

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5446**

A bill to amend 1966 PA 346, entitled
"State housing development authority act of 1966,"
by amending section 32 (MCL 125.1432), as amended by 2004 PA 535.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 32. (1) The authority may create and establish 1 or more
2 special funds called capital reserve funds to secure notes and
3 bonds of the authority. The authority shall pay into a capital
4 reserve fund money appropriated and made available by this state
5 for the purposes of the fund, the proceeds of the sale of notes or
6 bonds to the extent provided in the resolution of the authority
7 authorizing the issuance of the notes or bonds, and other money
8 that is made available to the authority for the purpose of a fund
9 from any other source. In addition to, or in lieu of, depositing
10 money in a capital reserve fund, the authority may obtain and
11 pledge letters of credit and, effective retroactively as of June 1,

1 1993, insurance policies, surety bonds, guarantees, or other
2 security arrangements if those other security arrangements are
3 approved by the state treasurer, for the purposes of the capital
4 reserve fund. The amount available under letters of credit,
5 insurance policies, surety bonds, guarantees, or other security
6 arrangements pledged to a capital reserve fund shall be credited
7 toward the satisfaction of a capital reserve fund requirement. All
8 money and proceeds under letters of credit, insurance policies,
9 surety bonds, guarantees, or other security arrangements held in a
10 capital reserve fund, except as specifically provided, shall be
11 used as required solely for the payment of the principal of notes
12 or bonds of the authority secured in whole or in part by the
13 capital reserve fund, for the purchase or redemption of notes or
14 bonds, for the payment of interest on the notes or bonds, or for
15 the payment of a redemption premium required to be paid when the
16 notes or bonds are redeemed prior to maturity. However, the
17 authority shall not use the capital reserve fund for an optional
18 purchase or optional redemption of notes or bonds if the use would
19 reduce the total of the money on deposit in the capital reserve
20 fund and amounts available under a letter of credit, insurance
21 policy, surety bond, guarantee, or other security arrangement
22 pledged to a capital reserve fund to less than the capital reserve
23 fund requirement established for the fund. Income or interest
24 earned by, or increment to, a capital reserve fund due to the
25 investment of the money in the capital reserve fund may be
26 transferred by the authority to other funds or accounts of the
27 authority to the extent that the transfer does not reduce the total

1 of the amount of money in a capital reserve fund and amounts
2 available under a letter of credit, insurance policy, surety bond,
3 guarantee, or other security arrangement pledged to the capital
4 reserve fund below the capital reserve fund requirement for a fund.

5 (2) The authority shall not at any time issue notes or bonds
6 secured in whole or in part by a capital reserve fund if, upon the
7 issuance of the notes or bonds, the amount in the capital reserve
8 fund, including the amounts available under a letter of credit,
9 insurance policy, surety bond, guarantee, or other security
10 arrangement pledged to the capital reserve fund, would be less than
11 the capital reserve fund requirement for the fund, unless the
12 authority, at the time of issuance of the notes or bonds, deposits
13 in the fund from the proceeds of the notes or bonds to be issued,
14 or from other sources, an amount that, together with the amount
15 then in the fund, is not less than the capital reserve fund
16 requirement for the fund, or obtains a letter of credit, insurance
17 policy, surety bond, guarantee, or other security arrangement in an
18 amount that, together with the amount then in the fund, is not less
19 than the capital reserve fund requirement for the fund. For the
20 purposes of this section, "capital reserve fund requirement" means
21 the requirement provided in the resolution of the authority
22 authorizing the notes or bonds with respect to which the fund is
23 established, which amount shall not exceed the maximum amount of
24 principal and interest maturing and becoming due in a succeeding
25 calendar year on the notes or bonds of the authority secured in
26 whole or part by the fund.

27 (3) The authority has, before January 9, 1977, in connection

1 with its housing development bonds issued pursuant to a bond
2 resolution dated June 10, 1971, established within the capital
3 reserve fund relating to housing development bonds, a capital
4 reserve account and a capital reserve capital account. This capital
5 reserve account constitutes a capital reserve fund under this act.
6 Money in this capital reserve account shall secure only housing
7 development bonds issued pursuant to the June 10, 1971 bond
8 resolution. Unless otherwise provided by the authority, money in
9 the capital reserve capital account shall secure all bonds and
10 notes of the authority. In determining whether the capital reserve
11 fund requirement established for a capital reserve fund has been
12 met, the authority shall not include or take into account money in
13 the capital reserve capital account.

14 (4) The authority has, before January 9, 1977, in connection
15 with its insured mortgage revenue bonds issued pursuant to a bond
16 resolution dated May 11, 1976, established a bond reserve fund.
17 This bond reserve fund constitutes a capital reserve fund under
18 this act.

19 (5) The authority may issue notes and bonds subject to the
20 following limitations:

21 (a) The authority shall not have outstanding at any time bonds
22 and notes for any of its corporate purposes in an aggregate
23 principal amount exceeding \$4,200,000,000.00, excluding all of the
24 following:

25 (i) The principal amount of bonds and notes issued to refund
26 outstanding bonds and notes.

