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DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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**U.S. Department of Housing
and Urban Development
Washington, D.C. 20410**

**Office of Small
Town Services and
Intergovernmental Relations
Metropolitan Planning and Development**

Revised October 1970

STATE HOUSING FINANCE AUTHORITIES
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Prepared by

Office of Small Town Services and Intergovernmental Relations

U. S. Department of Housing and Urban Development
Office of Metropolitan Planning and Development
(rev. October, 1970)

FOREWORD

The need for decent housing for all citizens cannot be met solely within the boundaries and resources of the cities, nor by a single approach. Planning agencies at all levels and State Departments of Community Affairs are becoming increasingly involved in meeting the housing needs of their communities. One approach currently receiving consideration is the establishment of a State agency to provide grants or loans to non-profit corporations for the production or rehabilitation of housing. In some instances, such agencies also can build housing.

At the close of 1969, at least 13 States had authorized housing finance agencies, or other financial mechanisms to provide State aid for housing. The first six months of 1970 witnessed a spate of housing legislation in States in which the legislatures were in session. At least seven States--Georgia, Colorado, Maryland, New Jersey, New York, Ohio and Rhode Island--enacted major housing legislation. Georgia, for example, provided for a constitutional referendum scheduled for November, 1970 to permit the establishment of a State Finance Agency. Maryland, although repealing its 1969 housing authority law, provided for another housing agency within the newly established Department of Economic and Community Development. New York created a State Mortgage Agency for the purpose of purchasing mortgages from banks within the State with the object of enabling banks to invest in new residential mortgages at prevailing interest rates. New Jersey created the New Jersey Mortgage Finance Agency to authorize loans to mortgage lenders to furnish funds for new residential mortgage loans. Ohio created a Housing Development Board which may make non-interest bearing advances, or guarantee repayment of loans to qualified non-profit or limited profit housing corporations for housing development activities.

State housing finance agencies, of course, are just one of several approaches to providing or encouraging the development of low and moderate income housing. Others that the States may use include direct construction and operation of public housing, financial incentives for rehabilitation, payments to localities in lieu of taxes to encourage local government housing activity, and purchase of mortgages.

HUD believes that a variety of efforts involving all segments of government, private enterprise, and the general public is necessary if an adequate supply of housing is to be available to all citizens. It is hoped that making information about these activities available to public officials and planners will help them in developing housing programs in their communities.

Samuel C. Jackson
Assistant Secretary for Metropolitan Planning and Development

INTRODUCTION

This handbook is designed to assist States in establishing a State housing finance authority by providing information on the types of organizations being established by other States.

The Department has not attempted to evaluate the effectiveness of the State program activity described, nor does it espouse one particular approach over any other to solve the need for housing. Legislation establishing a State housing agency is an example of greater State involvement in community affairs and of one of the many approaches that will be needed.

The handbook details the common characteristics of existing State housing finance agencies such as the purposes, organization, kinds of financing authorized, technical assistance and other activities authorized. It also gives a report of the progress being made by State finance agencies in Delaware, Michigan, New Jersey and New York.

Included in the handbook as examples are copies of the laws under which State housing finance agencies have been established in Delaware, Illinois, and Michigan, and a directory of State Housing Finance Authority Directors.

The first edition of this handbook was distributed in November, 1969. Since then, there has been a spate of new housing legislation adopted by States. This edition has been revised to identify States which have had enacted legislation during 1969 and early in 1970 authorizing the creation of additional housing finance agencies and other housing programs. These States have been identified in the Foreword. Several of the agency directors have left agencies during the past year. The list of State housing finance directors reflects as many known changes as called to our attention.

This publication is part of HUD's intergovernmental relations information services exchange program effort to keep public officials, planners and others informed of the current methods and techniques being used in solving community problems.

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STATE HOUSING FINANCE AUTHORITIES

At least 13 States, at the close of 1969, had established organizations concerned with increasing the supply of low or moderate income residential housing by providing mortgage loans to non-profit sponsors, limited dividend corporations, or public agencies. This was an increase of six States since the close of 1968. The 13 States are:

Connecticut: Mortgage Authority Act (approved June 6, 1969, Public Act 795, S. 813)

Delaware: Delaware State Housing Authority located in the Department of Housing (approved June 3, 1968); S. 313, Law 1968

Illinois: Illinois State Housing Development Authority located in the State Housing Authority (approved July 24, 1967); Ill. Stat. ch 67 1/2, Sec. 301 through 334

Maine: ch. 470, S. 488, approved July 2, 1969

Maryland: (Laws of Maryland, 1969, Chapter 533)
(Subject to referendum in November, 1970; however, the Act was repealed during the 1970 legislative session.)

Massachusetts: Massachusetts Housing Finance Agency (approved, September 9, 1966); Law 1966, ch. 708

Michigan: Michigan State Housing Development Authority located in the Department of Social Services (effective March 10, 1967); Mich. Stat. Anon, Secs. 16.114(1) et seq

Missouri: State Housing Development Corporation (approved August 21, 1969, Laws 1969, H. B. no. 13)

New Jersey: New Jersey Housing Finance Agency located in the Department of Community Affairs (approved May 31, 1967); N. J. Sec. A.55: 145-1 et seq

New York: New York Housing Finance Agency (established in 1960); Private Housing Finance Law, Art. III, Section 40 et seq

North Carolina: North Carolina Housing Corporation (ratified July 2, 1969, Laws 1969, ch. 1235 (H. B. 1019)

Vermont: Title 10, ch. 11B, Section 241 et seq

West Virginia: West Virginia Housing Development Fund (established September 14, 1968). W. Va. Code, Sec. 31-18-1 et seq

Although the legislation creates a specific agency for a particular State, a review of the enabling legislation reveals certain general characteristics which are common to all. Generally, the legislation spells out the purpose; provides an organizational framework, including the membership of a board of directors; details certain corporate powers, including the provision of interim and permanent mortgage financing; creates various funds, including development and loan funds; and establishes debt limitations.

In addition, the legislation describes the procedure for issuing bonds or other notes, establishes rules for debt retirement, and spells out other administrative requirements and responsibilities.

I. PURPOSE

Housing finance authorities have been created to help overcome the inadequate supply of residential housing for persons of low or moderate income. They are established to help increase private investment in meeting housing needs. To this end, the authorities generally seek to encourage private enterprise by (1) providing either loans, grants, or permanent mortgage financing to non-profit or limited profit sponsors of residential housing; (2) providing technical assistance to such sponsors; and (3) helping to coordinate public and private activities to provide effective and economical concentration of Federal, State, local and private efforts to increase the supply.

New Jersey's basic law creating its Housing Finance Agency authorizes the use of funds for the construction or rehabilitation of moderate income housing. Moderate income family is defined as a family with an aggregate family annual income of between \$6,000 and \$15,000. However, under its Revolving Housing Development and Demonstration Grant Fund, seed money loans and grants may be made for units for lower income families as well as for moderate income families.

In addition, the New Jersey Housing Assistance Bond Act of 1968, provides for a new housing assistance fund. The monies raised through the sale of bonds may be used to make direct payments to qualified mortgagors, or mortgagees to assist in paying mortgage interest charges on qualified housing developments where such payments will be applied to decrease the rental or carrying charges to low or moderate occupants. A \$12.5 million housing bond issue was approved by referendum in November, 1968.

The New York Housing Finance Agency is authorized to provide financing of general housing, non-profit housing and urban rental housing, as well as capital grant low-rent assistance. In addition, it may finance higher education and mental health facilities, nursing homes and municipal hospitals.

The Agency has the power to lease dwellings in a project for low-rent housing and provides assistance for special purpose housing for the aged. New York also operates other private housing finance programs, including those which support limited profit housing companies, State public housing, redevelopment companies, urban redevelopment corporations, mortgage facilities corporations, and limited dividend housing companies.

In addition to insuring mortgage loans, several States, including Delaware, authorize their finance authority to build or rehabilitate housing designed and planned to be sold at low and moderate income prices.

II. ORGANIZATION

State Housing Finance Authorities are organized along similar lines. They are general public purpose corporations subject to all State laws that apply generally to private corporations.

Generally, a Board of Directors governs the operation of the Corporation; however, in some States, authority is vested in another individual. In Delaware, for example, the chief policy making authority is vested in the Director of the Department of Housing.

The makeup of the Board of Directors differs from State to State in terms of the number of members. Generally, membership consists of State government representatives, and public directors representing labor, industry and finance who serve staggered terms.

The Massachusetts Housing Finance Agency is governed by a seven-member Board of Directors which includes the Commissioner of Commerce and Development and the Commissioner of Corporation and Taxation; ex-officios, together with five persons appointed by the Governor. Of the five public officials, one must be experienced in mortgage banking, one must be trained in architecture and/or city or regional planning, and one must be a person experienced in real estate transactions.

Michigan State Housing Development Authority directorship consists of the Director of the Department of Social Services, the Director of the Department of Commerce, the State Treasurer, and four persons appointed by the Governor with the advice and consent of the State Senate.

New York's Housing Finance Agency has a five-man Board consisting of the State Commissioner of Housing, the Director of the Budget, the Commissioner of Taxation and Finance, and two members appointed by the Governor with the advice and consent of the Senate; the Commissioner of Housing serves as Chairman, and is the chief executive officer of the Agency.

In New Jersey, the Housing Finance Agency consists of five members: the Commissioner of Community Affairs (Chairman), the Attorney General, the State Treasurer and two public members appointed by the Governor with the advice and consent of the Senate.

West Virginia's Housing Development Corporation has a Board of Directors consisting of 12 members. Four State officials--the Attorney General, Secretary of the State, State Treasurer and Commissioner of Commerce--serve as ex-officio directors. The eight public directors must include representatives of the construction industry, labor and finance. All public directors are appointed by the Governor with the advice and consent of the Senate. As in other States, the terms of public officials are staggered.

In Delaware, where the State Housing Authority is located in the Department of Housing, the Secretary exercises all powers and functions.

The Illinois Housing Development Authority now consists of seven members appointed by the Governor with the advice and consent of the Senate. Prior to 1967, the Secretary of the Illinois State Housing Board and its Board of Directors served as the Board for the Housing Development Corporation. A 1969 law vested the duties and powers of the State Housing Board in a new Department of Local Government Affairs.

III. PROVIDE INTERIM AND PERMANENT MORTGAGE FINANCING

There is some variation in State charters pertaining to whether mortgage loans can be made for purchase, or rental of units with or without interest.

Delaware is permitted to make first mortgage loans without interest for construction, financing and rehabilitation and is permitted to insure mortgage loans to finance the building or rehabilitation of housing designed and planned to be available for sale or rent. Illinois not only makes mortgage loans for the construction or rehabilitation of housing projects, but also may make loans to both non-profit housing corporations and limited profit entities which may develop housing projects on a rental, cooperative, condominium or home-ownership basis.

Massachusetts' basic law permits the housing finance agency to make first mortgage loans, including loans secured by FHA insured mortgages, to finance the building or rehabilitation of housing units designed and planned to be available at low rentals. Loans may be for construction as well as permanent financing. In 1968, the law was amended to establish a special financing program to enable low income families or persons to own one- and two-family homes. The MHFA may initially purchase structures in its own name, or may authorize the direct purchase by low income families.

Michigan authorizes its Authority to make non-interest loans to any non-profit corporation, consumer cooperative or limited dividend housing corporation for the provision of low or moderate income housing which they will own. Proceeds may be used only to defray development costs, which is defined as appropriate expenditures which may be incurred prior to commitment and initial endorsement of Federally-aided mortgages. Advances may also be made when State-aided mortgages are anticipated.

New Jersey's Housing Finance Agency is authorized to make grants or loans to non-profit sponsors and developers of low or moderate income housing under its Revolving Housing Development Fund.

New York's Housing Finance Agency has a broad charter to make mortgage loans available to housing companies which supply multiple dwelling, non-housekeeping, and aged care accommodations, and other facilities incidental or appurtenant to families of low or moderate income. Consequently, the Finance Agency may provide financial support for schools, colleges, nursing homes, and health facilities as well as for housing.

West Virginia's Housing Capital Loan Fund, a public benefit non-profit corporation, is permitted to make or participate in the making of Federally insured construction loans to sponsors of residential housing, including but not limited to the Housing Development corporation; and to make loans secured by Federal mortgages or Federally insured mortgages.

IV. OWN, LEASE, RENT, OPERATE, SELL, SPONSOR, DEVELOP, CONSTRUCT AND/OR REHABILITATE RESIDENTIAL HOUSING

Several housing finance agencies have corporate powers to permit them to aid in the direct provision of low and moderate income housing rather than participating indirectly through the insuring or issuing of mortgage loans.

The Delaware Authority can build or rehabilitate housing to be sold.

West Virginia authorizes its Authority to acquire, assemble and hold land for future development.

Illinois, Michigan, Massachusetts have general powers permitting them to acquire real property, or an interest therein, by purchase or foreclosing when acquisition is necessary or appropriate to protect any of its loans. In addition, they may also sell such property.

V. REVOLVING FUNDS

State authorities generally establish within their corporate bodies a revolving fund into which is paid any monies raised by the corporation. The funds may be known as the capital loan fund, as in West Virginia; the housing development fund such as in Michigan; or a housing finance fund as in the case of New Jersey. Generally, funds are raised in several ways, including appropriation; issuing bonds, notes and other obligations; borrowing and accepting funds from other sources. These monies are used to insure mortgages, make mortgages, or for other housing assistance purposes.

In addition to the revolving funds, most Authorities create a "capital reserve" fund. This type is generally established for multi-purposes including: paying principal purchasing bonds and obligations, paying of interest and paying of redemption premiums.

VI. DEVELOPMENT LOANS

The West Virginia Housing Operating Fund was created to make temporary loans, with or without interest, to defray developmental costs to sponsors of residential housing, eligible or potentially eligible for Federal mortgages or Federally insured mortgages. The Operating Fund is permitted to obtain funds by (1) contribution or loan from the West Virginia Housing Development Corporation; (2) receipt of repayments of advances or loans made by the fund; (3) contributions or loans to the fund from any other sources; (4) borrowing money; and (5) issuing bonds, notes, or other obligations.

Delaware, Illinois and Michigan may also make temporary loans with or without interest to defray sponsor development costs. Generally, the Authorities use monies held in their housing development funds for these purposes.

VII. PROVISION OF ADVISORY, CONSULTATION, TRAINING, EDUCATIONAL SERVICES TO STATES AND POTENTIAL SPONSORS

Basic State housing authority legislation recognizes the necessity to assist non-profit sponsors as well as States and limited profit sponsors with a variety of services to insure the solvency of the housing project. These services are designed to assist and educate sponsors in techniques of managing residential housing, and to educate residents as to their responsibilities as tenants, or owners of housing.

Delaware permits its State Authority to provide non-profit corporations and consumer cooperatives with educational services which will assist them to become owners of housing projects. These may include consultation, training courses, seminars and lectures, dissemination of newsletters and other material and the services of

field representatives. The State may also make available management and training, and advisory services for residents so as to promote efficient and harmonious housing projects.

Technical and financial assistance may be made to local planning and redevelopment agencies for a variety of studies including housing, municipal development and urban renewal plans. Technical assistance may also be provided by the Authority or through contracts with public and private organizations with respect to construction, rehabilitation and operation of housing. To carry out these activities, the Delaware Secretary was authorized to make loans not to exceed a total of \$1,000,000 to aid in developmental work prior to actual construction including but not limited to preliminary survey of market needs, preliminary site engineering, and site acquisition.

Although Michigan and New Jersey are authorized to carry out advisory, consultation, training and educational services to housing sponsors, they have not created a staff to provide such services.

VIII. STUDIES AND ANALYSES

In order to determine the extent of the problem, and to plan for ways to meet housing needs, Illinois and Michigan have authorized their Authorities to undertake and conduct studies.

