

105TH CONGRESS  
2D SESSION

# H. R. 3865

To amend the Internal Revenue Code of 1986 to allow the designation of renewal communities, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1998

Mr. WATTS of Oklahoma (for himself, Mr. DAVIS of Illinois, Mr. TALENT, Mr. DAVIS of Virginia, Mr. MCINTOSH, Mr. KNOLLENBERG, Mr. DEAL of Georgia, Mr. PITTS, Mr. ENSIGN, Ms. GRANGER, Mr. RIGGS, Mr. SESSIONS, Mr. THORNBERRY, Mr. GINGRICH, Mr. SENSENBRENNER, Mr. WAMP, Mr. DELAY, Mr. LARGENT, Mr. BONILLA, Ms. FURSE, Mrs. MYRICK, Mr. COBURN, Mr. CHABOT, Mrs. EMERSON, Mr. BURTON of Indiana, Mr. PETERSON of Pennsylvania, Mr. NORWOOD, Mr. GRAHAM, Mr. LEWIS of Kentucky, Mr. DOOLITTLE, Mr. RYUN, Mrs. NORTHUP, Mr. FROST, Mr. TOWNS, Mr. KING, Mr. ENGLISH of Pennsylvania, Mr. SOUDER, Mr. WATKINS, Mrs. KELLY, Mr. BOEHNER, Mr. DOOLEY of California, Mr. ARMEY, Mr. HINOJOSA, Mr. DREIER, Mr. CALVERT, and Ms. EDDIE BERNICE JOHNSON of Texas) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, and Commerce, 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 amend the Internal Revenue Code of 1986 to allow the designation of renewal communities, 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,*

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**TITLE III—ADDITIONAL  
PROVISIONS**

**13 SEC. 301. TRANSFER OF UNOCCUPIED AND SUBSTANDARD  
14 HUD-HELD HOUSING IN RENEWAL COMMU-  
15 NITIES TO LOCAL GOVERNMENTS.**

16 (a) TRANSFER REQUIREMENT.—Pursuant to the au-  
17 thority under section 204 of the Departments of Veterans  
18 Affairs and Housing and Urban Development, and Inde-  
19 pendent Agencies Appropriations Act, 1997, the Secretary  
20 shall transfer ownership of any qualified HUD property  
21 to the unit of general local government having jurisdiction

1 for the area in which the property is located in accordance  
2 with this section, but only if the unit of general local gov-  
3 ernment enters into an agreement with the Secretary  
4 meeting the requirements of subsection (d).

5 (b) QUALIFIED HUD PROPERTIES.—For purposes of  
6 this section, the term “qualified HUD property” means  
7 any unoccupied multifamily housing, project, substandard  
8 multifamily housing project, or unoccupied single family  
9 property, that is—

10 (1) owned by the Secretary; and

11 (2) located within a renewal community.

12 (c) TIMING OF TRANSFER.—Any transfer of owner-  
13 ship required under subsection (a) shall be completed—

14 (1) with respect to any multifamily housing  
15 project or single family property that is acquired by  
16 the Secretary before the date on which the area in  
17 which property is located is designated as a renewal  
18 community and that is substandard or unoccupied  
19 (as applicable) upon such date, not later than 1 year  
20 after such date; and

21 (2) with respect to any multifamily housing  
22 project or single family property that is acquired by  
23 the Secretary on or after the date on which the area  
24 in which the property is located is designated as a  
25 renewal community, not later than 1 year after—

1           (A) the date on which the project is deter-  
2           mined to be substandard or unoccupied (as ap-  
3           plicable), in the case of a property that is not  
4           unoccupied or substandard upon acquisition by  
5           the Secretary; or

6           (B) the date on which the project is ac-  
7           quired by the Secretary, in the case of a prop-  
8           erty that is substandard or unoccupied (as ap-  
9           plicable) upon such acquisition.

10       (d) AGREEMENTS TO SELL PROPERTY TO COMMU-  
11       NITY DEVELOPMENT CORPORATIONS.—An agreement de-  
12       scribed in this subsection is an agreement that requires  
13       a unit of general local government to dispose of the quali-  
14       fied HUD property acquired by the unit of general local  
15       government in accordance with the following require-  
16       ments:

17           (1) NOTIFICATION TO COMMUNITY DEVELOP-  
18       MENT CORPORATIONS.—Not later than 30 days after  
19       the date on which the unit of general local govern-  
20       ment acquires title to the property under subsection  
21       (a), the unit of general local government shall notify  
22       each community development corporation located in  
23       the State in which the property is located—

24           (A) of such acquisition of title; and

1 (B) that, during the 6-month period begin-  
2 ning on the date on which such notification is  
3 made, such community development corpora-  
4 tions shall have the exclusive right under this  
5 subsection to make bona fide offers to purchase  
6 the property on a cost recovery basis.

7 (2) RIGHT OF FIRST REFUSAL.—During the 6-  
8 month period described in paragraph (1)(B)—

9 (A) the unit of general local government  
10 may not sell or offer to sell the qualified HUD  
11 property other than to a party notified under  
12 paragraph (1), unless each community develop-  
13 ment corporation required to be so notified has  
14 notified the unit of general local government  
15 that the corporation will not make an offer to  
16 purchase the property; and

17 (B) the unit of general local government  
18 shall accept a bona fide offer to purchase the  
19 property made during such period if the offer is  
20 acceptable to the unit of general local govern-  
21 ment, except that a unit of general local govern-  
22 ment may not sell a property to a community  
23 development corporation during that 6-month  
24 period other than on a cost recovery basis.

