

106TH CONGRESS
2D SESSION

S. 3033

To Delegate the Primary Responsibility for the Preservation and Expansion
of Affordable Low-Income Housing to States and Localities.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 12, 2000

Mr. BOND introduced the following bill; which was read twice and referred to
the Committee on Banking, Housing, and Urban Affairs

A BILL

To Delegate the Primary Responsibility for the Preservation
and Expansion of Affordable Low-Income Housing to
States and Localities.

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 “Housing Needs Act
5 of 2000”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of Contents for this Act is as follows:

8 **SEC. 3. FINDINGS AND PURPOSE.**

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

1 (1) the Nation has not made adequate progress
2 in maintaining and expanding the inventory of af-
3 fordable housing for low and very low-income fami-
4 lies, including persons with disabilities and seniors;

5 (2) despite continued economic expansion, worst
6 case housing needs have reached an all-time high of
7 5.4 million families, increasing by 4 percent between
8 1995 and 1997;

9 (3) the number of rental units which are afford-
10 able to extremely low-income families has decreased
11 by 5 percent since 1991, a loss of over 37,000 units;

12 (4) the Administration and the Department of
13 Housing and Urban Development has proposed in-
14 creased funding for incremental rental vouchers as
15 the primary solution to making additional housing
16 available for low-income and very low-income fami-
17 lies;

18 (5) while section 8 vouchers represent housing
19 choice as a matter of philosophy, in many cases fam-
20 ilies using vouchers have a difficult time finding
21 housing, especially in low vacancy market areas;

22 (6) in many cases, where section 8 vouchers are
23 used, the result is de facto redlining where low-in-
24 come families are relegated to the poorest and most

1 distressed neighborhoods with limited opportunities
2 for transportation, employment and quality schools;

3 (7) section 8 vouchers do not produce addi-
4 tional new units of affordable low-income housing
5 since banks will not finance new construction with
6 one year termed portable assistance;

7 (8) the Department of Housing and Urban De-
8 velopment has not provided the necessary leadership
9 to assist in the development of needed affordable
10 housing;

11 (9) a large number of States and local govern-
12 ment have been successful in developing new tools
13 and opportunities for the development of additional
14 affordable housing for low-income families, including
15 the development of affordable mixed income housing
16 as part of State and local redevelopment strategies
17 for distressed communities; and

18 (10) State housing finance agencies have the
19 local experience and knowledge to maximize the de-
20 velopment of additional units of affordable low-in-
21 come housing and to preserve the existing stock of
22 low-income affordable housing.

23 (b) The purpose of this Act is to redirect the primary
24 responsibility for the preservation of existing affordable
25 low-income housing and the expansion of the inventory of

1 affordable rental housing for very low-income and low-in-
2 come families from the Federal Government to State and
3 local governments through State housing finance agencies.

4 **SEC. 4. DEFINITIONS.**

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

7 (1) The term “low-income families” shall have
8 the same meaning as provided under section 3(b)(2)
9 of the United States Housing Act of 1937.

10 (2) The term “project-based assistance” shall
11 have the meaning given such term in section
12 16(c)(6) of the United States Housing Act of 1937,
13 except that such term includes assistance under any
14 successor programs to the programs referred to in
15 such section.

16 (3) The term “public housing agency” shall
17 have the meaning given such term in section 3(b) of
18 the United States Housing Act of 1937.

19 (4) The term “Secretary” shall mean the Sec-
20 retary of Housing and Urban Development.

21 (5) The term “section 8 assistance” or “vouch-
22 er” shall have the meaning given such term in sec-
23 tion 8(f) of the United States Housing Act of 1937.

24 (6) The term “State” shall mean the United
25 States of the United States, the District of Colum-

1 bia, the Commonwealth of Puerto Rico, the Com-
2 monwealth of the Northern Mariana Islands, Guam,
3 the Virgin Islands, American Samoa, and any other
4 territory of possession of the United States.