Although not clearly authorized to conduct studies, West Virginia's corporation is permitted to engage in research and development in scientific methods of constructing low cost residential housing through utilization of new materials and mass construction techniques. Illinois and Michigan also authorize their Authority to encourage research demonstration projects to develop new and better techniques and methods for increasing housing supplies. In Delaware, the Department of Housing may study the entire field of housing. The Illinois Authority may make grants, or loans, with or without interest, in connection with its demonstration research activity.

IX. DEBT LIMITATIONS

Most finance authorities are limited by law as to the amount of bonds and notes which may be outstanding at any one time. There is considerable variation among States with respect to the aggregate debt limitation. For example, Illinois may have an aggregate outstanding debt of \$100 million. Michigan's bonding debt limitation is \$300 million (increased in 1970 from \$50 million), while the Massachusetts Housing Finance Agency's debt limit is \$50 million. New York is authorized to issue bonds and notes in an aggregate principal amount not to exceed \$2 billion.

The basic enabling legislation in other States such as Delaware, New Jersey and West Virginia does not spell out the debt limitation for notes and bonds. Rather, the law provides that the Authority may issue bonds and notes from time to time in such amounts as it may deem necessary for any of its corporate purposes.

The New Jersey Housing Assistance bond issue of 1968, in the amount of \$12.5 million, is illustrative of a bond issue for a certain activity. The money raised through this issue will be used as leverage to permit the State to take advantage of new programs authorized by the 1968 Housing Act, including interest reduction and rent supplement payments in behalf of tenants who live in housing financed by the New Jersey Housing Finance Agency.

Delaware's State Housing Authority is currently operating with a first-year appropriation of \$5,000,000. As previously indicated, \$1,000,000 is available for pre-construction advances.

PROGRESS IN STATE HOUSING FINANCE ACTIVITY

Although the number of housing units either constructed, or rehabilitated through the assistance of (SHFA) is relatively small in relation to the overall need, the record to date indicates that State HFA's have made significant contribution as shown by the information about activities in Delaware, Michigan, New Jersey and New York.

DELAWARE

Delaware's Housing Finance Agency in the Department of Housing was created on June 3, 1968, with the Commissioner receiving his commission on June 28, 1968. Of the \$5 million authorized for the Housing Development Fund, over \$1.6 million had been contracted by the close of the fiscal year ending June 30, 1969. Six loans were made to non-profit sponsors, thereby permitting 190 dwelling starts (and four offices). More specifically, the Housing Finance Agency provided \$267,800 for acquisition and rehabilitation of 23 properties to be sold to low income families under HUD's 221-H program; approved a construction grant in the amount of \$811,900 for the erection of a 221(d)(3) development consisting of 72 dwelling units and 2 offices; and approved a pre-construction loan of \$26,010 for the construction of 66 garden-type units to be constructed either under the turnkey program or Section 236 development program.

In addition, assistance has been provided to several groups to assist them in forming non-profit corporations for the purpose of producing housing.

As of January, 1969, the Housing Finance Agency had a staff of four persons.

NEW JERSEY

As previously mentioned, New Jersey conducts housing development programs under the Housing Finance Agency (moderate income housing) and the Revolving Housing Development and Demonstration Grant Fund (seed money loans and grants for lower income families).

Since their inception on June 1, 1967, they have achieved the following accomplishments at a total administrative cost to the State of just over \$100,000 for both programs--or about 2/10 of 1% of the amount of loans made. They have a staff of approximately 20 persons.

By February 3, 1969, the Housing Finance Agency had financed, or agreed to finance upon completion, 1,235 dwelling units worth nearly \$24 million. In addition, the Agency had approved for financing an additional eight projects in six cities with total mortgage amounts of nearly \$29 million and covering 1,656 dwelling units.

The Agency has sold over \$19 million of its own Federal income tax exempt bond anticipation notes.

Under the Revolving Housing Development and Demonstration Grant Fund, as of February 3, 1969, a total of 37 seed money loans and 18 grants had been made for the development of projects totalling over 7,500 dwelling units for lower and moderate income families. Loans have been made in 13 localities in nine counties, and grants have been made in six localities in six counties.

In the grant category, close to \$700,000 in private, local and Federal monies have been raised to match the total State grants of \$350,000. Most grants have been to assist community-based non-profit housing development rehabilitation efforts. These groups have completed and sold to low income home-owners a total of 52 "new again" homes, with another 50 to be occupied by June 30, 1969.

NEW YORK

The New York State Housing Finance Agency is authorized to provide mortgage financing for five housing programs--general housing, non-profit housing, urban rental housing, and equity loans and capital grant low-rent assistance. The Agency offers four types of securities within its \$2 billion authorization to finance its programs: (1) General Housing Loan Bonds and Bond Anticipation Notes; (2) Non-profit Housing Project Bonds and Bond Anticipation Notes; (3) Urban Rental Housing Project Bonds and Bond Anticipation Notes; and (4) Equity Loan Bonds and Bond Anticipation Notes.

1. General Housing Loan Bonds and Bond Anticipation Notes

Funds for mortgage loans to housing companies have been marketed since 1961. At the close of its 1967-68 fiscal year, the Agency had made mortgage loans or entered into mortgage loan commitments in the amount of \$367,523,000 to provide 23,358 housing units. Four issues with a face value of \$38,882,000 were sold during the past fiscal year.

2. Non-profit Housing Projects

At the close of the fiscal year, mortgage loans or commitments had been made in the amount of \$441,687,000 to provide 24,441 housing units. Loans are made to non-profit sponsors for senior citizens (up to 100 percent of development cost), or for staff members and students at hospitals, child care and educational institutions (up to 95 percent of the development cost).

3. Urban Rental Housing

The issuance of bonds and anticipation notes to provide funds for mortgage loans to stimulate rental housing construction was authorized during the 1968 session of the legislature. The program has not yet been implemented.

4. Equity Loans

Up to \$40 million of the Agency's borrowing authorization is earmarked for its Equity Loans Program, which is designed to assist families to purchase the shares allocable to an apartment in a limited-profit housing company project operated on a cooperative basis. Loans have been made to 23 companies in the amount of \$6,314,998.73 to finance, in part, the equity down payment of 3,581 families.

5. Capital Grant Low-Rent Assistance

Under this program, the Agency is authorized to lease apartments from a housing company for the purpose of sub-leasing the apartments to families whose incomes are too limited to pay the economic rent. The differential in rent paid by the family and the rent charged by the company is met out of appropriated monies and a grant of additional tax exemption by the municipality. As of March 31, 1969, a total of 1,321 families in 33 projects was being assisted by the program. During the past fiscal year, the State appropriated \$1.5 million for this program bringing the total monies available to \$7.5 million.

MICHIGAN

The Michigan State Housing Development Authority, since March, 1970, has issued tax exempt notes valued at \$40.6 million. This money is expected to finance 2,300 housing units.

STATE HOUSING FINANCE AUTHORITY DIRECTORS

Additional information about State Housing Finance Authority activities may be obtained from the Directors of the Authorities.

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EXAMPLES OF STATE LEGISLATION

D E L A W A R E

DEPARTMENT OF HOUSING

Laws 1968, Senate Bill No. 313, approved June 3, 1968

SUBCHAPTER VI: Establishment of State
Housing Authority

4050. Composition; appointment; term, vacancy

There is hereby created in the Department of Housing a Public Corporation of perpetual duration to be called the "Delaware State Housing Authority." The provisions of Chapter 43 of Title 31, Delaware Code shall apply to the State Authority and to its projects as fully as such provisions apply to a housing authority created by section 4303 of that Chapter and to its housing projects, provided, however, that the State Authority shall not be subject to sections 4303, 4305, 4306, 4314, 4317, 4318 of Title 31, Delaware Code.

The State Authority shall exercise all its powers and functions by and through the Secretary.

The Secretary may assign to employment within the Authority such employees as deemed necessary to carry out its assigned duties and functions.

4051. Authority to Contract for Labor or Materials

The State Authority shall contract for labor or materials (except labor or materials used in the maintenance or operation of projects) pursuant to the manner prescribed in Chapter 69, Title 31, for Departments and other agencies of the State Government.

4052. Seal of the State Housing Authority

The State Authority shall have a corporate seal in the form of a circle bearing the arms of the State in the center and the name of the Authority in the border. All deeds, contracts or other obligations, certificates, or other instruments executed, including bonds which are provided for in Section 4055, made or issued on behalf of the Authority, shall bear the signature of the Secretary and have impressed, or imprinted thereupon, the seal of the Authority, or facsimile thereof, and when so appearing shall be conclusively presumed in any judicial action or proceeding the valid act and deed of the authority. The presumption set

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forth in this provision shall also apply to all bonds executed pursuant to the provisions of section 4054 of this sub-chapter.

4053. Powers of the State Authority

The State Authority, in addition to its other powers, shall have power, notwithstanding anything to the contrary contained in this chapter or in any other provision of law:

(a) To exercise any or all of the powers conferred upon it, either generally or with respect to any specific housing project or projects, through or by an agent or agents which it may designate including any corporation or corporations which are or shall be formed under the laws of this State, and for such purposes the authority may cause one or more corporations to be incorporated under the laws of this State or may acquire the capital stock of any corporation or corporations. Any corporate agent, all of the stock of which shall be owned by the State Authority or its nominee or nominees, may to the extent permitted by law exercise any of the powers conferred upon the State Authority herein, conferred upon it by the State Authority as agent.

(b) To fund the operation of any agents it may designate or any authority by advancing moneys appropriated pursuant to section 4067 of this subchapter.

(c) To make first mortgage loans without interest on such terms and conditions as may be determined by the Secretary, for the construction, financing or rehabilitation of housing for low and moderate income persons and families;

(d) To insure mortgage loans to finance the building or rehabilitation of housing designated and planned to be available at low and moderate rentals for sale at /sic/ low and moderate income persons and families;

(e) To build or rehabilitate housing designed and planned to be sold at low and moderate prices to low and moderate income persons and families.

4054. Bonds

(a) The State Authority may with the approval of the Issuing Officer issue bonds (including refunding bonds for the purpose of paying or retiring bonds previously issued by the authority) from time to time in such amounts as it may deem advisable for any of its corporate purposes. The authority may issue such types of bonds as it may determine, including bonds on which the principal and interest are payable; (a) exclusively from the income and revenues of any undertaking financed in whole or in part with the proceeds of such bonds, or (b) exclusively from the income and revenues of certain designated housing projects whether or not they were financed in

whole or in part with the proceeds of such bonds; or (c) from its revenues generally or (d) grants, subsidies or other payments from the Federal Governments. Any of such bonds may be additionally secured by a pledge of any revenues or a mortgage of any housing project, projects or other property of the State Authority or any of its agents or designees;

(b) Neither the Issuing Officers nor any person executing the bonds shall be liable personally on the bonds.

4055. Form and Terms of Bonds; Disposition of Proceeds

(a) All bonds issued under the authority of this sub-chapter shall be dated, shall bear interest at such rate or rates, not exceeding the allowable maximum interest established by Section 2301 of Title 6 Delaware Code as amended, payable semi-annually, shall mature at such time or times and may be made redeemable before maturity at such times and at such price or prices and under such terms and conditions as may be fixed by the Issuing Officers prior to the issuance of the bonds. The principal of and the interest upon such bonds may be made payable in any lawful medium. The Issuing Officers shall determine the form of the bonds, including any interest coupons to be attached thereto, and shall fix the denominations of the bonds. Both principal of the interest on the bonds shall be payable at the Farmers Bank of the State of Delaware, at Dover, or at such alternate places as the aforesaid Farmers Banks may designate;

(b) Bonds shall be signed by manual or facsimile signature of the Secretary and the seal of the State Authority or a facsimile thereof shall be affixed thereto or imprinted thereon and said seal shall be attested by the manual or facsimile signature of the Assistant Secretary. Any coupons attached thereto shall bear the facsimile signature of the Secretary. In case any person whose signature or facsimile thereon shall appear on any bonds or coupons shall cease to be the Secretary before the delivery of such bonds, such signature or facsimile shall, nevertheless, be valid for all purposes, the same as if he had remained in office until delivery;

(c) All bonds issued under the provisions of this sub-chapter shall have, and are declared to have, all the qualities and incidents of negotiable instruments under the Uniform Commercial Code;

(d) Such bonds and the income therefrom shall be exempt from all taxation by the State of Delaware or by any political subdivision, agency or authority thereof;

(e) The bonds may be issued in coupon or registered form, or both, as the Issuing Officers may determine, and provision may be made for the registration of any coupon bond as to principal alone or as to both principal and interest, and for the reconversion of any bonds registered both as to principal and interest into coupon bonds;

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(f) The Issuing Officers may sell such bonds either at public or private sale in such manner and for such price as they may determine to be for the best interest of State Authority but no such sale may be at a price so low as to require the payment of interest on money received therefor at more than the allowable maximum interest established by Section 2301 of Title 6 Delaware Code as amended, computed with relation to the absolute maturity of the bonds in accordance with standard tables of bond values;

(g) The proceeds of such bonds, exclusive of accrued interest, shall be used solely for the purposes specified in the resolution of the State Authority authorizing the issuance thereof, or as set forth in the indenture securing their payment, which purposes may include redemption premiums, interest on bonds to be refunded to the redemption date or date of maturity thereof and all legal and other expenses of their issuance, and shall be disbursed under such restrictions, if any, as said resolution or trust indenture may provide;

(h) The proceeds of such bonds shall at no time revert to the General Fund of the State Treasury but shall at all times be available to the State Authority for the aforesaid purposes, provided, however, that if the proceeds of the bonds of any issue shall exceed the amount required for the purpose or purposes for which such bonds are authorized to be issued, the surplus may be used for any purpose of the State Authority authorized in this sub-chapter or for the payment of the principal of or interest on its outstanding bonds;

(i) Prior to the preparation of definitive bonds the Issuing Officers may issue temporary bonds with or without coupons, exchangeable for definitive bonds upon the issuance of the latter. The issuing officers may also provide for the replacement of any bond which shall become mutilated or be destroyed or lost. Such bonds may be issued without any other proceedings, conditions and things which are specified and required by this sub-chapter.

4056. Bonds as legal investments for institutions and fiduciaries, and as legal deposit

The Bonds issued under the authority of this sub-chapter are hereby declared to be securities in which all State and municipal officers and administrative departments, boards and commissions of the State, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees, and other fiduciaries, and all other persons whatsoever who now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital belonging to them or within their control; and such bonds are hereby declared securities which may properly and legally be deposited with and received by any State, county or municipal

officer or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

4057. Credit of State not Pledged

Bonds issued under the provisions of this sub-chapter shall be payable exclusively from the revenues and other funds of the State Authority and shall contain the following statement on their face: The State of Delaware is not obligated to pay the principal of this bond nor the interest thereon; nor are the faith and credit of the State pledged to the payment of the principal of, or interest on this bond. The issuance of bonds under the provisions of the sub-chapter shall not directly or indirectly or contingently obligate the State to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment and the bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

4058. Provisions of Bonds and Mortgages

In connection with the issuance of bonds or the incurring of any obligation under a lease, and to secure the payment of such bonds or obligations, the State Authority in addition to its other powers may:

- (1) Pledge all or any part of its rents, fees or revenues to which its right then exists or may thereafter come into existence;
- (2) Mortgage all or any part of its property, real or personal, then owned or thereafter acquired, including any of the public domain owned or acquired by it;^{1/}
- (3) Covenant against mortgaging all or any part of its property, real or personal, then owned or thereafter acquired or against permitting or suffering any lien thereon;
- (4) Covenant with respect to limitations on its right to sell, lease or otherwise dispose of any project or any part thereof;
- (5) Covenant against pledging all or any part of its rents, fees, and revenues to which its right then exists or may thereafter come into existence, or against permitting or suffering any lien thereon;
- (6) Covenant as to the bonds to be issued and as to the issuance of such bonds in escrow or otherwise, and as to the use and disposition of the proceeds thereof;
- (7) Covenant as to what other, or additional debts may be incurred by it;

^{1/} The words following "including any" were omitted from copy furnished by Commerce Clearing House. However, the subsection appeared as shown above in the bill.

