

104TH CONGRESS  
2D SESSION

# H. R. 3740

To consolidate the community and economic revitalization and affordable housing programs of the Department of Housing and Urban Development into two performance funds, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 1996

Mr. LAZIO of New York (by request) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To consolidate the community and economic revitalization and affordable housing programs of the Department of Housing and Urban Development into two performance funds, 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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Community Development Block Grant Performance  
6 Fund and HOME Performance Fund Act of 1996”.

7 (b) TABLE OF CONTENTS.

- Sec. 1. Short title and table of contents.
- Sec. 2. Implementation.

## TITLE I—PERFORMANCE FUNDS

- Sec. 10. Findings and purposes.

### SUBTITLE A—COMMUNITY DEVELOPMENT BLOCK GRANT PERFORMANCE FUND

- Sec. 11. Definition of consolidated plan.
- Sec. 12. Authorizations.
- Sec. 13. Statement of activities and review.
- Sec. 14. Eligible activities.
- Sec. 15. Allocation and distribution of funds.
- Sec. 16. Technical assistance and special activities.
- Sec. 17. Guarantee of loans.
- Sec. 18. Challenge grant fund.
- Sec. 19. Reporting requirements.
- Sec. 20. Termination of existing programs.

### SUBTITLE B—HOME PERFORMANCE FUND

- Sec. 21. Definitions; findings and purposes; program administration.
- Sec. 22. Amendments to the comprehensive housing affordability strategy.
- Sec. 23. Authorization.
- Sec. 24. Eligible uses of investment.
- Sec. 25. Income targeting.
- Sec. 26. Qualification as affordable housing.
- Sec. 27. Reallocation.
- Sec. 28. Allocation of resources.
- Sec. 29. HOME investment trust funds.
- Sec. 30. Repayment of investment; matching requirements.
- Sec. 31. Distribution of assistance.
- Sec. 32. Performance review and sanctions.
- Sec. 33. Challenge grant fund.
- Sec. 34. Tenant and participant protections.
- Sec. 35. Loan guarantees.
- Sec. 36. Housing education, organizational, and other support.
- Sec. 37. Priorities for capacity development.
- Sec. 38. Conditions of contracts.
- Sec. 39. Other assistance.
- Sec. 40. Termination of existing programs.

## TITLE II—DEVELOPING COMMUNITIES INITIATIVE

- Sec. 51. Basic authority.
- Sec. 52. Funding.
- Sec. 53. Program administration.
- Sec. 54. Records, reports, and audits.
- Sec. 55. Definitions.

## TITLE III—MISCELLANEOUS PROGRAMS

- Sec. 61. Use of technical assistance funds by or for HUD staff.
- Sec. 62. HUD research and development.

Sec. 63. Fair housing initiatives program.

Sec. 64. Lead-based paint target housing hazard reduction program.

**1 SEC. 2. IMPLEMENTATION.**

2 (a) IN GENERAL.—Notwithstanding 42 U.S.C.  
3 3535(o) or 24 CFR part 10, the Secretary shall issue such  
4 regulations as may be necessary to implement any provi-  
5 sion of this Act, and any amendment made by this Act,  
6 in accordance with section 552 or 553 of title 5, United  
7 States Code, as determined by the Secretary.

8 (b) USE OF EXISTING RULES.—In implementing any  
9 provision of this Act, the Secretary may, in the Secretary’s  
10 discretion, provide for the use of existing rules to the ex-  
11 tent appropriate, without the need for further rulemaking.

**12 TITLE I—PERFORMANCE FUNDS**

**13 SEC. 10. FINDINGS AND PURPOSES.**

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

15 (1) the effectiveness of Federal housing assist-  
16 ance and community development efforts has been  
17 diminished by the proliferation of dozens of sepa-  
18 rate, duplicative programs which are generally com-  
19 plex and overly prescriptive; and

20 (2) the current system impedes the ability of  
21 communities to respond to housing and community  
22 development needs in a coordinated way, places an  
23 intolerable administrative burden on program recipi-  
24 ents, and inhibits innovation and flexibility.

1 (b) PURPOSES.—The purposes of this title are—

2 (1) to redefine the Federal Government’s rela-  
3 tionship with communities across the Nation by con-  
4 solidating housing assistance and community devel-  
5 opment programs into a small number of perform-  
6 ance-based funds thereby allowing greater discretion,  
7 coordination, and innovation in the application of  
8 Federal assistance by community, local, and State  
9 leaders;

10 (2) to devolve responsibility in a manner which  
11 maximizes choice and dignity for families, promotes  
12 community participation, expands the commitment  
13 to America’s most vulnerable populations, complies  
14 with Federal fair housing and civil rights laws, and  
15 upholds the values of work and homeownership;

16 (3) to enhance performance-based accountabil-  
17 ity of States and localities consistent with the fore-  
18 going national ideals and to reward them with chal-  
19 lenge grants and other benefits for their successes;  
20 and

21 (4) to establish an orderly and rational schedule  
22 of transition to the new consolidated, performance-  
23 based program structure.

1     **Subtitle A—Community Development Block**  
2                     **Grant Performance Fund**

3     **SEC. 11. DEFINITION OF CONSOLIDATED PLAN.**

4             Section 102(a) of the Housing and Community De-  
5     velopment Act of 1974 is amended by adding the following  
6     new paragraph at the end:

7                     “(24) The term ‘consolidated plan’ means the  
8             single comprehensive plan that the Secretary pre-  
9             scribes for submission by jurisdictions that consoli-  
10            dates and fulfills the requirements of—

11                    “(A) the comprehensive housing afford-  
12            ability strategy under title I of the Cranston-  
13            Gonzalez National Affordable Housing Act;

14                    “(B) the community development plan  
15            under section 104 of this Act; and

16                    “(C) the submission requirements for for-  
17            mula funding under—

18                    “(i) the Community Development  
19            Block Grant Performance Fund under this  
20            title;

21                    “(ii) the HOME Performance Fund  
22            (authorized by title II of the Cranston-  
23            Gonzalez National Affordable Housing Act,  
24            as amended by the Community Develop-

ment Block Grant Performance Fund and  
HOME Performance Fund Act of 1996);

“(iii) the Homeless Assistance Per-  
formance Fund (authorized by title IV of  
the Steward B. McKinney Homeless As-  
sistance Act, as amended by the Homeless  
Assistance Performance Fund Act of  
1996); and

“(iv) the AIDS Housing Opportunity  
Act (authorized by subtitle D of title VIII  
of the Cranston-Gonzalez National Afford-  
able Housing Act).

A jurisdiction’s consolidated plan shall be coordi-  
nated and consistent with a public housing agency’s  
five-year comprehensive plan, if any, required under  
section 14(e) of the United States Housing Act of  
1937.”.

## **SEC. 12. AUTHORIZATIONS.**

The second sentence of section 103 of the Housing  
and Community Development Act of 1974 is amended to  
read as follows: “For purposes of assistance under section  
106, there are authorized to be appropriated  
\$4,600,000,000 for fiscal year 1997 and such sums as  
may be necessary for fiscal years 1998, 1999, and 2000.  
In addition, for the purpose of establishing the challenge

1 grant fund under section 112, there are authorized to be  
 2 appropriated \$300,000,000 for fiscal year 1997,  
 3 \$100,000,000 of which shall be for challenge grants au-  
 4 thorized under section 112, and \$200,000,000 of which  
 5 shall be for grants for enterprise communities and  
 6 empowerment zones designated after October 1, 1996  
 7 under section 1391 of the Internal Revenue Code of 1986,  
 8 and such sums as may be necessary for fiscal years 1998,  
 9 1999, and 2000.”.

10 **SEC. 13. STATEMENT OF ACTIVITIES AND REVIEW.**

11 (a) CONTENT OF STATEMENT.—Section 104(a)(1) of  
 12 the Housing and Community Development Act of 1974  
 13 is amended by striking the last sentence and inserting the  
 14 following: “In the case of States receiving grants pursuant  
 15 to section 106(d), the statement of projected use of funds  
 16 shall consist of the method by which the States will dis-  
 17 tribute funds, if any, to units of general local government  
 18 and the proposed community development activities, if  
 19 any. The final statement shall include specific perform-  
 20 ance measures and benchmarks provided by the grantee  
 21 in developing the consolidated plan referred to in sub-  
 22 section (b)(4). The Secretary shall work with grantees to  
 23 develop benchmarks and measures that can enable per-  
 24 formance to be compared among jurisdictions.”.

1       (b) CONSOLIDATED PLAN.—Section 104(b)(4) of  
2 such Act is amended by adding after “has developed” the  
3 following: “the consolidated plan, which shall also in-  
4 clude”.

5       (c) CERTIFICATION.—Section 104(c) of such Act is  
6 amended to read as follows:

7       “(c) A grant may be made under section 106(b) or  
8 section 106(d) only if the unit of general local government  
9 or the State certifies that it is following a current consoli-  
10 dated plan.”.

11       (d) PERFORMANCE REPORT.—Section 104(e) of such  
12 Act is amended—

13           (1) by inserting before the period at the end of  
14 the first sentence the following: “and the perform-  
15 ance of the grantee as measured against the grant-  
16 ee’s specific performance measures and bench-  
17 marks”;

18           (2) by striking the fifth and sixth sentences;

19           (3) in paragraph (1)—

20               (A) by striking “section 106(d)(z)(B)” and  
21 inserting “section 106(d), where applicable”;  
22 and

23               (B) by striking “housing assistance plan”  
24 and inserting “consolidated plan that includes a



1 comprehensive housing affordability strategy”;  
2 and

3 (4) in paragraph (2), by adding “where applica-  
4 ble,” after “section 106(d),”.

