

THE GENERAL ASSEMBLY OF PENNSYLVANIA

# HOUSE BILL

No. 458 Session of  
1991

INTRODUCED BY CIVERA, SEMMEL, GANNON, FARGO, HERMAN, PESCI,  
DEMPSEY, TRELLO, HALUSKA, HAGARTY, FOX, RAYMOND, ANGSTADT,  
D. W. SNYDER, KING, M. N. WRIGHT, ULIANA, DENT, R. C. WRIGHT,  
LINTON, PITTS, SERAFINI, CAWLEY, OLASZ, MAIALE, ARMSTRONG,  
ADOLPH, BELARDI, HECKLER, KENNEY, GODSHALL, J. TAYLOR,  
E. Z. TAYLOR, BATTISTO, McHUGH, GEIST, MICOZZIE, BUNT AND  
TELEK, MARCH 11, 1991

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, MARCH 11, 1991

## AN ACT

1 Amending the act of December 3, 1959 (P.L.1688, No.621),  
2 entitled, as amended, "An act to promote the health, safety  
3 and welfare of the people of the Commonwealth by broadening  
4 the market for housing for persons and families of low and  
5 moderate income and alleviating shortages thereof, and by  
6 assisting in the provision of housing for elderly persons  
7 through the creation of the Pennsylvania Housing Finance  
8 Agency as a public corporation and government  
9 instrumentality; providing for the organization, membership  
10 and administration of the agency, prescribing its general  
11 powers and duties and the manner in which its funds are kept  
12 and audited, empowering the agency to make housing loans to  
13 qualified mortgagors upon the security of insured and  
14 uninsured mortgages, defining qualified mortgagors and  
15 providing for priorities among tenants in certain instances,  
16 prescribing interest rates and other terms of housing loans,  
17 permitting the agency to acquire real or personal property,  
18 permitting the agency to make agreements with financial  
19 institutions and Federal agencies, providing for the purchase  
20 by persons of low and moderate income of housing units, and  
21 approving the sale of housing units, permitting the agency to  
22 sell housing loans, providing for the promulgation of  
23 regulations and forms by the agency, prescribing penalties  
24 for furnishing false information, empowering the agency to  
25 borrow money upon its own credit by the issuance and sale of  
26 bonds and notes and by giving security therefor, permitting  
27 the refunding, redemption and purchase of such obligations by  
28 the agency, prescribing remedies of holders of such bonds and  
29 notes, exempting bonds and notes of the agency, the income

therefrom, and the income and revenues of the agency from taxation, except transfer, death and gift taxes; making such bonds and notes legal investments for certain purposes; and indicating how the act shall become effective," authorizing the incurrence of additional indebtedness to provide funding for the agency to assist certain persons to obtain affordable housing.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 103(3) of the act of December 3, 1959 (P.L.1688, No.621), amended December 5, 1972 (P.L.1259, No.282), known as the Housing Finance Agency Law, is amended to read:

Section 103. Definitions.--As used in this act unless otherwise indicated--

\* \* \*

(3) "Bonds" and "notes" mean the bonds and notes which the agency is authorized to issue pursuant to [article] articles IV.-D and V.-A of this act.

\* \* \*

Section 2. The act is amended by adding an article to read:

#### ARTICLE IV.-D

##### Public-Private Partnership

##### Housing Assistance Program

Section 401-D. Findings and Declaration of Purpose.--(a) In addition to the findings and declaration of policy set forth in section 102, for purposes of this article, it is hereby determined as a matter of legislative finding that--

(1) A crisis continues to exist with respect to the availability of safe, decent and affordable sales and rental housing in this Commonwealth.

(2) Citizens, young and old, of low and moderate income, are often unable to obtain, by purchase or by lease, adequate housing for their families.

1     (3) The ever increasing unit cost of housing has put home  
2     ownership beyond the reach of many Pennsylvanians.

3     (4) It is very difficult for many families to accumulate the  
4     amount of money necessary for the down payment and closing costs  
5     needed to purchase a house.

6     (5) Relatively high interest rates and the resulting high  
7     financing costs are a significant factor in the increasing cost  
8     of housing.