(8) Covenant that the State Authority warrants the title to the premises;

(9) Covenant as to the rents and fees to be charged, the amount to be raised each year or other period of time by rents, fees and other revenues, and as to the use and disposition to be made thereof;

(10) Covenant as to the use of any or all of its property, real or personal;

(11) Create or authorize the creation of special funds segregating the proceeds of any loans or grants, the revenues of any project or projects, reserves for principal and interest on its bonds and for operating contingencies, and other reserves; and covenant as to the use and disposal of the moneys held in such funds;

(12) Redeem the bonds, and covenant for their redemption, and provide the terms and conditions thereof;

(13) Covenant against extending the time for the payment of its bonds or interest thereon;

(14) Prescribe the procedure, if any, by which the terms of any contract with bond holders may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(15) Covenant as to the maintenance of its property, the replacement thereof, the insurance to be carried thereon, and the use and disposition of insurance moneys;

(16) Vest in an obligee, in the event of a default by the State Authority, the right to cure any such default and to advance any moneys necessary for such purpose, and covenant that the moneys so advanced be an additional obligation of such authority with such interest, security and priority as may be provided in any mortgage, lease or contract;

(17) Covenant and prescribe as to the events of default and terms and conditions upon which any or all of its bonds shall become or may be declared due before maturity, and as to the terms and conditions upon which such declaration and its consequences may be waived;

(18) Covenant as to the rights, liabilities, powers and duties arising upon the breach by it of any covenant, condition or obligation;

(19) Covenant to surrender possession of a project or projects or parts thereof upon the happening of an event of default; and vest in an obligee the right, upon such default and without judicial proceedings, to take possession and use, operate, manage and control such projects or any parts thereof, and to collect and receive rents, fees and revenues arising therefrom in the same manner as such authority itself might do, and to dispose of the moneys collected in accordance with the agreement of such obligee with the authority;

(20) Vest in a trustee or trustees the right to enforce any covenant to secure, or pay the bonds, or otherwise relating to such bonds; provide for the powers and duties of such trustee or trustees, limit the liabilities thereof, and provide the terms and conditions upon which the trustee or trustees, or the holders of bonds, or any proportion of them may enforce any such covenant;

(21) Vest in a government or in a trustee the right, upon the happening of an event of default, to foreclose the mortgage securing any bonds held by such government, through judicial proceedings or through the exercise of a power of sale without judicial proceedings;

(22) Vest in other obligees the right, upon the happening of an event of default, to foreclose any mortgage through judicial proceedings;

(23) Vest in any obligee, the right to foreclose any such mortgage as to all or such part or parts of the property covered thereby as such obligee shall elect; the institution, prosecution and conclusion of any foreclosure proceedings or the sale of any such parts of the mortgaged property shall not affect in any manner or to any extent the lien of the mortgage on the parts of the mortgaged property not included in such proceedings or not sold as aforesaid;

(24) Make covenants other than, and in addition to, the covenants herein expressly authorized, of like or different character and execute all instruments necessary or convenient in the exercise of the powers herein granted, or in the performance of its covenants or duties, which may contain such covenants and provisions, in addition to those above specified, as the government or any purchaser of the bonds of the State Authority may require;

(25) Make such covenants and do any and all such acts and things as may be necessary or convenient or desirable in order to secure its bonds, or in the absolute discretion of the State Authority tend to make the bonds more marketable, notwithstanding that such covenants, acts or things may not be enumerated herein.

4059. Trust Indenture

(a) In the discretion of the Issuing Officers each and any issue of such bonds may be secured by a trust indenture by and between the Issuing Officers and a corporate trustee, which may be any trust company or bank having the powers of a trust company within or without the State;

(b) Such trust indenture may pledge or assign the revenues of the State Authority but shall not create a security interest in or convey or mortgage any real property owned, operated or maintained by the State Authority. Either the resolution providing the issuance of the bonds or such trust indenture may contain such provisions specifying, defining, protecting and enforcing the rights and not in violation of law, including covenants setting forth the duties of the State Authorities in relation

to the acquisition, construction, improvement maintenance, operation, repair and insurance of any facilities or additions thereto, and the custody, safeguarding and application of all moneys;

(c) It shall be lawful for any bank or trust company incorporated under the laws of this State to act as such depository and to furnish such identifying bonds or to pledge such securities as may be required by the State Authority. Such indenture may set forth the rights and remedies of the bondholders and of the trustee, and may restrict the individual right of action of bondholders as is customary in trust indentures securing bonds and debentures of corporation;

(d) In addition to the foregoing, such trust indenture may contain such other provisions as Issuing Officers may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust indenture may be treated as a part of the cost of maintenance, operation and repairs of any facility to which such indenture is related or may be paid out of the revenues of the State Authority.

4060. Remedies of bondholders and trustees

(a) Any holder of bonds issued under the provisions of this sub-chapter or any of the coupons attached thereto, and the trustee under the trust indenture, if any, except to the extent the rights given by this sub-chapter may be restricted by resolution passed before the issuance of the bonds or by the trust indenture, may either at law or in equity by suit, action, mandamus, or other proceedings protect and enforce any and all rights under the laws of the United States or of the State of Delaware or granted under this sub-chapter or under such resolution or trust indenture, and may enforce and compel performance of all duties required by this sub-chapter, or by such resolution or trust indenture, to be performed by the State Authority or any officer thereof, including the fixing, charging and collecting of fares or charges for the use of any facility operated by the State Authority;

(b) Such resolution or trust indenture may contain provisions under which any holder of such bonds or the trustee under such trust indenture shall be entitled to the appointment of a receiver in the event of a default, and any receiver so appointed shall have and be entitled to exercise all the rights and powers of the State Authority with respect to the facilities operated or maintained by the State Authorities and all of the appropriate rights and powers of a receiver in equity.

4061. Moneys as Trust Funds

All moneys received pursuant to the authority of this sub-chapter, whether as proceeds from the sale of bonds, or grants or other contributions from any person corporate or otherwise or government or as fares and revenues, shall be deemed to be trust funds, to be held and applied solely

as provided in this sub-chapter. The Issuing Officers shall, in the resolution authorizing the issuance of bonds or in the trust indenture, provide for the payment of the proceeds of the sale of the bonds and the fares and revenues to be received, to any officer, agency, bank or trust company who shall act as trustee of such funds, and shall hold and apply the same to the purposes of this sub-chapter, subject to such regulations as this sub-chapter and such resolution or trust indenture may provide.

4062. Subordination of mortgage to agreement with government

The State Authority may agree in any mortgage made by it that such mortgage shall be subordinate to a contract for the supervision by a government of the operation and maintenance of the mortgaged property and the construction of improvements thereon. In such event, any purchase or purchasers at a sale of the property of the State Authority pursuant to a foreclosure of such mortgage or any other remedy in connection therewith shall obtain title subject to such contract.

4063. Powers with respect to rural housing

In undertaking the provision of housing for individuals and families of low and moderate income in rural areas the State authority may comply with any conditions not inconsistent with the purposes of this chapter required by the federal government pursuant to federal law in any contract for financial assistance with the State Authority concerning such undertakings.

4064. Make Payments to Public Bodies

The State Authority may agree to make such payments to the State, or any political subdivisions thereof (which payments such bodies are hereby authorized to accept) as the State Authority finds consistent with the maintenance of the low and moderate rent character of housing projects or the achievement of the purposes of this sub-chapter.

4065. Advisory Services

The State Authority is authorized to provide to non-profit housing corporations and consumer housing cooperatives, such educational services as will assist them to become owners of housing projects, in accordance with the provisions of this act. Advisory and educational services may include but are not necessarily limited, consultation services, training courses, seminars and lectures, and preparation and dissemination of newsletters and other printed materials and the services of field representatives. The State Authority is also authorized to provide non-profit housing companies and consumer housing companies with advisory, consultative, technical, training and educational services in the management and training and advisory services for the residents of the housing projects

so as to promote efficient and harmonious management of the housing projects; to make available technical and financial assistance and advisory services to any municipal, county or regional planning, zoning or redevelopment agency or commission, housing authority, or other appropriate agency for surveys, land use studies, municipal plans of development, urban renewal plans, housing plans, housing site development plans, human resource development programs, community development action plans, and for other functions pertinent to municipal planning, zoning, redevelopment, urban renewal, the provision of adequate housing human resource development, industrial and commercial development, municipal public improvement programs and other rural, urban and municipal problems. Such financial assistance shall be rendered upon such contractual arrangements as may be agreed upon by the Secretary and any such agency, authority or commission in accordance with their respective needs:

4066. Assistance to Nonprofit Sponsors of Low and Moderate Income Housing

(a) The State Housing Authority is authorized to provide or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by non-profit organizations of housing for low and moderate income families. Assistance by the Secretary may include --

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) providing advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b)

(1) The Secretary is authorized to make loans not to exceed a total amount at any time outstanding and not repaid of \$1,000,000 appropriated by section 4067 of Title 31 Delaware Code, to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction, of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan as he may determine cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements and /sic/ respect to financial responsibility and stability as he may prescribe.

4067. Establishment of a Housing Development Fund

There is hereby authorized to be appropriated from the Capital Investment Fund for the purposes of this subsection \$5,000,000.00. All funds appropriated shall be deposited in a fund which shall be known as the "Housing Development Fund," which shall be administered by the Secretary, except as permitted by Section 4066 of this sub-chapter, as a revolving fund for carrying out the purposes of this sub-chapter. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

Section 5. All rights, privileges and immunities vested or accrued by and under any laws enacted prior to the adoption or amendments of this Act, all suits pending, all rights of action conferred, and all duties, restrictions, liabilities and penalties imposed or required by and under laws enacted prior to the adoption or amendment of this Act, shall not be impaired, diminished or affected by this Act.

Section 6. The purpose of this act is to make available to all the citizens of this State decent and adequate housing without regard to the age, race, creed, color or national origin or /sic/ any person.

The Department, the State Housing Authority, or any recipient of assistance under this Chapter, in determining the location or types of housing, accommodations, facilities, services financial aid, or other benefits which will be provided, may not, directly or through contractual or other arrangements, utilize criteria or methods of administration which have the effect of subjecting persons to discrimination because of their age, race, color, or national origin, or have the effect of defeating or substantially impairing accomplishment of the objectives of the program or activity as respect persons of a particular age, race, color or national origin.

The Secretary shall include in all contracts other than bonds entered into pursuant to the provisions of this Chapter, the following provisions:

"During the performance of this contract, the contractor agrees as follows:

(1) The contractor will not discriminate against any employee or applicant for employment because of age, race, creed, color, or national origin. The contractor will take affirmative action to insure that applicants are employed and that employees are treated during employment, with /sic/ regard to their age, race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising;

layoff or termination; rates of pay or other forms of compensation, and selection for training, including an apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Secretary setting forth the provisions of this nondiscrimination clause.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color or national origin.

(3) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract this contract may be cancelled, terminated or suspended in whole or in part by the Secretary.

Section 7. The sum of \$100,000 is appropriated to the Department of Housing established herein for the fiscal year ending June 30, 1968, for the operation of the Department.

Section 8. This Act is a supplementary appropriation and the money appropriated shall be paid by the State Treasurer out of funds in the General Fund of the State of Delaware, not otherwise appropriated.

Section 9. The members of the State Board of Housing serving at the time this act becomes law shall continue to serve out the term for which they were originally appointed as additional members pro tempore of the State Bureau of Housing.

Section 10. If any provision of this act or of any rule, regulation or thereunder or the application of such provision to any person or circumstance shall be held invalid, the remainder of this act and the application of such provision of this act or of such rule, regulation or order to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

Section 11. Any money appropriated herein and unexpended shall not revert to the General Fund of the State of Delaware until June 30, 1969.

Section 12. The first definition covering "Area of Operation" in Section 4501 of Title 31 Delaware Code is hereby repealed, and the following definition is substituted therefore:

"Area of operation" means in the case of a municipality, the area within such municipality and in the case of a county, the area within the county, except that the area of operation in such case shall not include any area which lies within the territorial boundaries of a municipality unless a resolution shall have been adopted by the governing body of such municipality declaring a need therefor; and in the case of a regional authority, shall mean the area within the communities for which such regional authority is created, provided, however, that a regional

authority shall not undertake a redevelopment project within the territorial boundaries of any municipality or county unless a resolution shall have been adopted by the governing body of such municipality or county declaring that there is a need for the regional authority to undertake such redevelopment project within such municipality. No authority shall operate in any area of operation in which another Authority already established is undertaking or carrying out a redevelopment project without the consent, by resolution, of such other Authority.

Section 13. Notwithstanding any other provision of this bill or of any other prior statute, no "Authority" or "Housing Authority" shall be created or operated within the boundaries of any municipality or county without the express prior approval of the governing body of the municipality or county involved.

I L L I N O I S

ILLINOIS HOUSING DEVELOPMENT ACT

Chapter 67-1/2, Sections 301 through 334

(as amended through 1969)

301. Short title. This Act shall be known and may be cited as the Illinois Housing Development Act. Laws 1967, p. 131, §1.

302. Definitions. As used in this Act:

(a) "Authority" means the Illinois Housing Development Authority created in this Act.

(b) "Development costs" means the costs approved by the Authority as appropriate expenditures which may be incurred prior to commitment and initial endorsement of federally-aided or State-aided mortgage financing or other satisfactory financing including but not limited to: (1) payments for options to purchase properties on the proposed development, deposits on contracts of purchase, or, with the prior approval of the Authority, payments for the purchases of such properties; (2) legal, organizational and marketing expenses, including payment of attorneys' fees, project manager and clerical staff salaries, office rent and other incidental expenses; (3) payment of fees for preliminary feasibility studies, advances for planning, engineering and architectural work; (4) expenses for surveys as to need and market analyses; (5) necessary application and other fees to federal, State and other local government agencies; and (6) such other expenses as the Authority may deem appropriate to effectuate the purposes of this Act.

(c) "Federally-aided mortgage" means a below market interest rate mortgage insured or purchased, or a loan made, by the Secretary of the United States Department of Housing and Urban Development; or a market interest rate mortgage insured or purchased, or a loan made in combination with or as augmented by a program of rent supplements, interest subsidies, leasing, contributions or grants, or other programs as are now or hereafter authorized by federal law to serve low or moderate income persons.

(d) "State-aided mortgage" means a mortgage or loan granted pursuant to this Act.

(e) "Other satisfactory financing" means a mortgage or loan from any private or public source with an interest rate and terms satisfactory to the Authority, which will meet the requirements and purposes of the Act and any combination of such a mortgage or loan and a federally-aided or State-aided mortgage.

(f) "Development" means a specific work or improvement undertaken to provide dwelling accommodations, including the acquisition, construction or rehabilitation of lands, buildings, improvements, recreational facilities and other community amenities and in connection therewith to provide non-housing facilities which are an integral part of a planned large-scale project or new community.

(g) "Persons and families of low and moderate income" and "low income or moderate income persons" means families and persons who cannot afford to pay the amounts at which private enterprise, without federally-aided mortgages, or State-aided mortgages or other satisfactory financing, is providing a substantial supply of decent, safe and sanitary housing. The income limits for the admission of such families and persons to developments shall be those established pursuant to the rules applicable to such developments assisted with such federally-aided mortgages, State-aided mortgages or other satisfactory financing, as the case may be. Among low income or moderate income persons, preference shall be given to those displaced by urban renewal, slum clearance or other governmental action in accordance with applicable regulations and procedures.

(h) "Low rentals" means rent charges at least 10% lower than moderate rentals.