1           (3) OTHER DISPOSITION.—During the 6-month  
2           period beginning on the expiration of the 6-month  
3           period described in paragraph (1)(B), the unit of  
4           general local government shall dispose of the prop-  
5           erty on a negotiated, competitive bid, or other basis,  
6           on such terms as the unit of general local govern-  
7           ment deems appropriate.

8           (e) SATISFACTION OF INDEBTEDNESS.—Before  
9           transferring ownership of any qualified HUD property  
10          pursuant to subsection (a), the Secretary shall satisfy any  
11          indebtedness incurred in connection with the property to  
12          be transferred, by—

13                 (1) canceling the indebtedness; or

14                 (2) reimbursing the unit of general local gov-  
15          ernment to which the property is transferred for the  
16          amount of the indebtedness.

17          (f) DETERMINATION OF STATUS OF PROPERTIES.—  
18          To ensure compliance with the requirements of subsection  
19          (c), the Secretary shall take the following actions:

20                 (1) UPON DESIGNATION OF RENEWAL COMMU-  
21          NITIES.—Upon the designation of any renewal com-  
22          munity, the Secretary shall promptly assess each  
23          residential property owned by the Secretary that is  
24          located within such renewal community to determine  
25          whether such property is a qualified HUD property.

1           (2) UPON ACQUISITION.—Upon acquiring any  
2           residential property that is located with a renewal  
3           community, the Secretary shall promptly determine  
4           whether the property is a qualified HUD property.

5           (3) UPDATES.—The Secretary shall periodically  
6           reassess the residential properties owned by the Sec-  
7           retary to determine whether any such properties  
8           have become qualified HUD properties.

9           (g) TENANT LEASES.—This section shall not affect  
10          the terms or the enforceability of any contract or lease  
11          entered into with respect to any residential property before  
12          the date that such property becomes a qualified HUD  
13          property.

14          (h) PROCEDURES.—Not later than the expiration of  
15          the 6-month period beginning on the date of the enact-  
16          ment of this Act, the Secretary shall establish, by rule,  
17          regulation, or order, such procedures as may be necessary  
18          to carry out this section.

19          (i) DEFINITIONS.—For purposes of this section, the  
20          following definitions shall apply:

21                (1) COMMUNITY DEVELOPMENT CORPORA-  
22                TION.—The term “community development corpora-  
23                tion” means a nonprofit organization whose primary  
24                purpose is to promote community development by

1 providing housing opportunities for low-income fami-  
2 lies.

3 (2) COST RECOVERY BASIS.—The term “cost  
4 recovery basis” means, with respect to any sale of a  
5 residential property by a unit of general local gov-  
6 ernment to a community development corporation  
7 under subsection (d)(2), that the purchase price paid  
8 by the community development corporation is less  
9 than or equal to the costs incurred by the unit of  
10 general local government in connection with such  
11 property during the period beginning on the date on  
12 which the unit of general local government acquires  
13 title to the property under subsection (a) and ending  
14 on the date on which the sale is consummated.

15 (3) LOW-INCOME FAMILIES.—The term “low-in-  
16 come families” has the meaning given the term in  
17 section 3(b) of the United States Housing Act of  
18 1937.

19 (4) MULTIFAMILY HOUSING PROJECT.—The  
20 term “multifamily housing project” has the meaning  
21 given the term in section 203 of the Housing and  
22 Community Development Amendments of 1978.

23 (5) RENEWAL COMMUNITY.—The term “re-  
24 newal community” means an area designated (under

1 subchapter X of chapter 1 of the Internal Revenue  
2 Code of 1986) as a renewal community.

3 (6) RESIDENTIAL PROPERTY.—The term “resi-  
4 dential property” means a property that is a multi-  
5 family housing project or a single family property.

6 (7) SECRETARY.—The term “Secretary” means  
7 the Secretary of Housing and Urban Development.

8 (8) SEVERE PHYSICAL PROBLEMS.—The term  
9 “severe physical problems” means, with respect to a  
10 dwelling unit, that the unit—

11 (A) lacks hot or cold piped water, a flush  
12 toilet, or both a bathtub and a shower in the  
13 unit, for the exclusive use of that unit;

14 (B) on not less than 3 separate occasions  
15 during the preceding winter months, was un-  
16 comfortably cold for a period of more than 6  
17 consecutive hours due to a malfunction of the  
18 heating system for the unit;

19 (C) has no functioning electrical service,  
20 exposed wiring, any room in which there is not  
21 a functioning electrical outlet, or has experi-  
22 enced 3 or more blown fuses or tripped circuit  
23 breakers during the preceding 90-day period;

24 (D) is accessible through a public hallway  
25 in which there are no working light fixtures,

1 loose or missing steps or railings, and no eleva-  
2 tor; or

3 (E) has severe maintenance problems, in-  
4 cluding water leaks involving the roof, windows,  
5 doors, basement, or pipes or plumbing fixtures,  
6 holes or open cracks in walls or ceilings, severe  
7 paint peeling or broken plaster, and signs of ro-  
8 dent infestation.

9 (9) SINGLE FAMILY PROPERTY.—The term  
10 “single family property” means a 1- to 4-family resi-  
11 dence.

12 (10) SUBSTANDARD.—The term “substandard”  
13 means, with respect to a multifamily housing  
14 project, that 25 percent or more of the dwelling  
15 units in the project have severe physical problems.

16 (11) UNIT OF GENERAL LOCAL GOVERN-  
17 MENT.—The term “unit of general local govern-  
18 ment” has the meaning given the term in section  
19 102(a) of the Housing and Community Development  
20 Act of 1974.

21 (12) UNOCCUPIED.—The term “unoccupied”  
22 means, with respect to a residential property, that  
23 the unit of general local government having jurisdic-  
24 tion over the area in which the project is located has

1 certified in writing that the property is not inhab-  
2 ited.

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