

HOPE VI PROGRAM REAUTHORIZATION AND SMALL COMMUNITY MAINSTREET REJUVENATION AND HOUSING ACT OF 2003

JUNE 19, 2003.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. OXLEY, from the Committee on Financial Services, submitted the following

R E P O R T

[To accompany H.R. 1614]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1614) to reauthorize the HOPE VI program for revitalization of severely distressed public housing and to provide financial assistance under such program for main street revitalization or redevelopment projects in smaller communities to support the development of affordable housing for low-income families in connection with such projects, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “HOPE VI Program Reauthorization and Small Community Mainstreet Rejuvenation and Housing Act of 2003”.

SEC. 2. HOPE VI PROGRAM REAUTHORIZATION.

(a) SELECTION CRITERIA.— Section 24(e)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437v(e)(2)) is amended—

(1) by striking the matter preceding subparagraph (A) and inserting the following:

“(2) SELECTION CRITERIA.—The Secretary shall establish criteria for the award of grants under this section and shall include among the factors—”;

(2) in subparagraph (B), by striking “large-scale”;

(3) in subparagraph (D)—

(A) by inserting “and ongoing implementation” after “development”; and

(B) by inserting “, except that the Secretary may not award a grant under this section unless the applicant has involved affected public housing residents at the beginning and during the planning process for the revitalization program, prior to submission of an application” before the semicolon at the end;

(4) in subparagraph (H), by striking “and” at the end;

(5) by redesignating subparagraph (I) as subparagraph (M); and

(6) by inserting after subparagraph (H) the following new subparagraphs:

“(I) the extent to which the applicant can commence and complete the revitalization plan expeditiously;

“(J) the extent to which the plan minimizes temporary or permanent displacement of current residents of the public housing site who wish to remain in or return to the revitalized community and provides for community and supportive services to residents prior to any relocation;

“(K) the extent to which the plan sustains or creates more project-based housing units available to persons eligible for public housing in markets where there is demand for the maintenance or creation of such units;

“(L) the extent to which the plan gives to existing residents priority for occupancy in dwelling units in the revitalized community; and”.

(b) DEFINITION OF SEVERELY DISTRESSED PUBLIC HOUSING.—Section 24(j)(2)(A)(iii) of the United States Housing Act of 1937 (42 U.S.C. 1437v(j)(2)(A)(iii)) is amended—

(1) in subclause (I)—

(A) by inserting “or very low-income elderly or non-elderly disabled persons” before the first comma; and

(B) by striking “or” at the end;

(2) in subclause (II), by inserting “or” after the semicolon at the end; and

(3) by inserting at the end the following new subclause:

“(III) is lacking in sufficient appropriate transportation, supportive services, economic opportunity, schools, civic and religious institutions, and public services, resulting in severe social distress in the project;”.

(c) AUTHORIZATION OF APPROPRIATIONS.— Paragraph (1) of section 24(m) of the United States Housing Act of 1937 (42 U.S.C. 1437v(m)(1)) is amended by inserting before the period at the end the following: “and such sums as may be necessary for each of fiscal years 2004 and 2005”.

(d) EXTENSION OF PROGRAM.— Section 24(n) of the United States Housing Act of 1937 (42 U.S.C. 1437v(n)) is amended by striking “September 30, 2004” and inserting “September 30, 2005”.

SEC. 3. HOPE VI GRANTS FOR ASSISTING AFFORDABLE HOUSING THROUGH MAIN STREET PROJECTS.

(a) PURPOSES.—Section 24(a) of the United States Housing Act of 1937 (42 U.S.C. 1437v(a)) is amended by adding after and below paragraph (4) the following:

“It is also the purpose of this section to provide assistance to smaller communities for the purpose of facilitating the development of affordable housing for low-income families that is undertaken in connection with a main street revitalization or redevelopment project in such communities.”.

(b) GRANTS FOR ASSISTING AFFORDABLE HOUSING DEVELOPED THROUGH MAIN STREET PROJECTS IN SMALLER COMMUNITIES.—Section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v) is amended—

- (1) by redesignating subsection (n) as subsection (o); and
- (2) by inserting after subsection (m) the following new subsection:

“(n) GRANTS FOR ASSISTING AFFORDABLE HOUSING DEVELOPED THROUGH MAIN STREET PROJECTS IN SMALLER COMMUNITIES.—

“(1) AUTHORITY AND USE OF GRANT AMOUNTS.—The Secretary may make grants under this subsection to smaller communities. Such grant amounts shall be used by smaller communities only to provide assistance to carry out eligible affordable housing activities under paragraph (3) in connection with an eligible project under paragraph (2).

