

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1125

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 2008 PA 56.

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

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

1 transferred by the authority to other funds or accounts of the
2 authority to the extent that the transfer does not reduce the total
3 of the amount of money in a capital reserve fund and amounts
4 available under a letter of credit, insurance policy, surety bond,
5 guarantee, or other security arrangement pledged to the capital
6 reserve fund below the capital reserve fund requirement for a ~~THE~~
7 fund.

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

1 succeeding calendar year on the notes or bonds of the authority
2 secured in whole or part by the fund.

3 (3) The authority has, before January 9, 1977, in connection
4 with its housing development bonds issued pursuant to a bond
5 resolution dated June 10, 1971, established within the capital
6 reserve fund relating to housing development bonds, a capital
7 reserve account and a capital reserve capital account. This capital
8 reserve account constitutes a capital reserve fund under this act.
9 Money in this capital reserve account shall secure only housing
10 development bonds issued pursuant to the June 10, 1971 bond
11 resolution. Unless otherwise provided by the authority, money in
12 the capital reserve capital account shall secure all bonds and
13 notes of the authority. In determining whether the capital reserve
14 fund requirement established for a capital reserve fund has been
15 met, the authority shall not include or take into account money in
16 the capital reserve capital account.

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

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

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

1 (i) The principal amount of bonds and notes issued to refund
2 outstanding bonds and notes.

3 (ii) The principal amount of bonds and notes that appreciate in
4 principal amount, except to the extent of the principal amount of
5 these bonds and notes payable at such time.

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

8 (b) After November 1, ~~2011, 2014~~, the limitation on the
9 aggregate principal amount of notes and bonds provided in
10 subdivision (a) is ~~\$3,000,000,000.00~~, **\$3,400,000,000.00**, excluding
11 all of the following:

12 (i) The exclusions provided in ~~subparagraphs (i), (ii), and (iii)~~
13 ~~of subdivision (a)~~. **SUBDIVISION (A) (i), (ii), AND (iii).**

14 (ii) The aggregate principal amount of bonds and notes issued
15 on or before November 1, ~~2011, 2014~~, that is outstanding on
16 November 1, ~~2011, 2014~~, and that exceeds ~~\$3,000,000,000.00~~.
17 **\$3,400,000,000.00.**

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

26 **(A) "MORTGAGE CREDIT CERTIFICATE" MEANS THAT TERM AS DEFINED**
27 **IN SECTION 25 OF THE INTERNAL REVENUE CODE, 26 USC 25.**

1 (B) "QUALIFIED MORTGAGE BOND" MEANS THAT TERM AS DEFINED IN
2 SECTION 143 OF THE INTERNAL REVENUE CODE, 26 USC 143.

3 (C) "QUALIFIED RESIDENTIAL RENTAL PROJECT" MEANS THAT TERM AS
4 DEFINED IN SECTION 142 OF THE INTERNAL REVENUE CODE, 26 USC 142.

5 (D) ~~(a)~~—"State ceiling" means the aggregate amount of certain
6 private activity bonds, including qualified mortgage bonds, that
7 may be issued in any calendar year in this state pursuant to
8 section 146 of the internal revenue code, 26 USC 146.

9 ~~(b) "Qualified mortgage bond", "mortgage credit certificate",
10 and "qualified residential rental project" mean those terms as
11 defined in section 146 of the internal revenue code, 26 USC 146.~~

12 (7) To ~~assure~~ **ENSURE** the continued operation and solvency of
13 the authority for the carrying out of the public purposes of this
14 act, the authority shall accumulate in each capital reserve fund an
15 amount equal to the capital reserve fund requirement for that fund.
16 If at any time the capital reserve fund requirement for a capital
17 reserve fund exceeds the amount of the capital reserve fund, the
18 authority shall transfer to this fund from the capital reserve
19 capital account established by the authority's June 10, 1971 bond
20 resolution the amount necessary to restore the capital reserve fund
21 to an amount equal to the capital reserve fund requirement. If a
22 deficiency exists in more than 1 capital reserve fund and the
23 amount in the capital reserve capital account is not sufficient to
24 fully restore the capital reserve funds, the money in the capital
25 reserve capital account shall be allocated between the deficient
26 capital reserve funds pro rata according to the amounts of the
27 deficiencies. If at any time the capital reserve capital account

1 has been exhausted and the capital reserve fund requirement for a
2 capital reserve fund exceeds the amount of the capital reserve
3 fund, the chairperson of the authority on or before September 1
4 shall certify to the governor and budget director the amount, if
5 any, necessary to restore a capital reserve fund to an amount equal
6 to the capital reserve fund requirement. The governor and the
7 budget director shall include in the annual budget the amount
8 certified by the chairperson of the authority.

9 (8) In computing the amount of a capital reserve fund for the
10 purposes of this section, securities in which all or a portion of
11 the fund is invested shall be valued at par. If the securities are
12 purchased at other than par, the securities may be valued at their
13 cost to the authority, as adjusted by amortization of the discount
14 or premium paid upon purchase of the securities on a pro rata basis
15 to the maturity date of the securities.

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

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

1 (11) The authority shall implement a program of loans for
2 mobile homes as soon as is reasonably feasible. The authority shall
3 develop a program for financing the construction or rehabilitation
4 of mobile home parks and mobile home condominium projects within 24
5 months after December 31, 1982, subject to a determination of
6 feasibility by the authority and the authority's ability to sell
7 bonds.

