
A BILL FOR AN ACT

RELATING TO SPECIAL PURPOSE REVENUE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 39A, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 **"PART . ASSISTING NOT-FOR-PROFIT PRIVATE ORGANIZATIONS**
5 **IN THE DEVELOPMENT OF LOW AND MODERATE INCOME HOUSING**

6 **§39A- Definitions.** Whenever used in this part, unless a
7 different meaning clearly appears from the context:

8 "Department" means the department of budget and finance.

9 "Project agreement" means any agreement entered into under
10 this part by the department with a project party providing for
11 the issuance of special purpose revenue bonds to finance
12 facilities of the project party or for the project party or to
13 loan the proceeds of such bonds to assist not-for-profit private
14 organizations in the development of low and moderate income
15 housing, including without limitation on any loan agreement.

16 "Project party" means a not-for-profit private organization
17 engaged in the development of low and moderate income housing.



1 "Refinancing of outstanding obligations" or "refinancing"
2 means: the liquidation; the retirement; the provision for
3 retirement through the proceeds of bonds issued by the State of
4 any indebtedness of a project party incurred to finance or help
5 finance a lawful purpose of the project party not financed
6 pursuant to this part; or the consolidation of such indebtedness
7 with indebtedness of the State incurred by the project party
8 related to the purpose for which the indebtedness of the project
9 party was initially incurred.

10 "Special purpose revenue bonds" or "bonds" means bonds,
11 notes, or other evidence of indebtedness of the State issued
12 pursuant to this part.

13 **§39A- Department powers as to not-for-profit private**
14 **organizations in the development of low and moderate income**
15 **housing.** In addition to powers that it may now have, the
16 department shall have all powers necessary or convenient to
17 accomplish the purposes of this part. The powers of the
18 department include but are not limited to the following:

- 19 (1) Notwithstanding and without compliance with section
20 103-7, but with the approval of the governor, to:

- 1 (A) Enter into and carry out a project agreement or
2 an amendment or supplement to an existing project
3 agreement with a project party; and
- 4 (B) Enter into and carry out any agreement whereby
5 the obligation of a project party under a project
6 agreement will be unconditionally guaranteed by a
7 person other than a project party;
- 8 (2) To issue special purpose revenue bonds pursuant to and
9 in accordance with this part;
- 10 (3) To lend the proceeds of the special purpose revenue
11 bonds issued for a project to the project party for
12 use and application by the project party for the
13 acquisition, purchase, construction, reconstruction,
14 improvement, betterment, extension, or refinancing of
15 outstanding obligations related to a project;
- 16 (4) As security for the payment of the principal, premium,
17 if any, and interest of the special purpose revenue
18 bonds issued for this project, to pledge, assign,
19 hypothecate, or otherwise encumber all or any part of
20 the revenues and receipts derived or to be derived by
21 the department under the project agreement for the
22 project for which such bonds are issued; to pledge and



1 assign the interest and rights of the department under
2 the project agreement or other agreement with respect
3 to the project or the special purpose revenue bonds;
4 and to pledge and assign any bond, debenture, note, or
5 other evidence of indebtedness received by the
6 department with respect to the project; or any
7 combination of the foregoing;

8 (5) To extend or renew any project agreement or any other
9 agreement related to the project agreement; provided
10 that any such renewal or extension shall be subject to
11 the approval of the governor unless made in accordance
12 with provisions for such extension or renewal
13 contained in a project agreement or related agreement
14 theretofore approved by the governor; and

15 (6) To do any and all things necessary or convenient to
16 carry out its purposes and exercise the powers given
17 and granted in this part.

18 When the department finances or refines a project by the
19 issuance of special purpose revenue bonds as contemplated by
20 this part, the State shall not exercise the power of eminent
21 domain to acquire a project or any part of the project for lease

1 or transfer to a project party, nor shall the State operate a
2 project on behalf of a project party.

3 **§39A- Compliance with state and local law.** The issuance
4 of special purpose revenue bonds with respect to any project
5 under this part shall not relieve any project party or other
6 user of the project from the laws, ordinances, and rules of the
7 State or any of its political subdivisions, or any departments
8 or boards thereof, with respect to: the construction, operation,
9 and maintenance of projects; compliance with education or zoning
10 laws or regulations; obtaining of building permits; and
11 compliance with building codes, health codes, and other laws,
12 ordinances, or rules of a similar nature pertaining to the
13 project. Such laws shall apply to the party or another user to
14 the same extent that it would be if the costs of the project
15 were directly financed by the project party.

