

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 397

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 2020 PA 73.

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

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

28 (3) The authority has, before January 9, 1977, in connection
29 with its housing development bonds issued pursuant to a bond

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

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

18 (5) The authority shall not have outstanding at any time bonds
19 and notes for any of its corporate purposes in an aggregate
20 principal amount exceeding ~~\$5,000,000,000.00,~~ **\$10,000,000,000.00,**
21 excluding all of the following:

22 (a) The principal amount of bonds and notes issued to refund
23 outstanding bonds and notes.

24 (b) The principal amount of bonds and notes that appreciate in
25 principal amount, except to the extent of the principal amount of
26 these bonds and notes payable at such time.

27 (c) The principal amount of notes and bonds representing
28 original issue discount, if any.

29 (6) Subject to the limitation in subsection (5), that portion

1 of the state ceiling to be used for qualified mortgage bonds,
2 mortgage credit certificates, or bonds to finance qualified
3 residential rental projects ~~shall~~**must** be allocated to the
4 authority unless the authority elects by resolution to allow
5 another issuer to issue qualified mortgage bonds, mortgage credit
6 certificates, or bonds to finance qualified residential rental
7 projects. As used in this subsection:

8 (a) "Mortgage credit certificate" means that term as defined
9 in section 25 of the internal revenue code of 1986, 26 USC 25.

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

12 (c) "Qualified residential rental project" means that term as
13 defined in section 142 of the internal revenue code of 1986, 26 USC
14 142.

15 (d) "State ceiling" means the aggregate amount of certain
16 private activity bonds, including qualified mortgage bonds, that
17 may be issued in any calendar year in this state pursuant to
18 section 146 of the internal revenue code of 1986, 26 USC 146.

19 (7) To ensure the continued operation and solvency of the
20 authority for the carrying out of the public purposes of this act,
21 the authority shall accumulate in each capital reserve fund an
22 amount equal to the capital reserve fund requirement for that fund.
23 If at any time the capital reserve fund requirement for a capital
24 reserve fund exceeds the amount of the capital reserve fund, the
25 authority shall transfer to this fund from the capital reserve
26 capital account established by the authority's June 10, 1971 bond
27 resolution the amount necessary to restore the capital reserve fund
28 to an amount equal to the capital reserve fund requirement. If a
29 deficiency exists in more than 1 capital reserve fund and the

1 amount in the capital reserve capital account is not sufficient to
2 fully restore the capital reserve funds, the money in the capital
3 reserve capital account ~~shall~~**must** be allocated between the
4 deficient capital reserve funds pro rata according to the amounts
5 of the deficiencies. If at any time the capital reserve capital
6 account has been exhausted and the capital reserve fund requirement
7 for a capital reserve fund exceeds the amount of the capital
8 reserve fund, the chairperson of the authority on or before
9 September 1 shall certify to the governor and budget director the
10 amount, if any, necessary to restore a capital reserve fund to an
11 amount equal to the capital reserve fund requirement. The governor
12 and the budget director shall include in the annual budget the
13 amount certified by the chairperson of the authority.

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

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

26 (10) The authority shall require that not less than 15% of the
27 multifamily dwelling units financed by mortgage loans from the
28 authority in a calendar year under federal government subsidy
29 programs, subject to applicable federal regulations, be offered on

1 a priority basis to low income families and persons receiving their
2 primary incomes from social security programs or state and federal
3 public assistance programs.

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

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

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

24 (14) Before October 1 of each year, the authority shall
25 identify housing production goals for housing projects financed
26 with bonds and notes issued under the limitations provided in
27 section 32a. The authority shall identify a goal for the authority
28 as a whole and a specific goal for each program. The authority
29 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.

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

1 the authority and other governmental and private parties to
2 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~~**must** 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~~**must** include information regarding
28 the amount of tax credits allocated to the state under each of the
29 subdivisions of section 22b(2); the projects that have received tax

1 credits; and the reasons why projects have been denied tax credits
2 under the program; a geographical description of the distribution
3 of those tax credits; and a description of amendments to the
4 allocation plan made during that year.

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

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

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

28 **(17)** ~~(18)~~The authority shall ensure that the income
29 characteristics of individuals served by an authority program are

1 provided in a manner that ensures each individual's
2 confidentiality. The authority shall also ensure that proprietary
3 information in its reports under this section concerning an
4 individual, corporation, cooperative, or association is not
5 released without the permission of that individual, corporation,
6 cooperative, or association.