

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1794 Session of
1989

INTRODUCED BY RICHARDSON, KUKOVICH, LINTON, WILLIAMS, PRESTON,
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THOMAS, R. C. WRIGHT AND COHEN, JUNE 28, 1989

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JUNE 28, 1989

AN ACT

1 Amending the act of May 28, 1937 (P.L.955, No.265), entitled, as
2 amended, "An act to promote public health, safety, morals,
3 and welfare by declaring the necessity of creating public
4 bodies, corporate and politic, to be known as housing
5 authorities to engage in slum clearance, and to undertake
6 projects, to provide dwelling accommodations for persons of
7 low income; providing for the organization of such housing
8 authorities; defining their powers and duties; providing for
9 the exercise of such powers, including the acquisition of
10 property by purchase, gift or eminent domain, the renting and
11 selling of property, and including borrowing money, issuing
12 bonds, and other obligations, and giving security therefor;
13 prescribing the remedies of obligees of housing authorities;
14 authorizing housing authorities to enter into agreements,
15 including agreements with the United States, the
16 Commonwealth, and political subdivisions and municipalities
17 thereof; defining the application of zoning, sanitary, and
18 building laws and regulations to projects built or maintained
19 by such housing authorities; exempting the property and
20 securities of such housing authorities from taxation; and
21 imposing duties and conferring powers upon the State Planning
22 Board, and certain other State officers and departments,"
23 defining terms; authorizing the lending of money for low-
24 income housing; providing funds for low-income housing;
25 authorizing the issuance of bonds; providing for the securing
26 of such bonds; providing a tax exemption for bonds;
27 authorizing the signing of bonds by facsimile signatures;
28 authorizing political subdivisions and other agencies of the
29 Commonwealth to transfer funds to any authority without
30 consideration; and saving an act from repeal.

31 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. The last paragraph of section 2 of the act of May
3 28, 1937 (P.L.955, No.265), known as the Housing Authorities
4 Law, amended December 22, 1965 (P.L.1167, No.461), is amended
5 and the section is amended by adding clauses to read:

6 Section 2. Findings and Declaration of Policy.--It has been
7 determined by the General Assembly of this Commonwealth, and it
8 is hereby declared as a matter of legislative finding that--

9 * * *

10 (e) The welfare of this Commonwealth is threatened by the
11 fact that throughout Pennsylvania the supply of low-income
12 housing facilities for persons and families of low income is
13 inadequate to meet the need for such housing created by an
14 expanding population, the wearing out of older dwellings and the
15 elimination of substandard dwellings by governmental action.

16 (f) Many of the existing low-income housing facilities in
17 this Commonwealth are in need of rehabilitation, improvement or
18 replacement.

19 (g) Because of higher construction costs, a scarcity of
20 financing available for housing and the resulting increase in
21 interest rates, the housing need which exists in fact has not
22 been able to find economic expression in a market demand
23 sufficient to encourage greater production and supply of low-
24 income housing facilities by private industry or to attract a
25 sufficient supply of funds to finance the acquisition,
26 construction, rehabilitation, improvement or equipping of low-
27 income housing facilities to meet the needs of persons and
28 families of low income.

29 Therefore, it is hereby declared to be the policy of the
30 Commonwealth of Pennsylvania to promote the health and welfare

1 of the inhabitants thereof by the creation of corporate and
2 politic bodies to be known as housing authorities. The public
3 purposes for which such authorities shall operate shall be--(1)
4 the clearance, replanning, and reconstruction of the areas in
5 which slums exist; (2) the providing of safe and sanitary
6 dwelling accommodations for persons of low income through new
7 construction or the reconstruction, restoration, reconditioning,
8 remodeling or repair of existing structures, so as to prevent
9 recurrence of the economically and socially disastrous
10 conditions hereinbefore described; (2.1) providing financing for
11 the acquisition, construction, rehabilitation, improvement or
12 equipping of low-income housing for persons of low income in
13 connection with a low-income housing project; and (3) the
14 accomplishment of a combination of the foregoing. Such purposes
15 are hereby declared to be public uses for which public money may
16 be spent, and private property acquired by the exercise of the
17 power of eminent domain.

18 Section 2. Section 3(o) of the act is amended and the
19 section is amended by adding clauses to read:

20 Section 3. Definitions.-- The following words, terms, and
21 phrases, where used or referred to in this act, shall have the
22 meanings ascribed to them in this section, except in those
23 instances where the context clearly indicates a different
24 meaning:

25 * * *

26 (g.1) "Financial Institution." A national or State bank,
27 bank and trust company, savings bank, Federal or State savings
28 and loan association, savings association or building and loan
29 association.

