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HIGHLIGHTS
OF THE
"HOUSING AND URBAN DEVELOPMENT ACT OF 1974"
AS APPROVED BY
THE SUBCOMMITTEE ON HOUSING
APRIL 30, 1974

Title I - Community Development Block Grants

This title authorizes a new Community Development Block Grant Program, to be initiated during Fiscal Year 1975, under which HUD community development programs would be consolidated into a single block grant. The new program would have the following major features:

Authorizations $8.05 billion in contract authority approved in an appropriation act would be authorized for the first three years of the program, with limits on obligations of $2.45 billion in FY 1975, $2.65 billion in FY 1976, and $2.95 billion in FY 1977. In addition, $100 million would be authorized annually for FY's 75, 76, and 77 for assistance to communities with urgent community development needs which cannot be met through the entitlements received pursuant to the Act.

Distribution of Funds

(1) 80 percent of the funds available each year would be allocated for use in metropolitan areas, 20 percent for use in nonmetropolitan areas.

(2) In metropolitan areas, funds would be distributed first, to metropolitan cities and urban counties pursuant to a 3-part formula (based on population, housing overcrowding, and poverty counted twice); and second, to meet the "hold harmless" needs of metropolitan cities and urban counties (where those needs exceeded their formula entitlements) and other units of general local government which qualify for "hold harmless" treatment. Funds remaining in the metropolitan area allocation would be distributed among the metropolitan areas pursuant to the 3-part formula for use by States and units of local government in those areas.

(3) In nonmetropolitan areas, funds would be used to meet the "hold harmless" needs of units of general local government which qualify for "hold harmless" "treatment", with the remaining funds to be allocated among the States pursuant to the 3-part formula for use by States and units of general local government in each State.

(4) HUD Discretionary Fund - 2 percent of the funds available each year would be reserved by HUD for certain special community development needs, for incentive grants to communities carrying on areawide programs, and for carrying on innovative community development activities.

A more detailed explanation of these distribution provisions is attached.

Eligible Activities In general, block grant funds may be used to finance the full cost of carrying on all activities currently assisted under the following programs: the urban renewal program (including NDP, code enforcement, and rehabilitation grants); the model cities program; the section 312 rehabilitation loan program; the open space - urban beautification - historic preservation program; the neighborhood facilities program; the advance acquisition of land program; and the water and sewer facilities program. Funds may also be used to finance the local share required under other Federal grant programs which are part of the community development program, to carry on special projects to remove architectural barriers which restrict the mobility and accessibility of the elderly and handicapped, and to carry on comprehensive planning and executive-management activities.

Application Requirements Applicants for block grants would be required to (1) identify community development and housing needs, including the submission of a housing assistance plan, (2) describe planned activities to meet those needs, and (3) provide assurances of compliance with civil rights and citizen participation requirements. Metropolitan cities and urban counties would also be required to submit three-year programs designed to eliminate slum, blight, and deterioration where they exist, and to provide improved community facilities and services where necessary.

HUD would be required to approve applications of metropolitan cities and urban counties unless the Secretary found that the applicant's description of needs was clearly inconsistent with generally available data, or that its proposed activities were clearly inappropriate to meet those needs. HUD would also be required to conduct annual post-audits to determine whether the applicant had carried out its program in a satisfactory manner.

Transition to New Program The new block grant program is expected to begin midway through FY 1975 (approximately January 1, 1975). To enable communities to continue existing urban renewal, NDP, and model cities programs through the first half of FY 1975, such additional amounts, as may be necessary, would be authorized to be appropriated for the urban renewal and model cities programs. Amounts received by cities pursuant to these transition authorizations would be deducted from their first year entitlements under the new block grant program.

Title II - *Assisted Housing*

This title authorizes a new program of housing assistance for lower income persons through the construction or substantial rehabilitation of housing or the leasing of existing housing. This new program, which would be carried on under a new section 23(h) of the Housing Act of 1937, would have the following major elements:

(1) New Construction

(a) Assistance contracts HUD would enter into contracts to make housing assistance payments with housing owners who construct or substantially rehabilitate housing to be occupied in whole or in part by lower-income families.

(b) Eligible owners/developers Private profit and non-profit entities and State and local public housing agencies would be eligible owners or developers of housing.