(j) "Rents" or Rentals" shall mean the charges paid by moderate and low income persons for occupancy in a development under this Act, whether the development is operated on a landlord-tenant basis or as a condominium or cooperative.

(k) "Limited-profit entity" means any joint venture, partnership, limited partnership, trust or corporation organized or existing under the laws of the State of Illinois or authorized to do business in this State. Every such limited-profit entity shall be subject to the restrictions contained in Section 8 of this Act and shall, in its articles of incorporation or comparable documents of organization or by written agreement with the Authority, provide the following:

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(1) that if the limited-profit entity receives any loan from the Authority as provided for in this Act, it shall be authorized to enter into an agreement with the Authority providing for regulations with respect to rents, profits, dividends, and disposition of property or franchises; and

(2) that if the limited-profit entity receives a loan, as provided for in this Act, the Chairman of the Authority, acting with the prior approval of the Authority, shall have the power, if he determines that any such loan is in jeopardy of not being repaid, or that the proposed development for which such loan was made is in jeopardy of not being constructed, or the limited-profit entity is otherwise in violation of rules and regulations promulgated by the Authority, to appoint to the board of directors or other comparable controlling body of such limited-profit entity a number of new directors or persons, which number shall be sufficient to constitute a voting majority of such board or controlling body, notwithstanding any other provisions of the limited-profit entity's articles of incorporation or other documents of organization, or of any other provision of law.

(1) "Housing corporation" means a corporation organized pursuant to Section 3 of the State Housing Act of 1933, as amended. The articles of incorporation of any such corporation shall, in addition to other requirements of law, provide:

(a) that if the corporation receives any loan or advance from the Authority as provided for in this Act, it shall be authorized to enter into an agreement with the Authority providing for regulation with respect to rents, profits, dividends and disposition of property or franchises; and

(b) that if the corporation receives a loan or advance, as provided for in this Act, the Chairman of the Authority, acting with the prior approval of the majority of the members of the Authority, shall have the power if he determines that any such loan or advance is in jeopardy of not being repaid, or that the proposed development for which such loan or advance was made is in jeopardy of not being constructed, or is in violation of rules and regulations promulgated by the Authority, to appoint to the board of directors of such corporation a number of new directors, which number shall be sufficient to constitute a majority of such board, notwithstanding any other provisions of such articles of incorporation or of any other provisions of law.

(m) "Nonprofit corporation" means a nonprofit corporation incorporated pursuant to the provisions of the Illinois General Not For Profit Corporation Act and the provisions of this Act. The articles of

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incorporation of any such corporation shall, in addition to other requirements of law, provide:

- (1) that the corporation has been organized exclusively to provide housing facilities for persons of low and moderate income;
- (2) that all income and earnings of the corporation shall be used exclusively for corporation purposes and that no part of the net income or net earnings of the corporation shall inure to the benefit or profit of any private individual, firm, corporation, partnership, or association;
- (3) that the corporation is in no manner controlled or under the direction or acting in the substantial interest of private individuals, firms, corporation, partnerships, or associations seeking to derive profit or gain therefrom or seeking to eliminate or minimize losses in any dealings or transactions therewith;
- (4) that if the corporation receives any loan or advance from the Authority as provided for in this Act, it shall be authorized to enter into an agreement with the Authority providing for regulation with respect to rents, profits, dividends, and disposition of property or franchises;
- (5) that if the corporation receives a loan or advance, as provided for in this Act, the Chairman of the Authority, acting with the prior approval of the majority of the members of the Authority, shall have the power if he determines that any such loan or advance is in jeopardy of not being repaid, or that the proposed development for which such loan or advance was made is in jeopardy of not being constructed, or that some part of the net income or net earnings of the corporation is unuring to the benefit of any private individual, firm, corporation, partnership, or association, or that the corporation is in some manner controlled or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership, or association seeking to derive benefit or gain therefrom or seeking to eliminate or minimize losses in any dealings or transactions therewith, or is in violation of rules and regulations promulgated by the Authority to appoint the board of directors of such corporation a number of new directors, which number shall be sufficient to constitute a majority of such board, notwithstanding any other provisions of such articles of incorporation or of any other provisions of law; and
- (6) that each development of such corporation shall be operated exclusively for the benefit of the low and moderate income families or persons who are housed in such development.

(n) "State" means the State of Illinois.
Laws 1967, p. 131, §2. Amended by P. A. 76-1175, §1.

303. Legislative finding and declaration. It is hereby found and declared that as a result of public actions involving highways, public facilities and urban renewal projects and as a result of the spread of slum conditions and blight to formerly sound neighborhoods, there exists within Illinois a serious shortage of decent, safe, and sanitary housing available at low and moderate rentals to persons and families of low and moderate income. This shortage is inimical to the safety, health, morals and welfare of the residents of this State and the sound growth of its communities. Private enterprise and investment, without the assistance contemplated in this Act, is not disposed to nor can it economically achieve the needed construction of decent, safe and sanitary housing at rentals which persons and families of low and moderate income can afford, nor is it disposed nor can it so achieve the urgently needed rehabilitation of existing housing. It is, therefore, imperative that the cost of mortgage financing, a major factor materially affecting rental levels in housing built by private enterprise, be made lower in order to reduce rental levels for low and moderate income persons and families; that the supply of housing for persons and families displaced by public action or natural disaster be increased; and that private enterprise be encouraged to build and rehabilitate housing which will help prevent the recurrence of slum conditions and assist in their permanent elimination by housing persons of varied economic means in the same structures and neighborhoods.
Laws 1967, p. 131, §3. Amended by P. A. 76-1175, §1.

304. Creation--Membership. There is hereby created a body politic and corporate to be known as the Illinois Housing Development Authority. The Authority shall consist of seven members of whom not more than three shall be from any one county in the State. The Governor shall appoint the members of the Authority by and with the advice and consent of the Senate. Three members first appointed shall hold office until the second Monday in January, 1971 and four members shall hold office until the second Monday in January, 1973. After the expiration of the terms of office of those first appointed, their respective successors shall hold office from the second Monday in January of the year of their respective appointments for a term of four years and until their successors are appointed and qualified. In case of vacancies in such offices during the recess of the Senate, the Governor shall make a temporary appointment until the next meeting of the Senate when he shall nominate some person to fill such office, and any person so nominated, who is confirmed by the Senate, shall hold his office during the remainder of the term and until his successor shall be appointed and qualified. If the Senate is not in session at the time this provision takes effect, the Governor shall make a temporary appointment as in the case of a

vacancy. No person in the employ of or holding any official relation to any local housing authority, nonprofit corporation, housing corporation or limited-profit entity, no person holding stocks, bonds, or other securities of such a corporation or entity or who is in any other manner pecuniarily interested therein, directly or indirectly and no person providing services or materials to be furnished or used in connection with any development under this Act undertaken by the Authority or any nonprofit corporations, housing corporation or limited-profit entity, shall be a member or employee of the Authority. All members or employees of the Authority and all officers, directors and principals of nonprofit corporations, housing corporations and limited-profit entities undertaking developments under this Act shall file yearly with the Authority a record of all real estate in this State to which such person holds legal title or in which such person has, directly or indirectly, any beneficial interest, including any interest in a land trust or in a trust created by such person and in which he has retained the right to alter, amend or revoke such trust which he has retained the right to alter, amend or revoke such trust or any of its provisions. The Authority or any nonprofit corporation, housing corporation or limited-profit entity may purchase real estate from a member or employee of the Authority or an officer, director or principal of a nonprofit corporation, housing corporation or limited-profit entity undertaking a development under this Act only upon the condition that such person's interest has been fully disclosed. If such disclosure has not been made, such purchase shall be voidable. No monies of the Authority or any nonprofit corporation, housing corporation or limited-profit entity from any source shall be deposited in a financing institution in which any officer, director or holder of any proprietary interest is also a member or employee of the Authority or an officer, director or principal of any nonprofit corporation, housing corporation or limited-profit entity undertaking a development under this Act.

Laws 1967, p. 131, §4. Amended by P. A. 76-1175, §1.

305. Chairman, vice-chairman, secretary, treasurer--Records and accounts. The Governor shall designate the Chairman, from time to time, and the Authority shall annually elect from its membership a vice-chairman, a treasurer, and a secretary. The Chairman shall be the chief executive officer of the Authority. The secretary shall keep a record of the proceedings of the Authority. The treasurer of the Authority shall be custodian of all Authority funds, and shall be bonded in such amount as the other members of the Authority may designate. The accounts and books of the Authority shall be set up and maintained in a manner approved by the Auditor of Public Accounts, and the Authority shall file with the Auditor of Public Accounts a certified annual audit report within 120 days after the close of its fiscal year.

Laws 1967, p. 131, §5. Amended by P. A. 76-1175, §1.

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306. Quorum--Compensation and expenses of members. Four members of the Authority shall constitute a quorum at any meeting of the Authority and the affirmative vote of four members shall be necessary for any action taken by the Authority at a meeting, except that the Authority may act by unanimous written consent if provided for in the by-laws of the Authority. No vacancy in the membership of the Authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the Authority.

The members of the Authority shall serve without compensation, but each member shall be reimbursed for his necessary expenses incurred in the discharge of his official duties.

Laws 1967, p. 1931, §6. Amended by P. A. 76-1175, §1.

307. Powers of authority. The Authority may exercise the powers set forth in Sections 7.1 through 7.21.

Laws 1967, p. 1931, §7. Amended by P. A. 76-1175, §1.

307.1. Advances. The Authority may make non-interest bearing advances to nonprofit corporations and housing corporations for constructing or rehabilitating developments designed and planned to make housing available at low and moderate rentals to low and moderate income persons and families if such housing complies with the standards set by the Authority under this Act. No advances may be made unless the Authority may reasonably anticipate that a federally-aided or State-aided mortgage or other satisfactory financing may be obtained for the permanent financing of the development. The proceeds of the advance may be used only to defray the development costs of such development. Amended by P. A. 76-1175, §1.

307.2. Mortgages. The Authority may make mortgage or other loans to nonprofit corporations, housing corporations and limited-profit entities for the construction or rehabilitation of developments as in the judgment of the Authority have promise of supplying, on a rental, cooperative, condominium or home ownership basis, well planned, well designed housing for low or moderate income persons or families at low or moderate rentals in locations where there is a need for such housing. Such loans may include interim as well as permanent loans, and the housing may include ancillary commercial and other appurtenant facilities to the extent permitted by applicable Authority regulations. The Authority may set from time to time the interest rates at which it shall make loans.

Laws 1967, p. 1931, §7.2, added by P. A. 76-1175, §1.

307.3 Studies and analyses. The Authority may undertake and carry out studies and analyses of housing needs within the State and study ways of meeting such needs.

Laws 1967, p. 1931, §7.2. Renumbered §7.3 by P. A. 76-1175, §1.

307.4. Fees and charges -- Technical assistance. The Authority may collect fees and charges in connection with its loans, commitments and servicing; and provide technical assistance in the development of housing for low and moderate income persons.

Laws 1967, p. 1931, §7.3. Renumbered §7.4 and amended by P.A. 76-1175, §1.

307.5. Research. The Authority may encourage research in demonstration projects to develop new and better techniques and methods for increasing the quality and supply of housing for low and moderate income persons, and make grants or loans, with or without interest, in connection therewith.

Laws 1967, p. 1931, §7.4. Renumbered §7.5 and amended by P.A. 76-1175, §1.

307.6. By-laws. The Authority may adopt by-laws for the regulation of its affairs and the conduct of its business.

Laws 1967, p. 1931, §7.5. Renumbered §7.6 by P.A. 76-1175, §1.

307.7. Seal. The Authority may adopt an official seal.

Laws 1967, p. 1931, §7.6. Renumbered §7.7 by P.A. 76-1175, §1.

307.8. Procedural capacity. The Authority may sue and be sued in its own name.

Laws 1967, p. 1931, §7.7. Renumbered §7.8 by P.A. 76-1175, §1.

307.9. Execution of contracts and instruments. The Authority may make and execute contracts and all other instruments necessary or convenient for the exercise of its power and functions.

Laws 1967, p. 1931, §7.8. Renumbered §7.9 by P.A. 76-1175, §1.

307.10. Personal property. The Authority may acquire, hold and dispose of personal property for its corporate purposes.

Laws 1967, p. 1931, §7.9. Renumbered §7.10 by P.A. 76-1175, §1.

307.11. Agreements with federal, state or local governmental agency. The Authority may enter into agreements or other transactions with any federal, or State or local governmental agency.

Laws 1967, p. 1931, §7.10. Renumbered §7.11 and amended by P.A. 76-1175, §1.

307.12. Real property -- Acquisition -- Management -- Sale. The Authority may acquire real property, or any interest therein, by purchase, foreclosure or otherwise; own, manage, operate, hold, clear, improve and rehabilitate such real property; and sell, assign, exchange, transfer, convey, lease, mortgage, or otherwise dispose of or encumber such real property. Any acquisition of real property, or an interest therein, or mortgage loan by the Authority, shall be deemed an acquisition of real property and shall be subject to the requirements

of section 11-12-4.1 of the Illinois Municipal Code of 1961, as amended.

Laws 1967, p. 1931, §7.11. Renumbered §7.12 and amended by P.A. 76-1175, §1.

307.13. Investments. The Authority may invest any funds not required for immediate disbursement, in such investments as may be lawful for fiduciaries in this State.

Laws 1967, p. 1931, §7.12. Renumbered §7.13 by P.A. 76-1175, §1.

307.14. Borrowing -- Notes and bonds. The Authority may borrow money by the making and issuance of notes and bonds and secure such notes and bonds by the pledge of revenues, mortgages and notes of others, from the revenues or income to be derived from its operations, from mortgage repayments and from other funds, if any, received by the Authority.

Laws 1967, p. 1931, §7.13. Renumbered §7.14 and amended by P.A. 76-1175, §1.

307.15. Employment of agents, etc. -- Compensation. The Authority may employ agents, employees, professional and business advisors as may from time to time be necessary in its judgment and fix their compensation.

Laws 1967, p. 1931, §7.14. Renumbered §7.15 by P.A. 76-1175, §1.

307.16. Sale of mortgages. The Authority may sell, at public or private sale, any mortgage or other obligation securing a mortgage loan.

Laws 1967, p. 1931, §7.15. Renumbered §7.16 by P.A. 76-1175, §1.

307.17. Insurance. The Authority may procure insurance against any loss in connection with its property in such amounts, and from such insurers, as may be necessary or desirable.

Laws 1967, p. 1931, §7.16. Renumbered §7.17 by P.A. 76-1175, §1.

307.18. Modification of mortgages. The Authority may consent, whenever it deems it necessary or desirable in the fulfillment of the purposes of this Act, to the modification, with respect to rate of interest, time of payment or any installment of principal or interest, or any other terms, of any mortgage, mortgage loan, mortgage loan commitment, contract or agreement of any kind to which the Authority is a party.

Laws 1967, p. 1931, §7.17. Renumbered §7.18 by P.A. 76-1175, §1.

307.19. Rules and regulations. The Authority may make and publish rules and regulations respecting the grant of loans under this Act and the regulation of borrowers, and such other rules and regulations as are necessary to effectuate the purposes of this Act.

Laws 1967, p. 1931, §7.18. Renumbered §7.19 and amended by P.A. 76-1175, §1.

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307.20. Gifts or grants. The Authority may accept gifts or grants or loans of funds or property or financial or other aid from any federal or state agency or private fund.

Laws 1967, p. 1931, §7.19. Renumbered §7.20 by P.A. 76-1175, §1.

307.21. Exercise of powers. The Authority may do any and all things necessary or convenient to carry out its purposes and exercise the powers expressly given and granted in this Act.

Laws 1967, p. 1931, §7.20. Renumbered §7.21 by P.A. 76-1175, §1.

