

SENATE BILL No. 1125

May 15, 2012, Introduced by Senator KOWALL and referred to the Committee on Economic Development.

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
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~~ **FROM** 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~~**THE**
5 fund.

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

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

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

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

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

26 **(A)** ~~(i)~~—The principal amount of bonds and notes issued to
27 refund outstanding bonds and notes.

1 (B) ~~(ii)~~—The principal amount of bonds and notes that
 2 appreciate in principal amount, except to the extent of the
 3 principal amount of these bonds and notes payable at such time.

4 (C) ~~(iii)~~—The principal amount of notes and bonds representing
 5 original issue discount, if any.

6 ~~(b) After November 1, 2011, the limitation on the aggregate~~
 7 ~~principal amount of notes and bonds provided in subdivision (a) is~~
 8 ~~\$3,000,000,000.00, excluding all of the 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, 2011, that is outstanding on November 1,~~
 13 ~~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) "MORTGAGE CREDIT CERTIFICATE" MEANS THAT TERM AS DEFINED
 23 IN SECTION 25 OF THE INTERNAL REVENUE CODE, 26 USC 25.

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

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

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

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

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

1 any, necessary to restore a capital reserve fund to an amount equal
2 to the capital reserve fund requirement. The governor and the
3 budget director shall include in the annual budget the amount
4 certified by the chairperson of the authority.

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

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

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

24 (11) The authority shall implement a program of loans for
25 mobile homes as soon as is reasonably feasible. The authority shall
26 develop a program for financing the construction or rehabilitation
27 of mobile home parks and mobile home condominium projects within 24

1 months after December 31, 1982, subject to a determination of
2 feasibility by the authority and the authority's ability to sell
3 bonds.

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

11 (13) ~~In addition to the powers granted the authority in this~~
12 ~~act to promulgate rules in accordance with~~ **WHEN PROCESSING RULES**
13 **UNDER** the administrative procedures act of 1969, 1969 PA 306, MCL
14 24.201 to 24.328, the authority shall furnish to each member of the
15 legislature a copy of **A** notice of a public hearing or proposed rule
16 change at least 10 days before the public hearing and at least 20
17 days before the adoption of the rule.

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

26 (15) Within 6 months after the legislature enacts or the
27 authority adopts a new program, the authority shall submit an

1 interim report to the same persons to whom an annual report is
2 submitted. If both the legislature and the authority establish a
3 program, the authority shall submit the interim report within 6
4 months after the effective date of the act establishing the
5 program. The authority shall include in an interim report all of
6 the information required in an annual report that is specific to
7 that program.

8 (16) After the initial or an interim report, the authority
9 shall include in an annual report all of the following for each
10 program:

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

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

18 (c) The estimated economic and social benefits of these
19 housing projects to the immediate neighborhoods in which the
20 housing projects have been constructed.

21 (d) The estimated economic and social benefits of these
22 housing projects to the municipalities in which the housing
23 projects have been constructed.

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

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

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

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

9 (i) The progress in developing mobile home parks and mobile
10 home condominium projects, in financing the construction or
11 rehabilitation of consumer housing cooperative projects, and in
12 financing the construction or rehabilitation of nonprofit housing
13 corporation projects.

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

21 (k) A report on the status of federal programs that provide
22 assistance to low income tenants displaced as the result of
23 prepayments of federally and authority assisted loans. ~~If the~~
24 ~~authority determines that federal programs are inadequate for~~
25 ~~tenants of authority financed housing projects, the authority will~~
26 ~~provide recommendations to the legislature as to how to address~~
27 ~~this problem on or before May 1, 1989.~~

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

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

13 (n) For any programs or projects involving refinancings, the
14 number of refinancings undertaken by the authority and the total
15 dollar amount of all refinancings undertaken by the authority.

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

1 at substantially reduced rates as a direct result of loans from the
2 Michigan broadband development authority, as specified in the
3 memorandum of understanding between the authority and the Michigan
4 broadband development authority.

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