27 (ii) The principal amount of bonds and notes that appreciate in

1 principal amount, except to the extent of the principal amount of
2 these bonds and notes payable at such time.

3 (iii) The principal amount of notes and bonds representing
4 original issue discount, if any.

5 (b) After November 1, ~~2007~~2011, the limitation on the
6 aggregate principal amount of notes and bonds provided in
7 subdivision (a) is \$3,000,000,000.00, excluding all of the
8 following:

9 (i) The exclusions provided in subparagraphs (i), (ii), and (iii)
10 of subdivision (a).

11 (ii) The aggregate principal amount of bonds and notes issued
12 on or before November 1, ~~2007~~2011, that is outstanding on November
13 1, ~~2007~~2011, and that exceeds \$3,000,000,000.00.

14 (6) Subject to the limitation in subsection (5), that portion
15 of the state ceiling to be used for qualified mortgage bonds,
16 mortgage credit certificates, or bonds to finance qualified
17 residential rental projects shall be allocated to the authority
18 unless the authority elects by resolution to allow another issuer
19 to issue qualified mortgage bonds, mortgage credit certificates, or
20 bonds to finance qualified residential rental projects. As used in
21 this subsection:

22 (a) "State ceiling" means the aggregate amount of certain
23 private activity bonds, including qualified mortgage bonds, that
24 may be issued in any calendar year in this state pursuant to
25 section 146 of the internal revenue code, 26 USC 146.

26 (b) "Qualified mortgage bond", "mortgage credit certificate",
27 and "qualified residential rental project" mean those terms as

1 defined in **SECTION 146 OF** the internal revenue code, 26 USC 146.

2 (7) To assure the continued operation and solvency of the
3 authority for the carrying out of the public purposes of this act,
4 the authority shall accumulate in each capital reserve fund an
5 amount equal to the capital reserve fund requirement for that fund.
6 If at any time the capital reserve fund requirement for a capital
7 reserve fund exceeds the amount of the capital reserve fund, the
8 authority shall transfer to this fund from the capital reserve
9 capital account established by the authority's June 10, 1971 bond
10 resolution the amount necessary to restore the capital reserve fund
11 to an amount equal to the capital reserve fund requirement. If a
12 deficiency exists in more than 1 capital reserve fund and the
13 amount in the capital reserve capital account is not sufficient to
14 fully restore the capital reserve funds, the money in the capital
15 reserve capital account shall be allocated between the deficient
16 capital reserve funds pro rata according to the amounts of the
17 deficiencies. If at any time the capital reserve capital account
18 has been exhausted and the capital reserve fund requirement for a
19 capital reserve fund exceeds the amount of the capital reserve
20 fund, the chairperson of the authority on or before September 1
21 shall certify to the governor and budget director the amount, if
22 any, necessary to restore a capital reserve fund to an amount equal
23 to the capital reserve fund requirement. The governor and the
24 budget director shall include in the annual budget the amount
25 certified by the chairperson of the authority.

26 (8) In computing the amount of a capital reserve fund for the
27 purposes of this section, securities in which all or a portion of

1 the fund is invested shall be valued at par. If the securities are
2 purchased at other than par, the securities may be valued at their
3 cost to the authority, as adjusted by amortization of the discount
4 or premium paid upon purchase of the securities on a pro rata basis
5 to the maturity date of the securities.

6 (9) To the extent possible and consistent with sound fiscal
7 management and good housing development planning, the authority
8 shall make full use of available federal housing subsidy programs.
9 The authority shall recommend programs and legislation to better
10 maintain and improve existing housing stock.

11 (10) The authority shall require that not less than 15% of the
12 multifamily dwelling units financed by mortgage loans from the
13 authority in a calendar year under federal government subsidy
14 programs, subject to applicable federal regulations, be offered on
15 a priority basis to low income families and persons receiving their
16 primary incomes from social security programs or state and federal
17 public assistance programs.

18 (11) The authority shall implement a program of loans for
19 mobile homes as soon as is reasonably feasible. The authority shall
20 develop a program for financing the construction or rehabilitation
21 of mobile home parks and mobile home condominium projects within 24
22 months after December 31, 1982, subject to a determination of
23 feasibility by the authority and the authority's ability to sell
24 bonds.

25 (12) The authority shall implement a program of loans for
26 consumer housing cooperatives as soon as is reasonably feasible.
27 The authority shall develop a program for financing the

1 construction or rehabilitation of consumer housing cooperative
2 projects within 12 months after July 10, 1984, subject to a
3 determination of feasibility by the authority and the authority's
4 ability to sell bonds.

5 (13) In addition to the powers granted the authority in this
6 act to promulgate rules in accordance with the administrative
7 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, the
8 authority shall furnish to each member of the legislature a copy of
9 notice of a public hearing or proposed rule change at least 10 days
10 before the public hearing and at least 20 days before the adoption
11 of the rule.