5 (7) The term “State housing finance agency”
6 shall mean any State or local housing finance agency
7 that has been designated by a State to administer
8 this program.

9 (8) The term “very low-income families” shall
10 have the same meaning as provided under section
11 3(b) of the United States Housing Act of 1937.

12 **TITLE I—PRODUCTION OF NEW HOUSING FOR**
13 **LOW AND VERY LOW-INCOME FAMILIES**

14 **SEC. 101. AUTHORITY.**

15 The Secretary of Housing and Urban Development
16 shall make funds available to State housing finance agen-
17 cies as provided under section 102 for the rehabilitation
18 of existing low-income housing, for the development of new
19 affordable low-income housing units, and for the preserva-
20 tion of existing low-income housing units that are at risk
21 of becoming unavailable for low-income families.

22 **SEC. 102. ALLOCATION OF RESOURCES.**

23 (a) **IN GENERAL.**—The Secretary shall allocate funds
24 approved in appropriations Acts to State housing finance
25 agencies to carry out this Title. Subject to the require-

1 ments of subsection (b) and as otherwise provided in this
2 subsection, each State housing finance agency shall be eli-
3 gible to receive an amount of funds equal to the proportion
4 of the per capita population of the State in relation to
5 the population of the United States which shall be deter-
6 mined on the basis of the most recent decennial census
7 for which data are available. For each fiscal year, the Sec-
8 retary shall reserve for grants to Indian tribes 1 percent
9 of the amount appropriated under the applicable appro-
10 priations Act. The Secretary shall provide for distribution
11 of amounts under this subsection to Indian tribes on the
12 basis of a competition conducted pursuant to specific cri-
13 teria developed after notice and public comment.

14 (b) MINIMUM STATE ALLOCATION.—If the allocation
15 under subsection (a), when applied to the funds approved
16 under this section in appropriations Acts for a fiscal year,
17 would result in funding of less than \$5,000,000 to any
18 State housing finance agency, the allocation for such State
19 housing finance agency shall be \$5,000,000 and the in-
20 crease shall be deducted pro rata from the allocation of
21 all other State housing finance agencies.

22 (c) CRITERIA FOR REALLOCATION.—The Secretary
23 shall reallocate any funds previously allocated to a State
24 housing finance agency for any fiscal year in which the
25 State housing finance agency fails to provide its match

1 requirements or fails to submit an affordable housing ex-
2 pansion plan that is approved by the Secretary. All such
3 funds shall be reallocated pursuant to the formula pro-
4 vided under subsection (a).

5 **SEC. 103. AFFORDABLE HOUSING EXPANSION PLAN.**

6 (a) SUBMISSION OF AFFORDABLE HOUSING EXPAN-
7 SION PLAN.—The Secretary shall allocate funds under
8 section 102 to a State housing finance agency only if the
9 State housing finance agency has submitted an affordable
10 housing expansion plan, with annual updates, approved by
11 the Secretary and designed to meet the overall very low-
12 and low-income housing needs of both the rural and urban
13 areas of the State in which the State housing finance
14 agency is located. This plan shall be developed in conjunc-
15 tion with the housing strategies developed for the applica-
16 ble States and localities under section 105 of Cranston-
17 Gonzalez National Affordable Housing Act.

18 (b) CITIZEN PARTICIPATION.—Before submitting an
19 affordable housing expansion plan to the Secretary, a
20 State housing finance agency shall—

21 (1) make available to citizens of the State, pub-
22 lic agencies and other interested parties information
23 regarding the amount of assistance expected to be
24 made available under this Title and the range of in-

1 vestment or other uses of such assistance that the
2 State housing finance agency may undertake;

3 (2) publish the proposed plan in a manner that,
4 in the determination of the Secretary, affords af-
5 fected citizens, public agencies, and other interested
6 parties a reasonable opportunity to review its con-
7 tents and to submit comments on the proposed plan;

8 (3) hold one or more public hearings to obtain
9 the views of citizens, public agencies, and other in-
10 terested parties on the housing needs of the State;
11 and

12 (4) provide citizens, public agencies, and other
13 interested parties with reasonable access to records
14 regarding the uses of any assistance that the State
15 housing finance agency may have received under this
16 Title during the preceding 5 years.