16 **§39A- Conditions precedent to negotiating and entering**
17 **into a project agreement.** Prior to entering into negotiations
18 with any project party, the department shall require that the
19 State be reimbursed for any costs and expenses (direct or
20 indirect) incurred by it in implementing and administering this
21 part, as determined by the department, even though a project
22 agreement may not be entered into. The department may further



1 require the deposit of moneys with it for such reimbursement.
2 The department shall return any amount of the deposit exceeding
3 the amount required to reimburse the State to the party that
4 made the deposit. The State shall not be required to pay to the
5 project party any interest or earnings on the deposit.

6 The department shall not enter into any project agreement
7 with respect to any project unless the department shall first
8 find and determine either that the project party is a
9 responsible party, whether by reason of economic assets or
10 experience in the type of enterprise to be undertaken through
11 the project, or some other reason, or that the obligations of
12 the project party under the project agreement will be
13 unconditionally guaranteed by a person who is a responsible
14 party, whether by reason of economic assets or experience in the
15 type of enterprise to be undertaken through the project, or some
16 other reason.

17 **§39A- Project agreement.** No special purpose revenue
18 bonds shall be issued unless, at the time of issuance, the
19 department shall have entered into a project agreement with
20 respect to the project for the financing or refinancing of which
21 such revenue bonds are to be issued.



1 Any project agreement entered into by the department shall
2 contain provisions unconditionally obligating the project party
3 to:

4 (1) Pay to the department during the period or term of the
5 project agreement, exclusive of any renewal or
6 extension thereof and whether or not the project is
7 used or occupied by the project party, such sum or
8 sums at such time or times and in such amount that
9 will be at least sufficient to:

10 (A) Pay the principal and interest on all special
11 purpose revenue bonds issued with respect to the
12 project as and when they become due, including
13 any premium payable upon any required redemption
14 of such bonds;

15 (B) Establish or maintain such reserve, if any, as
16 may be required by the instrument authorizing or
17 securing the special purpose revenue bonds;

18 (C) Pay all fees and expenses, including the fees and
19 expenses of the paying agents and trustees,
20 incurred in connection with such special purpose
21 revenue bonds; and

1 (D) Pay the expenses (direct or indirect) incurred by
 2 the State, as determined by the department, in
 3 administering such bonds or in carrying out the
 4 project agreement; and

5 (2) Operate, maintain, and repair the project as long as
 6 it is used in the provision of low and moderate income
 7 housing, and to pay all costs of its operation,
 8 maintenance, and repair.

9 Moneys received by the department pursuant to paragraph (1)(D)
 10 shall not be, nor be deemed to be, revenues of the project and
 11 shall be paid into the general fund of the State.

12 **§39A- Issuance of special purpose revenue bonds to**
 13 **finance projects.** In addition to the other powers that it may
 14 otherwise have, the department may issue special purpose revenue
 15 bonds to finance or refinance the costs of facilities of or for
 16 project parties or to loan the proceeds of such bonds to assist
 17 project parties. All revenue bonds issued under this part are
 18 special purpose revenue bonds, and the provisions of part III of
 19 chapter 39 shall not apply. All special purpose revenue bonds
 20 shall be issued in the name of the department and not in the
 21 name of the State.

1 In determining the cost of any project, the department may
2 also include the following: financing charges, fees, the
3 expenses of trustees, and the cost of paying agents to issue
4 special purpose revenue bonds to fund the project; interest on
5 the bonds and the expenses of the State in connection with the
6 bonds and the project to be financed or refinanced from the
7 proceeds of the bonds accruing or incurred prior to and during
8 the period of construction, not to exceed twelve months
9 thereafter; amounts necessary to establish or increase reserves
10 for the special purpose revenue bonds; the cost of plans,
11 specifications, studies, surveys, and estimates of costs and of
12 revenues; other expenses incidental to determining the
13 feasibility or practicability of the project; administration
14 expenses; the cost of interest incurred by the project party
15 with respect to the project prior to the issuance of the special
16 purpose revenue bonds; fees and expenses incurred in connection
17 with the refinancing of outstanding obligations; other costs,
18 commissions, and expenses incidental to the construction,
19 acquisition, reconstruction, renovation, rehabilitation,
20 improvement, betterment, operation, or extension of the project;
21 the financing or refinancing of the project and placing the
22 project in operation; and the issuance of the special purpose



1 revenue bonds, whether incurred prior to or after the issuance
2 of such bonds.