30 * * *

1 (j.1) "Low-income Housing." A dwelling facility or dwelling
2 facilities, as the case may be, for individuals or families of
3 low income.

4 (j.2) "Low-income Housing Project." The purchase by an
5 Authority, from the proceeds of a designated issue of bonds and
6 from any other funds available to the Authority and designated
7 for that purpose, of loans made for the purpose of financing or
8 refinancing the construction, rehabilitation, improvement,
9 equipping or acquisition of low-income housing located within
10 the field of operation of the Authority by or for persons of low
11 income. The cost of individual units of a low-income housing
12 project shall not exceed twenty-five thousand (\$25,000) dollars
13 on which a person of low income may obtain a mortgage not
14 exceeding twenty thousand (\$20,000) dollars. The maximum limit
15 for the cost of individual units and for mortgages shall be
16 increased or decreased each year after 1979 in an amount equal
17 to the change in the cost of low-income housing during the
18 preceding year as determined by the United States Department of
19 Housing and Urban Affairs.

20 * * *

21 [(o) "Persons of Low Income." Persons or families whose
22 income shall not exceed the amount specified in section
23 thirteen.]

24 (o.1) "Person of Low Income." A person whose income does
25 not exceed nine thousand (\$9,000) dollars per year plus an
26 amount equal to the average annual increase in income in each
27 year after 1979 in the United States as determined and published
28 by the Federal Government. For purposes of calculating income,
29 the income of a spouse shall be included as income but shall not
30 include the income of any other person. The determination by an

1 Authority of a person of low income within this definition shall
2 be final.

3 * * *

4 Section 3. Section 10 of the act is amended by adding a
5 clause to read:

6 Section 10. Powers of an Authority.--An Authority shall
7 constitute a public body, corporate and politic, exercising
8 public powers of the Commonwealth as an agency thereof, which
9 powers shall include all powers necessary or appropriate to
10 carry out and effectuate the purpose and provisions of this act,
11 including the following powers, in addition to others herein
12 granted:

13 * * *

14 (gg) With the approval of the city or the county given
15 pursuant to section 10.1 of this act, to borrow money and issue
16 bonds (as hereinbefore defined) for the purpose of providing
17 funds for low-income housing projects and, in connection
18 therewith--(1) to purchase and hold notes or other obligations
19 secured by mortgages, deeds of trust or other security interests
20 in low-income housing; (2) to sell, assign, pledge, encumber or
21 hypothecate any notes, obligations, mortgages or other
22 agreements acquired in connection with a low-income housing
23 project; (3) to grant to any trustee, in addition to any other
24 rights or remedies provided for in this act, any rights or
25 remedies contained in such notes, obligations, mortgages or
26 other agreements; (4) to purchase, or provide for the purchase
27 of, insurance at rates approved by the Authority on any security
28 acquired, held by or granted to the Authority in connection with
29 a low-income housing project; and (5) to establish, revise,
30 charge and collect such fees and charges, including, but not

limited to, service charges, insurance premiums, commitment fees and financing fees, as the Authority determines.

Section 4. The act is amended by adding a section to read:

Section 10.1. Financing Low-income Housing; Limitation.--(a) No Authority shall issue bonds to engage in a low-income housing project until the county or the city, as the case may be, shall have approved the low-income housing project with respect to which such bonds are to be issued.

(b) Prior to issuing bonds to engage in a low-income housing project, an Authority shall solicit the participation in the low-income housing project, on such reasonable terms as may be determined by the Authority, of financial institutions with a branch in the Authority's field of operation by publishing at least one time a notice soliciting participation in such project at least thirty (30) days prior to issuing its bonds in a newspaper circulating generally in the Authority's field of operation. "Participation" as used herein means originating and selling and/or servicing loans for low-income housing projects by or for persons of low income.