“(2) ELIGIBLE PROJECT.—For purposes of this subsection, the term ‘eligible project’ means a project that—

“(A) the Secretary determines, under the criteria established pursuant to paragraph (3), is a main street project;

“(B) is carried out within the jurisdiction of smaller community receiving the grant; and

“(C) involves the development of affordable housing that is located in the commercial area that is the subject of the project.

“(3) MAIN STREET PROJECTS.—The Secretary shall establish requirements for a project to be considered a main street project for purposes of this section, which shall require that the project—

“(A) has as its purpose the revitalization or redevelopment of a historic or traditional commercial area;

“(B) involves investment, or other participation, by the government for, and private entities in, the community in which the project is carried out; and

“(C) complies with such historic preservation guidelines or principles as the Secretary shall identify to preserve significant historic or traditional architectural and design features in the structures or area involved in the project.

“(4) ELIGIBLE AFFORDABLE HOUSING ACTIVITIES.—For purposes of this subsection, the activities described in subsection (d)(1) shall be considered eligible affordable housing activities, except that—

“(A) such activities shall be conducted with respect to affordable housing rather than with respect to severely distressed public housing projects; and

“(B) eligible affordable housing activities under this subsection shall not include the activities described in subparagraphs (B) through (F) or (J) through (L) of subsection (d)(1).

“(5) MAXIMUM GRANT AMOUNT.—A grant under this subsection for a fiscal year for a single smaller community may not exceed \$1,000,000.

“(6) CONTRIBUTION REQUIREMENT.—A smaller community applying for a grant under this subsection shall be considered an applicant for purposes of subsection (c) (relating to contributions by applicants), except that—

“(A) such supplemental amounts shall be used only for carrying out eligible affordable housing activities; and

“(B) paragraphs (1)(B) and (3) shall not apply to grants under this subsection.

“(7) APPLICATIONS AND SELECTION.—

“(A) APPLICATION.—Pursuant to subsection (e)(1), the Secretary shall provide for smaller communities to apply for grants under this subsection, except that the Secretary may establish such separate or additional criteria for applications for such grants as may be appropriate to carry out this subsection.

“(B) SELECTION CRITERIA.—The Secretary shall establish selection criteria for the award of grants under this subsection, which shall be based on the selection criteria established pursuant to subsection (e)(2), with such changes as may be appropriate to carry out the purposes of this subsection.

“(8) COST LIMITS.—The cost limits established pursuant to subsection (f) shall apply to eligible affordable housing activities assisted with grant amounts under this subsection.

“(9) INAPPLICABILITY OF OTHER PROVISIONS.—The provisions of subsections (g) (relating to disposition and replacement of severely distressed public housing), (h) (relating to administration of grants by other entities), and (i) (relating to withdrawal of funding) shall not apply to grants under this subsection.

“(10) REPORTING.—The Secretary shall require each smaller community receiving a grant under this subsection to submit a report regarding the use of all amounts provided under the grant.

“(11) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

“(A) AFFORDABLE HOUSING.—The term ‘affordable housing’ means rental or homeownership dwelling units that—

“(i) are made available for initial occupancy subject to the same rules regarding level of income and income mix as dwelling units in public housing projects assisted with a grant under this section; and

“(ii) are subject to the same rules regarding occupant contribution toward rent or purchase and terms of rental or purchase as dwelling units in public housing projects assisted with a grant under this section.

“(B) SMALLER COMMUNITY.—The term ‘smaller community’ means a unit of general local government (as such term is defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) that—

“(i) has a population of 30,000 or fewer; and

“(ii)(I) is not served by a public housing agency; or

“(II) is served by a single public housing agency, which agency administers 100 or fewer public housing dwelling units.”.

(c) ANNUAL REPORT.—Section 24(l) of the United States Housing Act of 1937 (42 U.S.C. 1437v(l)) is amended—

(1) in paragraph (3), by striking “; and” and inserting “, including a specification of the amount and type of assistance provided under subsection (n);”;

(2) by redesignating paragraph (4) as paragraph (5); and

(3) by inserting after paragraph (3) the following new paragraph:

“(4) the types of projects funded, and number of affordable housing dwelling units developed with, grants under subsection (n); and”.