3 The legislature finds and determines that the exercise of
4 the powers vested in the department by this part constitutes
5 assistance to not-for-profit private organizations in the
6 development of low and moderate income housing and that the
7 issuance of special purpose revenue bonds to finance or
8 refinance facilities of or for project parties or to loan the
9 proceeds of the bonds to assist project parties is in the public
10 interest.

11 **§39A- Authorization of special purpose revenue bonds.**

12 (a) Special purpose revenue bonds for each single project or
13 multi-project program for not-for-profit private organizations
14 engaged in the development of low and moderate income housing
15 shall be authorized by a separate act of the legislature, by an
16 affirmative vote of two-thirds of the members to which each
17 house is entitled; provided that the legislature shall find that
18 the issuance of such bonds is in the public interest; provided
19 further that no authorization shall be made for a period
20 exceeding five years of its enactment. Any such special purpose
21 revenue bond authorization, or any portion of such special
22 purpose revenue bond authorization, which has not been issued at

1 the close of the fiscal year for the period for which the
2 authorization is made, shall lapse. Special purpose revenue
3 bonds issued pursuant to this part may be in one or more series
4 for a single project, multiple projects, a single-project party,
5 or multiple-project parties pursuant to the authority of one, or
6 the combined authority of more than one, separate act of the
7 legislature.

8 The State may combine into a single issue of special
9 purpose revenue bonds two or more proposed issues of special
10 purpose revenue bonds to assist not-for-profit private
11 organizations in the development of low and moderate income
12 housing, separately authorized as aforesaid, in the total amount
13 of not exceeding the aggregate of the proposed separate issues
14 of special purpose revenue bonds. The special purpose revenue
15 bonds of each issue shall be dated, shall bear interest at such
16 rate or rates, shall mature at such time or times (not to exceed
17 forty years from their date or dates), shall have such rank or
18 priority, and may be made redeemable before maturity at the
19 option of the department, at such price or prices and under such
20 terms and conditions, all as may be determined by the
21 department. The department shall determine the form of the
22 special purpose revenue bonds, including any interest coupons to



1 be attached, and the manner of execution of the special purpose
2 revenue bonds. The department shall also fix the denomination
3 or denominations of the special purpose revenue bonds and the
4 place or places of payment of principal and interest, which may
5 be at any bank or trust company within or without the State.
6 The special purpose revenue bonds may be issued in coupon or in
7 registered form, or both, as the department may determine.
8 Provisions may be made for the registration of any coupon bonds
9 as to principal alone and also as to both principal and interest
10 and for the reconversion into coupon bonds of any bonds
11 registered as to both principal and interest. The department
12 may sell special purpose revenue bonds in such manner, either at
13 public or private sale, and for such price as it may determine.

14 (b) Prior to the preparation of definitive special purpose
15 revenue bonds, the department may issue interim receipts or
16 temporary bonds, with or without coupons, exchangeable for
17 definitive bonds when such bonds have been executed and are
18 available for delivery.

19 (c) Should any bond issued under this part or any coupon
20 pertaining to such a bond become mutilated or be lost, stolen,
21 or destroyed, the department may cause a new bond or coupon of
22 like date, number, and tenor to be executed and delivered in

1 exchange and substitution for and upon the cancellation of the
2 mutilated bond or coupon, or in lieu of and in substitution for
3 the lost, stolen, or destroyed bond or coupon.

4 The new bond or coupon shall not be executed or delivered
5 until the holder of the mutilated, lost, stolen, or destroyed
6 bond or coupon has:

7 (1) Paid the reasonable expense and charges in connection
8 therewith;

9 (2) In the case of a lost, stolen, or destroyed bond or
10 coupon, filed with the department or its fiduciary
11 evidence satisfactory to the department or its
12 fiduciary that such bond or coupon was lost, stolen,
13 or destroyed and that the holder was the owner; and

14 (3) Furnished indemnity satisfactory to the department.

