

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 345**

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 2012 PA 328.

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 ~~THE~~
9 fund from any other source. In addition to, or in lieu of,
10 depositing money in a capital reserve fund, the authority may

1 obtain and pledge letters of credit and, effective retroactively as
2 of June 1, 1993, insurance policies, surety bonds, guarantees, or
3 other security arrangements if those other security arrangements
4 are approved by the state treasurer, for the purposes of the
5 capital reserve fund. The amount available under letters of credit,
6 insurance policies, surety bonds, guarantees, or other security
7 arrangements pledged to a capital reserve fund shall be credited
8 toward the satisfaction of a capital reserve fund requirement.

9 (2) All money and proceeds under letters of credit, insurance
10 policies, surety bonds, guarantees, or other security arrangements
11 held in a capital reserve fund, except as specifically provided,
12 shall be used as required solely for the payment of the principal
13 of notes or bonds of the authority secured in whole or in part by
14 the capital reserve fund, for the purchase or redemption of notes
15 or bonds, for the payment of interest on the notes or bonds, or for
16 the payment of a redemption premium required to be paid when the
17 notes or bonds are redeemed prior to maturity. However, the
18 authority shall not use the capital reserve fund for an optional
19 purchase or optional redemption of notes or bonds if the use would
20 reduce the total of the money on deposit in the capital reserve
21 fund and amounts available under a letter of credit, insurance
22 policy, surety bond, guarantee, or other security arrangement
23 pledged to a capital reserve fund to less than the capital reserve
24 fund requirement established for the fund.

25 (3) Income or interest earned by, or increment to, a capital
26 reserve fund from the investment of the money in the capital
27 reserve fund may be transferred by the authority to other funds or

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

7 (4) ~~(2)~~—The authority shall not issue notes or bonds secured
8 in whole or in part by a capital reserve fund if, upon the issuance
9 of the notes or bonds, the amount in the capital reserve fund,
10 including the amounts available under a letter of credit, insurance
11 policy, surety bond, guarantee, or other security arrangement
12 pledged to the capital reserve fund, would be less than the capital
13 reserve fund requirement for the fund, unless the authority, at the
14 time of issuance of the notes or bonds, deposits in the fund from
15 the proceeds of the notes or bonds to be issued, or from other
16 sources, an amount that, together with the amount then in the fund,
17 is not less than the capital reserve fund requirement for the fund,
18 or obtains a letter of credit, insurance policy, surety bond,
19 guarantee, or other security arrangement in an amount that,
20 together with the amount then in the fund, is not less than the
21 capital reserve fund requirement for the fund. For the purposes of
22 this section, "capital reserve fund requirement" means the amount
23 required in the resolution of the authority authorizing the notes
24 or bonds with respect to which the fund is established, which
25 amount shall not exceed the maximum amount of principal and
26 interest maturing and becoming due in a succeeding calendar year on
27 the notes or bonds of the authority secured in whole or part by the

1 fund.

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

16 (6) ~~(4)~~—The authority has, before January 9, 1977, in
 17 connection with its insured mortgage revenue bonds issued pursuant
 18 to a bond resolution dated May 11, 1976, established a bond reserve
 19 fund. This bond reserve fund constitutes a capital reserve fund
 20 under this act.

21 (7) ~~(5)~~ ~~The authority may issue notes and bonds subject to the~~
 22 ~~following limitations:~~

23 ~~—— (a) The~~ **UNTIL 3 YEARS AFTER THE EFFECTIVE DATE OF THE 2013**
 24 **AMENDATORY ACT THAT AMENDED THIS SECTION, THE** authority shall not
 25 have outstanding at any time bonds and notes for any of its
 26 corporate purposes in an aggregate principal amount exceeding
 27 ~~\$4,200,000,000.00, excluding all~~ **5.5 TIMES THE AUTHORITY'S TOTAL**

1 NET ASSETS, AS INDICATED IN ITS MOST RECENT AUDITED FINANCIAL
 2 STATEMENT. FOR THE PURPOSES OF THIS SUBSECTION, THE AGGREGATE
 3 PRINCIPAL AMOUNT OF THE BONDS AND NOTES DOES NOT INCLUDE ANY of the
 4 following:

5 (A) ~~(i)~~—The principal amount of bonds and notes issued to
 6 refund outstanding bonds and notes.