5 (e) PROGRAM INCOME.—Section 104(j) of such Act  
6 is amended by adding the following sentence at the end:  
7 “The Secretary shall also exclude from consideration as  
8 program income any other amounts, if the Secretary de-  
9 termines that there is good cause for such exclusion and  
10 that the use of such funds will further the purposes of  
11 the Act.”.

12 (f) CONFORMING.—Section 104(m)(1) of such Act is  
13 amended by striking “subsection (b), (d)(1), or (d)(2)(B)  
14 of section 106” and inserting “section 106 (b) or (d)”.

15 **SEC. 14. ELIGIBLE ACTIVITIES.**

16 (a) ELIGIBLE ACTIVITIES.—Section 105(a) of the  
17 Housing and Community Development Act of 1974 is  
18 amended—

19 (1) by striking paragraph (4) and inserting the  
20 following:

21 “(4) clearance (including removal of toxic mate-  
22 rials and other contaminants from properties), dem-  
23 olition, removal, reconstruction, and rehabilitation  
24 (including rehabilitation that improves energy effi-  
25 ciency) of buildings and improvements (including in-

1       terim assistance, and financing public or private ac-  
2       quisition for reconstruction or rehabilitation, and re-  
3       construction or rehabilitation of privately owned  
4       properties, including the renovation of closed school  
5       buildings);”;

6               (2) by striking paragraph (14) and inserting  
7       the following:

8               “(14) provision of assistance including loans  
9       (both interim and long-term) and grants for eco-  
10      nomic revitalization activities which are carried out  
11      by public or private nonprofit entities, including job  
12      creation activities by public agencies or nonprofit en-  
13      tities to enable families on welfare to become self-  
14      sufficient;”;

15              (3) by striking “and” at the end of paragraph  
16      (24);

17              (4) by striking the period at the end of para-  
18      graph (25) and inserting “; and”; and

19              (5) by adding at the end the following:

20              “(26) provision of services designed to further  
21      the objectives of the Fair Housing Act, which may  
22      include services relating to the provision of housing  
23      opportunities without regard to race, color, religion,  
24      sex, national origin, familial status, or disability; and

1 other fair housing enforcement, education, and out-  
2 reach activities;”.

3 (b) LOW/MOD BENEFIT.—Section 105(c) of such Act  
4 is amended by adding at the end the following new para-  
5 graph:

6 “(5) Any activity carried out under subsection  
7 (a)(26) shall be presumed to benefit persons of low  
8 and moderate income.”.

9 **SEC. 15. ALLOCATION AND DISTRIBUTION OF FUNDS.**

10 (a) ENTITLEMENT REALLOCATION.—Section 106(c)  
11 of such Act is amended—

12 (1) by striking paragraph (1) and inserting the  
13 following:

14 “(1) Any amounts allocated to a metropolitan  
15 city or an urban county pursuant to the preceding  
16 provisions of this section which are not received by  
17 the city or county for a fiscal year because of failure  
18 to meet the requirements of section 104(a), (b), (c),  
19 or (d), or which become available as a result of ac-  
20 tions under section 104(e) or 111, shall be reallo-  
21 cated to the challenge grant fund under section  
22 112.”; and

23 (2) by striking paragraphs (2) and (4) and re-  
24 designating paragraph (3) as paragraph (2).

1 (b) CONFORMING.—Section 106(d)(1) of such Act is  
2 amended by striking “paragraphs (1) and (2)” and insert-  
3 ing “paragraph (1)”.

4 (c) USE OF FUNDS.—Section 106(d)(2)(A) of such  
5 Act is amended—

6 (1) by adding after “allocated under paragraph  
7 (1)” the following: “shall be used by the State to  
8 carry out community development activities in non-  
9 entitlement areas of the State if the unit of general  
10 local government concurs in such action, or”; and

11 (2) by striking the third and fourth sentences.

12 (d) STATE ADMINISTRATION.—Section 106(d)(3) of  
13 such Act is amended—

14 (1) in subparagraph (A)—

15 (A) in the first sentence, by striking “If  
16 the State receives and distributes such  
17 amounts” and inserting the following: “To the  
18 extent the State distributes such amounts it re-  
19 ceives”; and

20 (B) in the third sentence—

21 (i) by inserting “and distributed”  
22 after “received”; and

23 (ii) by striking “and its administrative  
24 expenses under section 810 of this Act”;

(4) by redesignating paragraph (5) the second  
place it appears as paragraph (6).

9 (e) CONFORMING.—Section 106(d)(7) of such Act, as  
10 redesignated, is amended by inserting immediately after  
11 “amounts received by” the first place it appears the fol-  
12 lowing: “a State or”.

(f) PERMANENT EXTENSION OF COLONIAS AUTHORITY.—Section 916(f) of the Cranston-Gonzalez National Affordable Housing Act is hereby repealed.

(a) SET-ASIDE.—Section 107(a)(1) of the Housing and Community Development Act of 1974 is amended to read as follows:

**HR 3740 IH**

1   ance under subsection (b)(4), and carry out activities in  
2   connection with management information systems under  
3   subsection (c)(2).”.

4       (b) TECHNICAL ASSISTANCE.—Section 107(b) of  
5   such Act is amended—

6           (1) by adding “and” after the semicolon at the  
7       end of paragraph (4);

8           (2) by striking “; and” at the end of paragraph  
9       (6) and inserting a period; and

10          (3) by striking paragraphs (5) and (7) and re-  
11       designating paragraph (6) as paragraph (5).

12       (c) WORK STUDY AND MANAGEMENT INFORMATION  
13   SYSTEMS.—Section 107(c) of such Act is amended—

14           (1) by inserting “(1)” after “(c)”;

15           (2) in paragraph (1), as redesignated by para-  
16       graph (1) of this subsection, by inserting after “edu-  
17       cation,” the following “including Hispanic-serving  
18       institutions,”; and

19           (3) by inserting a new paragraph at the end to  
20       read as follows:

21       “(2) For fiscal year 1997 and fiscal year 1998, from  
22   the amount set aside under subsection (a)(1), the Sec-  
23   retary is authorized to set aside an amount up to 0.4 per-  
24   cent of the total amount provided in appropriation Acts  
25   under the second sentence of section 103, but not less

1 than \$18,000,000, to develop, implement, and refine man-  
 2 agement information systems in order to establish a na-  
 3 tional database on local needs and priorities, and to pro-  
 4 vide grantees and community members with software to  
 5 plan and track performance.”.

6 **SEC. 17. GUARANTEE OF LOANS.**

7 (a) CONFORMING.—The heading of section 108 of the  
 8 Housing and Community Development Act of 1974 is  
 9 amended to read as follows: “GUARANTEE OF LOANS”.

10 (b) ELIGIBLE ACTIVITIES AND FUNDING AUTHOR-  
 11 ITY.—Section 108 of such Act is amended—

12 (1) in the first sentence of subsection (a), by  
 13 striking “the purposes of financing” and all that fol-  
 14 lows up to the period and inserting “any activities  
 15 eligible under section 105”;

16 (2) in the fifth sentence of subsection (a), by  
 17 striking “\$2,000,000,000 for fiscal year 1993 and  
 18 \$2,000,000,000 for fiscal year 1994” and inserting  
 19 the following: “\$2,000,000,000 for fiscal year 1997  
 20 and such sums as may be necessary for fiscal year  
 21 1998 and subsequent fiscal years”; and

22 (3) in subsection (k)(1), by striking  
 23 “\$4,500,000,000” and inserting “\$6,000,000,000”.

24 (c) FEDERAL FINANCING BANK FINANCING.—Sec-  
 25 tion 108(l) of such Act is hereby repealed.

1 (d) CONFORMING.—Section 108(h) of such Act is  
 2 amended by striking “subsection (j)” and inserting “sub-  
 3 section (i)”.

4 (e) CONFORMING.—Section 108 of such Act, as  
 5 amended by subsection (c), is amended by redesignating  
 6 subsections (j) through (r) as subsections (i) through (p).

7 **SEC. 18. CHALLENGE GRANT FUND.**

8 (a) BASIC AUTHORITY.—Section 112 of the Housing  
 9 and Community Development Act of 1974 is amended to  
 10 read as follows:

11 “CHALLENGE GRANT FUND

12 “SEC. 112. (a) BASIC AUTHORITY.—Of the amount  
 13 approved in an appropriation Act under section 103 for  
 14 grants in any year under this section and from amounts  
 15 reallocated pursuant to sections 106(c)(1) and (d)(3)(C),  
 16 the Secretary is authorized to make grants from a chal-  
 17 lenge grant fund—

18 “(1) for job creation activities and projects to  
 19 grantees under this title; or

20 “(2) in accordance with section 108(o) <sup>1</sup>.

21 “(b) ELIGIBILITY FOR AWARDS.—To be eligible for  
 22 consideration for an award from the challenge grant fund,  
 23 a grantee shall at minimum—

24 “(1) meet the requirements of this title, as de-  
 25 termined by the Secretary under section 104(e);

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<sup>1</sup> Section 108(q) would be redesignated as section 108(o).