(c) Type of housing Any newly constructed or substantially rehabilitated rental or cooperative housing units, including congregate housing, and housing especially designed for elderly and handicapped families, would be eligible for assistance.

(d) Financing of projects Conventional or FHA-insured loans, loans from State housing finance agencies, and bonds issued by State or local public housing agencies may be used to finance housing. Housing assistance contracts may be pledged to lenders to facilitate the provision of long-term financing for housing projects.

(e) Amount of assistance per unit The amount of assistance per unit would be the difference between the market rental established for the unit and from 20 to 25 percent of the tenant's gross income, as determined by HUD; market rentals would be established by HUD at levels determined to be reasonable for modest newly constructed rental or cooperative housing in the area, except that HUD would be permitted to set slightly higher market rentals when necessary because of special circumstances.

(f) Term of assistance contracts The term of an assistance contract may not exceed 20 years for privately-owned housing or 40 years for publicly-owned or -financed housing; assistance payments may be made only (1) while a unit is occupied, (2) for up to 60 days while vacant due to a breach by the tenant, or (3) for up to 60 days while the owner is making a good faith effort to secure an eligible occupant.

(g) Number of assisted units in a project 100 percent of the units in a project may be assisted, except that HUD may give preference to applicants requesting assistance for 20 percent or fewer units in projects.

(h) Increased operating costs Assistance payments may be increased as necessary to meet changes in reasonable and necessary operating expenses in projects.

(i) Eligible occupants Generally, those categories of families and individuals eligible for assistance under the public housing program whose incomes do not exceed 80 percent of the median income in the area (as determined by HUD for various-sized families). At least 30 percent of families and individuals under the program assisted must be of very low income (that is, having incomes less than 50 percent of median income in the area).

(2) Existing Housing Existing housing units may be leased by local housing authorities under the same terms and conditions applicable to newly constructed or substantially rehabilitated units; in communities without local housing authorities, HUD would lease units directly from housing owners.

State and Local Housing Assistance Plans and Allocation of Units

Housing Assistance Plans Applications for housing assistance (under the new section 23(h) program or any comparable HUD program) in communities participating in the community development block grant program must be consistent with housing assistance plans submitted by them under the block grant program. These plans must:

(1) survey the condition of the community's housing stock and assess the housing needs of low- and moderate-income families living or expected to live in the community,

(2) specify the number and types of units to be assisted and the mix between new and existing units,

(3) formulate procedures to promote greater choice of housing opportunities and to avoid undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and

(4) assure the availability of public facilities and services adequate to serve proposed housing projects.

In communities not participating in the community development block grant program, HUD may not approve an application for housing assistance unless it found that (a) the assistance to be provided is consistent with a housing assistance plan meeting the above requirements, or (b) where no such plan exists, there is an urgent need for the housing, that housing opportunities would be expanded and undue concentrations of lower-income persons avoided, and that public facilities and services adequate to serve the proposed housing would be available.

Allocation of Units HUD would allocate units available under the new section 23(h) program to States and units of general local government, taking into consideration assistance needed to fulfill local housing assistance plans and its own determination of housing needs (which would be based on such objective measurements as population, poverty, housing overcrowding, housing vacancies, and substandard housing). Twenty percent of the units available would be allocated to rural areas.

This title also amends the 1937 Act to -

(1) authorize HUD to prescribe requirements as to sound management practices to be met by local public authorities;

(2) establish a minimum rent for occupants of public housing which would be equal to the greater of 30 percent of the operating costs attributable to their units or that portion of welfare assistance attributable to shelter (Brooke III, which prohibits the reduction of welfare assistance where public housing rentals are reduced, would be repealed, and rent increases resulting from the minimum rent provisions would be phased in to alleviate undue hardships); and

(3) increase by $1.225 billion the authority of HUD to enter into annual contributions contracts in Fiscal Years 1974 and 1975 to finance housing to be assisted under the new section 23(h) program, conventionally-built public housing pursuant to bona fide commitments, modernization of projects and adjustments to existing leases, and operating subsidies.

This title also extends the sections 235 homeownership and 236 rental assistance programs for one additional year to June 30, 1975 (with an increase in contract authority for the latter program) in order to meet bona fide program commitments established by HUD at the time of the suspension of the programs.