308. Limited profit entity -- Distributions. A limited profit entity which receives loans from the Authority may not make distributions in any one year with respect to a development financed by the Authority in excess of 6% of its equity in such project. The equity in a development shall consist of the difference between the amount of the mortgage loan and the total development cost. Total development cost shall include construction or rehabilitation costs including job overhead and a builder's and sponsor's profit and risk fee, architectural, engineering, legal and accounting costs, organizational expenses, land value, interest and financing charges paid during the construction, the cost of landscaping and off-site improvements, whether or not such costs have been paid in cash or in a form other than cash. With respect to every development the Authority shall, pursuant to regulations adopted by it, establish the entity's equity at the time of making the final mortgage advance and, for purposes of this paragraph, that figure shall remain constant during the life of the Authority's loan with respect to such development.

Laws 1967, p. 1931, §13. Renumbered §8 and amended by P.A. 76-1175, §1.

309. Ratio of loan to development cost. The ratio of loan to development cost and the amortization period of loans made by the Authority shall be determined in accordance with regulations formulated and published by the Authority.

Laws 1967, p. 1931, §14. Renumbered §9 and amended by P.A. 76-1175, §1.

310. Tenant selection plans. Prior to making a loan commitment under this Act, the Authority shall approve a tenant selection plan submitted by the applicant for the loan. The Authority shall formulate regulations from time to time setting forth the criteria for tenant selection plans. These criteria shall include income limits, which may vary with the size and circumstances of the family unit of tenants. The income limits shall be sufficiently flexible to avoid undue economic homogeneity among the tenants of a development. The Authority may formulate regulations from time to time for the alteration of occupancies of tenants who exceed established income limits.

Laws 1967, p. 1931, §15. Renumbered §10 and amended by P.A. 76-1175, §1.

311. Tenant -- Priority in designation. With respect to units designated for rent at low rentals pursuant to Section 12 of this Act, the housing Authority of any municipality in which a development is

located shall have a first priority right to designate tenants for such units as they are available, either in the initial renting or purchase of the development or units therein or as vacancies thereafter occur.

Laws 1967, p. 1931, §16. Renumbered §11 and amended by P.A. 76-1175, §1.

312. Rental charges. Up to 25% of the units in each development financed under this Act shall be made available to persons and families of low income at low rentals. To achieve such lower rent charges, the Authority and a mortgagor may use devices including, but not limited to: direct rental assistance in the form of partial rent subsidy from any county, municipal, State or federal source; allocation of lower rents to less desirable locations and apartments with less expensive facilities; and the raising of rents in the majority of apartments in the development in order to lower the rents of those in the lower rent charge category. With respect to each development the Authority shall, prior to initial occupancy, allocate and prescribe the number of lower rental units and the rents to be charged therefor. The allocation may be reviewed and adjusted from time to time. The method of achieving lower rental charges shall, in each instance, be prescribed by the Authority.

Laws 1967, p. 131, §17. Renumbered §12 and amended by P. A. 76-1175, §1.

313. Discrimination. The Authority shall require that occupancy of all housing financed or otherwise assisted under this Act be open to all persons regardless of race, national origin, religion, or creed, and that contractors and subcontractors engaged in the construction or rehabilitation of such housing, shall provide equal opportunity for employment without discrimination as to race, national origin, religion or creed.

Laws 1967, p. 1931, §18. Renumbered §13 by P. A. 76-1175, §1.

314. Revenue bonds and notes--Issuance. The Authority may from time to time, issue renewal notes, issue bonds to pay such notes, and whenever it deems refunding expedient, refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and issue bonds partly to refund bonds then outstanding and partly for any other purpose. The refunding bonds shall be sold and the proceeds applied to the purchase, redemption or payment of the bonds to be refunded.

Laws 1967, p. 1931, §20. Renumbered §15 and amended by P. A. 76-1175, §1.

315. Renewal notes--Refunding bonds. The Authority may from time to time, issue renewal notes, issue bonds to pay such notes, and whenever it deems refunding expedient, refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and issue bonds partly to refund bonds then outstanding and partly for any other purpose. The refunding bonds shall be sold and the proceeds applied to the purchase, redemption or payment of the bonds to be refunded.

Laws 1967, p. 1931, §20. Renumbered §15 and amended by P. A. 76-1175, §1.

316. Notes and bonds--Terms. The notes and bonds issued under this Act shall be authorized by resolution of the members of the Authority, shall bear such date or dates, and shall mature at such time or times, in the case of any note, or any renewal thereof, not exceeding 5 years, from the date of issue of such original note, and in the case of any bond not exceeding 50 years from the date of issue, as the resolution may provide. The notes and bonds shall bear interest at such rate or rates not exceeding 6%, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place or places and be subject to such terms of redemption as such resolution or resolutions may provide. The notes and bonds of the Authority may be sold by the Authority, at public or private sale, at such price or prices as the Authority shall determine.

Laws 1967, p. 1931, §21. Renumbered §16 by P. A. 76-1175, §1.

Amendment by P. A. 76-1175, §1, see §316, post.

316. Notes and bonds--Terms. The notes and bonds issued under this Act shall be authorized by resolution of the members of the Authority, shall bear such date or dates, and shall mature at such time or times, in the case of any note, or any renewal thereof, not exceeding 5 years, from the date of issue of such original note, and in the case of any bond not exceeding 50 years from the date of issue, as the resolution may provide. The notes and bonds shall bear interest at such rate or rates not exceeding 7%, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place or places and be subject to such terms of redemption as such resolution or resolutions may provide. The notes and bonds of the Authority may be sold by the Authority, at public or private sale, at such price or prices as the Authority shall determine. Laws 1967, p. 1931, §21. Amended by P. S. 76-1177, §1.

Text as renumbered by P. A. 76-1175, §1, see §316, ante.

317. Resolution for issuance of notes or bonds. A resolution of the Authority authorizing the issuance of any notes or bonds or any issue thereof under this Act may provide for:

(a) Pledging all or any part of the fees and charges made or received by the Authority, and all or any part of the moneys received in payment of mortgage loans and interest thereon, and other moneys received or to be received, to secure the payment of the notes or bonds or of any issue thereof, and subject to such agreements with bondholders or note holders as may then exist;

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(b) Pledging all or any part of the revenue of the Authority, including payments or income from mortgages and obligations owned or held by the Authority, to secure the payment of the notes or bonds issued under this Act or of any issue of notes or bonds, subject to such agreements with noteholders or bondholders as may then exist;

(c) Pledging of any loan, grant, or contribution from the federal, State, or local government, if authorized by the terms of such loan, grant or contribution;

(d) The use and disposition of the gross income from mortgages owned by the Authority and payment of principal of mortgages owned by the Authority;

(e) The setting aside of reserves or sinking funds and the regulation and disposition thereof;

(f) Limitations on the purpose to which the proceeds of sale of notes or bonds may be applied and pledging such proceeds to secure the payment of the notes or bonds or of any issue thereof;

(g) Limitations on the issuance of additional notes or bonds; the terms upon which additional notes or bonds may be issued and secured; and the refunding of outstanding or other notes or bonds;

(h) The procedure, if any, by which the terms of any contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(i) Vesting in a trustee or trustees such property, rights, powers and duties in trust as the Authority may determine, which may include any or all of the rights, powers and duties of the trustee appointed by the bondholders pursuant to this Act and limiting or abrogating the right of the bondholders to appoint a trustee or limiting the rights, powers and duties of such trustee;

(j) Any other matters, of like or different character, which in any way affect the security or protection of the notes or bonds issued by the Authority.

Laws 1967, p. 1931, §22. Renumbered §17 by P. A. 76-1175, §1.

318. Liability of persons executing notes or bonds. No member of the Authority or any authorized person executing the notes or bonds shall be liable personally on the notes or bonds or be subject to any personal liability or accountability by reason of the issuance thereof. Laws 1967, p. 131, §23. Renumbered §18 by P. A. 76-1175 §1.

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319. Purchase by authority of its obligations. The Authority, subject to the terms of any agreements with noteholders or bondholders as may then exist, shall have power out of any funds available therefor to purchase notes or bonds of the Authority, which shall thereupon be cancelled, at a price not exceeding: (a) if the notes or bonds are redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (b) if the notes or bonds are not then redeemable, the redemption price applicable on the first date after such purchase upon which the notes or bonds become subject to redemption plus accrued interest to such date.
Laws 1967, p. 1931, §24. Renumbered §19 by P. A. 76-1175, §1.

320. Liability of State on notes and bonds. The State shall not be liable on notes or bonds of the Authority and such bonds and notes shall not be a debt of the State. The notes and bonds shall contain on the face thereof a statement to such effect.
Laws 1967, p. 1931, §25. Renumbered §20 by P. A. 76-1175, §1.

321. Capital reserve fund. The Authority shall create and establish a special fund to secure the notes and bonds issued under this Act. The fund shall be designated as "the capital reserve fund."

The Authority shall pay into the capital reserve fund: (2) all moneys specifically appropriated, earmarked or made available by gift, grant, or otherwise, from any source, public or private for the purposes of meeting expenditures authorized from such fund; (b) any proceeds of sale of notes or bonds, to the extent provided in the resolution of the Authority authorizing the issuance thereof; (c) any moneys transferred into the fund by the Authority from any other fund authorized by this Act, in such amounts and at such times as the Authority deems necessary for the purposes of this fund; and (d) any other income or moneys available to the Authority for the purpose of such fund, from any other source or sources.

All moneys held in the capital reserve fund, except as hereinafter provided, shall be used solely for the payment of the principal of bonds of the Authority as the same mature, the purchase of bonds of the Authority, the payment of interest on such bonds of the Authority or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. Moneys in the capital reserve fund shall not be withdrawn at any time in such amount as would reduce the amount of the fund to less than the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all bonds of the Authority then outstanding, except for the purpose of paying principal of and interest on bonds of the Authority maturing and becoming due and for the payment of which other moneys of the Authority are not available. Any income or interest earned by, or increment to, the capital reserve fund due to the investment thereof may be transferred by the Authority to the general reserve fund or other fund of the Authority to the extent it does not reduce the amount of principal and interest maturing and becoming due in any succeeding

322. Outstanding notes and bonds. The Authority shall not have outstanding at any one time bonds and notes for any of its corporate purposes in an aggregate principal amount exceeding \$100,000,000, excluding bonds and notes issued to refund outstanding bonds and notes. Laws 1967, p. 1931, §27. Renumbered §22 by P. A. 76-1175, §1.

323. Computation of capital reserve fund. In computing the amount of the capital reserve fund for the purposes of this Act, securities in which all or a portion of the fund is invested shall be valued at par, or if purchased at less than par, at their cost to the Authority. Laws 1967, p. 1931, §28. Renumbered §23 by P. A. 76-1175, §1.

324. General reserve fund. The Authority shall create and establish a special fund, to be known as the general reserve fund. The Authority shall pay into the general reserve fund all fees and charges collected by the Authority which are not required or necessary to be deposited in the housing development fund or the capital reserve fund and any other moneys which the Authority shall transfer from the capital reserve fund. Such moneys and any other moneys paid into the general reserve fund, in the discretion of the Authority but subject to agreements with bondholders and noteholders, may be used by the Authority; (a) to pay all costs, expenses and charges of financing, including fees and expenses of trustees and paying agents; (b) for necessary transfers of funds to the capital reserve fund; (c) for the payment of the principal of and interest on bonds or notes issued by the Authority when the same shall become due whether at maturity or on call for redemption and for the payment of any redemption premium required to be paid where such bonds or notes are redeemed prior to their stated maturities, and to purchase bonds or notes; (d) for such other corporate purposes of the Authority as it in its discretion shall determine and provide. Laws 1967, p. 1931, §29. Renumbered §24 and amended by P. A. 76-1175, §1.

Amendment by P. A. 76-1177, §1, see §324, post.

324. General reserve fund. The Authority shall create and establish a special fund, to be known as the "general fund." The Authority shall pay into the general fund all fees and charges collected by the Authority which are not required or necessary to be deposited in the capital reserve fund. Such moneys and any other moneys paid into the general fund, in the discretion of the Authority but subject to agreements with bondholders and noteholders, may be used by the Authority; (a) to pay all costs, expenses and charges of financing, including fees and expenses of trustees and paying agents; (b) for necessary transfers of funds to the capital reserve fund; (c) for the payment of the principal of and interest on bonds or notes issued by the Authority when the same shall become due whether at maturity or on call for redemption and for the payment of any redemption premium required to be paid where such bonds or notes are redeemed prior to their stated maturities, and to purchase bonds or notes, or (d) for such other corporate purposes

of the Authority as it in its discretion shall determine and provide. Laws 1967, p. 1931, §29. Amended by P. A. 76-1177, §1.

Text as renumbered by P. A. 76-1175, §1, see §324, ante.

325. Default in payments- Appointment of trustee. If the Authority defaults in the payment of principal or interest on any issue of notes or bonds after the same shall become due, whether at maturity or upon call for redemption, and such default continues for a period of 30 days, or if the Authority fails or refuses to comply with the provisions of this Act, or defaults in any agreement made with the holders of any issue of notes or bonds, the holders of 25% in aggregate principal amount of the notes or bonds of such issue then outstanding may appoint a trustee to represent the holders of such notes or bonds for the purposes set forth in Sections 26 through 28.

Laws 1967, p. 1931, §30. Renumbered §25 and amended by P. A. 76-1175, §1.

326. Powers and duties of trustee. The trustee appointed pursuant to Section 25 may, and upon written request of the holders of 25% in principal amount of such notes or bonds then outstanding shall, in his own name: (a) enforce all rights of the noteholders or bondholders, including the right to require the Authority to collect fees and charges and interest and amortization payments on mortgage loans made by it adequate to carry out any agreement as to, or pledge of, such fees and charges and interest and amortization payments of such mortgages, and other properties and to require the Authority to carry out any other agreements with the holders of such notes or bonds and to perform its duties under this Act; (b) bring suit upon such notes or bonds; (c) require the Authority to account as if it were the trustee of an express trust for the holders of such notes or bonds; (d) enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such notes or bonds; or (e) declare all such notes or bonds due and payable, and if all defaults shall be made good, then, with the consent of the holders of 25% of the principal amount of such notes or bonds then outstanding, to annul such declaration and its consequences.

Laws 1967, p. 1931, §31. Renumbered §26 and amended by P. A. 76-1175, §1.

326.1. Bond payments by state. In the event that the Authority determines that monies of the Authority will not be sufficient for the payment of the principal of and interest on its bonds during the next succeeding State fiscal period, the Chairman shall certify to the Governor, on or before September of the then current State fiscal period, the amount required by the Authority to enable it to pay such principal of and interest on the bonds. The Governor shall include the amount so certified in the State budget.

Laws 1967, p. 1931, §26.1, added by P. A. 76-1177, §1.

327. Additional powers of trustee. In addition to the powers granted in Sections 25 and 26, the trustee shall have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

Laws 1967, p. 1931, §32. Renumbered §27 and amended by P. A. 76-1175, §1.

328. Venue of action by trustee--Notice. The venue of any action or proceeding brought by the trustees under Sections 25, 26 and 27, shall be in Sangamon County. Before declaring the principal of notes or bonds due and payable, the trustee shall first give 30 days' notice in writing to the Governor, to the Authority, and to the State Treasurer.

Laws 1967, p. 1931, §33. Renumbered §28 and amended by P. A. 76-1175, §1.

329. Notes and bonds as legal investments. The notes and bonds of the Authority are securities in which all public officers and bodies of this State and all municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, saving and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

Laws 1967, p. 1931, §34. Renumbered §29 by P. A. 76-1175, §1.

330. Property--Exemption from taxation. The property of the Authority and its income and operation shall be exempt from taxation.

Laws 1967, p. 1931, §35. Renumbered §30 by P. A. 76-1175, §1.