1           “(2) meet or exceed performance measures and  
2           benchmarks included in its consolidated plan for ac-  
3           tivities under this title, including any activities  
4           under this section, which measures and benchmarks  
5           shall reflect performance levels of grantees deter-  
6           mined by the Secretary to be similarly situated; and

7           “(3) demonstrate it has expended grant funds  
8           on a timely basis.

9           “(c) SUBMISSION REQUIREMENTS.—The Secretary  
10          shall establish submission requirements for grantees to in-  
11          clude in their consolidated plans.

12          “(d) ELIGIBLE ACTIVITIES.—Challenge grants under  
13          this subsection shall be limited to activities and projects  
14          which—

15                 “(1) spur community economic revitalization in  
16          low-income areas, including—

17                         “(A) projects which clean up brownfields  
18                         and other environmentally deteriorated areas  
19                         for which funds can be used under section  
20                         105(a)(4), and

21                         “(B) projects and activities that serve as a  
22                         catalyst for new investment and development in  
23                         nearby areas, and create jobs for neighborhood  
24                         residents; and

1           “(2) link low-income persons to job opportuni-  
2           ties, including job training, education, transpor-  
3           tation, and child care.

4           “(e) SELECTION CRITERIA.—The Secretary shall  
5           award grants under this section pursuant to a competition  
6           in which the following selection criteria shall be used—

7           “(1) the grantee’s performance in expending  
8           funds in a timely manner;

9           “(2) the extent to which the grantee has met or  
10          exceeded the performance measures and benchmarks  
11          established in its consolidated plan, and the extent  
12          to which those measures and benchmarks were ambi-  
13          tious compared to those of other comparable juris-  
14          dictions;

15          “(3) the extent of low-income targeting by the  
16          grantee, with particular emphasis on job creation for  
17          persons of low-income;

18          “(4) the extent to which the grantee applies  
19          and leverages its community development grants to  
20          job creation and to implementing neighborhood in-  
21          vestment strategies to revitalize distressed neighbor-  
22          hoods;

23          “(5) the extent to which the jurisdiction uses  
24          the challenge grant to gain access to regional re-

1 sources and to address regional economic revitaliza-  
2 tion problems;

3 “(6) the extent to which proposed activities or  
4 projects link low-income residents of distressed areas  
5 with job opportunities that will enable them to enter  
6 the mainstream regional economy;

7 “(7) the extent of leveraging of other public and  
8 private resources, including loan guarantees under  
9 section 108;

10 “(8) the extent to which the grantee has met or  
11 exceeded its performance measures and benchmarks  
12 established in its consolidated plan for other per-  
13 formance funds under programs of the Secretary;

14 “(9) the extent to which the submission speci-  
15 fies ambitious and realistic performance measures  
16 and benchmarks for determining the success of the  
17 challenge grant proposal; and

18 “(10) such other factors as the Secretary deter-  
19 mines appropriate to achieve the objectives of this  
20 section.

21 “(f) COMPLIANCE WITH PROGRAM REQUIRE-  
22 MENTS.—For all or a portion of a grant under this sec-  
23 tion, the Secretary may condition use of the grant, reduce  
24 the amount of the grant, or cancel the grant, based on  
25 whether the grantee has made measurable, objective

1 progress in meeting the performance measures and bench-  
2 marks established in the consolidated plan and has com-  
3 plied with the requirements of the performance agreement  
4 entered into under this section.”.

5 **SEC. 19. REPORTING REQUIREMENTS.**

6 Section 113 of the Housing and Community Develop-  
7 ment Act of 1974 is amended to read as follows:

8 “REPORTING REQUIREMENTS

9 “SEC. 113. The Secretary is authorized to require re-  
10 cipients of assistance under this title to submit such re-  
11 ports and other information as the Secretary determines  
12 appropriate to carry out the responsibilities of the Sec-  
13 retary under this title.”.

14 **SEC. 20. TERMINATION OF EXISTING PROGRAMS.**

15 (a) IN GENERAL.—The following provisions of law  
16 are repealed:

17 (1) Subtitle D of title IV of the Cranston-Gon-  
18 zalez National Affordable Housing Act, effective on  
19 October 1, 1997.

20 (2) Section 222 of the Housing and Urban-  
21 Rural Recovery Act of 1983, effective on the date of  
22 enactment of this Act.

23 (3) Section 123 of the Housing and Urban-  
24 Rural Recovery Act of 1983, effective on the date of  
25 enactment of this Act.

1       (b) AUTHORITY TO PROVIDE ASSISTANCE.—On and  
2 after the effective date of such repeal, the Secretary may  
3 not make assistance available under any of the authorities  
4 listed in subsection (a) (as they existed immediately before  
5 such effective date), except pursuant to a legally binding  
6 commitment entered into before that date.

7       (c) LAW GOVERNING.—Any amounts made available  
8 under any authority listed in subsection (a) before such  
9 effective date shall continue to be governed by the provi-  
10 sions of such authority, as they existed immediately before  
11 that date, except that each grantee may, in its discretion  
12 pursuant to procedures established by the Secretary, pro-  
13 vide for the use, in accordance with the provisions of title  
14 I of the Housing and Community Development Act of  
15 1974, of any such amounts that it has not obligated under  
16 such authority.

17       (d) STATUS OF FUNDS.—Any amounts appropriated  
18 under any authority listed in subsection (a) before such  
19 effective date that are available for obligation immediately  
20 before such date, or that become available for obligation  
21 on or after that date, shall be transferred and added to  
22 the amounts appropriated for title I of the Housing and  
23 Community Development Act of 1974 and shall thereafter  
24 be available for use in accordance with its provisions. Any  
25 amounts so transferred shall remain available for obliga-

1 tion only for the time periods for which such respective  
 2 amounts were available before such transfer.

### 3       **Subtitle B—Home Performance Fund**

#### 4   **SEC. 21. DEFINITIONS; FINDINGS AND PURPOSES; PRO-** 5       **GRAM ADMINISTRATION.**

6       (a) DEFINITIONS.—Section 104 of the Cranston-  
 7 Gonzalez National Affordable Housing Act is amended by  
 8 inserting at the end the following new paragraph:

9               “(26) The term ‘consolidated plan’ means the  
 10 single comprehensive plan that the Secretary pre-  
 11 scribes for submission by jurisdictions that consoli-  
 12 dates and fulfills the requirements of—

13               “(A) the comprehensive housing afford-  
 14 ability strategy under this title;

15               “(B) the community development plan  
 16 under section 104 of the Housing and Commu-  
 17 nity Development Act of 1974; and

18               “(C) the submission requirements for for-  
 19 mula funding under—

20               “(i) the Community Development  
 21 Block Grant Performance Fund (author-  
 22 ized by title I of the Housing and Commu-  
 23 nity Development Act of 1974, as amended  
 24 by the Community Development Block

1 Grant Performance Fund and HOME Per-  
 2 formance Fund Act of 1996);

3 “(ii) the HOME Performance Fund  
 4 (authorized by title II of this Act);

5 “(iii) the Homeless Assistance Per-  
 6 formance Fund (authorized by title IV of  
 7 the Stewart B. McKinney Homeless Assist-  
 8 ance Act, as amended by the Homeless As-  
 9 sistance Performance Fund Act of 1996);  
 10 and

11 “(iv) the AIDS Housing Opportunity  
 12 Act (authorized by subtitle D of title VIII  
 13 of this Act).

14 A jurisdiction’s consolidated plan shall be coordi-  
 15 nated and consistent with a public housing agency’s  
 16 five-year comprehensive plan, if any, required under  
 17 section 14(e) of the United States Housing Act of  
 18 1937.”.

19 (b) FINDINGS AND PURPOSES.—

20 (1) Section 203 of such Act is amended by in-  
 21 serting after paragraph (2) the following new para-  
 22 graphs, and redesignating the remaining paragraphs  
 23 accordingly:

24 “(3) to enhance performance-based accountabil-  
 25 ity of States and localities consistent with the pur-

1 poses of this title and to reward them with challenge  
2 grants and other benefits for their successes;

3 “(4) to assist State and local governments in  
4 providing housing for persons with special needs, in-  
5 cluding persons with disabilities and the frail elderly,  
6 to help these individuals live with dignity and inde-  
7 pendence in their communities;”.

8 (2) Section 203(8) of such Act, as redesignated,  
9 is amended to read as follows:

10 “(8) to expand the capacity of community hous-  
11 ing development organizations and other nonprofit  
12 organizations to develop and manage decent, safe,  
13 sanitary, and affordable housing;”.

14 (c) PROGRAM ADMINISTRATION.—Section 204 of  
15 such Act is amended by striking “through the Office of  
16 the Assistant Secretary for Housing—FHA Commissioner  
17 of the Department of Housing and Urban Development,”.