8 (12) The authority shall implement a program of loans for
9 consumer housing cooperatives as soon as is reasonably feasible.
10 The authority shall develop a program for financing the
11 construction or rehabilitation of consumer housing cooperative
12 projects within 12 months after July 10, 1984, subject to a
13 determination of feasibility by the authority and the authority's
14 ability to sell bonds.

15 ~~(13) In addition to the powers granted the authority in this~~
16 ~~act to promulgate rules in accordance with~~ **WHEN PROCESSING RULES**
17 **UNDER** the administrative procedures act of 1969, 1969 PA 306, MCL
18 24.201 to 24.328, the authority shall furnish to each member of the
19 legislature a copy of **A** notice of a public hearing or proposed rule
20 change at least 10 days before the public hearing and at least 20
21 days before the adoption of the rule.

22 (14) Before October 1 of each year, the authority shall
23 identify housing production goals for housing projects financed
24 with bonds and notes issued under the limitations provided in
25 section 32a. The authority shall identify a goal for the authority
26 as a whole and a specific goal for each program. The authority
27 shall submit those goals in an annual report to the governor and to

1 the house committee on urban affairs and the senate committee on
2 finance, or their successor committees.

3 (15) Within 6 months after the legislature enacts or the
4 authority adopts a new program, the authority shall submit an
5 interim report to the same persons to whom an annual report is
6 submitted. If both the legislature and the authority establish a
7 program, the authority shall submit the interim report within 6
8 months after the effective date of the act establishing the
9 program. The authority shall include in an interim report all of
10 the information required in an annual report that is specific to
11 that program.

12 (16) After the initial or an interim report, the authority
13 shall include in an annual report all of the following for each
14 program:

15 (a) Whether the production goals for the previous 12-month
16 period have been met. If those production goals have not been met,
17 the authority shall explain in the report the reasons why those
18 production goals have not been met.

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

22 (c) The estimated economic and social benefits of these
23 housing projects to the immediate neighborhoods in which the
24 housing projects have been constructed.

25 (d) The estimated economic and social benefits of these
26 housing projects to the municipalities in which the housing
27 projects have been constructed.

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

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

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

10 (h) The estimated economic impact of these housing projects,
11 including the number of construction jobs created, wages paid, and
12 taxes and payments in lieu of taxes paid.

13 (i) The progress in developing mobile home parks and mobile
14 home condominium projects, in financing the construction or
15 rehabilitation of consumer housing cooperative projects, and in
16 financing the construction or rehabilitation of nonprofit housing
17 corporation projects.

18 (j) A report on the neighborhood preservation program under
19 section 44f. **THE REPORT** shall include information about the
20 progress in developing the program, the neighborhoods identified as
21 ~~being~~ eligible for the program, the neighborhoods or municipalities
22 that have applied for the program, the neighborhoods that have
23 received funds from the program, and the reasons that neighborhoods
24 or municipalities have been denied funds from the program.

25 (k) A report on the status of federal programs that provide
26 assistance to low income tenants displaced as the result of
27 prepayments of federally and authority assisted loans. ~~If the~~

1 ~~authority determines that federal programs are inadequate for~~
2 ~~tenants of authority financed housing projects, the authority will~~
3 ~~provide recommendations to the legislature as to how to address~~
4 ~~this problem on or before May 1, 1989.~~

5 (l) A report on the low income housing tax credit program under
6 section 22b. ~~that~~ **THE REPORT** shall include information regarding
7 the amount of tax credits allocated to the state under each of the
8 subdivisions of section 22b(2); the projects that have received tax
9 credits; and the reasons why projects have been denied tax credits
10 under the program; a geographical description of the distribution
11 of those tax credits; and a description of amendments to the
12 allocation plan made during that year.

13 (m) A report on education and training opportunities provided
14 by the authority under section 17. ~~that will~~ **THE REPORT SHALL**
15 indicate the types of education and training opportunities made
16 available and the amount of funding committed to these activities.

17 (n) For any programs or projects involving refinancings, the
18 number of refinancings undertaken by the authority and the total
19 dollar amount of all refinancings undertaken by the authority.

20 (17) The authority shall conduct an annual review of all
21 loans, financial instruments that require repayment, or lines of
22 credit with the Michigan broadband development authority **CREATED IN**
23 **SECTION 4 OF THE MICHIGAN BROADBAND DEVELOPMENT AUTHORITY ACT, 2002**
24 **PA 49, MCL 484.3204.** The review shall contain an analysis of the
25 Michigan broadband development authority's ability to repay all
26 loans, financial instruments that require repayment, and lines of
27 credit with the authority and the amount and payment schedule of

1 all current loans, financial instruments that require payment, and
2 lines of credit with the authority. The review shall also contain
3 an analysis of the number of authority-assisted or -financed
4 developments and homes purchasing high-speed internet connections
5 at substantially reduced rates as a direct result of loans from the
6 Michigan broadband development authority, as specified in the
7 memorandum of understanding between the authority and the Michigan
8 broadband development authority.

9 (18) The authority shall ~~insure~~**ENSURE** that the income
10 characteristics of individuals served by an authority program are
11 provided in a manner that ~~insures~~**ENSURES** each individual's
12 confidentiality. The authority shall also ~~insure~~**ENSURE** that
13 proprietary information in its reports under this section
14 concerning an individual, corporation, cooperative, or association
15 is not released without the permission of that individual,
16 corporation, cooperative, or association.