Section 5. Section 17 of the act, amended May 20, 1949 (P.L.1614, No.486), is amended to read:

Section 17. Bonds of an Authority.--(a) An Authority shall have power to issue bonds for any of its corporate purposes. An Authority may issue such types of bonds as it may determine, including bonds on which the principal and interest are payable--[(a)] (1) exclusively from the income and revenues of the housing project financed with the proceeds of such bonds, or with such proceeds together with a grant from the Federal or State Government in aid of such project; [(b)] (2) exclusively from the income and revenues of certain designated housing

1 projects, whether or not they were financed, in whole or in
2 part, with the proceeds of such bonds; (3) exclusively from the
3 income and revenues, loans or deposits made in connection with
4 low-income housing projects; or [(c)] (4) from its revenues
5 generally. Any such bonds may be additionally secured by a
6 pledge of any revenues, including grants or contributions from
7 the Federal or State Government or any agency and
8 instrumentality thereof, or a mortgage of any housing project,
9 projects or other property of the Authority.

10 (b) The bonds issued by an Authority are hereby declared to
11 have all the qualities of negotiable instruments under the law
12 merchant and the negotiable instruments law of the Commonwealth
13 of Pennsylvania.

14 [If the bonds of an Authority created under the provisions of
15 this act are secured by pledge of annual contributions or
16 capital grants to be made by the United States Government, the
17 Commonwealth of Pennsylvania, or any agency or instrumentality
18 thereof, such bonds and the income therefrom shall, at all
19 times, be free from taxation for State or local purposes under
20 any law of this Commonwealth.]

21 (c) The effectuation of the authorized purposes of
22 Authorities created under this act shall and will in all
23 respects be for the benefit of the people of the Commonwealth of
24 Pennsylvania, for the increase of their commerce and prosperity
25 and for the improvement of their health and living conditions.
26 In effectuating such public purposes, such Authorities will be
27 performing essential governmental functions. The bonds issued by
28 any such Authority, their transfer and the income derived
29 therefrom, including any profits made on the sale thereof, shall
30 at all times be free from taxation within the Commonwealth of

1 Pennsylvania.

2 (d) Neither the members of the Authority nor any person
3 executing the bonds shall be liable personally on any such bonds
4 by reason of the issuance thereof. Such bonds or other
5 obligations of an Authority shall not be a debt of any city,
6 county, municipal subdivision or of the Commonwealth, and shall
7 so state on their face, nor shall any city, county, municipal
8 subdivision or the Commonwealth, nor any revenues or any
9 property of any city, county, municipal subdivision or of the
10 Commonwealth be liable therefor.

11 Section 6. Section 18 of the act, amended October 5, 1967
12 (P.L.335, No.144), is amended to read:

13 Section 18. Form and Sale of Bonds.--(a) The bonds of an
14 Authority shall be authorized by its resolution, shall be issued
15 in one or more series, and shall bear such date or dates, mature
16 at such time or times, and bear interest at such rate or rates,
17 not exceeding six per centum (6%) per annum, payable
18 semiannually, be in such denominations, be in such form, either
19 coupon or registered, be executed in such manner, be payable in
20 such medium of payment, at such place or places, and be subject
21 to such terms of redemption, and carry such registration
22 privileges as may be provided in such resolution or in any trust
23 indenture or mortgage properly made in pursuance thereof.

24 (b) The bonds of an Authority may be sold at [not less than
25 par and accrued interest.] public or private sale for such price
26 or prices as the Authority may determine. The bonds shall be
27 signed by or shall bear the facsimile signature of such officers
28 as the Authority shall determine; coupon bonds shall have
29 attached thereto interest coupons bearing the facsimile
30 signature of the treasurer of the Authority; and all bonds shall

1 be authenticated by an authenticating agent, fiscal agent or
2 trustee, all as may be determined by the Authority. In case any
3 of the officers of an Authority, whose signatures appear on any
4 bonds or coupons, shall cease to be officers before the delivery
5 of such bonds, their signatures shall nevertheless be valid and
6 sufficient for all purposes the same as if such officers had
7 remained in office until such delivery.

8 (c) The Authority shall have the power, out of any funds
9 available therefor, to purchase any bonds issued by it at a
10 price not more than the par value thereof, plus accrued
11 interest: Provided, however, That bonds payable exclusively from
12 the revenues of a designated project or projects shall be
13 purchased only out of any such revenues available therefrom. All
14 bonds so purchased shall be cancelled. This paragraph shall not
15 apply to the redemption of bonds.

16 (d) Any bond reciting in substance that it has been issued
17 by an Authority to aid in financing a housing project or a low-
18 income housing project to accomplish the public purposes of this
19 act, shall be conclusively deemed in any suit, action or
20 proceeding, involving the validity or enforceability of such
21 bond or security therefor, to have been issued for such purpose.