(d) FUNDING.—Section 24(m) of the United States Housing Act of 1937 (42 U.S.C. 1437v(m)) is amended by adding at the end the following new paragraph:

“(3) SET-ASIDE FOR MAIN STREET HOUSING GRANTS.—Of the amount appropriated pursuant to paragraph (1) for any fiscal year, the Secretary shall provide up to 5 percent for use only for grants under subsection (n).”.

PURPOSE AND SUMMARY

H.R. 1614, the HOPE VI Program Reauthorization and Small Community Mainstreet Rejuvenation and Housing Act of 2003, will reauthorize the HOPE VI program for revitalization of severely distressed public housing and provide financial assistance under that program for main street revitalization or redevelopment projects in smaller communities to support the development of affordable housing for low-income families in connection with those projects.

BACKGROUND AND NEED FOR LEGISLATION

In 1989, Congress created the National Commission on Severely Distressed Public Housing to examine and establish a National Action Plan to eradicate severely distressed public housing by the year 2000. The Urban Revitalization Demonstration (URD) program, or HOPE VI, was an outgrowth of the Commission.

HOPE VI has been an important part of the transformation of public housing and very distressed communities since 1993. Under the program, public housing authorities (PHAs) receive grants and then partner with private entities to create mixed-finance and mixed-income affordable housing that revitalizes and redevelops neighborhoods. A HOPE VI property is developed and operated very differently from traditional public housing. For example, PHAs must contribute 5 percent of the grant amount and tenants must meet strict eligibility requirements.

Activities permitted under HOPE VI include, but are not limited to: (1) the capital costs of demolition, major reconstruction, rehabilitation and other physical improvements; (2) replacement housing and management improvements; (3) planning and technical assistance; and (4) implementation of community service programs and supportive services or the planning for such activities.

The HOPE VI program was modified and extended in each annual appropriation act from FY 1994 through FY 1999. It was authorized through FY 2002 by section 535 of the Quality Housing and Work Responsibility Act of 1998 (QHWRA), which established a new section 24 of the 1937 Act. That authorization was extended through 2004 by the FY 03 omnibus budget appropriations act (public law 108-7).

The HOPE VI program can point to many successes over the years. In fact, a February 2000 HUD report found that: "(1) HOPE VI is achieving its goals of community building; (2) HOPE VI is showing impressive results in helping residents move from welfare to work; (3) HOPE VI is helping residents move into the economic mainstream; (4) HOPE VI is dramatically reducing crime and violence in public housing; (5) HOPE VI is reducing the isolation of public housing residents; and (6) HOPE VI is leveraging significant investments in community improvements." (HOPE VI, Community Building Makes a Difference). A subsequent HUD report found that "* * * the HOPE VI program works to expand housing opportunity, improve housing quality, and generate interest in properties throughout the neighborhood that surround HOPE VI developments." (HOPE VI: Best Practices and Lessons Learned 1992–2002, June 2002). Finally, in November 2002, GAO reported that leveraging has increased over the life of the HOPE VI program (Public Housing: HOPE VI Leveraging Has Increased, but HUD Has Not Met Annual Reporting Requirements (GAO-03-91)).

However, several critical questions have been raised regarding the mission and the administration of the program. First, as enacted, the HOPE VI program was originally designed to focus on the problems inherent to large urban areas with severely distressed public housing. HOPE VI grants are to be used to create mixed-income properties that would not only provide low-income affordable housing but would serve to revitalize whole neighborhoods. Many housing advocates maintain that the emphasis on mixed-income properties has resulted in major displacements of low-income tenants.

Second, given the HOPE VI program's urban focus, large PHAs have received a majority of the grants. In fact, out of the more than 2,600 public housing authorities across the country, only 135 have received HOPE VI grants. Smaller communities face many of the same affordable housing challenges. Yet, many small or medium size communities have no chance of receiving public housing funds and many small communities do not even have a public housing authority. These communities struggle with low income housing needs and often have a disproportionate number of low-income families. Consequently, many believe that it is time to include smaller public housing authorities as eligible recipients of HOPE VI funds.

Third, the HOPE VI program has faced management and administrative challenges. For example, there has traditionally been slow-turnaround in dispersing HOPE VI funds and a significant portion of the awarded grant money (\$2.1 million of the \$4.5 billion awarded as of December 1, 2002) remains in the pipeline. Although many of the projects are advancing to the goal in an acceptable manner, to date, only 18 of approximately 165 projects have been completed. In an effort to resolve this problem, HUD has made sev-

eral changes to the program to require PHAs to have private funding in place prior to receiving a grant award.