9     (6) Relatively high local real property taxes and expensive  
10    mortgage insurance add to the monthly mortgage payment and make  
11    it more difficult for individuals to meet the financial  
12    requirements of their mortgage.

13    (7) Existing State housing programs have been inadequate in  
14    addressing individuals with special housing needs, such as  
15    handicapped and disabled individuals, the homeless, and frail,  
16    elderly persons.

17    (8) The Commonwealth needs to make a greater commitment to  
18    work with local governments and the private sector to make  
19    housing more affordable.

20    (b) The Commonwealth declares that it is in the public  
21    interest to establish a continuously renewable source of funds,  
22    to be known as the Housing Assistance Trust Fund, to assist  
23    citizens of this Commonwealth to obtain affordable sales and  
24    rental housing.

25    Section 402-D. Definitions.--As used in this article unless  
26    otherwise indicated, "fund" means the Housing Assistance Trust  
27    Fund created under section 403-D.

28    Section 403-D. Commonwealth Indebtedness.--(a) The question  
29    of incurring indebtedness of one hundred million dollars  
30    (\$100,000,000) to conduct housing programs to benefit low-income

and middle-income individuals and handicapped or disabled persons shall be submitted to the electors at the next primary, municipal or general election following enactment of this act.

(b) The Secretary of the Commonwealth shall certify the question under subsection (a) to the county boards of elections.

(c) The question under subsection (a) shall be in substantially the following form:

Do you favor the incurring of indebtedness by the Commonwealth of one hundred million dollars (\$100,000,000) to conduct housing programs to benefit low-income and middle-income individuals and handicapped or disabled persons?

(d) The election shall be conducted in accordance with the act of June 3, 1937 (P.L.1333, No.320), known as the "Pennsylvania Election Code," except that the time limits for advertisement of notice of the election may be waived as to the question.

(e) Proceeds of borrowing shall be used to establish the Housing Assistance Trust Fund as a special fund in the Treasury Department. This money shall be used to conduct housing programs to benefit low-income and middle-income individuals and handicapped or disabled persons.

(f) (1) If a majority of the electors voting on the referendum question approve the question, the issuing officials are authorized and directed to borrow, on the credit of the Commonwealth, pursuant to the provisions of section 7(a)(3) of Article VIII of the Constitution of Pennsylvania, money not exceeding in the aggregate the sum of one hundred million dollars (\$100,000,000), not including money borrowed to refund outstanding bonds, notes or replacement notes, as may be found

1 necessary to carry out the purposes of this act.

2 (2) As evidence of the indebtedness authorized in this  
3 article, general obligation bonds of the Commonwealth shall be  
4 issued, from time to time, to provide moneys necessary to carry  
5 out the purposes of this article for such total amounts, in such  
6 form, in such denominations and subject to such terms and  
7 conditions of issue, redemption and maturity, rate of interest  
8 and time of payment of interest as the issuing officials direct,  
9 except that the latest stated maturity date shall not exceed  
10 twenty (20) years from the date of the first obligation issued  
11 to evidence the debt.

12 (3) All bonds and notes issued under the authority of this  
13 article shall bear facsimile signatures of the issuing official  
14 and a facsimile of the seal of the Commonwealth and shall be  
15 countersigned by a duly authorized officer of a duly authorized  
16 loan and transfer agent of the Commonwealth.

17 (4) All bonds and notes issued in accordance with the  
18 provisions of this section shall be direct obligations of the  
19 Commonwealth and the full faith and credit of the Commonwealth  
20 are hereby pledged for the payment of the interest thereon, as  
21 it becomes due, and the payment of the principal at maturity.  
22 The principal of and interest on the bonds and notes shall be  
23 payable in lawful money of the United States.

24 (5) All bonds and notes issued under the provisions of this  
25 section shall be exempt from taxation for State and local  
26 purposes except as may be provided under Article XVI of the act  
27 of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of  
28 1971."

29 (6) The bonds may be issued as coupon bonds or registered as  
30 to both principal and interest as the issuing officials may

1 determine. If interest coupons are attached, they shall contain  
2 the facsimile signature of the State Treasurer.