18 **SEC. 22. AMENDMENTS TO THE COMPREHENSIVE HOUSING**

19 **AFFORDABILITY STRATEGY.**

20 Section 105(b) of such Act is amended—

21 (1) in paragraph (16), the first place it ap-  
22 pears, by striking the period and inserting a semi-  
23 colon;

24 (2) in paragraph (16), the second place it ap-  
25 pears—



1 (A) by redesignating such paragraph as  
2 paragraph (17); and

3 (B) by striking “and” at the end;

4 (3) by moving the flush material that follows  
5 paragraph (17), as redesignated, to the end of such  
6 subsection;

7 (4) by striking “(17) for” and inserting “(18)  
8 for”;

9 (5) in paragraph (18), as redesignated, by  
10 striking “and” at the end;

11 (6) by striking “(17) describe” and inserting  
12 “(19) describe”;

13 (7) by striking the period at the end of para-  
14 graph (19), as redesignated, and inserting a semi-  
15 colon; and

16 (8) by adding at the end the following new  
17 paragraphs:

18 “(20) include specific performance measures  
19 and benchmarks provided by the jurisdiction in de-  
20 veloping the consolidated plan (the Secretary shall  
21 work with jurisdictions to develop benchmarks and  
22 measures that can enable performance to be com-  
23 pared among jurisdictions); and

24 “(21) include other information or strategies as  
25 may be specified by the Secretary.”.

1 **SEC. 23. AUTHORIZATION.**

2 Section 205 of such Act is amended to read as fol-  
3 lows:

4 **“SEC. 205. AUTHORIZATION.**

5 “There are authorized to be appropriated to carry out  
6 this title \$1,400,000,000 for fiscal year 1997 and such  
7 amounts as may be necessary for fiscal years 1998, 1999,  
8 and 2000. In addition, for purposes of assistance under  
9 section 223(c), there are authorized to be appropriated  
10 \$150,000,000 for fiscal year 1997 and such sums as may  
11 be necessary for fiscal years 1998, 1999, and 2000.”.

12 **SEC. 24. ELIGIBLE USES OF INVESTMENT.**

13 Section 212(a) of such Act is amended—

14 (1) by redesignating paragraph (5) as para-  
15 graph (4); and

16 (2) in paragraph (4), as redesignated, by insert-  
17 ing before the period the following: “, including  
18 blood-lead level testing of children residing in hous-  
19 ing assisted under this title, and for the education  
20 of the public on the nature and causes of lead poi-  
21 soning and measures to reduce exposure to lead, in-  
22 cluding exposure due to residential lead-based paint  
23 hazards”.

24 **SEC. 25. INCOME TARGETING.**

25 Section 214 of such Act is amended—

1           (1) in paragraph (1)(A), by striking “at the  
2           time of occupancy or at the time funds are invested,  
3           whichever is later,”; and

4           (2) in paragraph (2), by striking “at the time  
5           of occupancy or at the time funds are invested,  
6           whichever is later”.

7   **SEC. 26. QUALIFICATION AS AFFORDABLE HOUSING.**

8           Section 215 of such Act is amended—

9           (1) in subsection (a)(1)(B), by inserting “or  
10          local” after “State”; and

11          (2) by adding the following new subsection:

12          “(c) EXCEPTION TO GENERAL REQUIREMENTS.—

13          The Secretary may modify the qualifying rental housing  
14          requirements and the qualifying homeownership require-  
15          ments under subsections (a) and (b) for housing author-  
16          ized under section 214(c).”.

17   **SEC. 27. REALLOCATION.**

18          Section 216 of such Act is amended—

19          (1) by striking paragraph (5) and redesignating  
20          the remaining paragraphs accordingly;

21          (2) in paragraph (5), as redesignated—

22                  (A) by striking “previous 3 paragraphs”  
23                  and inserting “previous 2 paragraphs”;

24                  (B) by striking subparagraph (A)(ii) and  
25                  inserting the following:

1           “(ii) add the remainder to the challenge  
2 grant fund under section 223(c).”;

3           (C) by striking subparagraph (C)(ii) and  
4 inserting the following:

5           “(ii) add the remainder to the challenge  
6 grant fund under section 223(c).”; and

7           (D) in subparagraph (D), by striking  
8 “paragraphs (3), (4), and (5)” and inserting  
9 “paragraphs (3) and (4)”;  
10 (3) in paragraph (7), as redesignated—

11           (A) in the first sentence, by striking  
12 “paragraph (9)” and inserting “paragraph  
13 (8)”; and

14           (B) in the second sentence, by striking  
15 “paragraphs (3) through (6)” and inserting  
16 “paragraphs (3) through (5)”;  
17 (4) in paragraph (8), as redesignated—

18           (A) in the first sentence, by striking  
19 “paragraph (10)” and inserting “paragraph  
20 (9)”; and

21           (B) in the second sentence, by striking  
22 “paragraph (6)” and inserting “paragraph  
23 (5)”; and

24           (5) in paragraph (9), as redesignated, by strik-  
25 ing “paragraph (9)” and inserting “paragraph (8)”.

1 **SEC. 28. ALLOCATION OF RESOURCES.**

2 (a) IN GENERAL.—Section 217(a) of such Act is  
3 amended to read as follows:

4 “(a) IN GENERAL.—

5 “(1) INDIAN ALLOCATION.—For each fiscal  
6 year, the Secretary shall reserve for grants to Indian  
7 tribes 1.5 percent of the amounts approved in an ap-  
8 propriations Act to carry out this title pursuant to  
9 the first sentence of section 205. The Secretary shall  
10 provide for distribution of amounts under this para-  
11 graph to Indian tribes on the basis of a competition  
12 conducted pursuant to specific criteria, established  
13 by the Secretary, for the selection of Indian tribes  
14 to receive such amounts. The Secretary may also re-  
15 serve up to 1.5 percent of the total amount available  
16 under section 242 for any fiscal year for capacity  
17 building for Indian tribes in accordance with section  
18 242.

19 “(2) INSULAR AREAS.—For each fiscal year, of  
20 the amounts approved in an appropriations Act to  
21 carry out this title pursuant to the first sentence of  
22 section 205, the Secretary shall reserve for grants to  
23 the Insular areas the greater of (A) \$750,000, or  
24 (B) 0.2 percent of the amounts appropriated. The  
25 Secretary shall provide for the distribution of  
26 amounts reserved under this paragraph among the

1 Insular areas pursuant to specific criteria, estab-  
2 lished by the Secretary, for such distribution.

3 “(3) CAPACITY BUILDING AND OTHER ASSIST-  
4 ANCE.—For each fiscal year, of the amount ap-  
5 proved in an appropriations Act to carry out this  
6 title pursuant to the first sentence of section 205—

7 “(A) the greater of 2.5 percent of the  
8 funds or \$38,000,000 may be used for assist-  
9 ance authorized under sections 233, 242, and  
10 244 (a), and (c), and (d);

11 “(B) up to 0.5 percent of the funds, but  
12 not less than \$7,000,000 shall be available for  
13 the development and operation of management  
14 information systems authorized under section  
15 244(b); and

16 “(C) beginning in fiscal year 1998, up to  
17 \$10,000,000 may be used for assistance for  
18 childhood lead poisoning prevention activities  
19 authorized under section 244(e).

20 “(4) LOAN GUARANTEES.—For each fiscal year,  
21 such amounts as may be necessary for the cost to  
22 the Government, as defined in section 502 of the  
23 Congressional Budget Act, of guaranteed loans  
24 under section 227 shall be taken from funds appro-  
25 priated to carry out this title.

1           “(5) STATES AND UNITS OF GENERAL LOCAL  
2           GOVERNMENT.—After reserving amounts under  
3           paragraphs (1) through (4), the Secretary shall allo-  
4           cate funds approved in an appropriations Act to  
5           carry out this title pursuant to the first sentence of  
6           section 205 by formula as provided in subsection (b).  
7           Of the funds made available under the preceding  
8           sentence, the Secretary shall initially allocate 60 per-  
9           cent among units of general local government and  
10          40 percent among States.”.

11          (b) CRITERIA FOR DIRECT REALLOCATION.—Section  
12   217 of such Act is amended by striking subsection (c) and  
13   redesignating subsection (d) as subsection (c).

14          (c) REALLOCATIONS.—Section 217(c) of such Act, as  
15   redesignated by subsection (b), is amended—

16               (1) by striking paragraph (1) and redesignating  
17               the remaining paragraphs accordingly; and

18               (2) by amending paragraph (2), as redesign-  
19               nated, to read as follows:

20               “(2) LIMITATION.—Unless otherwise specified  
21               in this subtitle, any funds from a State which are  
22               added to the challenge grant fund shall be awarded  
23               only to participating States, and any funds added to  
24               such fund from units of general local government

1 shall be awarded only to participating units of gen-  
2 eral local government.”.

3 **SEC. 29. HOME INVESTMENT TRUST FUNDS.**

4 (a) LINE OF CREDIT.—Section 218(b) of such Act  
5 is amended—

6 (1) in paragraph (1), by striking “, and” and  
7 inserting a semicolon;

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

10 (3) by adding the following new paragraph:

11 “(3) funds awarded from the challenge grant  
12 fund under section 223(c).”.

13 (b) REDUCTIONS.—Section 218(c) of such Act is  
14 amended—

15 (1) in paragraph (1), by striking the comma  
16 and inserting a semicolon;

17 (2) in paragraph (2), by striking “, and” and  
18 inserting a semicolon;

19 (3) in paragraph (3), by striking “section 224.”  
20 and inserting “section 223(b); and”; and

21 (4) by adding at the end the following new  
22 paragraph:

23 “(4) funds pledged for repayment of notes,  
24 trust certificates, or other obligations guaranteed



1 under section 227 which are drawn by the Secretary  
 2 in accordance with section 227(d) or (f).”.