331. Bonds and notes--Exemption from taxation. The creation of the Authority is in all respects for the benefit of the people of Illinois and for the improvement of their health, safety, welfare, comfort and security, and its purposes are public purposes. In consideration thereof, the notes and bonds of the Authority issued pursuant to this Act and the income therefrom shall be free from all taxation by the State or its political subdivisions, except for estate, transfer and inheritance taxes.

Laws 1967, p. 1931, §36. Renumbered §31 and amended by P. A. 76-1175, §1.

332. Advisory and educational services. The Authority is authorized to provide to nonprofit corporations, housing corporations and limited-profit entities such advisory, consultative training and educational services as will assist them to become owners of housing constructed or rehabilitated under this Act. Advisory and education services may include, but are not necessarily limited to, technical and professional

planning assistance, the preparation and promulgation of organizational planning and development outlines and guides, consultation services, training courses, seminars and lectures, the preparation and dissemination of newsletters and other printed materials and the services of field representatives. The Authority is also authorized to provide non-profit corporations, housing corporations and limited-profit entities with advisory, consultative, technical, training and educational services in the management of housing, including but not limited to home management and training and advisory services for the residents of housing so as to promote efficient and harmonious management thereof. Laws 1967, p. 1931, §37. Renumbered §32 and amended by P. A. 76-1175, §1.

333. Severability clause. The provisions of this Act are severable, and if any of its provisions shall be held unconstitutional by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions. Laws 1967, p. 1931, §38. Renumbered §33 by P. A. 76-1175, §1.

334. Construction of Act. This Act is necessary for the welfare of the State and its inhabitants; therefore, it shall be liberally construed to effect its purposes. Laws 1967, p. 1931, §39. Renumbered §34, eff. Sept. 4, 1969.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of General Counsel

March 1970

Conformed to Michigan Statutes
Annotated (including 1967 supplement)
except that 1968 amendments are from
Commerce Clearing House copy

Substitute for
compilation
dated February 1968

M I C H I G A N

STATE HOUSING DEVELOPMENT AUTHORITY ACT

Title 16, Sections 16.114(1) -- 16.114(75)

(Laws 1966, Public Act 346, effective March 10, 1967,
as amended by Laws 1968, Public Act 334, effective July 14, 1968,
and Laws 1968, Public Act 343, effective July 19, 1968)

AN ACT to create a state housing development authority; to define the powers and duties of the authority; to establish a housing development revolving fund; to authorize loans to qualified nonprofit sponsors and municipalities; to provide tax exemption; and to authorize payments in lieu of taxes by nonprofit housing corporations.

The People of the State of Michigan enact:

16.114(1) Public purpose; short title.) Section 1. It is determined that there exists in the state a seriously inadequate supply of and a pressing need for safe and sanitary dwelling accommodations within the financial means of low income or moderate income families and persons including but not limited to those families and persons displaced by clearings of slums and blighted areas or other public programs. It is further determined that it is a valid public purpose to construct housing for such low or moderate income families and persons who would otherwise be unable to obtain adequate dwellings which they could afford.

It is further determined that the authority and powers conferred by this act, which may be known and may be cited as the "state housing development authority act of 1966," constitute a necessary program and serve a valid public purpose. (CL '48, 125.1401.) (As amended by Pub Acts 1968, No. 343.)

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CHAPTER 1

16.114(11) Definitions.) Sec. 11. As used in this act:

(a) "Authority" means the state housing development authority created in this act.

(b) "Development costs" means the costs which have been approved by the authority as appropriate expenditures including but not limited to: (1) payments for options to purchase properties on the proposed housing project site, deposits on contracts of purchase, or, with the prior approval of the authority, payments for the purchases of such properties; (2) legal, organizational and marketing expenses, including payment of attorneys' fees, project manager and clerical staff salaries, office rent and other incidental expenses; (3) payment of fees for preliminary feasibility studies, advances for planning, engineering and architectural work; (4) expenses for surveys as to need and market analyses; (5) necessary application and other fees to federal and other local government agencies; and (6) such other expenses incurred by the qualified nonprofit housing corporation or consumer housing cooperative as the authority may deem appropriate to effectuate the purposes of this act.

(c) "Federally-aided mortgage" means a below market interest rate mortgage insured or purchased or held by the secretary of the of the department of housing and urban development under section 221(d)(3) of the national housing act, as amended; section 221(h) of the national housing act, as amended; or purchased by the secretary of agriculture under section 515(a) of the housing act of 1949, as amended; or a market interest rate mortgage insured by the secretary of housing and urban development and augmented by a program of rent supplements under section 101 of the housing and urban development act of 1965.

(d) "Fund" means the housing development fund created by this act.

(e) "Project cost" means the sum total of all reasonable or necessary costs incurred by the qualified nonprofit housing corporation or consumer housing cooperative for carrying out all works and undertakings for the completion of a housing project and approved by the authority. These shall include but not necessarily be limited to all of the following costs: studies and surveys; plans, specifications, architectural and engineering services; legal, organization, marketing or other special services; financing, acquisition, demolition, construction, equipment, and site development of new and rehabilitated buildings; movement of existing buildings to other sites; rehabilitation, reconstruction, repair or remodeling of existing buildings; carrying charges during construction; the cost of placement of tenants or occupants and relocation services in connection with a housing project; and, to the extent not already included herein, all development costs.

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(f) "Housing project" means a specific work or improvement either for rental or for subsequent sale to an individual purchaser undertaken by a qualified nonprofit housing corporation or consumer housing cooperative pursuant to or receiving benefits under this act to provide dwelling accommodations, including the acquisition, construction or rehabilitation of lands, buildings and improvements, and such social, recreational, commercial and communal facilities as may be incidental or appurtenant thereto.

(g) "Low income or moderate income persons" means families and persons who cannot afford to pay the amounts at which private enterprise, without federally-aided mortgages or loans from the authority, is providing a substantial supply of decent, safe and sanitary housing and who fall within income limitations set by the authority in its rules. Among low income or moderate income persons, preference shall be given to the elderly and those displaced by urban renewal, slum clearance or other governmental action.

(h) "Municipality" means any city, village or township in the state.

(i) "County" means any county within the state.

(j) "Governing body" means (1) in the case of a city, the council or commission of the city; (2) in the case of a village, the council, commission or board of trustees of the village; (3) in the case of a township, the township board; and (4) in the case of a county, the board of supervisors of the county.

(k) "Qualified nonprofit housing corporation" means a nonprofit housing corporation incorporated pursuant to the provisions of the Michigan general corporation act and the provisions of chapter 4 of this act.

(l) "Consumer housing cooperative" means a nonprofit corporation incorporated pursuant to the provisions of the Michigan general corporation act and the provisions of chapter 5.

(m) "Annual shelter rent" means the total collections during an agreed annual period from all occupants of a housing project representing rents or occupancy charges, exclusive of any charges for gas, electricity, heat or other utilities furnished to the occupants.

(n) "Taxing jurisdiction" means any municipality, county or district, including any school district or any special district, having the power to levy or collect taxes upon real property or in whose behalf such taxes may be levied or collected.

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(o) "Elderly" means a family where the head of the household is 62 years of age or older or a single person who is 62 years of age or older. (CL '48, 125.1411.) (As amended by Pub Acts 1968, No. 343.)

16.114(15) (CL '48, 125.1415.) Repealed by Pub Acts 1968, No. 334. 2, imd eff July 14, 1968.

16.114(15a) Tax exemption of projects; payments in lieu of taxes.
Sec. 15a. (1) Whenever a housing project is financed with a federally-aided or authority-aided mortgage or advance or grant from the authority, then, except as provided in this section, the housing project shall be exempt from all taxes imposed by the state or by any political subdivision, public body or taxing district in which the project is located. The owner of a housing project exempt from taxation under this section shall pay to the municipality in which the project is located an annual service charge for public services in lieu of all taxes. The amount to be paid as a service charge in lieu of taxes shall be for new construction projects the greater of, and for rehabilitation projects the lesser of, (i) the tax on the property on which the project is located for the tax year prior to the date when construction or rehabilitation of the project was commenced, or (ii) 10% of the annual shelter rents obtained from the project. Any municipality by ordinance from time to time may establish or change the service charge to be paid in lieu of taxes by all or any class of housing projects exempt from taxation under this act at any amount it chooses, not to exceed the taxes that would be paid but for this act. The exemption from taxation granted by this section shall remain in effect for so long as the federally-aided or authority-aided mortgage or advance or grant from the authority is outstanding, not to exceed 50 years. The municipality may establish by ordinance a different period of time for the exemption to remain in effect. Any payments for public services received by a municipality in lieu of taxes under this section shall be distributed by the municipality to the several units levying the general property tax in the same proportion as prevailed with the general property tax in the previous calendar year.

(2) Notwithstanding the provisions of subsection (1), any municipality may provide by ordinance that the tax exemption established in subsection (1) shall not apply to all or any class of housing projects within its boundaries to which subsection (1) applies; and if the municipality so provides, then the tax exemption established in subsection (1) shall not be applicable to the class of housing projects designated in the ordinance. The ordinance, if it so provides, shall be effective with respect to housing projects for which an exemption has already been granted on December 31 of the year in which it is adopted, but not before. Any municipality that has adopted such an ordinance subsequently may repeal that ordinance, which repeal shall become effective on the date designated in the repealing ordinance.

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(3) Notwithstanding subsection (1), the service charge to be paid each year in lieu of taxes for that part of a housing project which is tax exempt under subsection (1) and which is occupied by other than low income persons or families shall be equal to the full amount of the taxes that would be paid on that portion of the project if the project were not tax exempt. The benefits of any exemption granted under this section shall be allocated by the owner of the housing project exclusively to low income persons or families in the form of reduced housing charges. Low income persons and families for purposes of this section only means with respect to any housing project which is tax exempt, persons and families eligible to move into that project. The authority by rule for purposes of this subsection may redefine low income persons or families for each municipality on the basis of conditions existing in that municipality.

(4) The state shall not reimburse any unit of government for tax exemption granted to any housing project under this section. (Added by Pub Acts 1968, No. 334, 1.)

16.114(17) Advisory, consultative and educational services.) Sec. 17. The authority is authorized to provide to qualified nonprofit housing corporations and consumer housing cooperatives such advisory, consultative training and educational services as will assist them to become owners of housing projects, in accordance with the provisions of this act. Advisory and educational services may include but are not necessarily limited to technical and professional planning assistance, the preparation and promulgation of organizational planning and development outlines and guides, consultation services, training courses, seminars and lectures, the preparation and dissemination of newsletters and other printed materials and the services of field representatives. The authority is also authorized to provide qualified nonprofit housing corporations and consumer housing cooperatives with advisory, consultative, technical, training and educational services in the management of housing projects, including but not limited to home management and training and advisory services for the residents of the housing projects so as to promote efficient and harmonious management of the housing projects. (CL '48, 125.1417.) (As amended by Pub Acts 1968, No. 343.)

CHAPTER 2

16.114(21) Authority; creation; membership; terms of office; quorum; majority vote; meetings; officers; personnel; relationship to department of social services.) Sec. 21. (1) There is created a public body corporate and politic to be known as the "state housing development authority". The authority shall consist of the director of the department of social services, the director of the department

of commerce, the state treasurer and 4 persons appointed by the governor with the advice and consent of the senate no more than 2 of whom shall be members of the same political party. Of the members first appointed by the governor, 2 shall be designated to serve for a term of 3 years and 2 for a term of 4 years from the dates of their appointments, but thereafter members of the authority shall be appointed for a term of 4 years, except that all vacancies shall be filled for the unexpired term. A member of the authority shall receive no compensation for his services but shall be entitled to the necessary expenses, including traveling expenses, incurred in the discharge of his duties. Each member shall hold office until his successor has been appointed and has qualified. A certificate of appointment or reappointment of any members shall be filed with the authority and this certificate shall be conclusive evidence of the due and proper appointment of the member.

(2) The powers of the authority shall be vested in the members thereof in office from time to time. A majority of the members of the authority constitutes a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, notwithstanding the existence of any vacancies. Action may be taken by the authority upon a vote of a majority of the members present, unless the bylaws of the authority require a larger number. Meetings of the members of the authority may be held anywhere within the state.

(3) The authority shall elect a chairman and vice-chairman. The authority shall employ an executive director, legal and technical experts and such other officers, agents and employees, permanent and temporary, as it may require, and shall determine their qualifications, duties and compensation. The authority may delegate to 1 or more of its agents or employees such powers or duties as it may deem proper.

(4) The authority shall be within the department of social services and shall exercise its prescribed statutory powers, duties, and functions independently of the head of the department, except that all budgeting, procurement and related functions of the authority shall be performed under the direction and supervision of the head of the department of social services. (CL '48 125.1421.) (As amended by Pub Acts 1968, No. 343.)

16.114(22) Powers.) Sec. 22. The authority shall have all the powers necessary or convenient to carry out and effectuate the purposes and provisions of this act, including the following powers in addition to all other powers granted by other provisions of this act:

(a) To sue and to be sued; to have a seal and to alter the same at pleasure; to have perpetual succession; to make and execute contracts and other instruments necessary or convenient to the exercise of the

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powers of the authority; and to make and from time to time, amend and repeal bylaws, rules and regulations.

(b) To undertake and carry out studies and analyses of housing needs within the state and ways of meeting such needs, including data with respect to population and family groups and the distribution thereof according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages and other factors affecting housing needs and the meeting thereof; and to make the results of such studies and analyses available to the public and the housing and supply industries; and to engage in research and disseminate information on housing.

(c) To agree and comply with any conditions attached to federal financial assistance.

(d) To survey and investigate the housing conditions and needs, both urban and rural, throughout the state and make recommendations to the governor and the legislature as to legislation and other measures necessary or advisable to alleviate any existing housing shortage in the state.

(e) To collect fees and charges in connection with its loans, commitments and servicing including but not limited to reimbursement of costs of financing by the authority, service charges and insurance premiums as the authority shall determine to be reasonable and as shall be approved by the authority; and to provide technical assistance in the development of housing projects for low income or moderate income persons, and in programs to improve the quality of urban life for all the people of the state.

(f) To encourage community organizations to assist in initiating housing projects for low income or moderate income persons as provided in this act.

(g) To encourage salvage of all possible usable housing scheduled for demolition because of highway, school, urban renewal or other programs by seeking authority for the sponsors of such programs to use funds provided for the demolition of such buildings to be allocated to qualified nonprofit sponsors approved by the authority to defray moving and rehabilitation costs of such buildings.

(h) To encourage research in, and demonstration projects to develop, new and better techniques and methods for increasing the supply of housing for low income or moderate income persons.

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(i) To make mortgage loans, to participate in the making of mortgage loans, to undertake commitments to make mortgage loans, to sell mortgages at public or private sale, to modify or alter mortgages, to foreclose on any such mortgage or commence any action to protect or enforce any right conferred upon it by any law, mortgage, contract or other agreement, and to bid for and purchase property which was the subject of such mortgage, at any foreclosure or at any other sale, to acquire or take possession of any such property; and in such event the authority may complete, administer, pay the principal and interest on any obligations incurred in connection with such property, dispose of, and otherwise deal with, such property, in such manner as may be necessary or desirable to protect the interests of the authority therein.

(j) To set standards for housing projects which receive loans under this act and to provide for inspections to determine compliance with such standards.

(k) To accept gifts or grants or loans or other aid from the federal government or any persons or corporations.

(l) To acquire, hold and dispose of real or personal property necessary for the accomplishment of the purpose of this act.

(m) To procure insurance against any loss in connection with its property and other assets.

(n) To invest any funds held in reserve or sinking funds or any moneys not required for immediate use or disbursement at the discretion of the authority in obligations of the state or the United States or obligations, the principal and interest of which are guaranteed by the state or the United States.