17 **SEC. 104. ELIGIBLE USE OF FUNDS.**

18 Funds made available under this title shall be used
19 for—

20 (1) the acquisition, new construction, recon-
21 struction, or moderate or substantial rehabilitation
22 of affordable housing for mixed income rental hous-
23 ing where the assistance provided under section 102
24 shall be used to assist units targeted to low and very

1 low-income families, including the elderly and per-
2 sons with disabilities;

3 (2) the moderate and substantial rehabilitation
4 of rental housing units that are currently assisted
5 under State or Federal low-income housing pro-
6 grams;

7 (3) the preservation of Federal and State low-
8 income housing units that are at risk of being no
9 longer affordable to low-income families;

10 (4) the purchase and creation of land trusts to
11 allow low- and moderate-income families an oppor-
12 tunity to rent homes in areas of low-vacaney;

13 (5) conversion of public housing to assisted liv-
14 ing facilities for the elderly;

15 (6) conversion of section 202 elderly housing to
16 assisted living facilities for the elderly;

17 (7) conversion of HUD-owned or HUD-held
18 multifamily properties upon disposition to housing
19 for the elderly, housing for persons with disabilities
20 and to assisted living facilities for the elderly;

21 (8) creation of sinking funds to maintain re-
22 serves held by State housing finance agencies to pre-
23 serve the low-income character of the housing; and

24 (9) the creation of public/private partnerships
25 in which corporations and nonprofits are encouraged

1 to develop partnerships for the creation of affordable
2 low-income housing.

3 **SEC. 105. MATCHING REQUIREMENTS.**

4 (a) IN GENERAL.—Each State housing finance agen-
5 cy shall make contributions for activities under this title
6 that total, throughout a fiscal year, not less than 75 per-
7 cent of the funds made available under this title.

8 (b) ALLOWABLE AMOUNTS.—

9 (1) APPLICATION TO HOUSING.—A contribution
10 shall be recognized for purposes of a match under
11 subsection (a) only if—

12 (A) made with respect to housing that
13 qualifies as affordable housing under section
14 107; or

15 (B) made with respect to any portion of a
16 project for which not less than 50 percent of
17 the units qualify as affordable housing under
18 section 107.

19 (2) FORM.—A contribution may be in the form
20 of—

21 (A) cash contributions from non-Federal
22 sources, which may not include funds from a
23 grant under section 106(b) or section 106(d) of
24 the Housing and Community Development Act
25 of 1974 or from the value of low income tax

1 credits allocated pursuant to the Internal Rev-
2 enue Code;

3 (B) the value of taxes, fees or other
4 charges that are normally and customarily im-
5 posed but are waived, forgone, or deferred in a
6 manner that achieves affordability of housing
7 assisted under this title;

8 (C) the value of land or other real property
9 as appraised according to procedures acceptable
10 to the Secretary;

11 (D) the value of investment in on-site and
12 off-site infrastructure directly required for af-
13 fordable housing assisted under this title;

14 (E) the reasonable value of any site-prepa-
15 ration and construction materials and any do-
16 nated or voluntary labor in connection with the
17 site-preparation for, construction or rehabilita-
18 tion of affordable housing; and

19 (F) such other contributions to affordable
20 housing as the Secretary considers appropriate.

21 (3) ADMINISTRATIVE EXPENSES.—Contribu-
22 tions for administrative expenses may not be recog-
23 nized for purposes of this section.