3 (c) EXPIRATION OF RIGHT TO DRAW FUNDS.—The  
 4 last sentence of section 218(g) of such Act is amended  
 5 by striking “shall reallocate the funds by formula in ac-  
 6 cordance with section 217(d)” and inserting “shall add the  
 7 funds to the challenge grant fund under section 223(c)”.

8 **SEC. 30. REPAYMENT OF INVESTMENT; MATCHING RE-**  
 9 **QUIREMENTS.**

10 (a) REPAYMENT OF INVESTMENT.—Section 219 of  
 11 such Act is amended—

12 (1) in subsection (a), by striking “shall be re-  
 13 allocated in accordance with section 217(d)” and in-  
 14 serting “shall be added to the challenge grant fund  
 15 under section 223(c)”; and

16 (2) in subsection (b), by striking “shall be re-  
 17 allocated in accordance with section 217(d)” and in-  
 18 serting “shall be added to the challenge grant fund  
 19 under section 223(c)”.

20 (b) MATCHING REQUIREMENTS.—Section 220(a) of  
 21 such Act is amended by striking “fiscal” both places it  
 22 appears and inserting “program”.

23 **SEC. 31. DISTRIBUTION OF ASSISTANCE.**

24 Section 222(b) of such Act is amended—

1           (1) in the first sentence, by striking “Partici-  
2       pating States” and inserting “(1) PARTICIPATING  
3       STATES.—Participating States”;

4           (2) by adding at the end the following new  
5       paragraph:

6           “(2) ASSISTANCE FOR COLONIAS.—The States  
7       of Texas, New Mexico, Arizona, and California shall  
8       invest not less than an amount determined by the  
9       Secretary (which amount shall be up to 10 percent  
10      of the formula allocation amount) to meet the hous-  
11      ing needs of the residents of colonias.”; and

12          (3) by adding at the end the following new sub-  
13      section:

14      “(c) ASSISTANCE TO MIGRANT FARMWORKERS.—  
15      State and local participating jurisdictions with significant  
16      migrant farmworker populations shall identify the housing  
17      needs and other needs of these populations in their con-  
18      solidated plan and set aside funding under this title to  
19      address these needs.”.

20      **SEC. 32. PERFORMANCE REVIEW AND SANCTIONS.**

21      Section 223 of such Act is amended—

22          (1) by amending the title to read as follows:

1 **“SEC. 223. REVIEW OF PERFORMANCE, PENALTIES FOR**  
 2 **MISUSE OF FUNDS, AND CHALLENGE GRANT**  
 3 **FUND.”;**

4 (2) by striking “If” and inserting “(b)  
 5 PENALTIES FOR MISUSE OF FUNDS.—If” before  
 6 “If the Secretary”;

7 (3) in subsection (b)(3), as designated by para-  
 8 graph (2), by striking “or reallocations”; and

9 (4) by adding the following new subsection be-  
 10 fore subsection (b) as designated by paragraph (2):

11 “(a) PERFORMANCE REVIEWS.—The Secretary shall,  
 12 at least on an annual basis, make such reviews as may  
 13 be necessary or appropriate to determine whether the par-  
 14 ticipating jurisdiction has carried out its activities in a  
 15 timely manner and whether it has carried out its activities  
 16 and its consolidated plan in accordance with its certifi-  
 17 cations, the requirements of this title, and other applicable  
 18 laws.”.

19 **SEC. 33. CHALLENGE GRANT FUND.**

20 Section 223 of such Act, as amended by the previous  
 21 section, is further amended by adding the following new  
 22 subsection:

23 “(c) CHALLENGE GRANT FUND.—

24 “(1) IN GENERAL.—From amounts appro-  
 25 priated under the second sentence of section 205,  
 26 the Secretary shall make challenge grants to partici-

1       pating jurisdictions pursuant to a performance  
2       agreement. States may apply on behalf of units of  
3       general local government that do not qualify as par-  
4       ticipating jurisdictions. The purpose of the grants is  
5       to support plans for the revitalization of neighbor-  
6       hoods and other communities by providing assistance  
7       for homeownership in homeownership zones.

8               “(2) ELIGIBILITY FOR AWARDS.—To be eligible  
9       to apply for a challenge grant under paragraph (1),  
10      a participating jurisdiction shall at minimum—

11               “(A) meet the requirements of this title, as  
12              determined by the Secretary under subsection  
13              (a);

14               “(B) meet or exceed performance measures  
15              and benchmarks included in its consolidated  
16              plan; and

17               “(C) have targeted in its consolidated plan  
18              at least one distressed or declining, predomi-  
19              nantly residential neighborhood as a home-  
20              ownership zone (which may be an empowerment  
21              zone, enterprise community, or other distressed  
22              area) proposed for revitalization through home-  
23              ownership as the principal catalyst for change,  
24              with assistance under this subsection.

1           “(3) SUBMISSION REQUIREMENTS.—The Sec-  
2       retary shall establish submission requirements for  
3       participating jurisdictions to include in their consoli-  
4       dated plans. Each jurisdiction shall—

5           “(A) identify the location of and describe  
6       the proposed homeownership zone, which shall  
7       be within a concentrated area that is covered by  
8       a comprehensive plan to revitalize the neighbor-  
9       hood or other community and be consistent  
10      with any requirements of the Secretary relating  
11      to the zone’s characteristics, such as geography,  
12      level of distress, degree of concentration, and  
13      number of units;

14          “(B) identify how the activities to be car-  
15      ried out under the revitalization plan will result  
16      in visible improvement of, and have a major im-  
17      pact on, the homeownership zone;

18          “(C) demonstrate that the applicant has  
19      consulted with, and received the support of,  
20      residents of the proposed homeownership zone  
21      and that the residents will be continuously in-  
22      volved throughout the implementation period;

23          “(D) describe a proposed local community  
24      partnership, which shall—

1 “(i) consist of public, nonprofit, and  
2 other private sector partners that agree to  
3 provide assistance to increase homeownership  
4 and provide other assistance to empower  
5 citizens and renew the neighborhood  
6 or other community through the revitalization  
7 plan; and

8 “(ii) include commitments from the  
9 partners to carry out the plan;

10 “(E) specify performance measures and  
11 benchmarks for determining the success of the  
12 revitalization plan, including how soon after approval  
13 construction will start and be completed;  
14 and

15 “(F) provide such other information as the  
16 Secretary may require.

17 “(4) DISTRIBUTION OF AWARDS.—The Secretary  
18 shall establish a competitive method for distributing  
19 challenge grants under this subsection.

20 “(5) SELECTION CRITERIA.—The Secretary  
21 shall award challenge grants under this subsection  
22 based on the following selection criteria:

23 “(A) The extent to which the jurisdiction  
24 has met or exceeded the performance measures  
25 and benchmarks established in its Consolidated

1 Plan, and the extent to which those measures  
2 and benchmarks were ambitious compared to  
3 those of other comparable jurisdictions.

4 “(B) The extent to which the homeowner-  
5 ship zone fits in with and furthers a larger  
6 comprehensive plan for neighborhood revitaliza-  
7 tion.

8 “(C) The extent to which there will be a  
9 major impact on and visible improvement of the  
10 zone.

11 “(D) The extent to which the jurisdiction  
12 has consulted with and received the support of  
13 residents of the proposed zone and the extent to  
14 which it will continuously involve residents  
15 throughout the implementation period.

16 “(E) The extent to which the jurisdiction  
17 has committed to removing local administrative  
18 impediments to the success of the zone pro-  
19 posal.

20 “(F) The extent to which the proposal  
21 specifies ambitious and realistic performance  
22 measures and benchmarks for determining suc-  
23 cess for activities under this subsection.

1           “(G) The extent to which the jurisdiction  
2 targets low-income families, including first-time  
3 homebuyers.

4           “(H) The extent of leveraging through pri-  
5 vate and public resources.

6           “(I) Other factors the Secretary deter-  
7 mines appropriate.

8           “(6) ELIGIBLE ACTIVITIES.—A recipient of as-  
9 sistance under this subsection may use grant  
10 amounts only to provide homeownership assistance  
11 in the homeownership zone. Homeownership assist-  
12 ance may be used by participating jurisdictions—

13           “(A) to provide incentives to develop and  
14 support affordable rental housing and home-  
15 ownership affordability through the acquisition,  
16 new construction, reconstruction, or moderate  
17 or substantial rehabilitation of affordable hous-  
18 ing, including real property acquisition, site im-  
19 provement, conversion, demolition, and other  
20 expenses, including financing costs, relocation  
21 expenses of any displaced persons, families,  
22 businesses, or organizations;

23           “(B) to provide for the payment of reason-  
24 able administrative and planning costs;



1           “(C) for other activities in support of  
2           homeownership that are specified or approved  
3           by the Secretary; and

4           “(D) to provide tenant-based rental assist-  
5           ance.

6           “(7) ELIGIBLE FAMILIES.—Assistance may be  
7           provided for families whose incomes do not exceed  
8           115 percent of the median income for the area, as  
9           determined by the Secretary with adjustments for  
10          smaller and larger families, except that the Sec-  
11          retary may establish income ceilings higher or lower  
12          than 115 percent of the median for the area on the  
13          basis of the Secretary’s findings that such variations  
14          are necessary because of prevailing levels of con-  
15          struction costs or unusually high or low family in-  
16          comes.