3 (7) The issuing officials shall provide for the amortization  
4 of the bonds in substantial and regular amounts over the term of  
5 the debt so that the bonds of each issue allocated to the  
6 programs to be funded from the bond issue shall mature within a  
7 period not to exceed the appropriate amortization period for  
8 each program as specified by the issuing officials but in no  
9 case in excess of twenty (20) years. The first retirement of  
10 principal shall be stated to mature prior to the expiration of a  
11 period of time equal to one-tenth of the time from the date of  
12 the first obligation issued to evidence the debt to the date of  
13 the expiration of the term of the debt. Retirements of principal  
14 shall be regular and substantial if made in annual or semiannual  
15 amounts whether by stated serial maturities or by mandatory  
16 sinking fund retirements.

17 (8) The issuing officials are authorized to provide by  
18 resolution for the issuance of refunding bonds for the purpose  
19 of refunding any debt issued under the provisions of this  
20 article and then outstanding, either by voluntary exchange with  
21 the holders of the outstanding debt or to provide funds to  
22 redeem and retire the outstanding debt with accrued interest,  
23 any premium payable thereon and the costs of issuance and  
24 retirement of the debt, at maturity or at any call date. The  
25 issuance of the refunding bonds, the maturities and other  
26 details thereof, the rights of the holders thereof and the  
27 duties of the issuing officials in respect thereto shall be  
28 governed by the provisions of this section, insofar as they may  
29 be applicable. Refunding bonds, which are not subject to the  
30 aggregate limitation of one hundred million dollars

1 (\$100,000,000) of debt to be issued pursuant to this article,  
2 may be issued by the issuing officials to refund debt originally  
3 issued or to refund bonds previously issued for refunding  
4 purposes.

5 (9) Whenever any action is to be taken or decision made by  
6 the Governor, the Auditor General and the State Treasurer acting  
7 as issuing officials and the three officials are not able  
8 unanimously to agree, the action or decision of the Governor and  
9 either the Auditor General or the State Treasurer shall be  
10 binding and final.

11 (10) Issuing officials shall mean the Governor, the Auditor  
12 General and the State Treasurer.

13 (g) (1) Whenever bonds are issued, they shall be offered  
14 for sale at not less than ninety-eight (98) percent of the  
15 principal amount and accrued interest and shall be sold by the  
16 issuing officials to the highest and best bidder or bidders  
17 after due public advertisement on the terms and conditions and  
18 upon such open competitive bidding as the issuing officials  
19 shall direct. The manner and character of the advertisement and  
20 the time of advertising shall be prescribed by the issuing  
21 officials. No commission shall be allowed or paid for the sale  
22 of any bonds issued under the authority of this article.

23 (2) Any portion of any bond issue so offered and not sold or  
24 subscribed for at public sale may be disposed of by private sale  
25 by the issuing officials in such manner and at such prices, not  
26 less than ninety-eight (98) percent of the principal amount and  
27 accrued interest, as the Governor shall direct. No commission  
28 shall be allowed or paid for the sale of any bonds issued under  
29 the authority of this article.

30 (3) When bonds are issued from time to time, the bonds of

each issue shall constitute a separate series to be designated by the issuing officials or may be combined for sale as one series with other general obligation bonds of the Commonwealth.

(4) Until permanent bonds can be prepared, the issuing officials may in their discretion issue, in lieu of permanent bonds, temporary bonds in such form and with such privileges as to registration and exchange for permanent bonds as may be determined by the issuing officials.

(5) The proceeds realized from the sale of bonds and notes, except refunding bonds and replacement notes, under the provisions of this article shall be paid into a special fund in the State Treasury to be known as the Housing Assistance Trust Fund and are specifically dedicated to the purposes of the referendum implemented by this article. The proceeds shall be paid by the State Treasurer periodically to the agency to expend them at such times and in such amounts as may be necessary to satisfy the funding needs of the agency. The proceeds of the sale of refunding bonds and replacement notes shall be paid to the State Treasurer and applied to the payment of principal, accrued interest and premium, if any, and cost of redemption of the bonds and notes for which such obligations have been issued.