22 Section 7. Section 19(a) and (i) of the act are amended to
23 read:

24 Section 19. Provisions of Bonds, Trust Indentures, and
25 Mortgages.--In connection with the issuance of bonds or the
26 incurring of obligations under leases, and in order to secure
27 the payment of such bonds or obligations, an Authority, in
28 addition to its other powers, shall have power--

29 (a) To pledge all or any part of its gross or net rents,
30 fees or revenues to which its right then exists, or may

1 thereafter come into existence or any security, including
2 mortgages or other security agreements, notes or other
3 obligations acquired by an Authority in connection with the
4 financing of low-income housing.

5 * * *

6 (i) To vest in a trustee or trustees or the holders of
7 bonds, or any proportion of them, the right to enforce the
8 payment of the bonds, or any covenants securing or relating to
9 the bonds; to vest in a trustee or trustees the right, in the
10 event of a default by said Authority, to take possession and
11 use, operate, and manage any housing project, or part thereof,
12 and to collect the rents and revenues arising therefrom, and to
13 dispose of such moneys in accordance with the agreement of the
14 Authority with said trustee; to provide for the powers and
15 duties of a trustee or trustees, and to limit liabilities
16 thereof; to authorize such trustee, in the event of default, to
17 sell, assign or transfer any mortgages, security agreements,
18 notes or other obligations acquired by the Authority in
19 connection with the issuance of bonds to finance low-income
20 housing; and to provide the terms and conditions upon which the
21 trustee or trustees or the holders of bonds, or any proportion
22 of them, may enforce any covenant or rights securing or relating
23 to the bonds.

24 * * *

25 Section 8. Section 22 of the act, amended October 19, 1967
26 (P.L.461, No.218), is amended to read:

27 Section 22. Aid from Federal Government.--In addition to the
28 powers conferred upon an Authority by other provisions of this
29 act, an Authority is empowered to borrow money or accept grants
30 or other financial assistance from the Federal Government for,

1 or in aid of, any housing project within its area of operation,
2 or any low-income housing project, to take over or lease or
3 manage any housing project or undertaking constructed or owned
4 by the Federal Government, and to these ends to comply with such
5 conditions, and enter into such mortgages, trust indentures,
6 leases or agreements as may be necessary, convenient or
7 desirable. It is the purpose and intent of this act to authorize
8 every Authority to do any and all things necessary or desirable
9 to secure the financial aid or cooperation of the Federal
10 Government in the undertaking, construction, maintenance or
11 operation of any housing project or any low-income housing
12 project, by such Authority: Provided, That upon completion of an
13 application of an Authority for financial assistance of the
14 Federal Government in connection with a housing project, the
15 Authority shall file with the Department of Community Affairs a
16 report describing the project, including but not limited to the
17 location and type of the project, the number of dwelling units
18 in the project, the size of the individual dwelling units
19 expressed in number of bedrooms, the number of dwelling units of
20 the various sizes, the number of dwelling units proposed for the
21 elderly, and the character of any commercial or community
22 facilities included in the project.

23 Section 9. Section 22.1. of the act, added June 5, 1947
24 (P.L.449, No.203), is amended to read:

25 Section 22.1. Aid from State or Local Government.--(a) In
26 addition to the powers conferred upon an Authority by other
27 provisions of this act, an Authority is empowered to act as
28 agent of the State, or any of its political subdivisions,
29 instrumentalities or agencies, for the public purposes set out
30 in this act.

1 **(b)** Further to effectuate the purposes and provisions of
2 this act, and in a manner requisite therefor, an Authority is
3 empowered to receive, accept or borrow any and all funds
4 appropriated, given, granted, loaned or donated to it, and to
5 receive and accept any real estate and appurtenances thereto
6 given, granted or donated to it by the State or any of its
7 political subdivisions, instrumentalities or agencies, and all
8 municipalities, political subdivisions, instrumentalities and
9 agencies of the State are authorized and empowered to give,
10 grant, lend and donate, with or without consideration, any funds
11 and/or any real estate and appurtenances thereto to any
12 Authority to effectuate the purposes and provisions of this act.

13 Section 10. Nothing contained in this act shall be deemed to
14 alter, amend or repeal the act of July 14, 1970 (P.L.485,
15 No.165), entitled "An act removing for a limited time the
16 statutory limits imposed upon interest rates and interest costs
17 to be paid on obligations issued by State and local governments,
18 authorities, agencies and instrumentalities."

19 Section 11. This act shall take effect in 60 days.