Title III - Mortgage Credit

This title contains provisions designed to increase the availability of and liberalize mortgage credit for housing and to abolish discrimination in mortgage lending on account of sex.

FHA Insurance FHA's authority to insure mortgages and loans would be extended from October 1, 1974, to June 30, 1977, with the following important changes in existing law:

(1) maximum mortgage and loan amounts would be increased substantially, with single-family home mortgage limits increased from \$33,000 to \$45,000 and home improvement loan limits increased from \$5,000 to \$10,000;

(2) the downpayment required on FHA-financed homes would be reduced to 3 percent of the first \$25,000 of the home's value, 10 percent of value between \$25,000 and \$35,000, and 20 percent of value in excess of \$35,000; a \$1,750 downpayment would be required on a \$35,000 home, approximately half the downpayment required under existing law; and

(3) FHA would be permitted, on a demonstration basis until June 30, 1977, to insure mortgages on a co-insurance basis, under which lenders would bear at least 10 percent of any loss on mortgages in return for carrying out certain functions now performed by the FHA.

Fannie Mae and Freddie Mac Secondary Market Operations The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation would be permitted to purchase conventional mortgages of up to \$50,000 (\$35,000 under existing law).

Maximum Loan for Savings and Loan Associations The statutory lending limit for single-family homes financed by savings and loan associations would be increased from \$45,000 to \$50,000.

Prohibition Against Sex Discrimination in Mortgage Lending The denial of any Federally-related mortgage loan, insurance guarantee, or other aid on account of sex would be prohibited, and lenders would be required to consider without prejudice the combined incomes of both husband and wife in extending mortgage credit on Federally-related loans.

Title IV - Rural Housing

This title extends from October 1, 1974, to June 30, 1977, the authority of the Secretary of Agriculture to administer various rural housing programs; and makes the following important changes in those programs:

Authorizations Cumulative authorizations for section 504 repair loans and grants would be increased from $50 to $75 million; for farm labor housing grants from $50 to $75 million; for self-help housing programs from $5 to $10 million; and for annual research grants from $250,000 to $1 million.

FmHA Service Area The Farmers Home Administration rural housing programs would be permitted to serve residents of communities of up to 25,000 population where the Secretaries of Agriculture and HUD jointly determine that there exists a serious lack of mortgage credit.

Repair Loans and Grants The maximum amount of repair loans and grants would be increased from $3,500 to $5,000.

Self-Help Housing The FmHA would be authorized to make advances to nonprofit organizations carrying out self-help housing programs to enable them to establish revolving land purchase accounts.

Title V - Miscellaneous

This title establishes a new HUD program to encourage the formation of State development corporations, makes various amendments to the law governing the "new communities" program, and authorizes additional funds for the section 701 comprehensive urban planning program.

State Development Agencies HUD would be authorized to guarantee the taxable bonds of State development agencies authorized by State law to provide housing for lower income families, to revitalize slum and blighted areas, and to improve employment opportunities. In addition to the guarantees, HUD would make interest subsidy grants to cover 30 percent of the interest due on the bonds. The amount of obligations guaranteed may not exceed $500 million.

New Communities The name of the Community Development Corporation (established by title VII of the 1970 HUD Act to administer the "new communities" program) would be changed to the "New Community Development Program"; the size of the Board of Directors of the Corporation would be increased from 5 to 7 members; and interest subsidy grants in connection with taxable bonds issued by public developers would be permitted to cover 30 percent of interest payable on the bonds (rather than the difference between the taxable and tax-exempt interest rate plus one-half of one percent, as under existing law).

Section 701 Planning An additional $100 million would be authorized for the section 701 program for fiscal year 1975.

DETALED SUMMARY
OF THE
DISTRIBUTION OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS
AGREED UPON BY THE HOUSING SUBCOMMITTEE

(1) Effective date The new program would begin in FY 1975.

(2) Authorization Three-year contract authority of $8.05 billion would be authorized, with a limitation on annual disbursements of $2.45 billion in FY 75, $2.65 billion in FY 76, and $2.95 billion in FY 77; in addition, $100 million would be authorized annually for the first three fiscal years for post-transition assistance to communities with urgent community development needs.