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

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

12 ~~—— (b) After November 1, 2014, the limitation on the aggregate~~
 13 ~~principal amount of notes and bonds provided in subdivision (a) is~~
 14 ~~\$3,400,000,000.00, excluding all of the following:~~

15 ~~—— (i) The exclusions provided in subdivision (a) (i), (ii), and~~
 16 ~~(iii).~~

17 ~~—— (ii) The aggregate principal amount of bonds and notes issued~~
 18 ~~on or before November 1, 2014, that is outstanding on November 1,~~
 19 ~~2014, and that exceeds \$3,400,000,000.00.~~

20 (8) ~~(6)~~—Subject to the limitation in subsection ~~(5)~~, ~~(7)~~, that
 21 portion of the state ceiling to be used for qualified mortgage
 22 bonds, mortgage credit certificates, or bonds to finance qualified
 23 residential rental projects shall be allocated to the authority
 24 unless the authority elects by resolution to allow another issuer
 25 to issue qualified mortgage bonds, mortgage credit certificates, or
 26 bonds to finance qualified residential rental projects. As used in
 27 this subsection:

1 (a) "Mortgage credit certificate" means that term as defined
2 in section 25 of the internal revenue code, 26 USC 25.

3 (b) "Qualified mortgage bond" means that term as defined in
4 section 143 of the internal revenue code, 26 USC 143.

5 (c) "Qualified residential rental project" means that term as
6 defined in section 142 of the internal revenue code, 26 USC 142.

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

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

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

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

15 (11) ~~(9)~~—To the extent possible and consistent with sound
16 fiscal management and good housing development planning, the
17 authority shall make full use of available federal housing subsidy
18 programs. The authority shall recommend programs and legislation to
19 better maintain and improve existing housing stock.

20 (12) ~~(10)~~—The authority shall require that not less than 15%
21 of the multifamily dwelling units financed by mortgage loans from
22 the authority in a calendar year under federal government subsidy
23 programs, subject to applicable federal regulations, be offered on
24 a priority basis to low income families and persons receiving their
25 primary incomes from social security programs or state and federal
26 public assistance programs.

27 ~~—(11) The authority shall implement a program of loans for~~

~~mobile homes as soon as is reasonably feasible. The authority shall develop a program for financing the construction or rehabilitation of mobile home parks and mobile home condominium projects within 24 months after December 31, 1982, subject to a determination of feasibility by the authority and the authority's ability to sell bonds.~~

~~—— (12) The authority shall implement a program of loans for consumer housing cooperatives as soon as is reasonably feasible.~~

~~The authority shall develop a program for financing the construction or rehabilitation of consumer housing cooperative projects within 12 months after July 10, 1984, subject to a determination of feasibility by the authority and the authority's ability to sell bonds.~~

(13) When processing rules under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, the authority shall furnish to each member of the legislature a copy of a notice of a public hearing or proposed rule change at least 10 days before the public hearing and at least 20 days before the adoption of the rule.

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

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

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

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

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

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

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

26 (e) The extent of displacement, direct and indirect, of lower
27 income persons caused by these housing projects, and ~~steps taken~~

1 **EFFORTS** by the authority and other governmental and private parties
2 to ameliorate the displacement, and the results of those efforts.

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

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

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

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

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

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

26 (l) A report on the low income housing tax credit program under
27 section 22b. The report shall include information regarding the

1 amount of tax credits allocated to the state under each of the
2 subdivisions of section 22b(2); the projects that have received tax
3 credits; and the reasons why projects have been denied tax credits
4 under the program; a geographical description of the distribution
5 of those tax credits; and a description of amendments to the
6 allocation plan made during that year.

7 (m) A report on education and training opportunities provided
8 by the authority under section 17. The report shall indicate the
9 types of education and training opportunities made available and
10 the amount of funding committed to these activities.

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

14 (17) The authority shall conduct an annual review of all
15 loans, financial instruments that require repayment, or lines of
16 credit with the Michigan broadband development authority created in
17 section 4 of the Michigan broadband development authority act, 2002
18 PA 49, MCL 484.3204. The review shall contain an analysis of the
19 Michigan broadband development authority's ability to repay all
20 loans, financial instruments that require repayment, and lines of
21 credit with the authority and the amount and payment schedule of
22 all current loans, financial instruments that require payment, and
23 lines of credit with the authority. The review shall also contain
24 an analysis of the number of authority-assisted or -financed
25 developments and homes purchasing high-speed internet connections
26 at substantially reduced rates as a direct result of loans from the
27 Michigan broadband development authority, as specified in the

1 memorandum of understanding between the authority and the Michigan
2 broadband development authority.

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