or underused industrial and commercial facilities for
19 inclusion in the brownfield program; and

20 “(2) provide grants to State and local govern-
21 ments to clean up brownfields and return
22 brownfields to productive use.

23 “(d) MAXIMUM GRANT AMOUNT.—A grant under
24 subsection (c) shall not exceed \$200,000 with respect to
25 any brownfield facility.

1 “(e) AUTHORIZATION OF APPROPRIATIONS.—There
2 are authorized to be appropriated out of the Hazardous
3 Substance Superfund to carry out this section—

4 “(1) \$50,000,000 for fiscal year 1998;

5 “(2) \$55,000,000 for fiscal year 1999; and

6 “(3) \$60,000,000 for fiscal year 2000.”.

○