17          “(8) TERM OF ASSISTANCE; COMPLIANCE WITH  
18          PROGRAM REQUIREMENTS.—The Secretary may pro-  
19          vide assistance to permit a jurisdiction to implement  
20          its revitalization plan over a period of up to five  
21          years. For all or a portion of a grant under this sec-  
22          tion, the Secretary may condition use of the grant,  
23          reduce the amount of the grant, or cancel the grant,  
24          based on whether the jurisdiction has made measur-  
25          able, objective progress in meeting the performance

1 measures and benchmarks established in the consoli-  
2 dated plan and has complied with the requirements  
3 of the performance agreement entered into under  
4 this section.”.

5 **SEC. 34. TENANT AND PARTICIPANT PROTECTIONS.**

6 Section 225(b) of such Act is amended to read as  
7 follows:

8 “(b) TERMINATION OF TENANCY.—An owner may  
9 terminate the tenancy of a tenant of rental housing as-  
10 sisted under this title in accordance with State law.”.

11 **SEC. 35. LOAN GUARANTEES.**

12 Subtitle A of title II of such Act is amended by add-  
13 ing at the end the following new section:

14 **“SEC. 227. LOAN GUARANTEES.**

15 “(a) GENERAL AUTHORITY.—The Secretary is au-  
16 thorized, upon such terms and conditions as the Secretary  
17 may prescribe, to guarantee and make commitments to  
18 guarantee, only to such extent or in such amounts as pro-  
19 vided in appropriations Acts, the notes or other obligations  
20 issued by eligible participating jurisdictions or by public  
21 agencies designated by and acting on behalf of eligible par-  
22 ticipating jurisdictions for purposes of financing (includ-  
23 ing credit enhancements and debt service reserves) the ac-  
24 quisition, new construction, reconstruction, or moderate or  
25 substantial rehabilitation of affordable housing (including

1 real property acquisition, site improvement, conversion,  
2 demolition), and other expenses (including financing costs  
3 and relocation expenses of any displaced persons, families,  
4 businesses, or organizations). Housing funded under this  
5 section shall meet the requirements of this subtitle.

6 “(b) REQUIREMENTS.—Notes or other obligations  
7 guaranteed under this section shall be in such form and  
8 denominations, have such maturities, and be subject to  
9 such conditions as may be prescribed by the Secretary.  
10 The Secretary may not deny a guarantee under this sec-  
11 tion on the basis of the proposed repayment period for  
12 the note or other obligation, unless the period is more than  
13 20 years or the Secretary determines that the period oth-  
14 erwise causes the guarantee to constitute an unacceptable  
15 financial risk.

16 “(c) LIMITATIONS ON TOTAL NOTES AND OBLIGA-  
17 TIONS.—No guarantee or commitment to guarantee shall  
18 be made with respect to any note or other obligation if  
19 the total outstanding notes or obligations guaranteed  
20 under this section on behalf of a participating jurisdiction  
21 (excluding any amount defeased under a contract entered  
22 into under subsection (e)(1)) would thereby exceed an  
23 amount equal to 5 times the amount of the participating  
24 jurisdiction’s latest allocation under section 217.

1       “(d) USE OF PROGRAM FUNDS.—Notwithstanding  
2 any other provision of this subtitle, funds allocated to the  
3 participating jurisdiction under this subtitle (including  
4 program income derived therefrom) are authorized for use  
5 by the participating jurisdiction or by the Secretary, in  
6 the payment of principal and interest due on the notes  
7 or other obligations guaranteed pursuant to this section  
8 and the payment of such servicing, underwriting, or other  
9 issuance or collection charges as may be specified by the  
10 Secretary.

11       “(e) SECURITY REQUIREMENTS.—To assure the full  
12 repayment of notes or other obligations guaranteed here-  
13 under, as well as the issuance or collection charges speci-  
14 fied by the Secretary under subsection (d), and as a prior  
15 condition for receiving such guarantees, the Secretary  
16 shall require the participating jurisdiction (and its des-  
17 ignated public agency issuer, if any) to—

18               “(1) enter into a contract, in a form acceptable  
19 to the Secretary, for repayment of such notes or  
20 other obligations and the other specified charges;

21               “(2) pledge as security for such repayment any  
22 allocation for which the participating jurisdiction  
23 may become eligible under this subtitle; and

24               “(3) furnish, at the discretion of the Secretary,  
25 such other security as may be deemed appropriate

1 by the Secretary in making such guarantees, which  
2 may include increments in local tax receipts gen-  
3 erated by the housing assisted under this section or  
4 disposition proceeds from the sale of land or hous-  
5 ing.

6 “(f) REPAYMENT AUTHORITY.—The Secretary is au-  
7 thorized, notwithstanding any other provision of this sub-  
8 title or any other Federal, State or local law, to apply allo-  
9 cations pledged pursuant to subsection (e) to any repay-  
10 ments due the United States as a result of such guaran-  
11 tees.

12 “(g) GUARANTEES.—The full faith and credit of the  
13 United States is pledged to the payment of all guarantees  
14 made under this section. Any such guarantee made by the  
15 Secretary shall be conclusive evidence of the eligibility of  
16 the notes or other obligations for such guarantee with re-  
17 spect to principal and interest, and the validity of any such  
18 guarantee so made shall be incontestable in the hands of  
19 a holder of the guaranteed obligations.

20 “(h) TAXABLE OBLIGATIONS.—Obligations guaran-  
21 teed under this section shall be subject to Federal taxation  
22 as provided in subsection (i).

23 “(i) TAX STATUS.—With respect to any obligation  
24 guaranteed pursuant to this section, the interest paid on

1 such obligation shall be included in gross income for the  
2 purpose of the Internal Revenue Code of 1986.

3 “(j) MONITORING.—The Secretary shall monitor the  
4 use of guarantees under this section by eligible participat-  
5 ing jurisdictions. If the Secretary finds that 50 percent  
6 of the aggregate guarantee authority for any fiscal year  
7 has been committed, the Secretary may impose limitations  
8 on the amount of guarantees any one participating juris-  
9 diction may receive that year.

10 “(k) GUARANTEE OF TRUST CERTIFICATES.—

11 “(1) The Secretary is authorized, upon such  
12 terms and conditions as the Secretary deems appro-  
13 priate, to guarantee the timely payment of the prin-  
14 cipal of and interest on such trust certificates or  
15 other obligations as shall—

16 “(A) be offered by the Secretary or by any  
17 other offeror approved for purposes of this sub-  
18 section by the Secretary; and

19 “(B) be based on and backed by a trust or  
20 pool composed of notes or other obligations  
21 guaranteed or eligible for guarantee by the Sec-  
22 retary under this section.

23 “(2) To the same extent as provided in sub-  
24 section (g), the full faith and credit of the United  
25 States is pledged to the payment of all amounts

1       which may be required to be paid under any guaran-  
2       tee by the Secretary under this subsection.

3           “(3) In the event the Secretary pays a claim  
4       under a guarantee issued under this section, the  
5       Secretary shall be subrogated fully to the rights sat-  
6       isfied by such payment.

7           “(4) No State or local law, and no Federal law,  
8       shall preclude or limit the exercise by the Secretary  
9       of—

10           “(A) the power to contract with respect to  
11       public offerings and other sales of notes, trust  
12       certificates, and other obligations guaranteed  
13       under this section, upon such terms and condi-  
14       tions as the Secretary deems appropriate;

15           “(B) the right to enforce, by any means  
16       deemed appropriate by the Secretary, any such  
17       contract; and

18           “(C) the Secretary’s ownership rights, as  
19       applicable, in notes, certificates or other obliga-  
20       tions guaranteed under this section, or con-  
21       stituting the trust or pool against which trust  
22       certificates or other obligations guaranteed  
23       under this section are offered.

24       “(l) AGGREGATE LIMITATION.—The total amount of  
25       outstanding obligations guaranteed on a cumulative basis

1 by the Secretary pursuant to subsection (a) shall not at  
 2 any time exceed \$2,000,000,000.”.

3 **SEC. 36. HOUSING EDUCATION, ORGANIZATIONAL, AND**  
 4 **OTHER SUPPORT.**

5 (a) IN GENERAL.—Section 233(a) of such Act is  
 6 amended by striking “The” and inserting “Of the amount  
 7 available for each fiscal year under section 217(a)(2)(A),  
 8 the”.

9 (b) ELIGIBLE ACTIVITIES.—Section 233(b) of such  
 10 Act is amended by adding at the end the following new  
 11 paragraphs:

12 “(8) HOUSING PROJECT COSTS.—Assistance  
 13 under this section may be used for housing project  
 14 costs, in conjunction with other capacity building ac-  
 15 tivities under this section.

16 “(9) CAPACITY OF NONPROFITS.—Assistance  
 17 under this section may be used for building the ca-  
 18 pacity of new and existing nonprofit organizations.

19 “(10) ASSISTANCE TO NONPROFIT ORGANIZA-  
 20 TIONS.—Assistance under this section may be used  
 21 for funding operating and project expenses of new  
 22 and existing nonprofit organizations engaged in sta-  
 23 bilizing and revitalizing low-income neighborhoods or  
 24 areas in accordance with the jurisdiction’s consoli-  
 25 dated plan.