Finally, a new question has been raised on whether public housing authorities should have a monopoly on HOPE VI funds and grants. Many of the smaller communities are not serviced by public housing authorities, yet they are facing many of the same housing affordability and availability needs.

The new affordable housing challenges and the questions surrounding the administration and mission of the HOPE VI program have led to a general agreement that the program is in need of reform. Consequently, the Committee held several hearings focusing on housing issues (including the performance of the HOPE VI program) in the 107th Congress, and included significant reforms to the HOPE VI program in H.R. 3995, the Housing Affordability for America Act, considered in the 107th Congress.

The reforms included in H.R. 3995 made small PHAs eligible for HOPE VI grants and improved the accountability and management of the program. H.R. 3995 also included a provision to make small communities wishing to revitalize their downtown mainstreet eligible recipients of HOPE VI funds if they are planning to incorporate affordable housing for low income families.

This legislation was approved by the Committee on September 17, 2002, but never considered by the full House. While H.R. 3995 was not considered by the full House, the House did unanimously approve H.R. 5499, HOPE VI Program Reauthorization Act of 2002, which included most of the changes to HOPE VI incorporated in H.R. 3995. However, this legislation was not considered by the Senate and was not enacted.

In the 108th Congress, the Subcommittee on Community Opportunity heard testimony from the Department of Housing and Urban Development and other witnesses at a hearing on April 29, 2003, entitled "Strengthening and Rejuvenating Our Nation's Communities and the HOPE VI Program". At that hearing, HUD expressed many of the same concerns regarding the mission and administration of the HOPE VI program. The President's FY 2004 does not include additional funding for the HOPE VI program. Rather than providing additional funds, the Administration maintains that HUD should focus on dispersing existing HOPE VI funds, and that there are more efficient and effective ways to leverage funds and build affordable housing. Notwithstanding the fact that the Administration has not included funds for HOPE VI in its FY 2004 budget, the Committee notes that the Department of Housing and Urban Development has instituted a series of working sessions to consider the future of the HOPE VI program. In addition, the Administration continues to highlight and extol the many successful HOPE VI projects across the country.

H.R. 1614 reauthorizes HOPE VI through 2005 and expands the list of criteria for awarding grants under the program. These new criteria are designed to address the criticisms of major tenant displacement, and to expand the pool of public housing authorities eligible to receive HOPE VI grants to include small public housing authorities. In addition, H.R. 1614 includes technical and administrative changes designed to address the administrative concerns such as the slow-turnaround on HOPE VI grants.

The bill also makes small communities eligible recipients of HOPE VI funds. HOPE VI grants would be awarded directly to small communities who would then partner with private developers and businesses to revitalize downtown areas. These projects include affordable housing as part of the project. This will help small towns with two problems—a lack of low income housing and degradation of historic mainstreet and town square areas. Under H.R. 1614, up to 5 percent of HOPE VI annual appropriations would be available for grants of up to \$1 million for affordable housing related to main street revitalization projects in small communities. The Committee believes that the impact of this investment will revitalize distressed rural downtowns and provide housing assistance where public and private investments have not kept pace with demand.

Finally, H.R. 1614 includes provisions to address the administration of the program. The bill includes provisions that will make the program more cost effective and efficient by adding certain criteria that HUD must consider when evaluating grant applications. The FY 03 appropriation act included \$574 million for new HOPE VI grants. The cost effective measures included in H.R. 1614 could be applied to the \$574 million if this bill is enacted quickly. Second, the bill authorizes such funds as may be necessary for the program for fiscal year 2004 and 2005.

As cited by the Administration, progress is often slow under the HOPE VI program. Much of this may be attributed to the fact that it takes time to put together a public-private financing package for a HOPE VI project. Next, large-scale demolition and construction must be completed in phases. Consequently, HOPE VI dollars often remain in the pipeline for extended periods of time. H.R. 1614 includes language that makes “timeliness to commence and complete the plan” a key criteria when determining grant awards.

The HOPE VI program has been a valuable program in addressing many of this country’s housing needs by revitalizing communities rather than simply building public housing. H.R. 1614 reforms the HOPE VI program to ensure that smaller communities have access to important redevelopment and revitalization funds and makes the HOPE VI program a more cost effective and efficient program.