1 **SEC. 106. DISTRIBUTION OF ASSISTANCE.**

2 Each State housing finance agency shall ensure that
3 the development of new housing under this section is de-
4 signed to meet both urban and rural needs, and prioritize
5 funding, to the extent practicable, in conjunction with the
6 economic redevelopment of an area.

7 **SEC. 107. ELIGIBLE AFFORDABLE HOUSING.**

8 (a) **PRODUCTION OF AFFORDABLE HOUSING.**—In
9 the case of new construction, housing shall qualify for as-
10 sistance under this title only if the housing—

11 (1) has not less than 30 percent of the units as-
12 sisted under this title occupied by very low-income
13 families who pay as a contribution towards rent (not
14 including any Federal or State rental subsidy pro-
15 vided on behalf of the family) not more than 20 per-
16 cent of the adjusted income of a family whose in-
17 come equals 50 percent of the median income for the
18 area, as determined by the Secretary, with adjust-
19 ments for the number of bedrooms in the unit, ex-
20 cept that the Secretary may establish income ceilings
21 higher or lower than 50 percent of the median in-
22 come for the area on the basis of the Secretary's
23 findings that variations are necessary because of the
24 prevailing levels of construction costs or fair market
25 rents, or unusually high or low family incomes;

1 (2) except as provided under paragraph (1), re-
2 quires all units assisted under this title to be occu-
3 pied by households that are low-income families and
4 who pay no more than 30 percent of 100 percent of
5 the median income for an area; and

6 (3) will remain affordable under the require-
7 ments provided in paragraphs (1) and (2), according
8 to legally binding commitments satisfactory to the
9 Secretary, for not less than 40 years, without regard
10 to the term of the mortgage or to the transfer of
11 ownership, or for such period that the Secretary de-
12 termines is the longest feasible period of time con-
13 sistent with sound economics and the purposes of
14 this Act, including foreclosure where the responsi-
15 bility for maintaining the low-income character of
16 the property will be the responsibility of the State
17 housing finance agency.

18 **SEC. 108. TENANT SELECTION.**

19 An owner of any housing assisted under this Title
20 shall establish tenant selection procedures consistent with
21 the affordable housing expansion plan of the State housing
22 finance agency.

1 **SEC. 109. PROHIBITION ON USE OF FUNDS FOR SERVICE**
2 **COORDINATORS OR SUPPORTIVE SERVICES.**

3 No funds under this Act may be used for service coordi-
4 dinators or supportive services.

5 **SEC. 110. PENALTIES FOR MISUSE OF FUNDS.**

6 The Secretary shall recapture any assistance awarded
7 under this Title to the extent the assistance has been used
8 for impermissible purposes. To the extent the Secretary
9 identifies a pattern and practice regarding the misuse of
10 funds awarded under this Title, the Secretary shall deny
11 assistance to that State for up to 5 years, subject to notice
12 and an opportunity for judicial review.

13 **SEC. 111. SUBSIDY LAYERING REQUIREMENTS.**

14 The requirements of section 102(d) of the Depart-
15 ment of Housing and Urban Development Reform Act of
16 1989 may be satisfied in connection with assistance, in-
17 cluding a commitment to insure a mortgage, provided
18 under this Title by a certification of a State housing fi-
19 nance agency to the Secretary that the combination of as-
20 sistance within the jurisdiction of the Secretary and other
21 government assistance provided in connection with a prop-
22 erty assisted under this Title shall not be any greater than
23 is necessary to provide affordable housing.

1 **SEC. 112. MULTIFAMILY RISK-SHARING MORTGAGE INSUR-**
 2 **ANCE PROGRAM.**

3 The Secretary shall carry out a mortgage insurance
 4 program through the Federal Housing Administration in
 5 conjunction with State housing finance agencies to insure
 6 multifamily mortgages for housing that qualifies under
 7 this Title. This program shall be consistent with the re-
 8 quirements established under section 542 of the Housing
 9 and Community Development Act of 1992, except that
 10 housing that meet the requirements of this Title shall be
 11 eligible for mortgage insurance.