15 (d) In its discretion, the department may direct that

16 CUSIP identification numbers shall be printed on the bonds. In
17 the event that the numbers are imprinted on the bonds:

18 (1) No such number shall constitute a part of the contract
19 evidenced by the particular bond upon which it is
20 imprinted; and

21 (2) No liability shall attach to the department or any of
22 its officers or agents, including any fiscal agent,



1 paying agent, or registrar for the bonds, because of
2 the numbers or their use, including any use made by
3 the department or any of its officers or agents, or
4 because of any inaccuracy, error, or omission with
5 respect thereto or in such use.

6 In its discretion, the department may require that all
7 costs of obtaining and imprinting such numbers shall be paid by
8 the purchaser of such bonds.

9 For the purposes of this subsection, "CUSIP identification
10 numbers" means the numbering system adopted by the Committee for
11 Uniform Security Identification Procedures formed by the
12 Securities Industry Association.

13 **§39A- Special purpose revenue bond anticipation notes.**

14 Whenever the department shall have authorized the issuance of
15 special purpose revenue bonds under this part, special purpose
16 revenue bond anticipation notes of the department may be issued
17 in anticipation of the issuance of the bonds and of the receipt
18 of the proceeds of sale thereof, for the purpose for which the
19 bonds have been authorized. All special purpose revenue bond
20 anticipation notes shall be authorized by the department, and
21 the maximum principal amount of the notes shall not exceed the
22 authorized principal amount of the bonds. The notes shall be



1 payable solely from and secured solely by the proceeds of the
2 sale of the special purpose revenue bonds in anticipation of
3 which the notes are issued and the revenues from which would be
4 payable and by which the bonds would be secured; provided that
5 to the extent that the principal of the notes shall be paid from
6 moneys other than the proceeds of sale of the bonds, the maximum
7 amount of bonds in anticipation of which the notes are issued
8 that has been authorized shall be reduced by the amount of notes
9 paid in such manner. The authorization, issuance, and details
10 of the notes shall be governed by the provision of this part
11 with respect to special purpose revenue bonds insofar as the
12 same may apply; provided that each note, together with all
13 renewals and extensions of the note, or refundings of the note
14 by other notes issued under this section, shall mature within
15 five years from the date of the original note.

16 **§39A- Powers with respect to and security for special**
17 **purpose revenue bonds.** To secure the payment of any of the
18 special purpose revenue bonds issued pursuant to this part,
19 including interest on the bonds, or in connection with the
20 bonds, the department shall have the power to:

21 (1) Pledge all or any part of the revenues derived by the
22 department from the project agreement to the punctual



1 payment of special purpose revenue bonds issued with
2 respect to the project financed or refinanced from
3 bond proceeds, including interest on the bonds, and to
4 covenant against pledging any such revenues or
5 receipts to any other bonds or any other obligations
6 of the department for any other purpose, except as
7 otherwise stated in the law providing for the issuance
8 of additional special purpose revenue bonds to be
9 equally and ratably secured by a lien upon such
10 revenues;

11 (2) Pledge and assign the interest of the department under
12 the project agreement and other related agreements and
13 the rights, duties, and obligations of the department
14 thereunder, including the right to receive revenues;

15 (3) Covenant as to the use and disposition of the proceeds
16 from the sale of the bonds;

17 (4) Covenant to set aside or pay over reserves and sinking
18 funds for the bonds and as to the disposition thereof;

19 (5) Covenant and prescribe as to what occurrences shall
20 constitute "events of default" and the terms and
21 conditions upon which any or all of the bonds shall
22 become or may be declared due before maturity and as

1 to the terms and conditions upon which such
2 declaration and its consequences may be waived;

3 (6) Covenant as to the rights, liabilities, powers, and
4 duties arising upon the breach by the department of
5 any covenant, condition, or obligation;

6 (7) Designate a national or state bank or trust company
7 within or without the State, incorporated in the
8 United States, to serve as trustee for the holders of
9 the special purpose revenue bonds and to enter into a
10 trust indenture or trust agreement or indenture of
11 mortgage with the trustee. The trustee may be
12 authorized by the department to receive and receipt
13 for, hold, and administer the proceeds of the special
14 purpose revenue bonds issued for the project and to
15 apply the proceeds to the purposes for which the bonds
16 are issued, or to receive and receipt for, hold, and
17 administer the revenues derived by the department
18 under the project agreement and to apply the revenues
19 to the payment of the principal and interest on the
20 bonds, or both, and any excess revenues to the payment
21 of expenses incurred by the State in administering the
22 bonds or in carrying out the project agreement. If a