HEARINGS

The Subcommittee on Housing and Community Opportunity held a hearing on April 29, 2003, at 2 p.m. entitled “Strengthening and Rejuvenating Our Nation’s Communities and the HOPE VI Program”. The hearing focused on the HOPE VI program and specifically, H.R. 1614, “The HOPE VI Program Reauthorization and Small Community Main Street Rejuvenation and Housing Act of 2003.” The following witnesses testified: The Honorable Michael Liu, Assistant Secretary, Public and Indian Housing Department of Housing and Urban Development, Washington, DC; Ms. Joan Walker Frasier, President, Atlantic City Residents Advisory Board, Atlantic City, NJ and on behalf of Everywhere and Now Public Housing Residents Organizing Nationally Together (ENPHRONT); Ms. Renee Glover, Executive Director, Atlanta Public Housing, and President, Council of Large Public Housing Authorities, Washington, DC; Mr. Thom Guzman, Director, Iowa Downtown Resource

Center, Des Moines, IA; Mr. Howard Husock, Alfred Taubman Center for State and Local Government, John F. Kennedy School of Government, Harvard University, Cambridge, MA; Mr. Kevin E. Marchman, Executive Director, National Organization of African-Americans in Housing, Washington, DC; Dr. Susan Popkin, Urban Institute, Washington, DC; Mr. Brian Tracey, Market Executive, Bank of America on behalf of the National Association of Affordable Housing Lenders, Washington, DC; Lisa Zukoff, Executive Director, Wheeling West Virginia Public Housing Authority on behalf of National Association of Housing and Redevelopment Officials, Washington, DC.

COMMITTEE CONSIDERATION

The Subcommittee on Housing and Community Opportunity met in open session on May 1, 2003, and approved H.R. 1614 for full Committee consideration, as amended, by a voice vote.

The Committee on Financial Services met in open session on May 21, 2003, and ordered H.R. 1614 reported to the House with a favorable recommendation, with an amendment, by a voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were taken in conjunction with the consideration of this legislation. A motion by Mr. Oxley to report the bill to the House with a favorable recommendation was agreed to by a voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 1614 makes changes to the HOPE VI program that will enhance HUD's ability to meet its strategic goals and mission as defined in its Annual Performance Plan; to increase homeownership opportunities; to promote decent affordable housing; and to strengthen communities. The HOPE VI program as reformed by H.R. 1614 will provide capital and resources to improve economic conditions in distressed communities; by expanding access to affordable rental housing and improving the physical quality and management accountability of public and assisted housing.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the

Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 23, 2003.

Hon. MICHAEL G. OXLEY,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1614, the HOPE VI Program Reauthorization and Small Community Mainstreet Rejuvenation and Housing Act of 2003.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Chad Chirico.

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

H.R. 1614—HOPE VI Program Reauthorization and Small Community Mainstreet Rejuvenation and Housing Act of 2003

Summary: H.R. 1614 would reauthorize the HOPE VI Revitalization for Severely Distressed Public Housing Program and would authorize the appropriation of such sums as may be necessary for each of fiscal years 2004 and 2005. The bill also would require the Department of Housing and Urban Development (HUD) to provide up to 5 percent of amounts appropriated for the HOPE VI program to assist smaller communities in the development of affordable housing for low-income families that is undertaken in connection with a main street revitalization or redevelopment project.

CBO estimates that the bill would authorize total appropriations of \$1.2 billion over the 2004–2008 period, assuming that annual levels are adjusted to keep pace with inflation. CBO estimates that appropriation of those amounts would result in additional outlays of \$553 million over that period. Enacting H.R. 1614 would not affect direct spending or revenues.

H.R. 1614 contains non intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1614 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By fiscal year, in millions of dollars—					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
HOPE VI Spending Under Current Law:						
Budget Authority ¹	570	0	0	0	0	0
Estimated Outlays	508	542	546	481	373	264
Proposed Changes:						
HOPE VI Program Reauthorization:						
Estimated Authorization Level	0	580	591	0	0	0
Estimated Outlays	0	0	12	87	193	234
HOPE VI Grants for Assisting Affordable Housing Through Main Street Projects:						
Estimated Authorization Level	0	31	31	0	0	0
Estimated Outlays	0	0	1	5	10	12
Total Proposed Changes:						
Estimated Authorization Level	0	610	622	0	0	0
Estimated Outlays	0	0	12	92	203	246
HOPE VI Spending Under H.R. 1614:						
Estimated Authorization Level ¹	570	610	622	0	0	0
Estimated Outlays	508	542	558	573	576	510

¹The 2003 level is the amount appropriated for that year for the HOPE VI program.