(o) To make rules necessary to carry out the purposes of this act and to exercise the powers expressly granted in this act in accordance with Act No. 88 of Public Acts of 1943, as amended, being sections 24.71 to 24.80 of the Compiled Laws of 1948, and subject to Act No. 197 of the Public Acts of 1952, as amended, being sections 24.101 to 24.110 of the Compiled Laws of 1948.

(p) To enter into agreements with qualified nonprofit housing corporations and consumer housing cooperatives providing for regulation with respect to rents, profits, dividends, management of projects, fees, wages, salaries and other forms of remuneration paid by such qualified nonprofit housing corporations and consumer housing cooperatives, and disposition of property or franchises.

(q) To appoint to the board of directors of a qualified nonprofit housing corporation or consumer housing cooperative a number of new

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directors, which number shall be sufficient to constitute a majority of such board notwithstanding any other provisions of such articles of incorporation or any other provisions of law, if:

(i) The qualified nonprofit housing corporation or consumer housing cooperative has received a loan or advance, as provided for in this act, and the authority determines that the loan or advance is in jeopardy of not being repaid, or

(ii) The qualified nonprofit housing corporation or consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that the proposed housing project for which such loan or advance was made is in jeopardy of not being constructed, or

(iii) The qualified nonprofit housing corporation or consumer housing corporation has received a loan or advance as provided in this act and the authority determines that some part of the net income or net earnings of the qualified nonprofit housing corporation is inuring to the benefit of any private individual, firm, corporation, partnership or association, or the authority determines that an unreasonable part of the net income or net earnings of the consumer housing cooperative is inuring to the benefit of any private individual, firm, corporation, partnership or association, or

(iv) The qualified nonprofit housing corporation or consumer housing corporation has received a loan or advance as provided in this act and the authority determines that the qualified nonprofit housing corporation or consumer housing cooperative is in some manner controlled by or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership or association seeking to derive benefit or gain therefrom or seeking to eliminate or minimize losses in any dealings or transactions therewith, except that the foregoing shall apply to individual cooperators in consumer housing cooperatives only in those circumstances defined by the authority in its rules, or

(v) The qualified nonprofit housing corporation or consumer housing corporation has received a loan or advance as provided in this act and the authority determines that the qualified nonprofit housing corporation or consumer housing cooperative is in violation of the rules promulgated under this section, or

(vi) The qualified nonprofit housing corporation or consumer housing corporation has received a loan or advance as provided in this act and the authority determines that the qualified nonprofit housing corporation or consumer housing cooperative is in violation of any agreement or agreements entered into with the authority providing for

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regulation with respect to rents, profits, dividends, management of projects, fees, wages, salaries and other forms of remuneration paid by such qualified nonprofit housing corporation or consumer housing cooperative, and disposition of property and franchises. Directors so appointed need not be stockholders or members or meet other qualifications which may be described by the certificate of incorporation or bylaws. In the absence of fraud or bad faith, directors so appointed shall not be personally liable for debts, obligations or liabilities of the corporation.

(r) To give approval or consent to the articles of incorporation submitted to the authority by nonprofit housing corporation or consumer housing cooperative seeking approval as qualified nonprofit housing corporation or consumer housing cooperative under the provisions of chapter 4 or 5.

(s) To engage the services of private consultants on a contract basis for rendering professional and technical assistance and advice,

(t) To lease real or personal property and to accept federal funds for and participate in programs of leased housing pursuant to section 10 or 23 of the United States housing act of 1937, as amended by the housing and urban development act of 1965. (CL '48, 125.1422.) (As amended by Pub Acts 1968, No. 343.)

16.114(23) Housing development fund; creation; payments into fund.)
Sec. 23. (1) There is created and established under the jurisdiction and control of the authority a revolving fund to be known as the "housing development fund."

(2) There shall be paid into the housing development fund (a) any moneys appropriated and made available by the state for the purposes of the fund; (b) any moneys which the authority receives in repayment of advances made from the fund, and (c) any other moneys which may be made available to the authority for the purpose of the fund from any other source or sources. (CL '48, 125.1423.)

16.114(24) Use of moneys in fund; advances, uses, repayment.)
Sec. 24 (1) The authority is authorized to use the moneys held in the fund to make noninterest bearing advances, in accordance with the provisions of this act to qualified nonprofit housing corporations and consumer housing cooperatives for housing projects which they will own. No advances may be made unless the authority may reasonably anticipate that a federally-aided or authority-aided mortgage may be obtained by the qualified nonprofit housing corporation or consumer housing cooperative for the permanent financing of a housing project for low or moderate income persons.

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(2) The proceeds of the advance may be used only to defray the development costs of the housing project. Each advance shall be repaid in full by the qualified nonprofit housing corporation or consumer housing cooperative to the authority concurrent with receipt of the portion of the mortgage loan paid under the initial indorsement of the federally-aided or authority-aided mortgage or construction loan, unless the authority extends the period for the repayment of the advances. In no event shall the time of repayment be extended later than the date of receipt of the portion of the mortgage loan paid on final indorsement of the federally-aided or authority-aided mortgage or construction loan. (CL '48 125.1424.) (As amended by Pub Acts 1968, No. 343.)

16.114(25) Bonds and notes; purposes, refunding; nature of obligations; interest; approval.) Sec. 25. (1) The authority from time to time may issue its negotiable bonds and notes in such principal amount, as, in the opinion of the authority, shall be necessary to provide sufficient funds for achieving its corporate purposes, including the making of mortgage loans for the construction of low and moderate income housing; for the rehabilitation of existing structures; for the construction of community facilities appurtenant thereto as provided in this act; the payment of interest on bonds and notes of the authority during construction, establishment of reserves to secure such bonds and notes; for the provision of moneys for the housing development fund in order to make noninterest bearing advances to qualified nonprofit housing corporations and cooperative housing projects as provided in this act and all other expenditures of the authority incident to and necessary or convenient to carry out its corporate purposes and powers.

(2) The authority, from time to time, may issue renewal notes, to issue bonds to pay notes and whenever it deems refunding expedient, to refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and to issue bonds partly to refund bonds then outstanding and partly for any other purpose. The refunding bonds shall be sold and the proceeds applied to the purchase, redemption or payment of the bonds to be refunded.

(3) Except as may otherwise be expressly provided by the authority, every issue of its notes or bonds shall be general obligations of the authority payable out of any revenues or moneys of the authority, subject only to any agreements with the holders of particular notes or bonds pledging any particular receipts or revenues.

(4) Whether or not the notes or bonds are of such form or character as to be negotiable instruments under the uniform commercial code, the notes or bonds shall be and are hereby made negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the notes or bonds for registration.

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(5) Any bonds issued by the authority shall be approved by the municipal finance commission but shall not otherwise be subject to the provisions of Act No. 202 of the Public Acts of 1943, as amended, being sections 131.1 to 138.2 of the Compiled Laws of 1948. (CL '48, 125.1425.) (As amended by Pub Acts 1968, No. 343.)

16.114(26) Bonds and notes; resolution; maturity; rates of interest; sale.) Sec. 26. The notes and bonds shall be authorized by resolution of the members of the authority; shall bear such date or dates, and shall mature at such time or times, in the case of any note, or any renewal thereof, not exceeding 5 years, from the date of issue of such original note, and in the case of any bond not exceeding 50 years from the date of issue, as the resolution may provide. The notes and bonds shall bear interest at such rate or rates, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place or places and be subject to such terms of redemption as such resolution or resolutions may provide. The notes and bonds of the authority may be sold by the authority, at public or private sale, at such price or prices as the authority shall determine. (CL '48, 125.1426.)

16.114(27) Resolution authorizing notes or bonds; contents.) Sec. 27. Any resolution authorizing any notes or bonds or any issue thereof may contain provisions, which shall be a part of the contract with the holders thereof, as to:

(a) Pledging all or any part of the fees and charges made or received by the authority, and all or any part of the moneys received in payment of mortgage loans and interest thereon, and other moneys received or to be received, to secure the payment of the notes or bonds or of any issue thereof, and subject to such agreements with bondholders or noteholders as may then exist.

(b) Pledging all or any part of the assets of the authority, including mortgages and obligations securing the same, to secure the payment of the notes or bonds or of any issue of notes or bonds, subject to such agreements with noteholders or bondholders as may then exist.

(c) Pledging of any loan, grant, or contribution from the federal, state, or local government, or source in aid of such development as provided for in this act.

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(d) The use and disposition of the gross income from mortgages owned by the authority and payment of principal of mortgages owned by the authority.

(e) The setting aside of reserves or sinking funds and the regulation and disposition thereof.

(f) Limitations on the purpose to which the proceeds of sale of notes or bonds may be applied and pledging such proceeds to secure the payment of the notes or bonds or of any issue thereof.

(g) Limitations on the issuance of additional notes or bonds; the terms upon which additional notes or bonds may be issued and secured; the refunding of outstanding or other notes or bonds.

(h) The procedure, if any, by which the terms of any contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent thereto, and the manner in which such consent may be given.

(i) Vesting in a trustee or trustees such property, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of the trustee appointed by the bondholders pursuant to this act and limiting or abrogating the right of the bondholders to appoint a trustee under this section or limiting the rights, powers and duties of such trustee.

(j) Any other matters, of like or different character, which in any way affect the security or protection of the notes or bonds. (CL '48 125.1427.)

16.114(28) Pledge; validity and effect; recordation. Sec. 28. Any pledge made by the authority shall be valid and binding from the time when the pledge is made; the moneys or property so pledged and thereafter received by the authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act; and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether such parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be recorded. (CL '48, 1428.)

16.114(29) Nonliability of personnel. Sec. 29. Neither the members of the authority nor any person executing the notes or bonds shall be liable personally on the notes or bonds or be subject to any personal liability or accountability by reason of the issuance thereof. (CL '48, 125.1429.)

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16.114(30) Purchase of notes or bonds; price.) Sec. 30. The authority, subject to such agreements with noteholders or bondholders as may then exist, shall have power out of any funds available therefor to purchase notes or bonds of the authority; which shall thereupon be cancelled, at a price not exceeding (a) if the notes or bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (b) if the notes or bonds are not then redeemable, the redemption price applicable on the first date after such purchase upon which the notes or bonds become subject to redemption plus accrued interest to such date. (CL '48, 125.1430.)

16.114(31) Nonliability of state; nature of debt; statement.) Sec. 31. The state shall not be liable on notes or bonds of the authority and such notes and bonds shall not be a debt of the state. The notes and bonds shall contain on the face thereof a statement to such effect. (CL '48, 125.1431.)

16.114(32) Capital reserve fund; creation; payments into fund; use of fund; withdrawals; transfer of earnings.) Sec. 32. (1) The authority shall create and establish a special fund to secure the notes and bonds, herein referred to as capital reserve fund, and shall pay into the capital reserve fund (a) any moneys appropriated and made available by the state for the purposes of such fund, (b) any proceeds of sale of notes or bonds, to the extent provided in the resolution of the authority authorizing the issuance thereof, and (c) any other moneys which may be made available to the authority for the purpose of such fund from any other source or sources. All moneys held in the capital reserve fund, except as hereinafter provided, shall be used solely for the payment of the principal of bonds of the authority as the same mature, the purchase of bonds of the authority, the payment of interest on such bonds of the authority or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. Moneys in the capital reserve fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of the fund to less than the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all bonds of the authority then outstanding, except for the purpose of paying principal of and interest on bonds of the authority maturing and becoming due and for the payment of which other moneys of the authority are not available. Any income or interest earned by, or increment to, the capital reserve fund due to the investment thereof may be transferred by the authority to the general reserve fund or other fund of the authority to the extent it does not reduce the amount of the capital reserve fund below the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all bonds of the authority then outstanding.

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Limitation on issuance of bonds.) (2) The authority shall not issue bonds at any time if the maximum amount of principal and interest maturing and becoming due in a succeeding calendar year on bonds then to be issued and on all other bonds of the authority then outstanding will exceed the amount of the capital reserve fund at the time of issuance unless the authority, at the time of issuance of such bonds, shall deposit in the fund from the proceeds of the bonds so to be issued, or otherwise, an amount which, together with the amount then in the fund, will be not less than the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on the bonds then to be issued and on all other bonds of the authority then outstanding.

Maximum outstanding debt.) (3) The authority shall not have outstanding at any one time bonds and notes for any of its corporate purposes in an aggregate principal amount exceeding \$50,000,000.00, excluding bonds and notes issued to refund outstanding bonds and notes.

Accumulation in capital reserve fund; restoration payments.) (4) To assure the continued operation and solvency of the authority for the carrying out of the public purposes of this act, provision is made for the accumulation in the capital reserve fund of an amount equal to the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all bonds of the authority then outstanding. In order further to assure such maintenance of the capital reserve fund, the chairman of the authority on or before September 1 shall certify to the governor and budget director such amount, if any, necessary to restore the capital reserve fund to an amount equal to the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on the bonds of the authority then outstanding. The governor and the budget director shall include in the annual budget the amount so certified by the chairman of the authority.

Valuation of securities.) (5) In computing the amount of the capital reserve fund for the purposes of this section, securities in which all or a portion of the fund is invested shall be valued at par, or if purchased at less than par, at their cost to the authority. (CL '48, 125.1432.) (As amended by Pub Acts 1968, No. 343.)

16.114(33) General reserve fund; creation; payments; use of funds.) Sec. 33. The authority shall create and establish a special fund, herein referred to as general reserve fund, and shall pay into such fund all fees and charges collected by the authority and any moneys which the authority shall transfer from the capital reserve fund. Such moneys and any other moneys paid into the general reserve fund, in the discretion of the authority but subject to agreements with bondholders and noteholders, may be used by the authority

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(a) for the repayment of advances from the state in accordance with the provisions of repayment agreements between the authority and the director of the budget, (b) to pay all costs, expenses and charges of financing, including fees and expenses of trustees and paying agents, (c) for transfers to the capital reserve fund, (d) for the payment of the principal of and interest on bonds or notes issued by the authority when the same shall become due whether at maturity or on call for redemption and for the payment of any redemption premium required to be paid where such bonds or notes are redeemed prior to their stated maturities, and to purchase bonds or notes, or (e) for such other corporate purposes of the authority as the authority in its discretion shall determine and provide. (CL '48, 125.1433.)

16.114(34) Preservation of rights; state pledge.) Sec. 34. The state pledges and agrees with the holders of any notes or bonds issued under this act, that the state will not limit or alter the rights vested in the authority to fulfill the terms of any agreements made with the holders thereof, or in any way impair the rights and remedies of the holders until the notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such notes or bonds. (CL '48, 1434.)

16.114(35) Default in payment; trustee; appointment; enforcement of rights of creditors.) Sec. 35. (1) If the authority defaults in the payment of principal of or interest on any issue of notes or bonds after the same shall become due, whether at maturity or upon call for redemption, and such default continues for a period of 30 days, or if the authority fails or refuses to comply with the provisions of this act, or defaults in any agreement made with the holders of any issue of notes or bonds, the holders of 25% in aggregate principal amount of the notes or bonds of such issue then outstanding, by instrument or instruments filed in the office of the clerk of the county of Ingham and approved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such notes or bonds for the purposes herein provided.

(2) The trustee may, and upon written request of the holders of 25% in principal amount of such notes or bonds then outstanding shall, in his own name; (a) by action or proceeding, enforce all rights of the noteholders or bondholders, including the right to require the authority to collect

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fees and charges and interest and amortization payments on mortgage loans made by it adequate to carry out any agreement as to, or pledge of, such fees and charges and interest and amortization payments on such mortgages, and other properties and to require the authority to carry out any other agreements with the holders of such notes or bonds and to perform its duties under this act; (b) bring suit upon such notes or bonds; (c) by action, require the authority to account as if it were the trustee of an express trust for the holders of such notes or bonds; (d) by action, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such notes or bonds; (e) declare all such notes or bonds due and payable, and if all defaults shall be made good, then, with the consent of the holders of 25% of the principal amount of such notes or bonds then outstanding, to annul such declaration and its consequences. (CL '48, 125.1435.)