1 trustee is appointed, any trust indenture or trust
2 agreement or indenture of mortgage entered into by the
3 department with the trustee may contain whatever
4 covenants and provisions as may be necessary,
5 convenient, or desirable to secure the bonds. The
6 department may pledge and assign to the trustee the
7 interest of the department under the project agreement
8 and other related agreements as well as the rights,
9 duties, and obligations of the department thereunder.
10 The department may appoint the trustee to serve as
11 fiscal agent for the payment of the principal and
12 interest and for the purchase, registration, transfer,
13 exchange, and redemption of the special purpose
14 revenue bonds. The department may also authorize and
15 empower the trustee to perform such functions with
16 respect to payment, purchase, registration, transfer,
17 exchange, and redemption as the department may deem
18 necessary, advisable, or expedient, including without
19 limitation the holding of the special purpose revenue
20 bonds and coupons that have been paid and the
21 supervision of the destruction of the bonds and
22 coupons in accordance with law;



1 (8) Execute all instruments necessary or convenient in the
 2 exercise of the powers herein granted or in the
 3 performance of its covenants and duties; and

4 (9) Make such covenants and perform any acts as may be
 5 necessary, convenient, or desirable to secure the
 6 bonds, although such covenants, acts, or items may not
 7 be enumerated here.

8 The department shall have the power to do all things in the
 9 issuance of the bonds and for their security that are consistent
 10 with the Constitution of the State of Hawaii.

11 **§39A- Security for special purpose revenue bonds.**

12 Special purpose revenue bonds shall be payable solely from the
 13 revenues derived by the department from payments made to the
 14 department under the project agreement, project agreements, or
 15 other supplemental agreements entered into with respect to the
 16 project or projects for the financing of which the special
 17 purpose revenue bonds were issued. The special purpose revenue
 18 bonds shall be secured solely by such revenues and by the
 19 pledges and assignments authorized by this part. Subject to the
 20 prior and superior rights of outstanding bonds, claims,
 21 obligations, or mechanic's and materialman's liens, all special
 22 purpose revenue bonds of the same issue shall have a prior and

1 paramount lien on the revenue derived from the project agreement
2 or agreements with respect to the project or projects for which
3 the bonds were issued. The lien shall be over and ahead of all
4 special purpose revenue bonds of any issue payable from the
5 revenues that may be subsequently issued and over and ahead of
6 any claims or obligations of any nature against the revenues
7 subsequently arising or subsequently incurred; provided that the
8 right and privilege may be reserved by the department in the
9 trust indenture securing an issue of special purpose revenue
10 bonds to issue subsequently additional special purpose revenue
11 bonds, subject to legislative authorization of the issue as
12 provided in section 39A- . The department may also permit the
13 project party or another party on its behalf to incur debt, from
14 time to time, payable from the revenues derived from the project
15 agreement on a parity with the first issue of the special
16 purpose revenue bonds. Any subsequent issue of special purpose
17 revenue bonds and other debt issued or incurred in accordance
18 with the provisions of the trust indenture shall be secured
19 equally and ratably with the first issue of the special purpose
20 revenue bond by a lien on the revenues in accordance with this
21 part and without priority based on the date of sale, date of
22 execution, or date of delivery.



1 Notwithstanding any other provisions herein, all or part of
2 the property constituting the project and all interest of the
3 project party in the project and the revenues of the project
4 party therefrom may be subjected to the present and future lien
5 of any mortgage of the project party securing the project
6 party's bonds. The rights of the department and any trustee for
7 the holders of the special purpose revenue bonds and the holders
8 of the special purpose revenue bonds in the project and the
9 revenues therefrom may be made subject to the prior lien of the
10 project party's mortgage.

