

# HOUSE BILL NO. 4908

September 03, 2019, Introduced by Reps. Whitsett, Farrington, Garrett, Hammoud, Tyrone Carter, Shannon, Garza, Cynthia Johnson and Gay-Dagnogo and referred to the Committee on Financial Services.

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



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



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

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



1 the notes or bonds of the authority secured in whole or part by the  
2 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, \$5,000,000,000.00,~~  
27 excluding all of the following:

28 ~~(a) (i)~~ The principal amount of bonds and notes issued to  
29 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, 2014, the limitation on the aggregate~~  
 7 ~~principal amount of notes and bonds provided in subdivision (a) is~~  
 8 ~~\$3,400,000,000.00, excluding all of the following:~~

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

11           ~~(ii) The aggregate principal amount of bonds and notes issued~~  
 12 ~~on or before November 1, 2014, that is outstanding on November 1,~~  
 13 ~~2014, and that exceeds \$3,400,000,000.00.~~

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 **of 1986**, 26 USC 25.

24           (b) "Qualified mortgage bond" means that term as defined in  
 25 section 143 of the internal revenue code **of 1986**, 26 USC 143.

26           (c) "Qualified residential rental project" means that term as  
 27 defined in section 142 of the internal revenue code **of 1986**, 26 USC  
 28 142.

29           (d) "State ceiling" means the aggregate amount of certain



1 private activity bonds, including qualified mortgage bonds, that  
2 may be issued in any calendar year in this state pursuant to  
3 section 146 of the internal revenue code **of 1986**, 26 USC 146.

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

28 (8) In computing the amount of a capital reserve fund for the  
29 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  
28 construction or rehabilitation of consumer housing cooperative  
29 projects within 12 months after July 10, 1984, subject to a



1 determination of feasibility by the authority and the authority's  
2 ability to sell bonds.

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

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

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

26 (16) After the initial or an interim report, the authority  
27 shall include in an annual report all of the following for each  
28 program:

29 (a) Whether the production goals for the previous 12-month





1 period have been met. If those production goals have not been met,  
2 the authority shall explain in the report the reasons why those  
3 production goals have not been met.

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

7 (c) The estimated economic and social benefits of these  
8 housing projects to the immediate neighborhoods in which the  
9 housing projects have been constructed.

10 (d) The estimated economic and social benefits of these  
11 housing projects to the municipalities in which the housing  
12 projects have been constructed.

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

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

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

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

25 (i) The progress in developing mobile home parks and mobile  
26 home condominium projects, in financing the construction or  
27 rehabilitation of consumer housing cooperative projects, and in  
28 financing the construction or rehabilitation of nonprofit housing  
29 corporation projects.



1 (j) A report on the neighborhood preservation program under  
2 section 44f. The report shall include information about the  
3 progress in developing the program, the neighborhoods identified as  
4 eligible for the program, the neighborhoods or municipalities that  
5 have applied for the program, the neighborhoods that have received  
6 funds from the program, and the reasons that neighborhoods or  
7 municipalities have been denied funds from the program.

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

11 (l) A report on the low income housing tax credit program under  
12 section 22b. The report shall include information regarding the  
13 amount of tax credits allocated to the state under each of the  
14 subdivisions of section 22b(2); the projects that have received tax  
15 credits; and the reasons why projects have been denied tax credits  
16 under the program; a geographical description of the distribution  
17 of those tax credits; and a description of amendments to the  
18 allocation plan made during that year.

19 (m) A report on education and training opportunities provided  
20 by the authority under section 17. The report shall indicate the  
21 types of education and training opportunities made available and  
22 the amount of funding committed to these activities.

23 (n) For any programs or projects involving refinancings, the  
24 number of refinancings undertaken by the authority and the total  
25 dollar amount of all refinancings undertaken by the authority.

26 (17) The authority shall conduct an annual review of all  
27 loans, financial instruments that require repayment, or lines of  
28 credit with the Michigan broadband development authority created in  
29 section 4 of the Michigan broadband development authority act, 2002



1 PA 49, MCL 484.3204. The review shall contain an analysis of the  
2 Michigan broadband development authority's ability to repay all  
3 loans, financial instruments that require repayment, and lines of  
4 credit with the authority and the amount and payment schedule of  
5 all current loans, financial instruments that require payment, and  
6 lines of credit with the authority. The review shall also contain  
7 an analysis of the number of authority-assisted or -financed  
8 developments and homes purchasing high-speed internet connections  
9 at substantially reduced rates as a direct result of loans from the  
10 Michigan broadband development authority, as specified in the  
11 memorandum of understanding between the authority and the Michigan  
12 broadband development authority.

13 (18) The authority shall ensure that the income  
14 characteristics of individuals served by an authority program are  
15 provided in a manner that ensures each individual's  
16 confidentiality. The authority shall also ensure that proprietary  
17 information in its reports under this section concerning an  
18 individual, corporation, cooperative, or association is not  
19 released without the permission of that individual, corporation,  
20 cooperative, or association.