12 **SEC. 113. REGULATIONS.**

13 The Secretary shall issue notice and comment rule-
 14 making with final regulations issued no later than 6
 15 months after the date of enactment of this Act.

16 **SEC. 114. AUTHORIZATION OF APPROPRIATIONS.**

17 There is authorized to be appropriated
 18 \$1,000,000,000 for fiscal year 2000, of which no more
 19 than 20 percent of such funds may be used for rehabilita-
 20 tion needs and to preserve existing housing for low-income
 21 uses.

22 **TITLE II—SECTION 8 VOUCHER SUCCESS**
 23 **DEMONSTRATION**

24 **SEC. 201. AUTHORITY.**

25 The Secretary shall establish a voucher success dem-
 26 onstration to permit public housing agencies to increase

1 the payment standard for section 8 vouchers for an area
2 in excess of the payment standard established under sec-
3 tion 8(o)(B) of the United States Housing Act of 1937
4 to assist in helping low-income and very low-income fami-
5 lies obtain housing in tight rental markets. Except as oth-
6 erwise provided herein, all assistance provided under this
7 Title shall be subject to the requirements of the United
8 States Housing Act of 1937.

9 **SEC. 202. ELIGIBILITY.**

10 (a) **VOUCHER SUCCESS PLAN.**—Not less than annu-
11 ally, each public housing agency that seeks to participate
12 in the voucher success demonstration under section 201
13 shall submit to the Secretary a voucher success plan
14 that—

15 (1) demonstrates that the market area for
16 which the public housing agency is responsible is an
17 area, based on housing market indicators, such as
18 low vacancy rates or high absorption rates, where
19 there is not adequate available and affordable hous-
20 ing or where families with vouchers will not be able
21 to locate suitable units or use tenant-based assist-
22 ance successfully;

23 (2) identifies a payment standard in excess of
24 the payment standard established under section
25 8(o)(B) that will ensure that not less than 97 per-

1 cent of families with vouchers will be able to obtain
2 suitable housing in that market area within 120
3 days;

4 (3) describes actions that the public housing
5 agency will take that will assist families with vouch-
6 ers, including seniors and persons with disabilities,
7 to identify and obtain suitable and available afford-
8 able housing that is close to transportation, employ-
9 ment opportunities, quality schools and appropriate
10 services; and

11 (4) shall include such other information and
12 commitments as deemed appropriate by the Sec-
13 retary.

14 (b) INCREASED PAYMENT STANDARD.—The Sec-
15 retary shall approve a payment standard for a market area
16 under this demonstration to no more than 150 percent of
17 the payment standard established under section 8(o)(B)
18 of the United States Housing Act of 1937. This payment
19 standard shall be published annually in the Federal Reg-
20 ister and adjusted annually to reflect changes in each mar-
21 ket area.

22 (c) PROCEDURES.—The Secretary shall establish re-
23 quirements and procedures for the submission and review
24 of voucher success plans, including requirements for tim-

1 ing and form of submission, and for the contents and ap-
2 proval of such plans.

3 (d) REGULATIONS.—The Secretary shall issue in-
4 terim regulations no later than 3 months after the date
5 of enactment of this Act with final notice and public com-
6 ment regulations issued no later than 12 months after the
7 date of enactment of this Act.

8 (e) SAVINGS CLAUSE.—A family using a voucher ap-
9 proved as part of a demonstration under this Title shall
10 be eligible for an approved payment standard in excess
11 of the payment standard established under section 8(o)(d)
12 of the United States Housing Act of 1937 to the extent
13 the assisted family continues to reside in the same housing
14 in which the family was residing on the date in which the
15 housing was determined eligible for the increased payment
16 standard under this Title.