Basis of estimate

Hope VI program reauthorization

Section 2 would authorize the appropriation of such sums as necessary for the HOPE VI program in 2004 and 2005. In 2003, \$570 million was appropriated for this program. Assuming appropriation of similar amounts after adjusting for inflation, CBO estimates that implementing this section would cost \$526 million through 2008.

HOPE VI grants for assisting affordable housing through main street projects

Section 3 would authorize HUD to provide up to 5 percent of the amount appropriated for the HOPE VI program for use by smaller communities (population below 30,000) for affordable housing activities in conjunction with the revitalization of a traditional commercial area. Assuming the appropriation of the necessary amounts, CBO estimates that implementing section 3 would cost \$28 million through 2008.

Intergovernmental and private-sector impact: H.R. 1614 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal Costs: Chad Chirico; Impact on State, Local, and Tribal Governments: Tori Heid Hall; and Impact on the Private Sector: Kate Bloniarz.

Estimated approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the defense and general welfare of the United States), and clause 3 (relating to the power to regulate foreign and interstate commerce).

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section provides the short title of the legislation, the “HOPE VI Program Reauthorization and Small Community Mainstreet Rejuvenation and Housing Act of 2003”.

Section 2. HOPE VI Program reauthorization

This section amends selection criteria in section 24(2) of the Housing Act of 1937 (42 U.S.C. 1437v(2)). First the bill changes the descriptive paragraph from “selection criteria” to simply criteria. Second, the bill strikes the word “large-scale” from the type of projects that may be redeveloped or modernized, opening opportunity for smaller communities to gain access to the funds. Third, the bill adds on-going implementation to the development of revitalization programs, making follow-through possible.

Fourth, the bill adds four criteria to be considered by HUD: (1) timeliness to commence and complete the plan, (2) minimization of displacement of current residents who want to stay or return to the project, (3) sustaining or creating more project-based housing units to satisfy the demand of eligible persons, and (4) giving priority to existing residents to occupy the revitalized community dwelling units.

Fifth, the bill expands the definition of severely distressed housing to include those buildings or developments that include (1) very low-income elderly or non-elderly disabled persons, and (2) areas lacking sufficient affordable housing, transportation, supportive services, economic opportunity, schools, civic and religious institutions, and public services resulting in severe social distress. Finally, the bill requires that the Public Housing Authority (HOPE VI applicant) involve the affected public housing residents in the beginning and during the planning process

The bill continues authorization in section 24(m) for FY 2004 and 2005 and extends the sunset date in section 24(n) from September 30, 2004 to September 30, 2005.

Section 3. HOPE VI grants for assisting affordable housing through main street projects

The bill amends section 24(a) of the Housing Act of 1937 (42 U.S.C. 1437v(a)) by adding the new purpose of assisting smaller communities to provide affordable low-income housing as part of main street revitalization or redevelopment projects.

The bill adds a new section 24(n) to authorize main street grants to smaller communities for eligible affordable housing activities in the community's commercial area. The main street grant must be focused on joint public/private revitalization or redevelopment of a historic or traditional commercial area. Eligible activities must focus on affordable housing rather than severely distressed public housing. This limited focus precludes all of the eligible activities for severely distressed public housing in 42 U.S.C. 1437v(d) except: (a) architectural and engineering work; (b) economic development activities; (c) necessary management improvements; and (d) leveraging other resources. Also, severely distressed public housing requirements regarding disposition and replacement, administration by other entities, and withdrawal of funding do not apply to these grants.

In addition, the bill provides that the maximum annual grant amount to a community may not exceed \$1 million. To this end, the bill creates an annual set-aside of up to 5 percent of an authorized appropriation under 42 U.S.C. 1437v(n)(1). In addition, the small community contribution requirement must be devoted to carrying out eligible affordable housing activities. However, the supportive services condition and the exemption for tenant-based assistance or simple demolition in 42 U.S.C. 1437v(c) do not apply to these grants. The Secretary of HUD must develop selection criteria for this type of affordable housing grant, including cost limits and reporting requirements for these activities. The bill modifies annual reports in section 24(l) of the Housing Act of 1937 (42 U.S.C. 1437v(l)) by changing the general reference to this section on severely distressed housing with a specific reference to the new subsection (n) created in (b) above and by adding to the report the types of projects and number of affordable units developed using grants under subsection (n) created in (b) above.