12 (14) Before October 1 of each year, the authority shall
13 identify housing production goals for housing projects financed
14 with bonds and notes issued under the limitations provided in
15 section 32a. The authority shall identify a goal for the authority
16 as a whole and a specific goal for each program. The authority
17 shall submit those goals in an annual report to the governor and to
18 the house committee on urban affairs and the senate committee on
19 finance, or their successor committees.

20 (15) Within 6 months after the legislature enacts or the
21 authority adopts a new program, the authority shall submit an
22 interim report to the same persons to whom an annual report is
23 submitted. If both the legislature and the authority establish a
24 program, the authority shall submit the interim report within 6
25 months after the effective date of the act establishing the
26 program. The authority shall include in an interim report all of
27 the information required in an annual report that is specific to

1 that program.

2 (16) After the initial or an interim report, the authority
3 shall include in an annual report all of the following for each
4 program:

5 (a) Whether the production goals for the previous 12-month
6 period have been met. If those production goals have not been met,
7 the authority shall explain in the report the reasons why those
8 production goals have not been met.

9 (b) Any significant obstacles to the development of housing
10 for low and moderate income persons that have been encountered by
11 the authority.

12 (c) The estimated economic and social benefits of these
13 housing projects to the immediate neighborhoods in which the
14 housing projects have been constructed.

15 (d) The estimated economic and social benefits of these
16 housing projects to the municipalities in which the housing
17 projects have been constructed.

18 (e) The extent of displacement, direct and indirect, of lower
19 income persons caused by these housing projects, and steps taken by
20 the authority and other governmental and private parties to
21 ameliorate the displacement, and the results of those efforts.

22 (f) The estimated extent of additional reinvestment activities
23 by private lenders attributable to the authority's financing of
24 these housing projects.

25 (g) The age, race, family size, median income, and average
26 income of the tenants of these housing projects.

27 (h) The estimated economic impact of these housing projects,

1 including the number of construction jobs created, wages paid, and
2 taxes and payments in lieu of taxes paid.

3 (i) The progress in developing mobile home parks and mobile
4 home condominium projects, in financing the construction or
5 rehabilitation of consumer housing cooperative projects, and in
6 financing the construction or rehabilitation of nonprofit housing
7 corporation projects.

8 (j) A report on the neighborhood preservation program under
9 section 44f shall include information about the progress in
10 developing the program, the neighborhoods identified as being
11 eligible for the program, the neighborhoods or municipalities that
12 have applied for the program, the neighborhoods that have received
13 funds from the program, and the reasons that neighborhoods or
14 municipalities have been denied funds from the program.

15 (k) A report on the status of federal programs that provide
16 assistance to low income tenants displaced as the result of
17 prepayments of federally and authority assisted loans. If the
18 authority determines that federal programs are inadequate for
19 tenants of authority-financed housing projects, the authority will
20 provide recommendations to the legislature as to how to address
21 this problem on or before May 1, 1989.

22 (l) A report on the low income housing tax credit program under
23 section 22b, that shall include information regarding the amount of
24 tax credits allocated to the state under each of the subdivisions
25 of section 22b(2); the projects that have received tax credits; and
26 the reasons why projects have been denied tax credits under the
27 program; a geographical description of the distribution of those

1 tax credits; and a description of amendments to the allocation plan
2 made during that year.

3 (m) A report on education and training opportunities provided
4 by the authority under section 17 that will indicate the types of
5 education and training opportunities made available and the amount
6 of funding committed to these activities.

7 **(N) FOR ANY PROGRAMS OR PROJECTS INVOLVING REFINANCINGS, THE**
8 **NUMBER OF REFINANCINGS UNDERTAKEN BY THE AUTHORITY AND THE TOTAL**
9 **DOLLAR AMOUNT OF ALL REFINANCINGS UNDERTAKEN BY THE AUTHORITY.**

10 (17) The authority shall conduct an annual review of all
11 loans, financial instruments that require repayment, or lines of
12 credit with the Michigan broadband development authority. The
13 review shall contain an analysis of the Michigan broadband
14 development authority's ability to repay all loans, financial
15 instruments that require repayment, and lines of credit with the
16 authority and the amount and payment schedule of all current loans,
17 financial instruments that require payment, and lines of credit
18 with the authority. The review shall also contain an analysis of
19 the number of authority-assisted or -financed developments and
20 homes purchasing high-speed internet connections at substantially
21 reduced rates as a direct result of loans from the Michigan
22 broadband development authority, as specified in the memorandum of
23 understanding between the authority and the Michigan broadband
24 development authority.

25 (18) The authority shall insure that the income
26 characteristics of individuals served by an authority program are
27 provided in a manner that insures each individual's

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1 confidentiality. The authority shall also insure that proprietary
2 information in its reports under this section concerning an
3 individual, corporation, cooperative, or association is not
4 released without the permission of that individual, corporation,
5 cooperative, or association.

6 Enacting section 1. This amendatory act does not take effect
7 unless all of the following bills of the 94th Legislature are
8 enacted into law:

9 (a) Senate Bill No. 948.

10 (b) Senate Bill No. 950.

11 (c) Senate Bill No. 951.

12 <<(d) Senate Bill No. 1133.

(e)>> House Bill No. 5443.