11 **§39A- Special purpose revenue bonds not a general**
12 **obligation of the State.** No holder or holders of any special
13 purpose revenue bonds issued under this part shall ever have the
14 right to compel any exercise of the taxing power of the State to
15 pay such bonds or the interest on the bonds, and no moneys other
16 than the revenues pledged to such bonds shall be applied toward
17 their payment. Each special purpose revenue bond issued under
18 this part shall recite in substance that such bond, including
19 interest on the bond, is not a general obligation of the State
20 and is payable solely from the revenues pledged to the payment
21 thereof and that such bond is not secured directly or indirectly
22 by the full faith and credit of the State, by the general credit

1 of the State, or by any revenue or taxes of the State other than
2 the revenues specifically pledged thereto.

3 **§39A- Validity of special purpose revenue bonds.** The
4 special purpose revenue bonds bearing the signature or facsimile
5 signature of officers on the date of the signing of the bonds
6 shall be valid and sufficient for all purposes, notwithstanding
7 that before the delivery of and payment for the bonds, all the
8 persons whose signatures appear on the bonds shall have ceased
9 to be officers of the department. The special purpose revenue
10 bonds shall contain a recital that they are issued pursuant to
11 this part, and the recital shall be conclusive evidence of their
12 validity and of the regularity of their issuance.

13 **§39A- Use of revenues derived from project agreement.**

14 The department shall have the right to appropriate, apply, or
15 expend the revenues derived with respect to the project
16 agreement for a project for the following purposes:

- 17 (1) To pay when due all special purpose revenue bonds,
18 premium (if any), and interest on the bonds for the
19 payment of which the revenues are or have been
20 pledged, charged, or otherwise encumbered, including
21 reserves; and

1 (2) To the extent not paid by the project party to provide
2 for all expenses of administration, operation, and
3 maintenance of the project, including reserves.

4 Unless and until adequate provision has been made for the
5 foregoing purposes, the department shall not transfer the
6 revenues derived from the project agreement to the general fund
7 of the State.

8 **§39A- Special purpose revenue bonds exempt from**
9 **taxation.** Special purpose revenue bonds and the income derived
10 from the bonds issued pursuant to this part shall be exempt from
11 all state, county, and municipal taxation, except for
12 inheritance, transfer, and estate taxes.

13 **§39A- Federal tax-exempt status.** To the extent
14 practicable, special purpose revenue bonds issued pursuant to
15 this part shall be issued to comply with requirements imposed by
16 applicable federal law providing that the interest on the
17 special purpose revenue bonds shall be excluded from gross
18 income for federal income-tax purposes (except as certain
19 minimum taxes or environmental taxes may apply). The director
20 of finance may enter into agreements, establish funds or
21 accounts, and take any action required to comply with applicable
22 federal law. Nothing in this part shall be deemed to prohibit



1 the issuance of special purpose revenue bonds, the interest on
2 which may be included in gross income for federal income-tax
3 purposes.

4 **§39A- Exemption from taxation of department property.**

5 All revenues derived by the department from any project or under
6 the project agreement pertaining to it shall be exempt from all
7 state, county, and municipal taxation. Any right, title, and
8 interest of the department in any project shall also be exempt
9 from all state, county, and municipal taxation.

10 Except as otherwise provided by law, the interest of the
11 project party or user of such project under the project
12 agreement or related agreement shall not be exempt from taxation
13 to a greater extent than it would be if the costs of the project
14 were directly financed by the project party or other user.

15 **§39A- Refunding special purpose revenue bonds.** The
16 legislature, by an act passed by an affirmative vote of two-
17 thirds of the members to which each house is entitled, may
18 authorize the issuance of refunding special purpose revenue
19 bonds for the purpose of refunding any special purpose revenue
20 bonds then outstanding and issued under this part, whether or
21 not such outstanding special purpose revenue bonds have matured
22 or are then subject to redemption.



1 The legislature is further authorized to provide, by an act
2 passed by an affirmative vote of two-thirds of the members to
3 which each house is entitled, for the issuance of a single issue
4 of special purpose revenue bonds for the combined purposes of:

- 5 (1) Financing or refinancing the cost of a project or
6 improvement or expansion of the project; and
- 7 (2) Refunding special purpose revenue bonds that shall
8 have been issued under this part and shall then be
9 outstanding, whether or not such outstanding special
10 purpose revenue bonds have matured or are then subject
11 to redemption.