(6) Pending their application for the purposes authorized, moneys held or deposited by the State Treasurer may be invested or reinvested as are other funds in the custody of the State Treasurer in the manner provided by law. All earnings received from the investment or deposit of such funds shall be paid into the State Treasury to the credit of the fund. Such earnings in excess of bond discounts allowed, expenses paid for the issuance of bonds and notes, and interest arbitrage rebates due to the Federal Government, shall be transferred annually to the fund.



1       (7) The Auditor General shall prepare the necessary registry  
2 book to be kept in the office of the duly authorized loan and  
3 transfer agent of the Commonwealth for the registration of any  
4 bonds, at the request of owners thereof, according to the terms  
5 and conditions of issue directed by the issuing officials.

6       (8) There is hereby appropriated to the State Treasurer from  
7 the fund as much money as may be necessary for all costs and  
8 expenses in connection with the issue of and sale registration  
9 of the bonds and notes in connection with this article and the  
10 payment of interest arbitrage rebates or proceeds of such bonds  
11 and notes.

12       (h) (1) Pending the issuance of bonds of the Commonwealth  
13 as authorized, the issuing officials are hereby authorized, in  
14 accordance with the provisions of this article and on the credit  
15 of the Commonwealth, to make temporary borrowings not to exceed  
16 three years in anticipation to the issue of bonds in order to  
17 provide funds in such amounts as may, from time to time, be  
18 deemed advisable prior to the issuance of bonds. In order to  
19 provide for and in connection with such temporary borrowings,  
20 the issuing officials are hereby authorized in the name and on  
21 behalf of the Commonwealth to enter into any purchase, loan or  
22 credit agreement or agreements, or other agreement or agreements  
23 with any banks or trust companies or other lending institutions,  
24 investment banking firms or persons in the United States having  
25 power to enter into the same, which agreements may contain such  
26 provisions not inconsistent with the provisions of this article  
27 as may be authorized by the issuing officials.

28       (2) All temporary borrowings made under the authorization of  
29 this section shall be evidenced by notes of the Commonwealth,  
30 which shall be issued, from time to time, for such amounts not

1 exceeding in the aggregate the applicable statutory and  
2 constitutional debt limitation, in such form and in such  
3 denominations and subject to terms and condition of sale and  
4 issue, prepayment or redemption and maturity, rate or rates of  
5 interest and time of payment of interest as the issuing  
6 officials shall authorize and direct and in accordance with this  
7 article. Such authorization and direction may provide for the  
8 subsequent issuance of replacement notes to refund outstanding  
9 notes or replacement notes, which replacement notes, shall, upon  
10 issuance thereof, evidence such borrowing, and may specify such  
11 other terms and conditions with respect to the notes and  
12 replacement notes thereby authorized for issuance as the issuing  
13 officials may determine and direct.

14 (3) When the authorization and direction of the issuing  
15 officials provide for the issuance of replacement notes, the  
16 issuing officials are hereby authorized in the name and on  
17 behalf of the Commonwealth to issue, enter into or authorize and  
18 direct the State Treasurer to enter into agreements with any  
19 banks, trust companies, investment banking firms or other  
20 institutions or persons in the United States having the power to  
21 enter the same:

22 (i) To purchase or underwrite an issue or series of issues  
23 of notes.

24 (ii) To credit, to enter into any purchase, loan or credit  
25 agreements, to draw moneys pursuant to any such agreements on  
26 the terms and conditions set forth therein and to issue notes as  
27 evidence of borrowings made under any such agreements.

28 (iii) To appoint an issuing and paying agent or agents with  
29 respect to notes.

30 (iv) To do such other acts as may be necessary or

appropriate to provide for the payment, when due, of the  
interest on and the principal of such notes.  
Such agreements may provide for the compensation of any  
purchasers or underwriters of notes or replacement notes by  
discounting the purchase price of the notes or by payment of a  
fixed fee or commission at the time of issuance thereof, and all  
other costs and expenses, including fees for agreements related  
to the notes, issuing and paying agent costs and costs and  
expenses of issuance may be paid from the proceeds of the notes.