The bill provides two definitions for this program. First, the term "affordable housing" is defined as rental or home-ownership units that are made available for initial occupancy subject to the same rules regarding level of income and income mix as dwelling units in public housing projects assisted with a grant under this section; and are subject to the same rules regarding occupant contribution toward rent or purchase and terms of rental or purchase as dwelling units in public housing projects assisted with a grant under this section.

Second, the term "smaller community" means a unit of general local government (as defined in section 102 of the Housing Community Development Act of 1974 (42 U.S.C. 5302)) that has a population of 30,000 or fewer; and is not served by a public housing agency; or is a single agency that administers 100 or fewer public housing dwelling units.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 24 OF THE UNITED STATES HOUSING ACT OF 1937

SEC. 24. DEMOLITION, SITE REVITALIZATION, REPLACEMENT HOUSING, AND TENANT-BASED ASSISTANCE GRANTS FOR PROJECTS.

(a) PURPOSES.—The purpose of this section is to provide assistance to public housing agencies for the purposes of—

(1) * * *

* * * * *

It is also the purpose of this section to provide assistance to smaller communities for the purpose of facilitating the development of affordable housing for low-income families that is undertaken in connection with a main street revitalization or redevelopment project in such communities.

* * * * *

(e) APPLICATION AND SELECTION.—

(1) * * *

[(2) SELECTION CRITERIA.—The Secretary shall establish selection criteria for the award of grants under this section and shall include such factors as—]

(2) SELECTION CRITERIA.—*The Secretary shall establish criteria for the award of grants under this section and shall include among the factors—*

(A) * * *

(B) the capability and record of the applicant public housing agency, or any alternative management entity for the agency, for managing [large-scale] redevelopment or modernization projects, meeting construction timetables, and obligating amounts in a timely manner;

* * * * *

(D) the extent of involvement of residents, State and local governments, private service providers, financing entities, and developers, in the development *and ongoing implementation* of a revitalization program for the project, *except that the Secretary may not award a grant under this section unless the applicant has involved affected public housing residents at the beginning and during the planning process for the revitalization program, prior to submission of an application;*

* * * * *

(H) the extent of the need for, and the potential impact of, the revitalization program; [and]

(I) *the extent to which the applicant can commence and complete the revitalization plan expeditiously;*

(J) the extent to which the plan minimizes temporary or permanent displacement of current residents of the public housing site who wish to remain in or return to the revitalized community and provides for community and supportive services to residents prior to any relocation;

(K) the extent to which the plan sustains or creates more project-based housing units available to persons eligible for public housing in markets where there is demand for the maintenance or creation of such units;

(L) the extent to which the plan gives to existing residents priority for occupancy in dwelling units in the revitalized community; and

[(I)] *(M) such other factors as the Secretary considers appropriate.*

* * * * *

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

(1) * * *

(2) SEVERELY DISTRESSED PUBLIC HOUSING.—The term “severely distressed public housing” means a public housing project (or building in a project)—

(A) that—

(i) * * *

* * * * *

(iii)(I) is occupied predominantly by families who are very low-income families with children or very low-income elderly or non-elderly disabled persons, are unemployed, and dependent on various forms of public assistance; **[or]**

(II) has high rates of vandalism and criminal activity (including drug-related criminal activity) in comparison to other housing in the area; or

(III) is lacking in sufficient appropriate transportation, supportive services, economic opportunity, schools, civic and religious institutions, and public services, resulting in severe social distress in the project;

* * * * *

(l) ANNUAL REPORT.—The Secretary shall submit to the Congress an annual report setting forth—

(1) * * *

* * * * *

(3) the amount and type of financial assistance provided under and in conjunction with this section**;** and**],** *including a specification of the amount and type of assistance provided under subsection (n);*

(4) the types of projects funded, and number of affordable housing dwelling units developed with, grants under subsection (n); and

[(4)] *(5) the recommendations of the Secretary for statutory and regulatory improvements to the program established by this section.*

(m) FUNDING.—

(1) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated for grants under this section \$574,000,000 for fiscal year 2003 and such sums as may be necessary for each of fiscal years 2004 and 2005.