12 Nothing in this section shall require or be deemed to require
13 the legislature to elect to redeem or prepay special purpose
14 revenue bonds being refunded. Moreover, nothing in this section
15 shall require or be deemed to require the legislature to elect
16 to redeem or prepay the special purpose revenue bonds being
17 refunded, which were issued in the form customarily known as
18 term bonds in accordance with any sinking fund installment
19 schedule specified in any law authorizing the issuance thereof,
20 or, in the event the department elects to redeem or prepay any
21 such bonds, to redeem or prepay as of any particular date or
22 dates. The issuance of such special purpose revenue bonds, the

1 maturities and other details regarding the bonds, the rights and
2 remedies of the bondholders, and the rights, powers, privileges,
3 duties, and obligations of the department with respect to the
4 bonds and bondholders, shall be governed by the foregoing
5 provisions of this part insofar as may be applicable.

6 **§39A- Status of special purpose revenue bonds under**
7 **Uniform Commercial Code.** Notwithstanding any of the provisions
8 of this part or any recitals in any special purpose revenue
9 bonds issued under this part, all special purpose revenue bonds
10 shall be deemed to be investment securities under the Uniform
11 Commercial Code, chapter 490, subject only to the provisions of
12 the special purpose revenue bonds pertaining to registration.

13 **§39A- Special purpose revenue bonds as legal investments**
14 **and lawful security.** The special purpose revenue bonds issued
15 pursuant to this part shall be and are declared to be legal and
16 authorized investments for banks, savings banks, trust
17 companies, savings and loan associations, insurance companies,
18 credit unions, fiduciaries, trustees, guardians, and for all
19 public funds of the State and its political corporations or
20 subdivisions. The special purpose revenue bonds shall be
21 eligible to secure the deposit of any and all public funds of
22 the State and of the counties or other political corporations or

1 subdivisions of the State. The bonds shall be lawful and
2 sufficient security for such deposits to the extent of their
3 value when accompanied by all unmatured coupons pertaining to
4 the bonds.

5 **§39A- Access to and public disclosure of financial**
6 **records of project party.** (a) Each project party with a
7 project agreement with the department shall allow the department
8 full access to its financial records. Upon the request of the
9 department for the examination of the financial records, the
10 project party shall allow the department to examine the
11 requested records within a reasonably prompt time from the date
12 of the request. If the department requests copies of the
13 records, the project party shall provide the copies.

14 (b) To provide the public with full knowledge of the use
15 of the proceeds and benefits derived from special purpose
16 revenue bonds issued under this part, the department shall
17 require each project party with a project agreement with the
18 department to make available to the public all relevant
19 financial records that pertain to the use of or savings
20 resulting from the use of special purpose revenue bonds.

21 (c) The department shall adopt rules under chapter 91 for
22 the purpose of this section.



1 **§39A- Estimate of benefits.** (a) Each project party
2 with a project agreement with the department shall estimate the
3 benefits derived from the use of the proceeds of special purpose
4 revenue bonds. The benefits estimated shall be based on a
5 comparison between the use of the proceeds of the special
6 purpose revenue bonds instead of other means of financing and
7 shall be in terms of dollars projected to be or actually saved
8 by consumers of the services of the project party. The format
9 of and method for determining the estimates shall be established
10 by the department and shall be uniform for each project party.

11 (b) To promote public understanding of the role played by
12 special purpose revenue bonds in providing less costly services
13 by a project party to the general public, the department shall
14 take appropriate steps to ensure public access to and scrutiny
15 of the estimates determined under subsection (a).

16 (c) The department shall adopt rules under chapter 91 for
17 the purposes of this section.

18 **§39A- Construction of this part.** The powers conferred
19 by this part shall be in addition and supplemental to the powers
20 conferred by any other law. Insofar as the provisions of this
21 part are inconsistent with the provisions of any other law, this
22 part shall control."



H.B. NO. 2991

1 SECTION 2. This Act shall take effect upon its approval
2 and upon ratification of a constitutional amendment authorizing
3 the State to issue special purpose revenue bonds and use the
4 proceeds from the bonds to assist not-for-profit private
5 organizations in the development of low and moderate income
6 housing.

7

INTRODUCED BY:

Calvin H. By
Michael P. Kalishina

JAN 25 2006



HB 2991

Report Title:

SPRBs; Low and Moderate Income Housing

Description:

Assists not-for-profit private organizations in the development of low and moderate income housing by authorizing the State to issue special purpose revenue bonds for their benefit. Contingent upon ratification of constitutional amendment authorizing the same.