(4) When the authorization and direction of the issuing  
officials provide for the issuance of replacement notes, the  
State Treasurer shall, at or prior to the time of delivery of  
these notes or replacement notes, determine the principal  
amounts, dates of issue, interest rate or rates (or procedures  
for establishing such rates from time to time), rates of  
discount, denominations and all other terms and conditions  
relating to the issuance and shall perform all acts and things  
necessary to pay or cause to be paid, when due, all principal of  
and interest on the notes being refunded by replacement notes  
and to assure that the same may draw upon any moneys available  
for that purpose pursuant to any purchase, loan or credit  
agreements established with respect thereto, all subject to the  
authorization and direction of the issuing officials.

(5) Outstanding notes evidencing such borrowings may be  
funded and retired by the issuance and sale of the bonds of the  
Commonwealth as hereinafter authorized. The refunding bonds must  
be issued and sold not later than a date three years after the  
date of issuance of the first notes evidencing such borrowings  
to the extent that payment of such notes has not otherwise been  
made or provided for by sources other than proceeds of

1 replacement notes.

2 (6) The proceeds of all such temporary borrowing shall be  
3 paid to the State Treasurer to be held and disposed of in  
4 accordance with the provisions of this article.

5 (i) (1) Bonds issued under the authority of this article  
6 shall be redeemed at maturity, together with all interest due,  
7 from time to time, on the bonds, and these principal and  
8 interest payments shall be paid from the fund. For the specific  
9 purpose of redeeming the bonds at maturity and paying all  
10 interest thereon in accordance with the information received  
11 from the Governor, the General Assembly shall appropriate moneys  
12 to the fund for the payment of interest on the bonds and notes  
13 and of the principal at maturity. All moneys paid into the fund  
14 and all of the moneys not necessary to pay accruing interest  
15 shall be deposited in the fund and used for the purposes of this  
16 article.

17 (2) The State Treasurer, with the approval of the Governor,  
18 is authorized to use moneys in the fund not necessary for the  
19 purposes of the referendum to purchase and retire any part of  
20 the bonds and notes issued under the authorization of this  
21 article. If all or any part of the bonds and notes are  
22 purchased, they shall be canceled and returned to the loan and  
23 transfer agent as canceled and paid bonds and notes; thereafter,  
24 payments of interest shall cease and the canceled bonds, notes  
25 and coupons, together with any other canceled bonds, notes and  
26 coupons, shall be destroyed as promptly as possible after  
27 cancellation but not later than two years after cancellation. A  
28 certificate evidencing the destruction of the canceled bonds,  
29 notes and coupons shall be provided by the loan and transfer  
30 agent to the issuing officials. All canceled bonds, notes and

coupons shall be so marked as to make them nonnegotiable.

(3) The State Treasurer shall determine and report to the Secretary of the Budget by November 1 of each year, the amount of money necessary for the payment of interest on outstanding obligations and of the principal of the obligations, if any, for the following fiscal year and the times and amounts of the payments. It shall be the duty of the Governor to include in every budget submitted to the General Assembly full information relating to the issuance of bonds and notes under the provisions of this article and the status of the fund for the payment of interest on the bonds and notes of the principal at maturity.

(4) The General Assembly shall appropriate an amount equal to such sums as may be necessary to meet repayment obligations for principal and interest for deposit into the fund.

(j) Authorization to issue bonds and notes (not including refunding bonds and replacement notes) for the purposes of this article shall expire ten years from the effective date of this section.

Section 404-D. Administration and Use of the Fund.--(a) The fund shall be administered by the board.

(b) Proceeds from the sale of bonds and notes and other money accruing to the fund shall be utilized as follows:

(1) Fifty (50) percent to finance new programs enacted by statute or by powers granted to the board relating to creative financing, mortgage insurance, private-public partnerships for affordable housing, etc.

(2) Twenty-five (25) percent to finance existing programs or programs hereinafter created by statute or by powers granted the board to benefit exclusively handicapped or disabled individuals.

1     (3) Twenty-five (25) percent to finance any housing purchase  
2 program, rental housing program, owner-occupied residential  
3 mortgage program, Homeowner's Emergency Assistance Program or  
4 other agency program in operation on the date of the election on  
5 the ballot question to incur indebtedness.

6     (4) The use of proceeds from the fund for any program in  
7 this section shall require the approval of the governing body of  
8 the municipality in which the program will be implemented.

9     Section 3. This act shall take effect immediately.