

106TH CONGRESS  
1ST SESSION

# H. R. 425

To authorize the Secretary of Housing and Urban Development to make grants to States to supplement State assistance for the preservation of affordable housing for low-income families.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 19, 1999

Mr. VENTO introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To authorize the Secretary of Housing and Urban Development to make grants to States to supplement State assistance for the preservation of affordable housing for low-income families.

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 Preservation  
5 Matching Grant Act of 1999”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

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

1           (1) more than 55,300 affordable housing dwell-  
2           ing units in the United States have been lost  
3           through termination of low income affordability re-  
4           quirements, which usually involves the prepayment  
5           of the outstanding principal balance under the mort-  
6           gage on the project in which such units are located;

7           (2) more than 265,000 affordable housing  
8           dwelling units in the United States are currently at  
9           risk of prepayment;

10          (3) the loss of the privately owned, federally as-  
11          sisted affordable housing, which is occurring during  
12          a period when rents for unassisted housing are in-  
13          creasing and few units of additional affordable hous-  
14          ing are being developed, will cause unacceptable  
15          harm on current tenants of affordable housing and  
16          will precipitate a national crisis in the supply of  
17          housing for low-income households;

18          (4) the demand for affordable housing far ex-  
19          ceeds the supply of such housing, as evidenced by  
20          studies in 1998 that found that—

21                 (A) 5,300,000 households (one-seventh of  
22                 all renters in the Nation) have worst-case hous-  
23                 ing needs; and

24                 (B) the number of families with at least  
25                 one full-time worker and having worst-case

1 housing needs increased from 1991 to 1995 by  
2 265,000 (24 percent) to almost 1,400,000;

3 (5) the shortage of affordable housing in the  
4 United States reached a record high in 1995, when  
5 the number of low-income households exceeded the  
6 number of low-cost rental dwelling units by  
7 4,400,000;

8 (6) between 1990 and 1995, the shortage of af-  
9 fordable housing in the United States increased by  
10 1,000,000 dwelling units, as the supply of low-cost  
11 units decreased by 100,000 and the number of low-  
12 income renter households increased by 900,000;

13 (7) there are nearly 2 low-income renters in the  
14 United States for every low-cost rental dwelling unit;

15 (8) 2 of every 3 low-income renters receive no  
16 housing assistance and about 2,000,000 low-income  
17 households remain on waiting lists for affordable  
18 housing;

19 (9) the shortage of affordable housing dwelling  
20 units results in low-income households that are not  
21 able to acquire low-cost rental units paying large  
22 proportions of their incomes for rent; and

23 (10) in 1995, 82 percent of low-income renter  
24 households were paying more than 30 percent of  
25 their incomes for rent and utilities.

1 (b) PURPOSE.—It is the purpose of this Act—

2 (1) to promote the preservation of affordable  
3 housing units by providing matching grants to  
4 States that have developed and funded programs for  
5 the preservation of privately owned housing that is  
6 affordable to low-income families and persons and  
7 was produced for such purpose with Federal assist-  
8 ance;

9 (2) to minimize the involuntary displacement of  
10 tenants who are currently residing in such housing,  
11 many of whom are elderly or disabled persons; and

12 (3) to continue the partnerships among the  
13 Federal Government, State and local governments,  
14 and the private sector in operating and assisting  
15 housing that is affordable to low-income Americans.

16 **SEC. 3. AUTHORITY.**

17 The Secretary of Housing and Urban Development  
18 shall, to the extent amounts are made available pursuant  
19 to section 11, make grants under this Act to States for  
20 low-income housing preservation.

21 **SEC. 4. USE OF GRANTS.**

22 (a) IN GENERAL.—Amounts from grants under this  
23 Act may be used only for assistance for acquisition, pres-  
24 ervation incentives, operating costs, and capital expendi-

1 tures for a housing project that meets the requirements  
2 under subsection (b), (c), or (d).

3 (b) PROJECTS WITH HUD-INSURED MORTGAGES.—

4 A project meets the requirements under this subsection  
5 only if—

6 (1) the project is financed by a loan or mort-  
7 gage that is—

8 (A) insured or held by the Secretary under  
9 section 221(d)(3) of the National Housing Act  
10 and receiving loan management assistance  
11 under section 8 of the United States Housing  
12 Act of 1937 due to a conversion from section  
13 101 of the Housing and Urban Development  
14 Act of 1965;

15 (B) insured or held by the Secretary and  
16 bears interest at a rate determined under the  
17 proviso of section 221(d)(5) of the National  
18 Housing Act;

19 (C) insured, assisted, or held by the Sec-  
20 retary or a State or State agency under section  
21 236 of the National Housing Act; or

22 (D) held by the Secretary and formerly in-  
23 sured under a program referred to in subpara-  
24 graph (A), (B), or (C);

1           (2) the project is subject to an unconditional  
2 waiver of, with respect to the mortgage referred to  
3 in paragraph (1)—

4                   (A) all rights to any prepayment of the  
5 mortgage; and

6                   (B) all rights to any voluntary termination  
7 of the mortgage insurance contract for the  
8 mortgage; and

9           (3) the owner of the project has entered into  
10 binding commitments (applicable to any subsequent  
11 owner) to extend all low-income affordability restric-  
12 tions for the project, including any such restrictions  
13 imposed because of any contract for project-based  
14 assistance for the project.