1           “(11) OTHER.—Such other activities that the  
2       Secretary determines further the purposes of the  
3       subtitle.”.

4   **SEC. 37. PRIORITIES FOR CAPACITY DEVELOPMENT.**

5       Section 242 of such Act is amended—

6           (1) by striking “To carry out section 241, the  
7       Secretary” and inserting “(a) IN GENERAL.—To  
8       carry out section 241, of the amount available for  
9       each fiscal year under section 217(a)(2)(A), the Sec-  
10      retary”;

11          (2) in subsection (a), as redesignated—

12           (A) by striking “and” at the end of para-  
13      graph (5);

14           (B) by striking the period at the end of  
15      paragraph (6) and inserting “; and”; and

16           (C) by adding at the end the following new  
17      paragraph:

18           “(7) improve the ability of States and units of  
19      general local government, Community Housing De-  
20      velopment Organizations, and other nonprofit orga-  
21      nizations, and for-profit developers of low-income  
22      housing to carry out the provisions of this title and  
23      other laws applicable to investments under this  
24      title.”; and

1           (3) by adding at the end of subsection (a), as  
2           designated by paragraph (1), the following new sub-  
3           section:

4           “(b) SUSTAINABLE COMMUNITY DEVELOPMENT.—  
5           Funds may also be provided for urban design and develop-  
6           ment and implementation of comprehensive plans that  
7           focus on local and metropolitan strategies which create  
8           sustainable community development at the neighborhood,  
9           city, and metropolitan level.”.

10   **SEC. 38. CONDITIONS OF CONTRACTS.**

11           Section 243(a) of such Act is amended—

12           (1) in paragraph (4), by striking “or” after the  
13           semicolon;

14           (2) in paragraph (5), by striking the period and  
15           inserting “; or”; and

16           (3) by adding at the end the following new  
17           paragraph:

18           “(6) a public or private college or university.”.

19   **SEC. 39. OTHER ASSISTANCE.**

20           Section 244 of such Act is amended—

21           (1) by amending the title to read as follows:

22   **“SEC. 244. OTHER ASSISTANCE.”;**

23           (2) in the first sentence, by striking “The” and  
24           inserting “(a) RESEARCH IN HOUSING AFFORD-

1 ABILITY.—Of the amount available for each fiscal  
2 year under section 217(a)(2)(A), the”; and

3 (3) by inserting after subsection (a), as des-  
4 ignated by paragraph (2), the following new sub-  
5 sections:

6 “(b) PERFORMANCE DATA.—Of the amount available  
7 for each fiscal year under section 217(a)(2)(B), the Sec-  
8 retary is authorized to establish a national database on  
9 local needs and program performance, to provide jurisdic-  
10 tions with computer software to plan and track perform-  
11 ance, and to provide other support or services to facilitate  
12 the exchange of information under this subtitle among ju-  
13 risdictions, community housing development organiza-  
14 tions, other nonprofits, community members, and the Sec-  
15 retary.

16 “(c) JOINT GRANTS TO EDUCATIONAL INSTITUTIONS  
17 AND STATE AND LOCAL GOVERNMENTS.—Of the amount  
18 available for each fiscal year under section 217(a)(2)(A),  
19 the Secretary may use up to \$5,000,000 to make grants  
20 to States and units of general local government and insti-  
21 tutions of higher education having a demonstrated capac-  
22 ity to carry out eligible activities under this title, except  
23 that the Secretary may make a grant under this sub-  
24 section only to a State or unit of general local government  
25 that jointly, with an institution of higher education, has

1 prepared and submitted to the Secretary an application  
 2 for such grant, as the Secretary shall by regulation re-  
 3 quire.

4 “(d) COMMUNITY OUTREACH PARTNERSHIP ACT.—  
 5 Of the amount available for each fiscal year under section  
 6 217(a)(3)(A), the Secretary may use up to \$7,500,000 to  
 7 carry out the Community Outreach Partnership Act of  
 8 1992.

9 “(e) LEAD ASSISTANCE.—Of the amount available  
 10 for each fiscal year beginning in fiscal year 1998 under  
 11 section 217(a)(3)(C), the Secretary is authorized to pro-  
 12 vide assistance to State and local governments to support  
 13 lead research, technical studies, and education materials,  
 14 concerning lead-based paint hazards, reduction and abate-  
 15 ment of lead-based paint hazards, and childhood lead poi-  
 16 soning prevention activities.”.

17 **SEC. 40. TERMINATION OF EXISTING PROGRAMS.**

18 Section 289 of such Act is amended by adding at the  
 19 end the following new subsection:

20 “(d) HOME PERFORMANCE FUND REPEALERS.—

21 “(1) IN GENERAL.—The following provisions of  
 22 law are hereby repealed:

23 “(A) Title III, subtitle A, of the Cranston-  
 24 Gonzalez National Affordable Housing Act, ef-  
 25 fective on the date of enactment of this Act.

1           “(B) Title IV, subtitles B and C, of the  
2           Cranston-Gonzalez National Affordable Hous-  
3           ing Act, effective on the date of enactment of  
4           this Act.

5           “(C) Section 1011 of the Housing and  
6           Community Development Act of 1992, effective  
7           on October 1, 1997.

8           “(2) AUTHORITY TO PROVIDE ASSISTANCE.—  
9           On and after the effective date of such repeal, the  
10          Secretary may not make assistance available under  
11          any of the authorities listed in paragraph (1) (as  
12          they existed immediately before such effective date),  
13          except pursuant to a legally binding commitment en-  
14          tered into before that date.

15          “(3) LAW GOVERNING.—Any amounts made  
16          available under any authority listed in paragraph (1)  
17          before such effective date shall continue to be gov-  
18          erned by the provisions of such authority, as they  
19          existed immediately before that date, except that  
20          each jurisdiction may, in its discretion pursuant to  
21          procedures established by the Secretary, provide for  
22          the use, in accordance with the provisions of this  
23          title, of any such amounts that it has not obligated  
24          under such authority. If the grantee under any of  
25          these authorities is not the jurisdiction, the grantee

1       may, pursuant to procedures established by the Sec-  
 2       retary, transfer such unobligated funds to the juris-  
 3       diction for use in accordance with the provisions of  
 4       this title or title I of the Housing and Community  
 5       Development Act of 1974.

6               “(4) STATUS OF FUNDS.—Any amounts appro-  
 7       priated under any authority listed in paragraph (1)  
 8       before such effective date that are available for obli-  
 9       gation immediately before such date, or that become  
 10      available for obligation on or after that date, shall  
 11      be transferred and added to, and shall thereafter be  
 12      available for the purposes of, the appropriation ac-  
 13      count for this title. Any amounts so transferred shall  
 14      remain available for obligation only for the time pe-  
 15      riods for which such respective amounts were avail-  
 16      able before such transfer.”.

17       **TITLE II—DEVELOPING COMMUNITIES**  
 18                       **INITIATIVE**

19       **SEC. 51. BASIC AUTHORITY.**

20           (a) PURPOSES.—The Secretary may provide assist-  
 21      ance in accordance with the provisions of this title to non-  
 22      profit organizations for the purposes of—

23                   (1) stimulating public and private investment in  
 24      housing and community development for disadvan-

1       tagged and underserved individuals in target commu-  
2       nities under subsection (b);

3           (2) making infrastructure, public health, and  
4       safety improvements for such disadvantaged and un-  
5       derserved individuals;

6           (3) providing supportive services for such dis-  
7       advantaged and underserved individuals; and

8           (4) developing the capacity of community devel-  
9       opment corporations to undertake community devel-  
10      opment and affordable housing projects for such dis-  
11      advantaged and underserved individuals.

12      (b) TARGET COMMUNITIES.—Assistance provided  
13      under this title shall be used, as determined by the Sec-  
14      retary in consultation with the Secretary of Agriculture,  
15      to assist disadvantaged and underserved individuals in  
16      communities requiring development due to factors such as  
17      severe, unmet housing needs, substandard housing, inad-  
18      equate roads and drainage, substandard or the absence  
19      of water and sewer facilities, inadequate social support  
20      services, and inadequate governmental funding, including  
21      individuals such as—

22           (1) residents of colonias;

23           (2) farmworkers; and

1           (3) Native Americans who are not being ade-  
2           quately served by other programs, as determined by  
3           the Secretary.

4   **SEC. 52. FUNDING.**

5           (a) AUTHORIZATION OF APPROPRIATIONS.—The first  
6           sentence of section 106(a)(1) of the Housing and Commu-  
7           nity Development Act of 1974 is amended by inserting be-  
8           fore the period the following: “; and of such approved  
9           amounts, the Secretary shall reserve \$50,000,000 for fis-  
10          cal year 1997 and such sums as may be necessary for fis-  
11          cal years 1998, 1999, and 2000 for the Developing Com-  
12          munities Initiative under title II of the Community Devel-  
13          opment Block Grant Performance Fund and HOME Per-  
14          formance Fund Act of 1996”.

15          (b) TECHNICAL ASSISTANCE.—The Secretary may  
16          use up to 2 percent of the amounts available for use under  
17          this title in any fiscal year to provide technical assistance  
18          (through grant awards or directly) in conjunction with the  
19          administration of the program under this title.