* * * * *

(3) **SET-ASIDE FOR MAIN STREET HOUSING GRANTS.**—Of the amount appropriated pursuant to paragraph (1) for any fiscal year, the Secretary shall provide up to 5 percent for use only for grants under subsection (n).

(n) **GRANTS FOR ASSISTING AFFORDABLE HOUSING DEVELOPED THROUGH MAIN STREET PROJECTS IN SMALLER COMMUNITIES.**—

(1) **AUTHORITY AND USE OF GRANT AMOUNTS.**—The Secretary may make grants under this subsection to smaller communities. Such grant amounts shall be used by smaller communities only to provide assistance to carry out eligible affordable housing activities under paragraph (3) in connection with an eligible project under paragraph (2).

(2) **ELIGIBLE PROJECT.**—For purposes of this subsection, the term “eligible project” means a project that—

(A) the Secretary determines, under the criteria established pursuant to paragraph (3), is a main street project;

(B) is carried out within the jurisdiction of smaller community receiving the grant; and

(C) involves the development of affordable housing that is located in the commercial area that is the subject of the project.

(3) **MAIN STREET PROJECTS.**—The Secretary shall establish requirements for a project to be considered a main street project for purposes of this section, which shall require that the project—

(A) has as its purpose the revitalization or redevelopment of a historic or traditional commercial area;

(B) involves investment, or other participation, by the government for, and private entities in, the community in which the project is carried out; and

(C) complies with such historic preservation guidelines or principles as the Secretary shall identify to preserve significant historic or traditional architectural and design features in the structures or area involved in the project.

(4) **ELIGIBLE AFFORDABLE HOUSING ACTIVITIES.**—For purposes of this subsection, the activities described in subsection (d)(1) shall be considered eligible affordable housing activities, except that—

(A) such activities shall be conducted with respect to affordable housing rather than with respect to severely distressed public housing projects; and

(B) eligible affordable housing activities under this subsection shall not include the activities described in subparagraphs (B) through (F) or (J) through (L) of subsection (d)(1).

(5) **MAXIMUM GRANT AMOUNT.**—A grant under this subsection for a fiscal year for a single smaller community may not exceed \$1,000,000.

(6) **CONTRIBUTION REQUIREMENT.**—A smaller community applying for a grant under this subsection shall be considered an

applicant for purposes of subsection (c) (relating to contributions by applicants), except that—

(A) such supplemental amounts shall be used only for carrying out eligible affordable housing activities; and

(B) paragraphs (1)(B) and (3) shall not apply to grants under this subsection.

(7) APPLICATIONS AND SELECTION.—

(A) APPLICATION.—Pursuant to subsection (e)(1), the Secretary shall provide for smaller communities to apply for grants under this subsection, except that the Secretary may establish such separate or additional criteria for applications for such grants as may be appropriate to carry out this subsection.

(B) SELECTION CRITERIA.—The Secretary shall establish selection criteria for the award of grants under this subsection, which shall be based on the selection criteria established pursuant to subsection (e)(2), with such changes as may be appropriate to carry out the purposes of this subsection.

(8) COST LIMITS.—The cost limits established pursuant to subsection (f) shall apply to eligible affordable housing activities assisted with grant amounts under this subsection.

(9) INAPPLICABILITY OF OTHER PROVISIONS.—The provisions of subsections (g) (relating to disposition and replacement of severely distressed public housing), (h) (relating to administration of grants by other entities), and (i) (relating to withdrawal of funding) shall not apply to grants under this subsection.

(10) REPORTING.—The Secretary shall require each smaller community receiving a grant under this subsection to submit a report regarding the use of all amounts provided under the grant.

(11) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

(A) AFFORDABLE HOUSING.—The term “affordable housing” means rental or homeownership dwelling units that—

(i) are made available for initial occupancy subject to the same rules regarding level of income and income mix as dwelling units in public housing projects assisted with a grant under this section; and

(ii) are subject to the same rules regarding occupant contribution toward rent or purchase and terms of rental or purchase as dwelling units in public housing projects assisted with a grant under this section.

(B) SMALLER COMMUNITY.—The term “smaller community” means a unit of general local government (as such term is defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) that—

(i) has a population of 30,000 or fewer; and

(ii)(I) is not served by a public housing agency; or

(II) is served by a single public housing agency, which agency administers 100 or fewer public housing dwelling units.

[(n)] (o) SUNSET.—No assistance may be provided under this section after September 30, [2004] 2005.