16.114(36) Additional powers of trustee.) Sec. 36. The trustee, in addition to the powers granted in section 35, shall have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights. (CL '48, 125.1436.)

16.114(37) Venue.) Sec. 37. The venue of any such action or proceeding shall be in the county of Ingham. (CL '48 125.1437.)

16.114(38) Notice of declaration of debt due and payable.) Sec. 38. Before declaring the principal of notes or bonds due and payable, the trustee shall first give 30 days' notice in writing to the governor, to the authority, and to the attorney general of the state. (CL '48, 125.1438.)

16.114(39) Payment and deposit of moneys; expenditures, procedures; security for deposits.) Sec. 39. (1) All moneys of the authority, except as otherwise authorized or provided in this section, shall be paid to the state treasurer as agent of the authority, who shall not commingle such moneys with any other moneys. Such moneys shall be deposited in a separate bank account or accounts. The moneys in such accounts shall be paid out on warrants signed by the state treasurer on requisition of the chairman of the authority or of such other officer or employee as the authority shall authorize to make such requisition. All deposits of such moneys shall, if required by the state treasurer or the authority, be secured by obligations of the United States or of the state of a market value equal at all times to the amount of the deposit and all banks and trust companies are authorized to give such security for such deposits.

Contracts with holders of notes or bonds; security for trust deposits.) (2) Notwithstanding the provisions of this section, the authority shall have power, subject to the approval of the state treasurer, to contract with the

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holders of any of its notes or bonds, as to the custody, collection, securing, investment, and payment of any moneys of the authority, of any moneys held in trust or otherwise for the payment of notes or bonds, and to carry out such contract. Moneys held in trust or otherwise for the payment of notes or bonds or in any way to secure notes or bonds and deposits of such moneys may be secured in the same manner as moneys of the authority, and all banks and trust companies are authorized to give such security for such deposits.

System of accounts.) (3) Subject to agreements with noteholders and bondholders and the approval of the auditor general, the authority shall prescribe a system of accounts. (CL '48, 125.1439.)

16.114(40) Notes and bonds as legal investments.) Sec. 40. The notes and bonds of the authority are securities in which all public officers and bodies of this state and all municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them. (CL '48, 125.1440.)

16.114(41) Full faith and credit bonds; recommendation for issuance.) Sec. 41. The authority from time to time at its discretion may recommend an issuance of faith and credit bonds to the legislature for a vote of the people. (CL '48, 125.41.)

16.114(42) Tax exemption.) Sec. 42. The property of the authority and its income and operation shall be exempt from all taxation by the state or any of its political subdivisions and all bonds and notes or the authority shall be exempt from all taxation by the state or any of its political subdivisions. (CL '48, 125.1442.) (As amended by Pub Acts 1968, No. 343.)

16.114(43) Covenant with the holders of indebtedness as to tax exemption; exception.) Sec. 43. The state covenants with the purchasers and all subsequent holders and transferees of notes and bonds issued by the authority, in consideration of the acceptance of and payment for the notes and bonds, that the notes and bonds of the authority, issued pursuant to this act and the income therefrom and all its fees, charges, gifts, grants, revenues, receipts, and other moneys received or to be received, pledged to pay or secure the payment of such notes or bonds shall at all times be free and exempt from all state, city, county or other taxation provided by the laws of the state, except for estate and gift taxes and taxes on transfers. (CL '48 125.1443.)

16.114(44) Loans; amount; security; interest rate. Sec. 44.

(1) The authority may make loans to any qualified nonprofit housing corporation or consumer housing cooperative or to any public body or agency for the provision of housing for low income or moderate income persons. No such loans shall be made unless the authority finds that the construction will be undertaken in an economical manner and that it will not be of elaborate design or materials. A loan under this section may be in an amount not to exceed 100% of the project cost as approved by the authority in the case of a qualified nonprofit housing corporation, consumer housing cooperative or public body or agency.

(2)(a) The authority may make loans of 100% of the project cost as approved by the authority to any qualified nonprofit housing corporation for the construction or rehabilitation of housing units for sale to individual purchasers of low or moderate income as provided by the authority in its rules.

(b) While such loan is outstanding, any such sale by the qualified nonprofit housing corporation or any subsequent resale shall be subject to approval by the authority and the authority shall provide in its rules concerning such sales and resales that the price of the housing unit sold, the method of making payments thereafter, the security afforded and the interest rate, fees and charges to be paid shall at all times be sufficient to permit the authority to make the payments on its bonds and notes plus any administrative or other costs of the authority in connection with the transactions. Housing units shall be sold under terms that provide for monthly payments including principal, interest, taxes and insurance.

(c) While such loan is outstanding, the authority shall, prior to the approval of sale by the qualified nonprofit housing corporation or any subsequent resale, satisfy itself that such sale or resale is to persons of low or moderate income.

(d) Upon the sale by the qualified nonprofit housing corporation of any housing unit to an individual purchaser of low income under this subsection, such housing unit shall be released from the principal mortgage running from the qualified nonprofit housing corporation to the authority and such principal mortgage shall be replaced by an individual mortgage running from the individual purchaser to the authority.

(e) The authority shall encourage qualified nonprofit housing corporations engaged in construction or rehabilitation under this subsection to utilize the labor of prospective individual purchasers of low income in the construction or rehabilitation of the housing units involved. The value of the labor of the prospective purchasers so utilized shall be used to reduce the project costs of the housing units involved.

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(f) In the construction of housing units to be sold to the individual purchasers of low income at a price not to exceed \$12,000.00, the individual purchasers may be required to perform in a manner and under conditions to be specified by the authority in its rules, a minimum number of hours of labor, and the value of such labor shall be credited to the purchase price.

(3) A loan shall be secured in such manner and be repaid in such period, not exceeding 50 years, as may be determined by the authority; and shall bear interest at a rate determined by the authority. (CL '48, 125.1444.) (As amended by Pub Acts 1968, No. 343.)

16.114(45) Preference to displaced persons.) Sec. 45. Among low income or moderate income persons, preference shall be given to the elderly and those displaced by urban renewal, slum clearance or other governmental action. (CL '48, 125.1445.) (As amended by Pub Acts 1968, No. 343.)

16.114(46) Nondiscrimination provisions.) Sec. 46. The authority shall require that occupancy of housing projects assisted under this act shall be open to all regardless of race, religion, or creed, and that contractors and subcontractors engaged in the construction of housing projects, shall provide an equal opportunity for employment, without discrimination as to race, religion or creed. (CL '48, 125.1446.)

CHAPTER 3

16.114(51) Definitions.) Sec. 51. The definitions in section 11 shall be applicable to this chapter, except for the following:

(a) "Low and moderate income housing" shall mean housing financed by bond issues authorized under this act, or by federally-aided mortgages as defined in section 11, or by other such programs directed toward providing housing within the financial means of low and moderate income families as the authority shall determine.

(b) "Probable aggregate annual income" means the total annual income of the chief wage earner or supporter of the family, plus the income of secondary wage earners in excess of \$1,200.00 per year, the income of minors in excess of \$800.00 per year, and excluding completely the income of college students.

(c) "Carrying charges" or "rental" means all regular charges paid on a periodic basis to a housing corporation by a person or family living in a rental or cooperative housing project, excluding initial down payments.

(d) "Housing charges" means monthly rentals or carrying charges, plus estimated or actual expenditures for heat, light, water, cooking fuel, and

other utilities; and other reasonable expenditures that the authority shall determine to be a part of housing charges.

(e) "Shelter rent" means the rental or carrying charges established for occupancy in housing projects, exclusive of payments for taxes and charges for heat, light, water, cooking fuel and other necessary utilities.

(f) "Low income persons" means those persons designated as "low income persons" by the authority under the provisions of section 22(n). (CL '48, 125.1451.)

16.114(52) Availability of dwelling units to certain families and persons; charges; contracts.) Sec. 52. The authority may provide that up to 25% of the dwelling units in any development providing low and moderate income housing under federal, state or local government programs be made available to low income families and persons whose probable aggregate yearly income is less than 4 times as large as the regular yearly housing charges for such dwelling units. The dwelling units shall be made available to these families and persons at monthly rental payments or carrying charges so that yearly housing charges do not exceed 25% of the probable aggregate yearly income of such persons or families. The authority is authorized to contract with sponsors or owners of housing developments for up to 3,750 such units during the fiscal year ending June 30, 1967. (CL '48, 125.1452.)

16.114(53) Eligibility criteria and procedures.) Sec. 53. For purposes of carrying out the provisions of this chapter, the authority shall establish criteria and procedures for determining the eligibility of occupants and rental charges, including criteria and procedures with respect to periodic review of tenant incomes and periodic adjustment of rental charges. (CL '48, 125.1453.)

16.114(54) Agreements for services required in selecting occupants. Sec. 54. The authority may enter into agreements, or authorize housing owners or sponsors to enter into agreements, with public or private agencies for services required in the selection of families and individuals who qualify under this chapter. (CL '48, 125.1454.)

16.114(55) Rights of low income occupants; resale of cooperative membership; confidentiality of information.) Sec. 55. The authority shall provide that low income families or persons benefiting under this chapter shall have the same rights, privileges and duties as other residents, except that no member of a cooperative, upon the resale of his membership in the cooperative, shall be reimbursed for any equity increment accumulated as a result of payments under this chapter. The authority shall endeavor to guarantee that knowledge of the special circumstances of such low income families is not divulged to other residents. (CL '48, 125.1455.)

16.114(56) Financing small scale developments.) Sec. 56. In special circumstances where the authority deems it appropriate in order to accomplish the purposes of this act, the authority may provide the necessary financing for small scale housing developments built primarily for low income families and individuals eligible for lower rentals or carrying charges under this chapter, and may waive the requirement that no more than 25% of the dwelling units in any particular project may be made available to low income families under this section. (CL '48, 125.1456.)

16.114(57) Appropriation.) Sec. 57. There is hereby appropriated \$5,000.00 from the general fund for the fiscal year ending June 30, 1967 for the administration of this act. (CL '48, 125.1457.)

CHAPTER 4

Sec. 61 Qualified nonprofit housing corporations shall be incorporated pursuant to the provisions of the Michigan general corporation act and the provisions of this chapter. (Added by Pub Acts 1968, No. 343.)

Sec. 62. The term "nonprofit housing corporation" or "nonprofit housing company" shall be included as a part of the corporate name as set forth in the certificate of incorporation. (Added by Pub Acts 1968, No. 343.)

Sec. 63. The articles of incorporation of any such corporation, in addition to other requirements of law, shall provide:

(a) That the corporation has been organized exclusively to provide housing facilities for persons of low and moderate income.

(b) That all the income and earnings of the corporation shall be used exclusively for corporation purposes and that no part of the net income or net earnings of the corporation shall inure to the benefit of profit of any private individual, firm, corporation, partnership or association.

(c) That the corporation is in no manner controlled or under the direction or acting in the substantial interest of any private individual, firm, partnership, or association seeking to derive profit or gain therefrom or seeking to eliminate or minimize losses in any dealing or transactions therewith.

(d) That the corporation shall enter into an agreement with the authority providing for regulation with respect to rents, profits, dividends, management of projects, and disposition of property and franchises. (Added by Pub Acts 1968, No. 343.)

Sec. 64. The articles shall provide that the authority shall have the power to appoint to the board of directors of the corporation a number of new directors, which number shall be sufficient to constitute a majority of the board, notwithstanding any other provisions of the articles of incorporation or any other provisions of law, if:

(a) The corporation had received a loan or advance, as provided for in this act, and the authority determined that the loan or advance is in jeopardy of not being repaid.

(b) The corporation had received a loan or advance as provided for in this act and the authority determines that the proposed housing project for which the loan or advance was made is in jeopardy of not being constructed.

(c) The authority determines that some part of the net income or net earnings of such corporation is inuring to the benefit of any private individual, firm, corporation, partnership or association.

(d) The authority determines that the corporation is in some manner controlled by or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership, or association seeking to derive benefit or gain therefrom or seeking to eliminate or minimize losses in any dealings or transactions therewith.

(e) The authority determines that the corporation is in violation of the rules and regulations promulgated under Section 22.

(f) The authority determines that the corporation is in violation of any agreements entered into with the authority providing for regulation with respect to rents, profits, dividends, management of projects, and disposition of property and franchises. (Added by Pub Acts 1968, No. 343.)

Sec. 65. The department of the treasury, corporation division, shall not file the articles of incorporation of the corporation unless the consent or approval of the authority is attached or affixed thereto. (Added by Pub Acts 1968, No. 343.)

CHAPTER 5

Sec. 71. Consumer housing cooperatives shall be incorporated pursuant to the provisions of the Michigan general corporation act and the provisions of this chapter. (Added by Pub Acts 1968, No. 343.)

Sec. 72. The term "consumer housing cooperative" shall be included as a part of the corporate name as set forth in the certificate of incorporation. (Added by Pub Acts 1968, No. 343.)

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Sec. 73. The articles of incorporation of any such consumer housing cooperative, in addition to other requirements of law, shall provide:

- (a) That the consumer housing cooperative has been organized exclusively to provide housing facilities and such social, recreational, commercial and communal facilities as may be incidental or appurtenant thereto for persons of low and moderate income.
- (b) That all income and earnings of the consumer housing cooperative shall be used exclusively for consumer housing cooperative purposes and that no unreasonable part of the net income or net earnings of the cooperative shall inure to the benefit or profit of any private individual, firm, corporation, partnership or association.
- (c) That the consumer housing cooperative is in no manner controlled or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership or association seeking to derive profit or gain therefrom or seeking to eliminate or minimize losses in any dealing or transaction therewith, except that the foregoing shall apply to individual cooperators of a consumer housing cooperative only in those circumstances defined by the authority in its rules.
- (d) That the consumer housing cooperative shall enter into an agreement with the authority providing for regulation with respect to rents, profits, dividends, management of projects, fees, wages, salaries and other forms of remuneration paid by such consumer housing cooperative, and disposition of property and franchises. The rents fixed by any such agreement shall not exceed an amount which will permit the consumer housing cooperative to meet all of its obligations to the authority and to properly operate and maintain the housing project and to keep the same in good repair and working order. (Added by Pub Acts 1968, No. 343.)

Sec. 74. The articles shall provide that the authority shall have the power to appoint to the board of directors of the consumer housing cooperative a number of new directors, which number shall be sufficient to constitute a majority of the board, notwithstanding any other provisions of the articles of incorporation or any other provisions of law, if:

- (a) The consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that the loan or advance is in jeopardy of not being repaid.
- (b) The consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that the proposed housing project for which the loan or advance was made is in jeopardy of not being constructed.

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(c) The consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that some unreasonable part of the net income or net earnings of such consumer housing cooperative shall inure to the benefit of any private individual, firm, corporation, partnership or association.

(d) The consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that the consumer housing cooperative is in some manner controlled by or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership or association seeking to derive benefit or gain therefrom or seeking to eliminate or minimize losses in any dealing or transaction therewith, except that the foregoing shall apply to individual cooperators of a consumer housing cooperative only in those circumstances defined by the authority in its rules.

(e) The consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that the consumer housing cooperative is in violation of the rules promulgated under section 22.

(f) The consumer housing cooperative has received a loan or advance as provided for in this act and the authority determines that the consumer housing cooperative is in violation of any agreements entered into with the authority providing for regulation with respect to rents, profits, dividends, management of projects, fees, wages, salaries and other forms of remuneration paid by such consumer housing cooperative, and disposition of property and franchises. (Added by Pub Acts 1968, No. 343.)

Sec. 75. The department of the treasury, corporation division, shall not file the articles of incorporation of the consumer housing cooperative unless the consent or approval of the authority is attached or affixed thereto. (Added by Pub Acts 1968, No. 343.)

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