15           (c) PROJECTS WITH SECTION 8 PROJECT-BASED AS-  
16 SISTANCE.—A project meets the requirements under this  
17 subsection only if—

18                   (1) the project is subject to a contract for  
19 project-based assistance; and

20                   (2) the owner of the project has entered into  
21 binding commitments (applicable to any subsequent  
22 owner) to extend such assistance for the maximum  
23 period allowable under law (subject to the availabil-  
24 ity of amounts for such purpose) and to extend any

1 low-income affordability restrictions applicable to the  
2 project in connection with such assistance.

3 (d) PROJECTS PURCHASED BY RESIDENTS.—A  
4 project meets the requirements under this subsection only  
5 if the project—

6 (1) is or was eligible low-income housing (as  
7 such term is defined in section 229 of the Low-In-  
8 come Housing Preservation and Resident Home-  
9 ownership Act of 1990 (42 U.S.C. 4119); and

10 (2) has been purchased by a resident council for  
11 the housing or is approved by the Secretary for such  
12 purchase, for conversion to homeownership housing  
13 under a resident homeownership program meeting  
14 the requirements under section 226 of such Act (12  
15 U.S.C. 4116).

16 (e) COMBINATION OF ASSISTANCE.—Notwithstand-  
17 ing subsection (a), any project that is otherwise eligible  
18 for assistance with grant amounts provided under this Act  
19 because the project meets the requirements under sub-  
20 section (b) or (c) and that also meets the requirements  
21 under paragraph (1) of the other of such subsections, shall  
22 be eligible for such assistance only if the project complies  
23 with all of the requirements under such other subsection.

1 **SEC. 5. GRANT AMOUNT LIMITATION.**

2       The Secretary shall limit the portion of the aggregate  
3 amount of grants under this Act made available for any  
4 fiscal year that may be provided to a single State based  
5 upon the proportion of such State's need (as determined  
6 by the Secretary) for such assistance to the aggregate  
7 need among all States approved for such assistance for  
8 such fiscal year.

9 **SEC. 6. MATCHING REQUIREMENT.**

10       (a) **IN GENERAL.**—The Secretary may not make a  
11 grant under this Act to any State for any fiscal year in  
12 an amount that exceeds twice the amount that the State  
13 certifies, as the Secretary shall require, that the State will  
14 contribute for such fiscal year, or has contributed since  
15 January 1, 1999, from non-Federal sources for the pur-  
16 poses under section 4(a).

17       (b) **TREATMENT OF PREVIOUS CONTRIBUTIONS.**—  
18 Any portion of amounts contributed after January 1,  
19 1999, that are counted for purposes of meeting the re-  
20 quirement under subsection (a) for a fiscal year may not  
21 be counted for such purposes for any subsequent fiscal  
22 year.

23       (c) **TREATMENT OF TAX CREDITS.**—Tax credits pro-  
24 vided under section 42 of the Internal Revenue Code of  
25 1986 and proceeds from the sale of tax-exempt bonds by



1 any state or local government entity shall not be consid-  
2 ered non-Federal sources for purposes of this section.

3 **SEC. 7. TREATMENT OF SUBSIDY LAYERING REQUIRE-**  
4 **MENTS.**

5 Neither section 6 nor any other provision of this Act  
6 may be construed to prevent the use of tax credits pro-  
7 vided under section 42 of the Internal Revenue Code of  
8 1986 in connection with housing assisted with grant  
9 amounts provided under this Act, to the extent that such  
10 use is in accordance with section 102(d) of the Depart-  
11 ment of Housing and Urban Development Reform Act of  
12 1989 (42 U.S.C. 3545(d)) and section 911 of the Housing  
13 and Community Development Act of 1992 (42 U.S.C.  
14 3545 note).

15 **SEC. 8. APPLICATIONS.**

16 The Secretary shall provide for States (through ap-  
17 propriate State agencies) to submit applications for grants  
18 under this Act. The Secretary shall require the applica-  
19 tions to contain any information and certifications nec-  
20 essary for the Secretary to determine whether the State  
21 is eligible to receive such a grant.

22 **SEC. 9. DEFINITIONS.**

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

1           (1) LOW-INCOME AFFORDABILITY RESTRIC-  
2           TIONS.—The term “low-income affordability restric-  
3           tions” means, with respect to a housing project, any  
4           limitations imposed by regulation or regulatory  
5           agreement on rents for tenants of the project, rent  
6           contributions for tenants of the project, or income-  
7           eligibility for occupancy in the project.

8           (2) PROJECT-BASED ASSISTANCE.—The term  
9           “project-based assistance” has the meaning given  
10          such term in section 16(c) of the United States  
11          Housing Act of 1937 (42 U.S.C. 1437n(c)), except  
12          that such term includes assistance under any succes-  
13          sor programs to the programs referred to in such  
14          section.

15          (3) SECRETARY.—The term “Secretary” means  
16          the Secretary of Housing and Urban Development.

17          (4) STATE.—The term “State” means the  
18          States of the United States, the District of Colum-  
19          bia, the Commonwealth of Puerto Rico, the Com-  
20          monwealth of the Northern Mariana Islands, Guam,  
21          the Virgin Islands, American Samoa, and any other  
22          territory or possession of the United States.

23 **SEC. 10. REGULATIONS.**

24          The Secretary may issue any regulations necessary  
25          to carry out this Act.

1 **SEC. 11. AUTHORIZATION OF APPROPRIATIONS.**

2       There is authorized to be appropriated for grants  
3 under this title such sums as necessary for each of fiscal  
4 years, 2000, 2001, 2002, 2003, and 2004.

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