17 **SEC. 203. LIMITATION ON FUNDING.**

18 Except to the extent additional incremental vouchers
19 are provided in appropriations Acts, for purposes of this
20 section, each public housing agency shall be limited to the
21 section 8 funds allocated to that public housing agency
22 as of October 1, 2000, including appropriate amounts for
23 reserves, for purposes of implementing the voucher success
24 plan.

1 TITLE III—PRESERVATION OF LOW-INCOME
2 HOUSING AND MISCELLANEOUS PROVISIONS

3 **SEC. 301. SECTION 8 PROJECT-BASED FLEXIBILITY.**

4 Section 8(o)(13) of the United States Housing Act
5 of 1937 is amended by—

6 (1) in paragraph (A)(ii), striking “15 percent”
7 and inserting in lieu thereof “25 percent”; and

8 (2) adding the following new paragraph (E) to
9 the end:

10 “(E) The Secretary shall establish expedited
11 procedures to allow public housing agencies
12 to enter into housing assistance payment
13 contracts with respect to existing structures.”.

14 **SEC. 302. DISPOSITION OF HUD-HELD AND HUD-OWNED**
15 **MULTIFAMILY PROJECTS.**

16 Notwithstanding any other provision of law, the Sec-
17 retary of Housing and Urban Development shall maintain
18 any rental assistance payments attached to any dwelling
19 units under section 8 of the United States Housing Act
20 of 1937 for all multifamily properties owned by the Sec-
21 retary and multifamily properties held by the Secretary
22 for purposes of management and disposition of such prop-
23 erties. To the extent, the Secretary determines that a mul-
24 tifamily property owned by the Secretary or held by the
25 Secretary is not feasible for continued rental assistance

1 payments under section 8, the Secretary may, in consulta-
 2 tion with the tenants of that property, contract for project-
 3 based rental assistance payments with an owner or owners
 4 of other existing housing properties.

5 **SEC. 303. FAMILY UNIFICATION PROGRAM.**

6 Section 8(x)(2) of the United States Housing Act of
 7 1937 is amended by—

8 (1) striking “any family (A) who is otherwise
 9 eligible for such assistance, and (B)” and inserting
 10 in lieu thereof: “(A) any family (i) who is otherwise
 11 eligible for such assistance, and (ii)”;

12 (2) inserting before the period at the end: “(B)
 13 for a period not to exceed 18 months, youths who
 14 have attained at least 18 years of age and not more
 15 than 21 years of age and who have left foster care
 16 at age 16 or older”.

17 **SEC. 304. PERMANENT EXTENSION OF FHA MULTIFAMILY**
 18 **MORTGAGE CREDIT DEMONSTRATIONS.**

19 Section 542 of the Housing and Community Develop-
 20 ment Act of 1992 is amended—

21 (1) by revising subsection (b)(5) to read as fol-
 22 lows:

23 “(5) INSURANCE AUTHORITY.—Using any au-
 24 thority provided in appropriation Acts to insure
 25 mortgages under the National Housing Act, the Sec-

1 retary may enter into commitments under this sub-
2 section for risk-sharing units.”;

3 (2) by revising subsection (c)(4) to read as fol-
4 lows:

5 “(4) INSURANCE AUTHORITY.—Using any au-
6 thority provided in appropriation Acts to insure
7 mortgages under the National Housing Act, the Sec-
8 retary may enter into commitments under this sub-
9 section for risk-sharing units.”;

10 (3) in the heading, by striking “Demonstra-
11 tions” and inserting “Programs”;

12 (4) in the first sentence of subsection (a), by
13 striking “demonstrate the effectiveness of providing”
14 and inserting “provide”;

15 (5) in the second sentence of subsection (a), by
16 striking “demonstration”;

17 (6) in subsection (b)(1), by striking “determine
18 the effectiveness of” and inserting “provide”;

19 (7) in subsection (c)(1), by striking “test the
20 effectiveness of” and inserting “provide”;

21 (8) by striking subsection (d); and

22 (9) by striking “pilot” and “PILOT” each
23 place it appears.

○