20          (c) ALLOCATION OF FUNDING AMONG TARGET COM-  
21          MUNITIES.—The Secretary shall publish a notice in the  
22          Federal Register describing how the Secretary has deter-  
23          mined to allocate assistance under this title among the tar-  
24          get communities, taking into account their relative need  
25          for assistance and other appropriate factors.



1 (d) ALLOCATION OF ASSISTANCE FOR PLANNING AC-  
2 TIVITIES.—Of the amounts available for use under this  
3 title for each fiscal year, the Secretary may designate up  
4 to 25 percent for planning activities under section 53 of  
5 this Act.

6 (e) MATCHING REQUIREMENT.—The Secretary, in  
7 consultation with the Secretary of Agriculture, shall estab-  
8 lish the ratio of matching funds which a nonprofit organi-  
9 zation shall provide from one or more sources other than  
10 the Developing Communities Initiative for use to carry out  
11 the activities specified in the application.

12 **SEC. 53. PROGRAM ADMINISTRATION.**

13 (a) APPLICATION AND SELECTION.—The Secretary,  
14 in consultation with the Secretary of Agriculture, shall  
15 prescribe procedures for the submission and selection of  
16 applications from nonprofit organizations.

17 (b) ELIGIBLE ACTIVITIES.—Assistance under this  
18 title may be used for—

19 (1) planning, including the cost of planning  
20 community development (including water and sewage  
21 facilities), housing activities, and social support serv-  
22 ices; and

23 (2) implementation, including capacity building  
24 of organizations in the target communities, the de-  
25 velopment of affordable housing opportunities, the

1 development of housing infrastructure, the construc-  
2 tion of community facilities intended to be used to  
3 provide supportive service activities, the establish-  
4 ment of sinking funds, and the initial funding, not  
5 to exceed two years, for supportive services.

6 (c) AUTHORITY OF SECRETARY.—The Secretary, in  
7 consultation with the Secretary of Agriculture, may pre-  
8 scribe such other requirements for providing assistance  
9 under this title as the Secretary determines to be appro-  
10 priate.

11 (d) LIMITATIONS.—

12 (1) TIME LIMIT ON COMPLETION OF ACTIVI-  
13 TIES.—All activities carried out with assistance pro-  
14 vided under this title shall be completed within two  
15 years (or within three years where approved by the  
16 Secretary for good cause) of the date of execution of  
17 the grant agreement by the grantee.

18 (2) MAXIMUM AMOUNT OF ASSISTANCE.—

19 (A) PLANNING.—Assistance for planning  
20 provided under this title may not exceed  
21 \$100,000 for each application.

22 (B) IMPLEMENTATION.—Assistance for im-  
23 plementation provided under this title may not  
24 exceed \$2,000,000 for each application.

1 **SEC. 54. RECORDS, REPORTS, AND AUDITS.**

2 (a) KEEPING OF RECORDS.—Each grantee shall keep  
3 such records as may be reasonably necessary to disclose  
4 the amounts and the disposition of amounts received  
5 under this title and to ensure compliance with the require-  
6 ments of this title.

7 (b) REPORTS.—Each grantee shall submit to the Sec-  
8 retary a report, or series of reports, in a form and at a  
9 time specified by the Secretary. Each report shall—

10 (1) describe the use of assistance made avail-  
11 able under this title; and

12 (2) describe and analyze the effect of assisted  
13 activities in addressing the objectives of this title.

14 (c) ACCESS TO DOCUMENTS BY THE SECRETARY.—  
15 The Secretary shall have access for the purpose of audit  
16 and examination to any books, documents, papers, and  
17 records of each grantee that are pertinent to assistance  
18 received in connection with, and the requirements of, this  
19 title.

20 (d) ACCESS TO DOCUMENTS BY THE COMPTROLLER  
21 GENERAL.—The Comptroller General of the United  
22 States, or any of the duly authorized representatives of  
23 the Comptroller General, shall have access for the purpose  
24 of audit and examination to any books, documents, papers,  
25 and records, of each grantee that are pertinent to assist-  
26 ance received under, and the requirements of, this title.

1 **SEC. 55. DEFINITIONS.**

2 As used in this title—

3 (1) The term “colonia” has the meaning given  
4 the term in section 916(e) of the Cranston-Gonzalez  
5 National Affordable Housing Act.

6 (2) The term “farmworkers” has the meaning  
7 given the term in section 514 of the Rural Housing  
8 Act.

9 (3) The term “grantee” means a nonprofit or-  
10 ganization that receives assistance from the Sec-  
11 retary under this title.

12 (4) The term “Indian tribe” or “tribe” means  
13 any Indian tribe, band, nation, or other organized  
14 group or community of Indians, including any Alas-  
15 ka Native Village, which is recognized as eligible for  
16 the special programs and services provided by the  
17 United States to Indians because of their status as  
18 Indians pursuant to the Indian Self-Determination  
19 and Education Assistance Act of 1975 (Public Law  
20 92–638), as amended.

21 (5) The term “Native American” means any  
22 person who is a member of an Indian tribe.

23 (6) The term “nonprofit organization” means a  
24 private organization—

1 (A) no title of the net earnings of which  
2 inures to benefits of any member, founder, con-  
3 tributor, or individual;

4 (B) that has a voluntary board;

5 (C) that has an accounting system, or has  
6 designated a fiscal agent in accordance with re-  
7 quirements established by the Secretary; and

8 (D) that practices nondiscrimination in the  
9 provision of assistance.

### 10 **TITLE III—MISCELLANEOUS PROGRAMS**

#### 11 **SEC. 61. USE OF TECHNICAL ASSISTANCE FUNDS BY OR** 12 **FOR HUD STAFF.**

13 Section 7 of the Department of Housing and Urban  
14 Development Act is amended by adding at the end the fol-  
15 lowing new subsection:

16 “(t) The Secretary may transfer to any of the ac-  
17 counts of the Department for salaries and expenses from  
18 any other account from which funds may be drawn for  
19 capacity building and technical assistance such amounts,  
20 but not more than 10 percent of the amount available for  
21 capacity building and technical assistance in any one ac-  
22 count, as the Secretary determines are reasonable to reim-  
23 burse such salaries and expenses account. Such reimburse-  
24 ment shall be for expenditures for the costs of personal  
25 services, travel, and transportation, and other object clas-

1 sifications that are incurred for the capacity building,  
 2 technical assistance, training, and related activities pro-  
 3 vided by or to officials and employees of the Department  
 4 for a program that is funded from such other account and  
 5 in which the costs of capacity building and technical as-  
 6 sistance are otherwise eligible for expenditure. The author-  
 7 ity to transfer provided in this subsection shall be in addi-  
 8 tion to any other authority to transfer funds among ac-  
 9 counts that the Secretary may now or hereafter have.”.

10 **SEC. 62. HUD RESEARCH AND DEVELOPMENT.**

11       The second sentence of section 501 of the Housing  
 12 and Urban Development Act of 1970 is amended to read  
 13 as follows: “There are authorized to be appropriated to  
 14 carry out this title \$45,000,000 for fiscal year 1997 and  
 15 such sums as may be necessary for fiscal years 1998,  
 16 1999, and 2000.”.

17 **SEC. 63. FAIR HOUSING INITIATIVES PROGRAM.**

18       Section 561(g) of the Housing and Community De-  
 19 velopment Act of 1987 is amended to read as follows:

20       “(g) AUTHORIZATION OF APPROPRIATIONS.—There  
 21 are authorized to be appropriated to carry out the provi-  
 22 sions of this section \$15,000,000 for fiscal year 1997, and  
 23 such sums as may be necessary for fiscal years 1998,  
 24 1999, and 2000, of which—

1 “(1) not less than \$10,500,000 for fiscal year  
2 1997 and such sums as may be necessary for fiscal  
3 years 1998, 1999, and 2000 shall be for private en-  
4 forcement initiatives authorized under subsection  
5 (b), divided equally between activities specified under  
6 subsection (b)(1) and those specified under sub-  
7 section (b)(2);

8 “(2) not less than \$2,700,000 for fiscal year  
9 1997 and such sums as may be necessary for fiscal  
10 years 1998, 1999, and 2000 shall be for fair housing  
11 enforcement organizations authorized under sub-  
12 section (c);

13 “(3) not less than \$1,800,000 for fiscal year  
14 1997 and such sums as may be necessary for fiscal  
15 years 1998, 1999, and 2000 shall be for education  
16 and outreach programs authorized under subsection  
17 (d); and

18 “(4) such sums as may be necessary for fiscal  
19 years 1998, 1999, and 2000 shall be for administra-  
20 tive enforcement.”.

21 **SEC. 64. LEAD-BASED PAINT TARGET HOUSING HAZARD RE-**  
22 **DUCTION PROGRAM.**

23 The Residential Lead-Based Paint Hazard Reduction  
24 Act of 1992 is amended—

1           (1) by striking section 1011(p) and inserting in  
2       lieu thereof the following:

3       “(p) AUTHORIZATION OF APPROPRIATIONS.—For the  
4       purposes of carrying out this Act, there are authorized to  
5       be appropriated \$60,000,000 for fiscal year 1997.”; and

6           (2) by striking section 1053 and inserting in  
7       lieu thereof the following:

8       **“SEC. 1053. AUTHORIZATION.**

9       “Of the total amount approved in appropriation Acts  
10      under section 1011(p), there shall be set aside to carry  
11      out this part \$10,000,000 for fiscal year 1997.”.

○