(3) Distribution between SMSA and non-SMSA areas Each year, 80 percent of the funds available would be allocated to SMSA's, 20 percent to non-SMSA areas.

(4) Distribution in SMSA areas

(a) Out of the amount available to SMSA's, HUD would determine the amount to be distributed to metropolitan cities and urban counties according to a 3-part formula (population, poverty counted twice, and housing overcrowding).

(b) HUD would then determine the specific formula share for each metropolitan city and urban county.

(c) Metropolitan cities and urban counties would be "phased-in" to their full formula shares in the following manner: in the first program year, each metro city and urban county would receive the greater of one-third its formula share or "hold harmless" amount; in the second year, they would receive the greater of two-thirds of their formula shares or "hold harmless" amounts; in the third year, they would receive their full formula shares.

(d) Out of the balance remaining in the SMSA allocation, HUD would then distribute funds to meet the "hold harmless" needs of metropolitan cities and urban counties and small communities within SMSA's.

(e) Funds remaining in the SMSA allocation would be allocated by HUD among the 267 metropolitan areas on the basis of the 3-part formula and distributed on a discretionary basis to State agencies, small communities, and counties for use in each metropolitan area.

(5) Distribution in non-SMSA areas Out of the non-SMSA allocation, HUD would distribute funds to meet the "hold harmless" needs of counties and small communities; the remainder in the non-SMSA fund would be allocated by HUD among the States on the basis of the 3-part formula and distributed on a discretionary basis to State agencies, counties, and small communities for use in the non-SMSA areas of the States.

(6) "Hold harmless"

(a) Eligibility for "hold harmless" treatment All metropolitan cities and urban counties qualify for "hold harmless" treatment; however, eligibility for "hold harmless" treatment for other counties and small communities would be restricted to those carrying on at least one urban renewal, NDP, or model cities program under a commitment received during the 5-year period FY 70 - FY 74.

(b) Amount of "hold harmless" entitlement "Hold harmless" amounts would be computed similarly for all communities, as follows:

(1) the average amount of grants and loans received under the consolidated programs during the 5-year period FY 68 - FY 72, plus

(2) the average annual grant made under the neighborhood development program and the model cities program (where necessary to complete five action years).

(c) Duration of "hold harmless" entitlement All communities would receive their full "hold harmless" entitlements for three years; however, during the second three program years (FY's 78-79-80), each metropolitan city or urban county whose "hold harmless" entitlement exceeded its formula share would be "phased-down" by thirds from its "hold harmless" amount to its formula share; in the case of other communities, "hold harmless" would be "phased-down" in a similar fashion, and such communities would then be funded solely from discretionary funds; "hold harmless" would be phased out completely in the sixth year of the program.

(7) Definition of "urban county" The term "urban county" means any county within a metropolitan area which (A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government and (B) has a combined population of 200,000 or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (i) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have their populations excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

(8) HUD discretionary fund Out of the $8.05 billion authorization for community development block grants, 2 percent ($49 million in FY 75, $53 million in FY 76, and $59 million in FY 77) would be reserved by HUD for the following uses --

(a) grants in behalf of new communities assisted under title VII of the 1970 HUD Act or title IV of the 1968 HUD Act so long as such Federal assistance is outstanding; such grants could be in addition to block grants made to States and units of general local government under other provisions of the Act which are used in behalf of new communities;

(b) grants to States and units of general local government which join in carrying out housing and community development programs which are areawide in scope; these would be incentive grants to encourage areawide programs and would be in addition to grants received by such States or units of general local government under other provisions of the Act;

(c) grants in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(d) grants to States and units of general local government in excess of the grants available to them under other provisions of the Act for the purpose of demonstrating innovative community development projects;

(e) grants to States and units of general local government in excess of the grants available to them under other provisions of the Act for the purpose of meeting emergency community development needs caused by Federally recognized disasters; and

(f) grants to States and units of general local government in excess of grants available to them under other provisions of the Act where HUD deems necessary to correct inadequacies resulting from the basic allocation system.

Not more than one-fourth of these discretionary funds could be used in any year to meet emergency disaster needs. Funds not used in any year would be carried over to the succeeding fiscal year.